

# The EU-India partnership: time to go strategic?

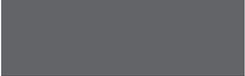
edited by Luis Peral & Vijay Sakhujia

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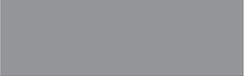
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# **The EU-India partnership: time to go strategic?**

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# Foreword

The present volume is a direct outcome of a 4-year process of close cooperation and friendship between the Indian Council of World Affairs (ICWA), a think tank of the Indian Ministry of External Affairs, and the European Union Institute for Security Studies (EUISS), the sister institution at the EU level.<sup>1</sup> In 2008, both institutions jointly launched the annual India-EU Forum on Effective Multilateralism, which has since then been organised alternately in Delhi and Brussels. This initiative has involved the active participation of some 200 ministers, ambassadors, high-level officials and parliamentarians as well as academics and experts from both sub-continent. The successive fora have facilitated an informal exchange of views on strategic issues in what might be described as a second-track diplomacy setting, and it is hoped that these discussions will pave the way towards policymakers reaching agreement at the highest level and in particular at the annual EU-India Summit.

The Forum has contributed to shaping the agenda between India and the EU and has helped deepen dialogue, with resulting reports widely disseminated among policymakers both in Delhi and Brussels. This volume, which starts with a consolidated report in the introductory chapter summarising the bilateral dialogue undertaken between the two parties during the last few years, represents the crystallisation of the initiative. It presents a selection of papers authored by Indian and European participants in the Forum as a forward-looking contribution to enhancing India-EU relations.

The EUISS-ICWA process is based on the assumption that a new paradigm needs to be explored in order to advance India-EU relations in the multilateral dimension of the Strategic Partnership,<sup>2</sup> taking due account of the role of India as a regional and global actor as well as of the EU as a fully-fledged political actor. The predominant opinion among the organisers and experts in general is, however, that no substantive upgrading of India-EU relations has yet taken place. Given that the potential of the Strategic Partnership is far from being fulfilled, a continuing discussion is needed on issues which should be explored as areas for future cooperation between India and the EU. The EU-India partnership cannot

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1. The second edition of the Forum was organised with the support of the European Commission and additional support from the Foundation for European Progressive Studies (FEPS). Its third and fourth editions incorporated the Polish Institute of International Affairs (PISM) and the Fundacion para las Relaciones Internacionales y el Dialogo Exterior (FRIDE), respectively, as co-organisers.

2. For a brief account of the history of EU-India relations and the adoption of the Strategic Partnership and Joint Action Plan, please refer to the background section in the chapter by Gulshan Sachdeva in this volume (pp. 39-41).

at the current point in time be defined as *strategic* despite being officially designated as such, hence the provocative title of this volume which does not reflect frustration but rather an aspiration to deepening and furthering cooperation between the two actors.

*Luis Peral and Vijay Sakhuja*

*Paris/New Delhi, September 2012*

# Introduction: setting the EU-India partnership in motion

Luis Peral

How can India and the EU expand their relationship from its current economic dimension to a broader, security-based dimension? Why is this not happening in spite of expressed willingness and the potential prospects in terms of democratic performance and complementarities? Is there a lack of frank dialogue on sensitive areas, or is there a more general lack of mutual understanding? How long does it take for entrenched perceptions to change? What are the relevant synergies still to be identified that could trigger more cooperation across the board? Should experts and policymakers concentrate on traditional security threats, or is it better to initiate and pursue cooperation on non-traditional ones? Should India and the EU emphasise bilateral or multilateral forms of engagement?

It is necessary to provide answers to these questions in order to understand why the EU-India partnership is not yet strategic and then find ways to challenge a relative stalemate in the relationship between the two parties. Even if the Free Trade Agreement (FTA) becomes an essential building block of the partnership in the near future – which appears less likely now than was the case just a couple of years ago – the development of an effective strategic partnership cannot be made conditional on the successful negotiation of the FTA. At the multilateral level, meaningful coordination and action can and should be undertaken in three main areas in order to set the strategic partnership in motion: (i) India and the EU's contribution to international governance with emphasis on economic governance; (ii) the dynamics of regional cooperation frameworks and the prospects for inter-regional cooperation beyond trade; and (iii) the main global security issues, particularly peacekeeping and peace-building.

Since the India-EU Forum on Effective Multilateralism has consistently analysed how those areas can be incorporated into the partnership, the editors of this volume considered that it would be useful to provide an account of the discussions held and the recommendations made during past editions of the Forum in the form of a *consolidated report*. The potential of the EU-India partnership to become truly strategic ultimately depends on the implementation of some of the ideas and proposals outlined below, which have been put forward in Delhi and Brussels by enthusiastic and thoughtful experts and

policymakers. The Forum allows for a more technical and informed discussion than the one taking place at the official level, which is a necessary condition for devising and implementing common action in areas of common interest – but of course a second-track dialogue is not a sufficient foundation upon which to launch a fully-fledged strategic partnership.

### **Common ground as a basis for common action: obstacles remain**

Both India and the EU belong to a multilateral order founded on the projection of democratic principles. Both have traditionally contributed substantially in areas such as peace-keeping under the UN flag, and are now facing new threats such as terrorism, piracy and cyber attacks, not to mention well-established threats associated with fragile states or climate change. India is now launching its own foreign aid agency, which opens new avenues for exchanging views and lessons learned. Africa has always been one of the focal points of EU external action, and it is now seen as India's main area of expansion beyond its own region. When it comes to regional cooperation, the fact that the South Asian Association for Regional Cooperation (SAARC) has been incapable of translating rhetoric into action also offers possibilities for grounding cooperation between the two actors, since the EU can provide the necessary know-how, even if the European integration process is currently under strain.

India and the EU can be considered 'natural' partners in international relations, but are often driven by divergent geopolitical considerations and regional interests. Both India and the EU build their foreign policies on the basis of the aspirations of citizens, which gives legitimacy to their foreign policies but also entails a series of constraints. They are both especially keen on their respective privileged – if not always simple – relations with the US, a fact which also poses certain unintended difficulties for building bilateral relations between the two. Although the EU is generally considered by India a successful model of economic and political integration, it has been viewed in certain cases through the prism of NATO and thus sometimes seen as interventionist. This is problematic even for basic maritime cooperation in the Indian Ocean, but no effective alternatives are offered by India when it comes to implementing the Responsibility to Protect (R2P). Some other issues and misperceptions are directly connected to each other's international goals and positions, from India's claim to a permanent seat in the UN Security Council (the EU's lack of internal consensus on the matter does not help) to the EU requesting more concrete commitment to multilateralism from India (whose enormous poverty challenge should be seen as a constraint despite its obvious economic success).

India is considered by the EU Member States as an emerging global actor, yet it has been a recipient of aid until very recently. The partial rejection of European development aid by India – it is still welcome in the area of trade liberalisation, energy and the environment – will have a positive impact on external perceptions of India's capacity to perform internationally, which should in turn enable the partners to build a balanced relationship which takes full account of the interests of both sides. Some analysts are in fact calling for a new type of cooperation: business with emerging India, which is recognised as a middle-income country. Yet trade or the transfer of technology can be seen only as the foundations and not as a goal of the partnership.

The context in which this relationship is developing has also changed dramatically in the last ten years, since the rise of new global actors, including India, has given shape to a multipolar world and also triggered new tensions. This should of course be reflected in India-EU relations, but should not serve the purpose of power politics; i.e. no paradigm can be successfully built between the two countries with the aim of counterbalancing the power of others such as China. The financial and economic crisis has confirmed the relative decline of the West, while emerging economies are displaying a spectacular dynamism, including in the case of India achieving greater internal economic cohesion, as signalled by Indian Forum participants. In this context, India is becoming more self-confident, while the EU has become more inward-looking as it concentrates on trying to solve internal financial tensions. Also as a consequence of the different impact of the crisis as they have experienced it, India and other new global actors will be called on to exercise greater responsibility towards the world order.

The current financial and economic crisis afflicting the EU may paradoxically offer opportunities for a better understanding. There is perhaps a chance that both India and the EU can build on their respective weaknesses. There has been discussion in the EU recently about how the BRICS countries might help the EU out of the economic crisis beyond the support package they offered through the IMF; some analysts are already warning that Europe's commitment to multilateralism and multiculturalism, and even to human rights and democracy worldwide, is weakening in the midst of the crisis. India, for its part, is effectively rising, but certain basic values such as democracy or human rights are perceived as too vague and abstract by the immense majority of its citizens as they struggle for survival. From Brussels, India may seem at times unconcerned about deepening its relations with the EU, but it may well be that it is not interested in a more 'introspective' EU.

In this context, both entities are experiencing a radical and parallel – but of course different – transformation of their foreign policies: the EU, regarding its need to fulfil the

requirements of the Lisbon Treaty in the midst of a deepening crisis, and India regarding its increasingly prominent role in the world while facing acute internal challenges. They could however reinforce one another by making their Strategic Partnership worthy of its name. The main obstacle may indeed be ‘ontological’, since neither India nor the EU seem to be, at the end of the day, fully-fledged ‘strategic’ international actors themselves; but they may well at some point realise that they need to work more closely together so as to address their respective internal problems more effectively, even if it entails redefining themselves as genuine strategic actors.

### **Proposals for enhancing cooperation at the bilateral and multilateral level**

#### *Trade and economy: bilateral exchanges and cooperation on the global stage*

India and the EU often follow different paths with regard to trade and the financial and economic order more generally. Trade between the two has been growing consistently – with the exception of a small dip in 2009-10 due to the economic crisis. However, India’s trade with other countries, particularly China and countries in the South Asian region, has been growing more quickly. India’s aim is to double its percentage in the share of global merchandise trade within the next five years. Concerning Foreign Direct Investment (FDI) in India, 40 percent of it comes from the EU. There is a marked concentration of FDI in two different senses: 70 percent of EU companies operate in Delhi, Mumbai and its surrounding areas, while 80 percent of EU companies are from 8 Member States.

There are important pending issues between India and the EU in this field, mainly affecting negotiations towards the Free Trade Agreement (FTA), particularly the allocation of benefits of the tariff reform, and data-sharing. Progress in addressing them has been slow, especially given the India-EU confrontations during the WTO negotiations. Indian experts now fear that the crisis in the eurozone jeopardises the prospects of the FTA being successfully concluded.

#### *Issues of multilateral relevance to be explored bilaterally:*

- At the multilateral level, there is scope for cooperation between India and the EU within the G-20, especially considering that key decisions are taken by the US and China. Issues of potential cooperation between the EU and India within the G-20 agenda include food and agriculture, particularly food supply chains, biofuel production and the impact on food substitution, technology transfer and best practices on the use of water.

- Through this connection, but going beyond the G-20, there is scope to create a framework that allows for sustainable economic growth based on an educated labour force, access to education and access to resources, particularly electricity.
- Cooperation between India and the EU could focus on Africa in order to establish a sort of trilateral cooperation scheme taking into account the ‘proximity effect’. Apart from obvious areas of cooperation, the population factor, and in particular Africa’s demographic boom, should be explored, as Africa will overtake China and India in terms of labour force – India’s experience in migration is useful for Africa and thus for the EU.

### *Democracy and diversity: mutual learning but different foreign policy implications*

India and the EU have a shared vision on democracy and multicultural governance, but they do not necessarily share the same approach when it comes to promoting these views worldwide. Democratisation is, however, a trend in the international community – most recently observed in Burma/Myanmar with relevant diplomatic support from India – and both India and the EU welcome this evolution. Both have indeed contributed to it as models of composite democratic entities that have been able to reconcile unity and diversity.

Facing new and enduring challenges is common to all democracies. For instance, there is often a growing disconnect between citizens and political elites due to the increasing difficulties of governments to deliver, but also due to a lack of internal democracy in political parties. There are also setbacks, especially in Europe these days, regarding the evolution of multicultural societies. In general terms, India has reconciled multiculturalism by avoiding radical religious practices, showing that multicultural societies help overcome intolerance in spite of occasional riots and disturbances. The EU has developed policies and models that have proven effective in achieving a certain redistribution of wealth and preserving a social welfare state, even though the present crisis represents a serious challenge to internal cohesion and inclusiveness.

At a more technical level, there are possibilities for exchanging experiences that help improve democracy. As an example, India is in the process of establishing a biometric identification system (the UID system) to help fight against identity fraud, which will allow for monitoring all welfare programmes and provide all citizens with an identity number – a system already in place across the European Union. These systems are crucial in enhancing the mobility of migrants, as well as in facilitating a number of measures against

fraud, illegal immigration and terrorism. Also, and perhaps most importantly, this kind of identification system yields statistics on the needs of the population, although not without controversy regarding the caste census.

*Issues of multilateral relevance to be explored bilaterally:*

- Recent developments in the southern Mediterranean and the Gulf offer an extraordinary opportunity for India and the EU to work together, in spite of fundamental disagreements on how the intervention in Libya has been implemented by NATO (but not on the need to apply the principle of R2P) and other issues on the table at the UN Security Council, such as action against the Syrian regime or the status of Palestine. India's democracy is seen as a model in Egypt, where its challenges are not entirely different to those India faced when drafting its own constitution. The EU can also provide support and expertise for Arab countries to facilitate their transition towards democracy.

### *Counter-terrorism*

India and the EU are committed to enhance counter-terrorism cooperation, as formulated in the 2005 Joint Action Plan, the 2009 Summit Declaration, and particularly the Joint Declaration on International Terrorism of 10 December 2010. EU representatives are of the view that EU-India cooperation against terrorism would be a constructive addition to India's bilateral dialogues and agreements with Member States, which still have 'primary responsibility' for internal security under the Treaty of Lisbon. A set of cooperation measures on counter-terrorism have been proposed by the EU to the Indian Government, including institutionalised cooperation between Europol and corresponding Indian bodies such as the Central Bureau of Investigation (CBI), the National Investigation Agency (NIA), and cooperation on issues such as cyber security, transport security, the handling of explosives and screening of open sources. A security roadmap has been agreed which should reinforce cooperation as from 2012 on three issues: counter-terrorism, cyber security and anti-piracy. For the EU, a comprehensive approach in dealing with terrorism means not just consequence management and tools to fight terrorism but primarily prevention mechanisms. The EU also believes in judicial solutions, so that not only Ministries of the Interior should be involved in counter-terror cooperation but also Ministries of Justice. Bilateral counter-terrorism cooperation emphasising the rule of law may indeed have a global impact. It will strengthen those tools which are adequate to prevent and punish terrorist activities and contribute to putting an end to the militarisation of international responses to terrorism. Moreover, a bilateral alliance of India and the EU along these lines would

qualitatively transform what is currently a rather timid and unsatisfactory cooperation between India and certain EU Member States on this issue.

A bilateral framework for countering terrorism would also favour consistent joint work at the UN level with a view to advancing the Global Counter-Terrorism Strategy adopted in 2006. In particular, India and the EU should work together on the completion of the draft comprehensive convention on international terrorism, showing commitment to an international order based on legal rules and the conviction that the solution to terrorism lies in a well-functioning domestic and international judicial system. Moreover, this particular line of cooperation could extend to other crimes established in international treaties such as piracy or human trafficking, which (particularly in the case of piracy) is connected to operations that both India and the EU have embarked upon.

*Issues of multilateral relevance to be explored bilaterally:*

- India and the EU are committed to an internationally functioning legal system which particularly seeks to defy terrorist threats and bring the authors of terrorist attacks to justice. Reflecting this common conviction, cooperation on police, particularly intelligence, and judicial action, should be effectively pursued both bilaterally and multilaterally: is it not time to find ways of guaranteeing cooperation despite the fact that there is no precise definition of the concept of terrorism, which is only problematic in a very limited number of cases and should in any case be subject to judicial interpretation? A Mutual Legal Assistance Treaty would be a good avenue to explore.
- Success in countering terrorism and organised crime cannot be achieved today without effective international cooperation. This is also true as regards international peacekeeping and peace-building operations in countries where no functioning judiciary is in place. It makes little sense to contribute peacekeepers and other assets to international operations that are not effective precisely because of lack of cooperation in this area: should not India and the EU start discussing how to guarantee punishment of suspected criminals captured in the framework of those operations?

*Central Asia and particularly Afghanistan: a need for new approaches in view of uncertain transition*

The future of EU-India cooperation should be seen in a wider geographical context, starting with Central Asia, including for instance Iran. But the test is still Afghanistan, where there are good reasons for the EU and India to work together on the civilian dimension of crisis management. The EU is interested, or so it maintains, in coordinating its assist-

ance with India, which is the most important donor in the region – if only to be more ‘visible’ in the midst of a predominantly military operation. India is concerned about the post-withdrawal phase in Afghanistan, taking into account weak governance and increasing insurgencies. At the EU level, however, there is a certain fatigue regarding Afghanistan, which is connected to the overwhelming – but perhaps ill-conceived – military efforts that EU Member States have undertaken over the last decade.

The EU’s contribution to Afghanistan is mainly economic development linked to governance, security sector reform, police and the rule of law and judicial reform and regional cooperation, while Member States are acting under ISAF or unilaterally rather than in a coordinated manner. Due to the uncertainty of the transition, the idea is to focus even more on the civilian aspects of reconstruction and peace-building as a means to manage the transition from a military to a civilian administration. Since Afghanistan will never accept an imposed system of governance, the international community can only strengthen local leadership. Both India and the EU institutions have similar non-military approaches in their respective action in Afghanistan. India is perhaps the only donor country that has put the policy of so-called *Afghanisation*, which is generally ignored in Brussels, into practice by letting Afghans manage projects funded by India (from infrastructure to agriculture and small-scale industries) and concentrating efforts on capacity building of Afghan civil servants and students. More recently, India has contributed to the training of the Afghan National Army. The EU, for its part, adopted an Action Plan on Afghanistan and Pakistan only in 2009, which endorses the civilian-led approach and the principle of local ownership.

Even acknowledging that any sustainable solution needs to be substantially local, India can play a role as a provider of regional security and is keen to prevent radicalisation from threatening regional stability. A regional solution may allow Afghanistan to become a ‘hub’ for the continent, with good prospects for political and economic stability, but there are a range of obstacles, including how to manage to get Iran, crucial for success in this regard, and the US to sit at the same table. India’s traditional position that Pakistan is in fact funding terrorists that could destabilise her territory further complicates the prospects of a regional solution. On the other hand, India is making a concerted effort towards easing and ultimately resolving the conflict in Kashmir, which is said to be among the main causes of the Taliban-related conflict not being solved. The implementation of the Transit and Trade Agreement between Afghanistan and Pakistan, which allows Afghanistan to transport its goods to India through Pakistani territory, and its extension to Central Asia and eventually to India, together with strengthened bilateral trade schemes between India and Pakistan, will indeed help this process, even if prevailing instability in Afghanistan and Pakistan undermine prospects for regional trade.

### *Issues of multilateral relevance to be explored bilaterally:*

- A decade of militarily-led action has fuelled radicalisation in Afghanistan and certain areas of Pakistan, while not helping to diminish the terrorist threat. Today, terrorists seem to be better connected among themselves, better equipped, and – what is most worrying – they can easily find recruits who, unlike in the past, are willing to blow themselves up and sow terror for the sake of an ideology. It thus seems urgent to find alternative strategies in line with those pursued by India and the EU.
- India, which is playing a major role in Afghanistan by itself, could work alongside the EU on strengthening the political aspects of cooperation, including training civil servants and the establishment of a joint curriculum.
- Exploiting mineral resources in a way that directly and substantially benefits Afghan populations would appear to be an area that allows for regional cooperation – also considering that China is already investing heavily in this area – and in which the EU may be associated. Progress in the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, which of course remains dependent on the situation in Afghanistan, also offers potential scope for cooperation.

### *Maritime cooperation and counter-piracy: the case of the Indian Ocean*

The Indian Ocean, and particularly the Gulf of Aden, is crucial in terms of energy routes and, thus, control of the most relevant sea lanes of communication. Sea-based commerce is central to both the economies in India and in Europe, yet there are associated threats such as drugs and arms smuggling, and cooperation is extremely difficult to achieve precisely for those reasons. The magnitude of the challenge is huge, as piracy attacks continue to increase despite most internationally relevant states being present in the area, not just for the sake of efficiency – which would entail greater coordination – but mainly for reasons of prestige and reputation. But other powerful non-state actors are intervening as well: banks, migrants and even money launderers.

The interest of both India – for obvious reasons – and the EU (90 percent of whose external trade is seaborne) is paramount, as reflected in the launching of operation *Atalanta* (EU NAVFOR Somalia) and the deployment of Indian warships in the area since the end of 2008. However, officially declared cooperation under the Shared Awareness and Deconfliction (SHADE) programme does not entail substantial cooperation between the two, not even in information sharing, although there is at least dialogue.

### *Issues of multilateral relevance to be explored bilaterally:*

- Since it is easier to capture pirates than to prosecute them, India and the EU have a legitimate interest in the development of schemes that allow for the latter, both at the regional and the international level.
- Interoperability and maritime multilateralism could be developed for the benefit of both, particularly taking into account that the Indian Navy is the third largest in Asia after China and Japan. As a complement, space cooperation should be explored in connection to maritime security.
- Policing the waters is only attacking the consequences: there is a need to tackle the root causes of the situation in Somalia. The EU is a major development partner in Somalia and has trained Somali soldiers in counter-terrorism in Uganda (EUTM Somalia). It is soon to launch a civilian mission to strengthen maritime capacities in the region (Regional Maritime Capacity Building - RMCB).

### *Broadening security: traditional and non-traditional areas for cooperation*

According to some experts, non-traditional security remains the area where it will be easier to negotiate differences between India and the EU. The expansion of the concept of security, which should not lead to a securitisation of new areas of cooperation, is in fact population-centric and thus reflects the views of democratic states. The line between traditional and non-traditional security is however becoming a bit blurred, which entails a risk of looking at social and economic problems through security lenses. It is probably wiser to adopt a holistic view of foreign policy, which incorporates security and allows for a perspective based on a balance of interest rather than on a traditional balance of power. Even if India and the EU do not seem to be fully prepared to make joint proposals for structural reforms of the international order, they should at least be able to launch common initiatives in key areas in order to give content to the partnership.

### *Issues of multilateral relevance to be explored bilaterally:*

- All major challenges that the international community is facing today are deeply interconnected. Human development is to a great extent dependent on access to energy, whereas prevention of climate change calls for natural gas substituting coal, which in turn requires the completion of projected pipelines and thus has traditional 'geopolitical' implications. India and the EU can develop an expert framework for jointly analysing the implications and interconnections of these problems. As one of the most acute challenges in this context, access to water is also a major ecological problem,

and may become a regional security problem in the relations of India with its neighbours, which indeed demands cooperation. Among the 'new' geographical areas of common interest which are particularly important from this perspective, the Arctic and Tibet merit special consideration.

- Taking into account the results of the Copenhagen and Cancun conferences on climate change, India and the EU are bound to lead by example in cooperating in the field of clean technologies and clean energy, where a huge business potential has been identified. There are some preliminary positive prospects of developing clean energy sources on both sides, although they are insufficient to meet the imperative global challenge of bringing about a *green economy*. The debate should not perhaps be focused on who is doing more but on how both can do better by increasing cooperation. A discussion on equitable burden sharing that takes into account standards of consumption in India and the EU seems to be the necessary starting point. The fact that the final consensus in Copenhagen did not satisfy the expectations of the EU in particular should not affect the paramount need to help those countries which are hard pushed to devote resources to clean technologies. India and the EU represent asymmetric positions in this sense: should they not try to articulate development needs and action to prevent climate change in a way that could facilitate a global consensus? Similarly, India and the EU could join forces in order to make proposals on a fair international regime to deal with the technology gap.
- India and the EU should jointly reflect on major problems of multilateralism and global governance, particularly in relation to the ones outlined by Prime Minister Singh in his speech to the UN General Assembly in September 2011, namely the revision of the Bretton Woods institutions and issues linked to the deficit in global governance, including the need to reform the UNSC. As regards the latter, intra-EU tensions further complicate the process of reaching a consensus with third countries on the expansion of UNSC membership, while India is of the firm view that she is eminently qualified to hold a permanent seat at the Security Council, and seeks explicit support from the EU. New seats will not however necessarily guarantee the increased efficiency of the Security Council. Even if enlargement seems to be the necessary starting point, India and the EU should also start discussing other aspects which may be crucial for broader systemic reform – i.e. they can jointly promote essential non-structural reforms as regards decision-making processes and implementation of Security Council decisions on peacekeeping, including on how to modify the UN chain of command so that it reflects troop contributions. And, more broadly, how can the EU and India contribute to a global reflection on the need to transform the traditional tools deployed by the UN for responding to crisis situations?

- Crisis response under the UN mandates may constitute the best context for useful cooperation between India and the EU. The fact that both India and the EU are deployed in the Gulf of Aden provides a specific opportunity for institutionalising closer cooperation. Closer engagement in disaster management may even entail sharing means and resources, since bilateral cooperation must have in this case a concrete operational dimension, including a bottom-up and a top-down approach. The question of incorporating Indian personnel in CSDP operations would need further discussion and consideration, although the time is ripe according to high-level officials to discuss a framework for joint action. A frank and open dialogue on practical arrangements regarding eventual bilateral peacekeeping/crisis management operations under UNSC mandate is the obvious starting point. Eventual cooperation in this sense would have an extraordinary impact, but it is difficult to initiate. Modest initiatives may help remove political obstacles to wider cooperation. Cooperation on training of future peacekeepers – which India is championing – or the establishment of a consolidated system of information sharing in this field are among the most feasible options.
- Regarding responses to natural disasters abroad, both the EU and India have accumulated experiences which are rather diverse in the case of the former but quite intense in the case of the latter – regarding for instance the tsunami in 2004. There are quite a few difficulties in this field when it comes to coordinating international responses, Haiti being a recent example; and debates such as that on the role of the army (with Pakistan as a case in point) are still open: should not both parties undertake a lessons-learned exercise and try to harmonise approaches on how to mitigate and respond to natural disasters bilaterally and at the global level? Going one step further, socio-economic development has been recently considered by the Security Council to be a prerequisite for stability and international peace; this entails establishing a closer connection between peace-building activities and development aid. India's general approach is formally respectful towards local ownership, while the EU is more 'interventionist' *vis-à-vis* local authorities: would it not be possible for both parties to explore a middle-ground approach that could encompass the merits of their respective perspectives? Among the potential concrete issues on which experiences can be exchanged, close attention should be given to ways in which local civil society might be involved in designing and implementing foreign-funded projects.

### Where to start?

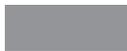
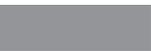
The time is thus ripe for India and the EU to start working together for the preservation of global public goods even as they continue to reinforce their strong bilateral ties. Such cooperation is imperative if Indian and European citizens are to maintain a good stand-

ard of living and enjoy it as such in a sustainable manner. The crucial test for Europe and India is to develop the multilateral dimension of the Strategic Partnership they have agreed upon, which already contains the basic principles for action. A new paradigm will not emerge by just invoking common interests and values. It is now time to launch common initiatives, which may be initially modest, in order to unleash the potential of a closer alliance between India and the EU in advancing effective multilateralism. India-EU relations will not become comprehensive and multidimensional without advance commitment and planning.

A mutual recognition by India and the EU of their respective roles as global players can only be achieved in parallel with concerted international action on some of the above-mentioned issues. No disadvantages were identified during the different rounds of discussions at the Forum: such a process can only be beneficial to both sides and, by extension, to the world community. But why are results meagre beyond the domain of bilateral trade? There is no easy answer to that question, but two unrelated areas of action merit specific reflection, the first entailing human interconnections in a broad sense and the second referring to specific technical measures to facilitate decision-making:

- Considering that the lack of mutual knowledge between India and the EU has been seldom identified as the main obstacle to undertaking concerted action, measures to facilitate and promote interaction between Indian and European societies should be enacted. Education and training for high-skill jobs is a promising field for cooperation, also considering efforts carried out in India designed to provide high-level and technical education to 500 million young people in the coming years. An EU-India student exchange programme equivalent to Erasmus could indeed be helpful, but it would also be expensive given the scale required. As regards the labour market, complementarities are already patent and will become one of the most pressing issues in just a few years, especially if the EU overcomes the present economic crisis, but there is yet little thinking on how to manage demographic imbalances in such a way that they became beneficial for the countries of origin and receiving countries as much as for migrants themselves. The overall challenge, on which urgent reflection and action is needed, is how to facilitate migration while controlling the illegal influx of people and human trafficking, as required in particular by the EU. The fact that migration policies are in the hands of Member States while measures to counter illegal migration are dealt with in Brussels does not help when it comes to discussing a comprehensive scheme. A need to study and work jointly and more consistently on the role of the Indian diaspora in EU Member States may be a good starting point for working on the human dimension of EU-India relations.

- The EU-India Summit process has not yielded results commensurate with the expectations and potential of the relationship, although it has improved visibility, particularly of the EU in India. High-level political structures may find it difficult to take technical decisions in such a formal setting, all the more so while there is as yet no fluent communication between respective advisors and administrative services. The constellation of dialogues and fora already in place throughout the year-long cycle has shown signs of fatigue in some cases, but restructuring and rationalising may be a titanic task. In order to be relevant in helping forge a common will, contributions should be of a technical nature, and should result from working groups with balanced EU-Indian representation. Although the latter has been achieved, the technical value of most outcomes is debatable. The existing structures are perhaps not small and flexible enough to go beyond a generic consensus which does not facilitate decision-making. The setting up of small technical joint working groups or the assignment of technical reports to pairs of researchers on some of the themes outlined above, from energy and the environment to maritime security, in which cooperation is possible and desirable, may help remove some of the obstacles to common action. Decision-makers do not need more general documents expressing a vague agreement on principles but specific independent technical reports on which to build political consensus.



# **Part I**

## **Deepening economic cooperation and expanding cooperation on security issues**



# The EU, India and non-traditional security: convergences and challenges

Jean-Luc Racine

## Introduction

In their revised Joint Action Plan released in 2008, the EU and India for the first time formally registered their willingness ‘to promote peace and comprehensive security’. The Plan, however, does not conceptualise ‘Non-Traditional Security’ (NTS) which is supposed to be part of comprehensive security. Nevertheless, elements of NTS are clearly present, and some of them have been part of the bilateral relationship for years. This contribution will first assess how this concept of ‘non-traditional security’ should be understood; what fluctuating limits define it and what impact such limits may have. Part II presents an evaluation of what is being done in this multifaceted field, and identifies issues raising specific challenges. Part III will examine the broader Asian and global context before defining the scope for enhancing EU-India cooperation in a field of growing relevance, but which at times generates divergent views.

## Non-traditional security: an uncertain concept, a growing relevance

In a piece written in July 2011 in the *EU External Affairs Review*, scholar Naila Maier-Knapp offered this comment on the 10<sup>th</sup> ASEM Foreign Ministers’ meeting:<sup>1</sup>

‘The latest ASEM Foreign Ministers’ Meeting entitled ‘Working Together on Non-traditional Security Challenges’ on 7 June 2011 in Gödöllő, Hungary, marked the official arrival of the concept of non-traditional security (NTS) into the EU’s rhetoric. This concept, describing unconventional threats stemming from other sources than the military, has been for a long time viewed with scepticism by EU officials, given its vagueness and its association with the cementation of state and military influence in Southeast Asia.’<sup>2</sup>

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1. Established in 1996, the Asia-Europe Meeting (ASEM) today includes the 27 EU Member States and the European Commission, Russia and 17 Asian and Pacific States. India joined ASEM in 2007.

2. Naila Maier-Knapp, ‘Europe and Asia – Working Together on Non-traditional Security Challenges’, *European External Affairs Review*, 7 July 2011. See: <http://www.eu-review.com/articles/naila-maier-knapp-europe-and-asia-working-together-on-non-traditional-security-challenges>.

The Chairs' statement, unanimously approved at this ASEM meeting on Non-Traditional Security (hereafter NTS), provides a starting point for analysing what NTS is. The document offers no comprehensive definition of NTS, but lists a number of its components: natural disasters, climate change, food and water security, energy security, the challenge of education and health as defined by the Millennium Development Goals, the need for social safety nets, social protection, inclusive growth and poverty reduction, science and technology issues, the need for a dialogue of cultures and interfaith cooperation for peace. The global financial and economic crisis is also identified, alongside terrorism, piracy and transnational organised crime, cyber-security and nuclear proliferation.<sup>3</sup> The scope is therefore extremely large: the volatility of commodity prices, for instance, has a direct impact on global food security. On the other hand, while terrorism is usually labelled as a NTS challenge, one wonders if it is not increasingly a new dimension of the restricted 'traditional' concept of security, related to open conflict and the use of force.

At the ASEM meeting of June 2011, India's External Affairs Minister S.M. Krishna gave a very limited scope to his statement and confined himself to two issues: terrorism on the one hand and 'non-state threats to maritime security', particularly piracy, on the other hand.<sup>4</sup> Is it because India believes that as ASEM is by its own definition 'an informal process of dialogue and co-operation', it is seen as long on talk and short on substance? If it were so, would India have proposed to host the 2013 ASEM Foreign Ministers Meeting? In fact, Indian leaders have for years defined what was labelled not as non-traditional security but as 'a holistic view of the foreign and security policy challenges facing the country', to quote the predecessor of S.M. Krishna, Pranab Mukherjee. In a talk delivered at the Institute for Defence Studies and Analyses in New Delhi in 2007, the then Minister of External Affairs made this point:

'If we have to succeed in the international arena and secure our vital national interests, it would be essential for us not only to have a strong defence, but also a robust economy. In fact, the two are closely interlinked. We have begun to enjoy a much greater measure of international respect due to our vibrant democracy, a dynamic economy and a strong defence capability. If India's democratic fabric is to be preserved and a high growth rate is to be achieved, we will need to meet a few pre-conditions.'

What are these preconditions? The seven items mentioned by the minister may be listed as follows:

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3. 'Working together on non-traditional security challenges': Tenth ASEM Foreign Ministers' Meeting Chairs' Statement, Gödöllő, Hungary, 6-7 June 2011. See: [http://www.aseminfoboard.org/content/documents/ASEM\\_FMM10\\_Chair's\\_Statement\\_-\\_070611FinalAdopted\\_Version\\_with\\_Annexes.pdf](http://www.aseminfoboard.org/content/documents/ASEM_FMM10_Chair's_Statement_-_070611FinalAdopted_Version_with_Annexes.pdf).

4. 'EAM's statement on non-traditional security threats at ASEM FMs meet', 6 June 2011. See: <http://www.mea.gov.in/mystart.php?id=530117714>.

- ‘The first is to ensure truly inclusive growth, so that all sections of our society enjoy the fruits of development and internal dissatisfaction is not created.
- The second is to preserve our secular ethos so as to avoid divisions in our society, which make it weak and vulnerable.
- The third is to focus on education, including higher education. If we want to make knowledge as the principal driver of India’s growth, then higher education with an intense focus on research, technology and innovation must receive high priority.
- The fourth precondition is infrastructure, not only in terms of roads, airports and the like, but also planned urban renewal and development.
- Fifth is the provision of energy to meet our rapidly growing needs. Unfortunately, we are heavily dependent on the import of hydrocarbons and this dependence is likely to continue. Without energy, sustained economic growth is impossible. To meet our growing energy requirements, a multi-pronged strategy needs to be pursued. This will include development of alternative sources, fuels and nuclear energy.
- The sixth precondition, is to ensure that we protect our environment and prepare for climate change. All our efforts to develop will come to naught, if we do not address the problem of the rapidly degrading environment.
- Finally these measures must be accompanied by a proactive and vigorous foreign policy, seeking to develop strategic partnerships with all the major powers in the world and friendly and mutually beneficial relations with our neighbours.’<sup>5</sup>

In addition to ‘the current threats like terrorism, proliferation of Weapons of Mass Destruction and conventional conflicts’, the points listed above help define ‘the critical areas of non-traditional security issues’ which offer opportunities for enhancing EU-India cooperation in the field. But they are not necessarily comprehensive. The issue of global food security and the implications of the global financial crisis should certainly be added to the list, which in a way is never closed. The Regional Centre for Strategic Studies at Colombo – whose scope covers South Asia and which has been working on NTS since 1997 – has included in its definition of NTS ‘governance in plural societies, globalization and its impact on development and security, environment and security, trans-border population

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5. External Affairs Minister Shri Pranab Mukherjee’s speech at the 42<sup>nd</sup> Foundation Day Celebrations of IDSA, New Delhi, 10 November 2007. See: <http://www.idsa.in/eamspeechd07.htm>.

movements and security, ethnicity and security'.<sup>6</sup> We should also add pandemics, after the challenges raised by SARS, AIDS, and the H5N1 virus. Indian National Security Adviser, Shiv Shankar Menon, speaking on 'New Dimensions of Security' at the IISS sponsored Shangri-La Dialogue in 2010, also mentioned 'the geopolitical consequences of the financial crisis and the economic crisis', before listing, in this order: the spread of weapons of mass destruction; terrorism (including trans-border terrorism) and piracy, energy security and stability, climate change, maritime security, security of the global commons (outer space, oceans, cyberspace, global transport and communications networks), and not forgetting, when they pose a challenge, 'the power of non-state actors'.<sup>7</sup>

A few provisional conclusions could be drawn from these remarks. First, the vagueness of the concept of non-traditional security is a problem – in a way, almost everything may fit into this category, if we endlessly expand its scope – but only up to a point. After all, we have a fairly good definition of what NTS is, provided by Mely Caballero-Anthony, the Head of the Centre for NTS Studies at the Rajaratnam School of International Studies of the NTU University, Singapore: non-traditional security threats are 'challenges to the survival and well-being of peoples and states that arise primarily out of non-military sources, such as climate change, cross-border environmental degradation and resource depletion, infectious diseases, natural disasters, irregular migration, food shortages, people smuggling, drug trafficking and other forms of transnational crime'.<sup>8</sup> One may agree with this definition or make it more precise, adding, for instance, domestic to cross-border environmental degradation and resource depletion, and including cyber security – a field drawing growing attention from the Indian Government – and conflict resolution.

Second, without the label stuck on them – whether the label is 'comprehensive security',<sup>9</sup> 'non-traditional security', 'human security'<sup>10</sup> or 'new dimensions of security' – a number of issues related to NTS have already been on the agenda of EU-India cooperation, as we shall see.

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6. See Syed Rifaat Hussain: 'Non-Traditional Security (NTS) Challenges in South Asia'. See: [www.rsis-ntsasia.org/resources/publications/policy-briefs/.../rcss.doc](http://www.rsis-ntsasia.org/resources/publications/policy-briefs/.../rcss.doc).

7. Shiv Shankar Menon: speech at the 9<sup>th</sup> IISS Asia Security Summit, Shangri-La Dialogue, Second Plenary Session: *New Dimensions of Security*, Singapore, 5 June 2010. See: <http://www.iiss.org/conferences/the-shangri-la-dialogue/shangri-la-dialogue-2010/plenary-session-speeches/second-plenary-session/shivshankar-menon/>.

8. Quoted by Saurabh Chaudhuri: 'Defining Non-traditional Security Threats', n.d. circa 2009. See: [www.globalindiafoundation.org/nontraditionalsecurity.htm](http://www.globalindiafoundation.org/nontraditionalsecurity.htm).

9. Comprehensive security is usually seen as encompassing both traditional defence security and NTS. For an Indian approach, see: Kapil Kak (ed.), *Comprehensive Security for an Emerging India* (New Delhi: Knowledge Publishers, 2010).

10. For a detailed presentation of human security issues in India, see Peter Ronald de Souza's Power-Point presentation at the first NTS Security Meeting held at the Institute of Defence and Strategic Studies of the Nanyang Technological University, Singapore, 8-9 January 2007: 'Attitudinal data on "human security" in India: Complicating the discussion on "freedom from want"'. See: <http://www.rsis-ntsasia.org/resources/publications/policy-briefs/inaugural-meeting/csds.ppt>.

Third, a number of challenges related to NTS are first and foremost to be addressed by the countries concerned themselves. Ensuring truly inclusive growth and preserving the secular ethos of India are fundamental national policy choices, which have to be implemented by the Government of India, the whole of India's polity and India's civil society. By contrast, the issue of climate change is obviously global, while energy security or water security raise issues which are partly national, partly regional (water sharing), and partly global (energy). It should be added that even national challenges leave room for international cooperation, education for all being a case in point.

## **The EU-India dialogue and cooperation on non-traditional security**

Although the EU has not yet fully theorised its NTS policy, it has addressed the issue in a number of fields in its cooperation with India. At the 2008 EU-India summit, the review of the Joint Action Plan released in 2005 starts with this comment: 'Climate change, terrorism and instability remain as much of a threat as in 2005 and new challenges have arisen. The unprecedented pressure on energy and natural resources, including food-stuffs, poses new difficulties and calls for immediate action, as well as long-term structural measures'. It then lists new activities under the following topics:

- Promoting peace and comprehensive security
- Promoting sustainable development
- Promoting research and technology
- Promoting people-to-people and cultural exchanges.

Under these headings, human rights, civil-military peace-building operations, fighting nuclear proliferation and export control, fighting terrorism, and the Millennium Development Goals are identified in chapter 1; energy, clean development and climate change are identified in chapter 2 with an emphasis on new energy sources and technology transfer, while due consideration is also paid to agricultural productivity, decent work, social protection, social cohesion, gender issues, and global employment, among other items linked to trade, regulation of financial services, transport, visas, etc. Chapter 3, focused on research and technology, lists nuclear energy and space cooperation among other issues. The title of chapter 4 speaks for itself.<sup>11</sup>

This scope is very ambitious, and goes far beyond what have long been the main areas of dialogue and cooperation: political dialogue and trade, investment and economic policy

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11. 'Global partners for global challenges: The EU-India Joint Action Plan (JAP)', EU-India Summit, Marseille, 29 September 2008. See: [http://eeas.europa.eu/india/sum09\\_08/joint\\_action\\_plan\\_2008\\_en.pdf](http://eeas.europa.eu/india/sum09_08/joint_action_plan_2008_en.pdf).

dialogue, to which a security dialogue was added in 2006. Beyond dialogues and consultations, what were the key areas of effective cooperation?

The Country Strategy Paper 2007-2013 noted: 'a major effort is still necessary if India is to meet the Millennium Development Goals'. A two-pronged approach was thus selected: (i) 'assist India in meeting the MDGs by providing budget support to the social sector', with a focus on health and education; (ii) 'implement the EU-India Partnership through an ambitious Action Plan, giving emphasis to economic sectoral dialogue, civil society and cross-cultural cooperation, academic and education exchange'.<sup>12</sup> The Mid-Term Review of the Country Strategy Paper conducted in 2010 confirmed the policy selected previously, and noted:

'The proposal is that the MIP for India for 2011-13 should focus more on priority 1 (assist India with meeting the MDGs by providing support to the social sectors) and support for the social sectors as requested by the Government of India. Priority 2 should focus on a limited number of sectors such as higher education, energy and the environment, where policy dialogue between the EU and India is in progress in the context of the JAP and which are highly relevant to achievement of the MDGs and the targets set in the 11<sup>th</sup> Five-Year Plan.'<sup>13</sup>

To sum up, a very large range of dialogues is selected, without defining non-traditional security *per se*. This is not the place to offer a comprehensive study of the dialogues initiated and the actions conducted with an impact on NTS, but we can select three examples for a closer look: the first concerns the environment, the second health, and the third terrorism.

### *EU-India cooperation on the environment and climate change*

The first objective in this field is 'to support India's efforts towards sustainable growth'. Under this framework, the EU-India Environment Forum has met once a year since 2005, with a specific topic being dealt with every year, while the India-EU Joint Working Group on Environment has met annually since 2007. The EU-India Action Plan Support Facility Programme (APSF) provides technical assistance in five priority sectors: waste, water, climate change, air pollution and chemicals. The Work Programme on Energy, Clean Development and Climate Change, adopted in 2008, supports operations dealing with energy efficiency, renewable energy, transfer of technology and water management. Sustainable habitat and climate change adaptation are also addressed, as the EU cooperates with New Delhi on the priorities of India's National Action Plan on Climate Change, adopted in

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12. European External Action Service, *India: Country Strategy Paper 2007-2013*, p. 1. Available at: [http://www.eeas.europa.eu/india/csp/07\\_13\\_en.pdf](http://www.eeas.europa.eu/india/csp/07_13_en.pdf).

13. European External Action Service, *India: Country Strategy Paper 2007-2013, Mid-Term Review*, April 2010, p. 3. Available at: [http://eeas.europa.eu/india/csp/11\\_13\\_mtr\\_en.pdf](http://eeas.europa.eu/india/csp/11_13_mtr_en.pdf).

2008.<sup>14</sup> Operations include a community forestry project in Haryana, a research project on the impact of the retreat of the Himalayan glaciers, a loan from the European Investment Bank to the EXIM Bank of India for supporting investments contributing to climate-change mitigation. EU-India joint research on climate change and natural disasters has also been carried out since 2004. Some of the projects conducted so far also address the correlation between energy security, climate change and the environment, and underline the role of civil societies.<sup>15</sup> Others, more business-oriented, focus mainly on clean technology transfers in many fields: the environment, energy, transport and bio-technology.<sup>16</sup>

The second objective of EU-India cooperation on the environment is more political in a way: it aims at building ‘understanding on global environment issues including climate change’. This is indeed necessary, considering the difficult negotiations conducted during the Summit on Climate Change held in Copenhagen in 2009.

### *EU-India cooperation on health risks: the case of AIDS*

Long before NTS entered its official vocabulary, the EU was cooperating with India on fighting HIV/AIDS. Since 2003 NGOs’ projects have been funded in order – among other objectives – to reach vulnerable youth, especially in rural and tribal communities; to prevent HIV/AIDS among childbearing women in the north-east; to ensure access to sexual and reproductive health services for vulnerable women; to guarantee the health rights and needs of tribal people in regions prone to HIV, malaria and TB, under the framework of the EU ‘Programme for Action to confront HIV/AIDS, Malaria and Tuberculosis through external action (2007-2011)’. European funds cover more than 50 percent of grants received by India under the Global Fund against AIDS, Tuberculosis and Malaria. Besides funding, sensitive issues are addressed in order further to fight against the stigma attached to HIV. The EU works alongside Indian NGOs and the Indian National AIDS Control Organisation in order to build efficient indicators and monitoring tools useful for national policies.<sup>17</sup>

14. See on these issues:

‘Joint Work Programme. EU-India Cooperation on Energy, Clean Development and Climate Change’, Ninth Summit, Marseille, 2008. Available at: 021\_eu\_india\_res\_9th\_summit3\_en.pdf.

‘EU-India Cooperation in the Field of Environment’. Available at: [http://eeas.europa.eu/delegations/india/eu\\_india/environment/eu\\_india\\_cooperation/index\\_en.htm](http://eeas.europa.eu/delegations/india/eu_india/environment/eu_india_cooperation/index_en.htm).

European Union Delegation in New Delhi: leaflet on ‘Climate Change: the EU and India’, n.d. and the report ‘Working with India to tackle climate change’, 2009.

15. Carine Barbier and Ritu Mathur, ‘Opportunities for an India-European Union Partnership on Energy and Climate Security’, *Idées pour le débat* n°13/2008, Institute for Sustainable Development and International Relations (IDDRI), Paris, 2008. See: <http://www.iddri.org/Publications/Collections/Idées-pour-le-debat/Opportunities-for-an-India-European-Union-Partnership-on-Energy-and-Climate-Security>.

16. European Business and Technology Centre: ‘Promoting European Clean technologies in India and Tackling Climate Change’, n.d. See: [www.ebtc.eu](http://www.ebtc.eu).

17. European Union Delegation in New Delhi: leaflet on ‘Fighting HIV/AIDS in India’. See: [http://www.delind.ec.europa.eu/en/dev/hiv-aids\\_sem/hiv-aids\\_sem.htm](http://www.delind.ec.europa.eu/en/dev/hiv-aids_sem/hiv-aids_sem.htm).

### *EU-India cooperation on international terrorism and piracy*

International terrorism has long been part of the EU-India dialogue (national terrorism, perhaps more closely linked to NTS, does not appear with the same prominence). At the 11th summit held in 2010, the Joint Declaration on International Terrorism states that the EU, its Member States and India ‘denounce those who sponsor, abet and instigate terrorism and provide terrorists’ safe havens; underline that cooperation in combating international terrorism, including cross-border terrorism, is one of the key political priorities in the India-EU strategic partnership’ (the reference to Pakistan is obvious). The joint commitment to the conclusion of the Comprehensive Convention on International Terrorism – a point dear to India – is also reaffirmed.<sup>18</sup> In his remarks following the eleventh summit, Herman Van Rompuy, President of the European Council, underlined that the Declaration on Counter-terrorism ‘sets out a series of areas of concrete cooperation’. This implies that the task of the EU counter-terrorism coordinator will expand, as far as India is concerned, in addition to (and in coordination with) the cooperation existing between India and EU Member States.

In another NTS item involving the use of intelligence and military apparatuses, the fight against piracy in the Indian Ocean offers great scope for convergence between India and the EU. In this field the EU has set up, under its own label, its first naval operation, *Atalanta*. Conducted off the Somalia coast under the framework of the EU Common Security and Defence Policy and the aegis of a series of UN resolutions adopted from 2008 onwards, Operation *Atalanta* has been extended until December 2012.<sup>19</sup> If we are to believe an unofficial report, the Government of India, ‘first reluctant to get involved with the Operation *Atalanta*’, agreed finally to do so, after commanders from the Indian Navy talked with their EU counterparts.<sup>20</sup> The EU NAVFOR website mentions ‘a permanent liaison with independent deployers like China, Russia, Japan, Taiwan, India and others’. This implies the facilitation of the programming of patrols and escorts.

### **Enhancing cooperation in critical areas: the context and the scope**

For a fair assessment of EU policy on NTS in India, it is useful to locate it in the broader spectrum of EU cooperation with Asia. The data provided by the Multi-Annual Programme for Asia 2007-2013 offers data pertaining to ‘indicative regional and national

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18. ‘EU-India Joint Declaration on International Terrorism’, Brussels, 10 December 2010.

19. EUNAVFOR Somalia: Mission. See: <http://www.eunavfor.eu/about-us/mission/#second>.

20. ‘Indian Navy convinced Govt to join Operation Atalanta: British MP’, *Frontier India*, 9 May 2011. The British MP quoted is the UK Liberal Democrat Member of European Parliament Graham Watson, chairman of the European Parliament delegation for relations with India. See: <http://frontierindia.net/indian-navy-convinced-govt-to-join-operation-atalanta-british-mp>.

allocations'. A large part of the overall funding is directed towards operations linked to NTS. In the following table the ten largest country allocations planned for the period are indicated.<sup>21</sup>

**Table 1. EU Multi-Annual Programme for Asia 2007-2013: the ten largest allocations, country wise, in million euros**

Country	Allocation 2007-13	% to total
<b>Afghanistan</b>	1,210	24.3
<b>India</b>	470	9.4
<b>Indonesia</b>	448	9.0
<b>Pakistan</b>	425	8.5
<b>Bangladesh</b>	403	8.1
<b>Vietnam</b>	304	6.1
<b>China</b>	173	3.5
<b>Cambodia</b>	152	3.1
<b>Philippines</b>	130	2.6
<b>Nepal</b>	120	2.4
<b>Regional Asia</b>	721	14.5
<b>Total Asia</b>	<b>4,986</b>	<b>100</b>

The 'Total Asia' in this table includes, beyond 18 country allocations, a regional Asia allocation of €721 million for operations which are sometimes jointly conducted with international partners, be they regional organisations such as ASEAN, SAARC, ASEM or UN organisations such as the WHO, FAO, UN HCR. The focus is on (i) regional integration, (ii) policy and know-how-based cooperation on the environment, energy and climate change, higher education, cross-border cooperation in health, and (iii) support to uprooted people.

From a gross financial point of view, India appears to be well endowed, as it comes second, far below Afghanistan but well above China. *Per capita*, however, Pakistan or Bangladesh (and all the other countries listed here) could expect to be much better served.

The same document, released in 2010, offers the following policy statement for 2011-2013 in its mid-term review section: 'If the MDGs are to be met by 2015, considerable

21. European Union Commission, 'MTR Document. Regional Strategy for Asia 2007-2013. Multi-Annual Programme for Asia (MIP) 2011-2013. Annex VIII'; 'Asia Indicative Regional and National Allocations for the Period 2007-2013', Brussels, 17 November 2010, p. 1.

efforts remain to be on poverty alleviation and social equality. Furthermore, given India's high vulnerability to climate change and the significant share of its economy heavily dependent on natural resources, environmental sustainability and climate change may well be the next greatest challenge along India's development path.' From a more technical perspective, the document notes that: '[t]he first three years of EC-India cooperation under the 2007-2013 Country Strategy Paper have been marked by good progress as regards support for the social sectors, but delays in the implementation of EC cooperation programmes under the second priority, "Joint Action Plan Implementation"'.

Inside the Indian package, the two priorities are deliberately unbalanced. In 2007-2010, the 'budget support for social sectors to help realise the MDGs' (priority 1 = primary, secondary education, vocational training and health) accounted for 70 percent of the EU allocation, while the implementation of the Joint Action Plan 'to flank pro-poor sector reform policies and dialogue in economic reform, civil society, culture and academic areas' (priority 2) accounted for the remaining 30 percent. The proposed indicative allocation for 2011-2013, for €210 million, will probably increase the difference, as priority 1 will get 70-85 percent of the funds, as already noted, leaving 15-30 percent to priority 2.<sup>22</sup>

### *Beyond funding: from civil societies to global dynamics*

A way to enhance cooperation would be to invest more funds in fields recognised as important by India. In the present European context, where expected economic growth is in a lull and where EU Member States are sometimes very reluctantly engaging huge funds to tackle the debt crisis of the weakest EU countries, the prospect of any significant amount of higher funding for Asia is bleak. This invites a few observations.

EU funding is not everything, as everyone knows. First, the possibility to do better with the same funding must always be explored. For instance, in a set of recommendations in their report on 'Opportunities for an India-European Union Partnership on Energy and Climate Security', Carine Barbier and Ritu Mathur underline how 'the involvement of members of civil society through democratic processes is crucial'.<sup>23</sup> This may be a request for money, but it is also a call for more than money.

Second, expertise could at times be provided through a cooperation framework. It could also be part of a business deal. We have already referred to clean technology transfers: the scope of the EBTC initiative is not only to mitigate a key NTS challenge through

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22. Annex VIII, op. cit. in note 21, *MTR of the Strategy for India MIP 2011-2013*, p. 9.

23. Barbier and Mathur, op. cit. in note 15, p. 20.

technology, but also ‘to enhance Europe’s competitiveness in a globalised market’.<sup>24</sup> The strategic partnership between the EU and India acknowledges that trade is a major issue, particularly when the EU is India’s first trading partner and the biggest investor. NTS challenges should not be analysed in a vacuum.

Third, we are no longer in a time where the ideology of aid is the cornerstone of cooperation policy. Emerging India is now recognised as a middle-income country, the Indian state develops its own strong policies, and Indian business houses invest abroad – including in Europe. The partnership with India is therefore a complex one, not only because many issues are both national and global, but also because of the transition status of the country. The EU Country Strategy Paper (CSP) on India released in 2007 recognised the fact – the world’s largest democracy, an emerging economy, but still home to one third of the world’s poor – in these terms: ‘India is occupying two worlds simultaneously. In the first, rapid economic growth and social change occur. In the other, a percentage of the population appears left behind due to lack of good social services, low employment opportunities and few prospects. Bridging this gap will be a major challenge’. It drew the conclusion of the dynamics engaged: ‘the need for development assistance will gradually decrease’ and, hence, the current CSP should be regarded as ‘transitional’.<sup>25</sup>

This implies that consolidated partnership is now the cornerstone of a sane cooperation policy, and that win-win policies will increasingly be the order of the day. This includes the scope offered by India’s capacity for innovation, not only in the well-known information technology realm, but also in the use of technology for bringing frugal (low-cost) innovations to the poor.

It is from this perspective that we should assess the ongoing debate on the shift of global power to Asia, or more broadly, as the EU High Representative for Foreign Affairs and Security Policy Catherine Ashton said in New Delhi in June 2010: ‘roughly from the old “West” to both East and South’.<sup>26</sup> The consequences of this shift are not yet clear, for what is observed is a process, not a sudden collapse of established powers. This implies that the Indian transition locates itself in a broader global transition. This double process deserves attention for three reasons. First, it allows convergences between the EU and India as two distinct political entities. Second, it also generates conflicts between divergent interests. Third, this intricate global dynamics calls for adjusting multilateralism to the new configuration of multipolarity: this has obvious geopolitical consequences.

24. European Business and Technology Centre, op. cit. in note 16, p. 3.

25. European Union Commission, *India. Country Strategy Paper 2007-2013*, p.1. See: [http://eeas.europa.eu/india/csp/07\\_13\\_en.pdf](http://eeas.europa.eu/india/csp/07_13_en.pdf).

26. Speech by HR/VP Catherine Ashton, ‘EU-India relations post-Lisbon: cooperation in a changing world’, New Delhi, 23 June 2010. See: <http://europa.eu/rapid/pressReleasesAction.do?reference=Speech/10/336&type=HTML>, p.1.

*Geopolitics and geo-economics of NTS: converging and conflicting interests*

Indian diplomacy has for years attempted to promote the balance of interests, rather than the balance of powers inherited from the Westphalian type of international relations. Pranab Mukherjee outlines this theory in these words:

‘What the world needs is not old style balance of power but a well-crafted system to promote a “balance of interests” among the major powers. No structure of international security will endure if it does not take into account the interests of all the major powers. That is also true of regional security arrangements.’<sup>27</sup>

NTS issues already addressed by EU-India cooperation partly meet the criteria for converging interests. The best example is probably the fight against terrorism. However, many other issues are more ambiguous. For instance, the climate change challenge concerns all nations. There is a common global interest to see it properly addressed, but the means of addressing it diverge between the old industrial nations on the one hand and emerging and developing countries on the other, as the divide at Copenhagen has shown. The issue of Intellectual Property Rights is another case in point. The trade-related aspects of intellectual property rights (TRIPS) are not just an issue of trade: they directly concern NTS when access to generic drugs to treat AIDS or other diseases becomes a matter of conflict. The same is true when India complains about EU agricultural policy, seen as establishing disguised protectionism through the high subsidies provided to European farmers, at the cost of the competitiveness of agricultural exports from poorer countries with a large rural population.

The current debate on the Indian Civil Nuclear Liability Act on civil nuclear supplies, passed by the Indian Parliament in 2010, is illustrative of the complexities of NTS issues, when they are linked to huge trade interests, but also to major controversies, both at home and abroad. The EU was much more reluctant than France and the United Kingdom to support the US initiative to offer India a ‘Civil Nuclear Deal’, providing access to updated civil nuclear technology through a special status, outside the Non-Proliferation Treaty, but adjusted with the IAEA and the Nuclear Suppliers Group. All EU countries finally voted in favour, and the EU has decided to support joint research projects on civil nuclear energy. Now that the nuclear deal has been signed, the Indian Civil Nuclear Liability Act 2010 has opened a new debate, as supplier countries are anxious about the financial implications of a hypothetical nuclear accident. More broadly, the very legitimacy of nuclear energy itself as a clean energy is at the same time being

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27. Address by External Affairs Minister Pranab Mukherjee on the occasion of the national launch of Global India Foundation – ‘India and the Global Balance of Power’, Kolkata, 16 January 2007. See: <http://www.globalindiafoundation.org/pranab.htm>.

contested by opponents in India and abroad, particularly after the Fukushima accident in Japan.

There are other decisive issues where the interests of India and the EU (or the established powers at large) diverge, though they do not necessarily conflict. The issue of global food prices, for instance, has a much greater impact on food security in developing countries than in Europe. The need for effective regulation of the global financial system – a must for an insecure global economy – is shared by all countries, but the internal divides or the varying types of prevalent national economic cultures draw different answers from different quarters. India, with a tradition of regulated finance, well-controlled banks and non-fully convertible currency is an interesting case indeed. In regard to such a topic, beyond the policy choices, geopolitical perspectives have to be considered: in 2011, India did not support the European candidate for Director General of the IMF as a matter of principle (whereas China, finally, did the opposite), considering that multilateral key positions must be more evenly distributed between the established powers of the West and emerging countries.

Geo-economics and geopolitics are therefore at play in a number of NTS-related issues, just as they are in global politics, as we have seen with the common IBSA position on Libya and Syria, a position closer to Russia and China than to Europe: national sovereignty still prevails above the responsibility to protect, and India, as many other countries, is wary of the Western propensity towards sanctions, the use of force and regime change. That does not mean that new blocs have formed with the BRICS on the one side – which, after the 2011 BRIC summit, enlarged by adding South Africa – and Europe and North America on the other. The sharp divide of the Cold War is over. The present global order is more and more complex, and more and more interdependent. India might side with China on one issue, but will never put its eggs in a single basket. Its multi-directional foreign policy is guided by a combination of short-term and long-term national interests, and the need for a better balanced multilateralism.

This configuration allows the EU and India to do more together on a number of issues related to NTS. However, to enhance this cooperation and identify its critical areas, it would be useful to look more closely at NTS concepts. In this regard, it might be worthwhile to institutionalise a framework for a bilateral informed discussion between EU and Indian representatives. The NTS Asia initiative launched by the Centre for NTS Studies at the Rajaratnam School of International Studies of the Nanyang Technological University, Singapore,<sup>28</sup> could be a source of inspiration if not necessarily a model to duplicate,

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28. Centre for Non-Traditional Security Studies, Singapore. See: <http://www.rsis.edu.sg/nts/>

as there is no dearth of Indian expertise on the subject, a number of Indian think tanks having already addressed NTS issues, such as the Observer Research Foundation project 'India 2022 Non- Traditional Security Threats'.<sup>29</sup>

### Conclusion

Enhancing India-EU cooperation in critical areas of non-traditional security issues is an obvious necessity. There is already a sound basis for expanding existing cooperation. What is lacking perhaps is a comprehensive framework under the existing agenda, to promote bilateral debate not just about the various issues already identified, but also about the correlations between them, and between NTS and others fields that are crucial to the Strategic Partnership, be they trade or traditional security. In her New Delhi speech in June 2010, Catherine Ashton already identified critical areas in need of more intense cooperation: piracy in the Indian Ocean; counter-terrorism; Indian participation in EU crisis-management operations; dialogue on regional issues including Afghanistan, Pakistan and Sri Lanka; priority areas such as climate change, energy and trade, joint research on the development of clean technologies and renewable and clean energy, trade remaining 'a cornerstone of our strategic partnership'.<sup>30</sup>

In his remarks following the 11<sup>th</sup> EU-India summit regarding EU-India cooperation, the President of the European Council, Herman Van Rompuy, reiterated the common will, in order to unlock 'the enormous potential in our bilateral relations', to bring the Strategic Partnership launched in 2004 to a higher level, by 'making it wider (in the areas to be unfolded)' and 'to make it deeper (in those already launched)'. This policy choice at the strategic partnership level is also valid in the expanding field of non-traditional security. Last but not least, this wider and deeper dialogue and cooperation between EU and India on NTS has to be developed in relation to the dialogue and cooperation established by each side with other partners as well, in so far as the very definition of NTS recognises the challenges to be addressed as global.

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29. Observer Research Foundation initiative' 'India 2022 Non-Traditional Security Threats'. See: <http://www.docstoc.com/docs/32216948/India-2022-Non-Traditional-Security-Threats>. To quote just another example: Institute of Peace and Conflict Studies seminar on 'Non-traditional Security and international Cooperation between India and China', October 2007; report available at: <http://www.ipcs.org/seminar/india/non-traditional-security-and-international-cooperation-between-china-and-india-661.html>.

30. Speech by HR/VP Catherine Ashton, op. cit in note 26.

# India-EU economic ties: strengthening the core of the Strategic Partnership

**Gulshan Sachdeva**

Rising India's global vision of a democratic, multicultural and multipolar world coincides with that of Europe. Similarly, while a new economic and security architecture is evolving in Asia, Europe's engagement with it will be incomplete unless it partners India. Realising the importance of this, the two entities instituted annual summit meetings (supplemented by business summits) in 2000. These meetings resulted in the India-EU Strategic Partnership, agreed on in 2004, and followed up by the launch of a Joint Action Plan in 2005 at the sixth summit in Delhi. In 2006 India was also invited to join the Asia-Europe Meeting (ASEM), an informal process of dialogue between Asia and Europe. This chapter analyses how trade and economic ties have formed the core of India-Europe relations so far. With more than US\$ 90 billion bilateral trade,<sup>1</sup> the EU is India's largest trading partner. Foreign Direct Investment (FDI) in India from the countries of the EU is higher than investments from the US and Japan put together. Similarly, Indian companies are also buying many European firms. Encouraged by positive trends, both the EU and India are negotiating for a broad-based bilateral trade and investment agreement. Already these negotiations have taken much longer than expected. The global economic slowdown and continuing eurozone crisis have also had an adverse effect on economic ties. The main challenge facing policymakers on both sides is how to conclude a broad-based trade and investment agreement in an increasingly uncertain European economic climate.

## Background

The history of the relationship between India and Europe is very old. At the end of the fifteenth century, European traders came to India and began exporting goods to India and other parts of Asia. Various studies have established that as a result of these interactions, the Indian economy expanded, further monetised and was integrated into a pre-modern global economy. Slowly India became an important centre of European trading activities in Asia and the Indian Ocean through the activities of Portuguese as well as Dutch, English and French East India Companies. This market-determined economic relationship between India and Europe changed with the establishment of a colonial re-

1. These trade figures are based on the Indian Ministry of Commerce databank and are calculated for the financial year April 2010 to March 2011.

relationship between Britain and the subcontinent.<sup>2</sup> At the time of independence in 1947, a major portion of India's trade was either with Britain or its colonies and allies. This pattern continued for some years. After independence, the critique of colonialism formed the basis for the policy of 'self-reliance' in India.<sup>3</sup> As India established independent relations with other countries, trade was also diversified. In later years, the former socialist bloc countries also became major trading partners. With the advent of the Cold War, its policy of non-alignment and its closeness to the then Soviet Union, India's interactions with Europe became limited and largely bilateral.<sup>4</sup> Yet, trade and economic relations with Europe have always been important for India and formed the core of India-European Economic Community (EEC)/EU relations.

Realising the importance of economic relations with European countries, India was among the first few countries to establish diplomatic relations with the EEC in 1962. Later bilateral agreements were signed in 1973 and 1981. In 1974, a comprehensive agreement was signed between India and the EEC which covered a wide range of economic issues covering trade, economic cooperation, industry, services, energy, telecommunication, tourism, private sector, investment, science and technology, intellectual property, agriculture, development cooperation, environment and human resource development.<sup>5</sup> This was the first agreement signed by the EC with any non-associated developing country embodying the concepts of commercial and economic cooperation linked with trade. This agreement provides for a Joint Commission and three Sub-commissions on (i) trade and commercial cooperation; (ii) economic cooperation; and (iii) development cooperation. Six working groups in the areas of agriculture and marine products, information technology, the environment, textiles, and consular issues were also set up. In 2001, India and the EU signed a science and technology agreement. To simplify customs procedures and develop trade facilitation actions in customs matters in accordance with international standards, both signed a custom cooperation agreement in 2004.

Since 2000, India and the EU have established the institution of annual summit meetings. At the very first summit, both agreed to enhance their trade and cooperation. As a result, the 11<sup>th</sup> EU Joint Commission encouraged industry to launch the Joint Initiative to Enhance Trade and Investment. These summits resulted in the India-EU Strategic

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2. See Om Prakash, *European Commercial Enterprises in Pre-Colonial India* (Cambridge: Cambridge University Press, 1998).

3. Tirthankar Roy, 'Economic History and Modern India: Redefining the Link', *Journal of Economic Perspectives*, vol. 16, no. 3, 2002, pp. 1092-130.

4. Some of the perceptions and misperceptions have been nicely summarised by India's former Foreign Secretary Mr. J N Dixit, See J. N. Dixit, 'India and Europe: Perceptions and Misperceptions', in Rajendra K. Jain (ed.), *India and the European Union in the New Millennium* (New Delhi: Radiant, 2000).

5. For details see *Cooperation Agreement between the European Communities and the Republic of India on Partnership and Development*, available at: [http://europa.eu.int/comm/external\\_relations/india/intro/agree08\\_94.pdf](http://europa.eu.int/comm/external_relations/india/intro/agree08_94.pdf).

Partnership in 2004. At the sixth summit in 2005, a Joint Action Plan was also launched.<sup>6</sup> So far, twelve summits have taken place: the last meeting took place in Delhi in February 2012. The agenda for these summits has been set by the prevailing economic, political and strategic environment. Major issues discussed during the last few summits include trade and economic issues, energy and climate change, the global economic situation and governance, and global and regional security issues, particularly Afghanistan.

## Trade trends

At the start of the planning process, the UK's share in India's total exports was about 24 percent. Similarly, about 21 percent of imports came from the UK. Another major trading partner was the United States. At the beginning of the 1960s, about 37 percent of Indian trade was with the countries of the EC. A large amount of that trade was with two countries in particular, the UK and West Germany. In later years, trade with some other countries also became important, particularly with the Netherlands and Belgium. Trade with the EEC was an important component of Indian foreign economic relations in the 1960s and 70s. Its relative importance, however, somewhat declined as India forged special trade and economic relations with the countries of the former Soviet bloc. In 1971, the EEC granted the Generalised System of Preferences (GSP) facility to India, the first among the Asian countries, aimed at encouraging exports of manufactured goods of poor developing countries. Some studies have, however, concluded that owing to structural rigidities and the list of sensitive goods, the impact of the scheme has been marginal.<sup>7</sup>

In recent years, Indian exports to the EU-27 have increased from about US\$ 8.8 billion in 1996-97 to about US\$ 46 billion in 2010-11.<sup>8</sup> Similarly, India imported commodities worth US\$ 44 billion in the same year from the EU. These imports were only worth US\$ 10.6 billion in 1996-97. Due to the global economic slowdown, bilateral trade declined to about \$74 billion in 2009-10, with \$36 billion in exports and \$38 billion in imports. Bilateral trade, however, has recovered again in the last two years (see figure 1).

India's major trading partners in the EU-27 are Germany, the UK, France, Belgium, Italy, the Netherlands, Spain and Sweden. In 2007-08, these eight countries accounted for about 89 percent of the trade with the Union. The remaining 19 countries accounted for only 11 percent of total trade with the EU-27. During the same year, imports from Belgium,

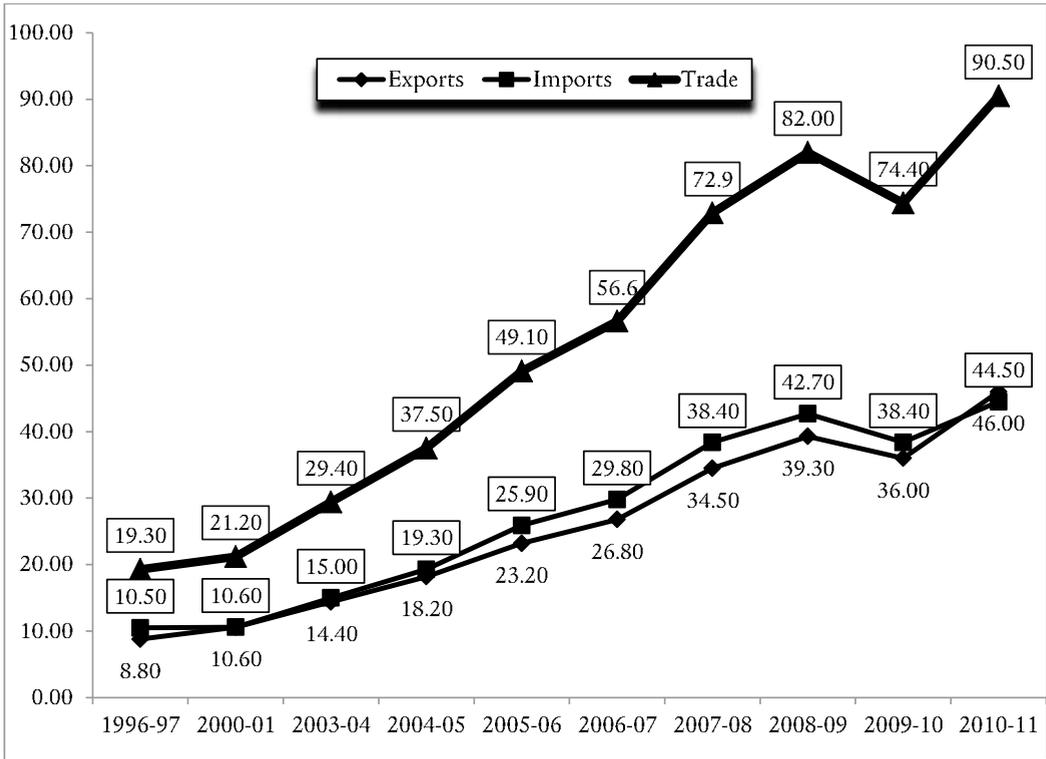
6. For details of all these summit meetings and related documents see political dialogue section of the European Commission delegation to India website URL: [http://www.delind.ec.europa.eu/en/political\\_dialogue/official\\_documents.htm](http://www.delind.ec.europa.eu/en/political_dialogue/official_documents.htm).

7. Swapan K. Bhattacharya, *India and the European Union: Trade and Non-Tariff Barriers* (New Delhi: Aakar Publications, 2005).

8. Unless otherwise indicated, all figures used in this article are from various publications of the Ministry of Commerce and Industry, Government of India.

France, Germany, Italy and the UK constituted about 76 percent of total imports from the EU. In recent years, imports from Sweden have reached a high rate. For many years, the UK has been India’s major export market within the EU, which accounted for 19 percent of exports to the EU-27 and about 4 percent of total Indian exports in 2007-08.

**Figure 1: India-EU trade between 1996-97 and 2010-11 (in US\$ billions)**

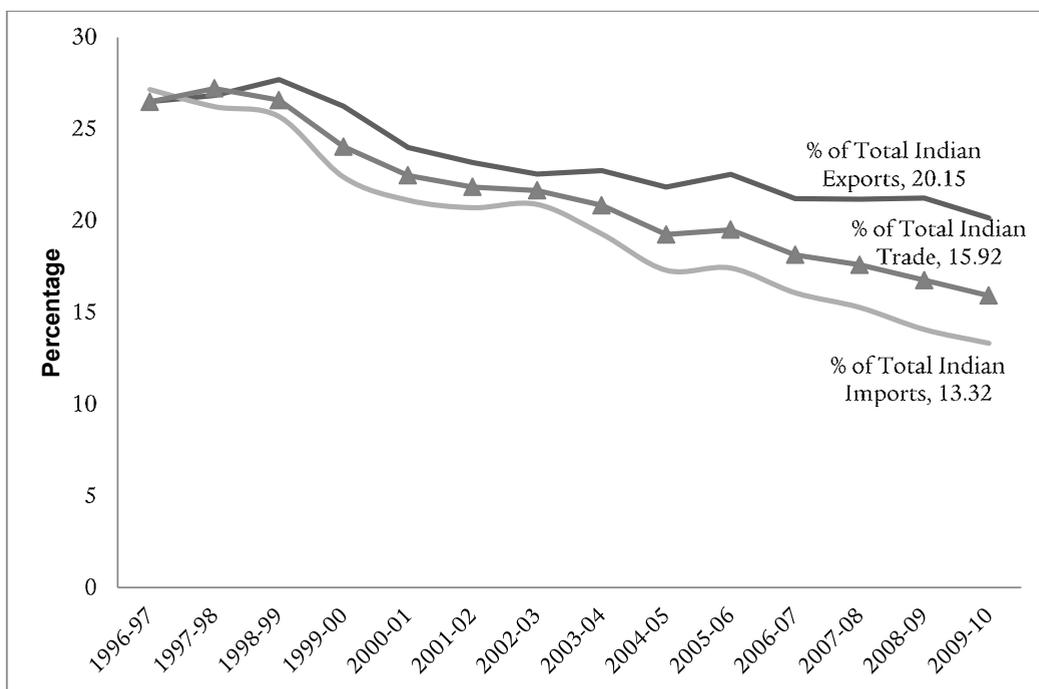


Source: Databank Ministry of Commerce & Industry, Government of India

Although in absolute terms India’s trade with the EU has increased, there are some disturbing trends. In relative terms as a percentage of India’s total exports and imports, it has declined consistently in the last decade or so. In 1996-97, India-EU-27 trade accounted for about 26.5 percent of total Indian trade. In 2009-10, it declined to 15.9 percent of total Indian trade (see figure 2). In fact, growth rates of India-EU trade have not been able to follow the growth rates of total Indian trade. Against an average of about 28.9 percent growth of Indian trade in four years (between 2004-05 and 2007-08), India-EU trade grew at about 25.4 percent. Similarly, compared to an average of about 34 percent growth of Indian imports in these four years, imports from the EU grew at an average of about 26.5

percent annually. These factors indicate that the European economies have not been able to take full advantage of the expansion which is taking place in the Indian economy. The situation of India-US trade, which grew at an average rate of 26.3 percent in these four years, is slightly better. Countries which are integrating more with the Indian economy are China (bilateral trade has grown at an average of 53 percent annually in these four years) and members of the ASEAN. This explains why India is in a hurry to sign trading arrangements with a number of Asian countries.

**Figure 2: India-EU trade as a percentage of total Indian trade**



Source: Databank, Ministry of Commerce & Industry, Government of India

The product composition of the main items of India-EU trade shows that India exports a wide variety of products to the EU. Major export items are readymade garments, gems and jewellery, pharmaceuticals, organic chemicals, leather goods, vehicles and machinery. The highest growth is seen in food items, iron and steel, etc. Similarly, major imports include gems and jewellery, machinery, electronic goods, chemicals, iron and steel, aluminium, etc. Similar items in both lists also indicate that considerable intra-industry trade is also taking place. The product composition of the last few years' trade shows that trade in agriculture products is negligible from both sides. Major items of trade are

manufactured products which include machinery, transport equipment, etc. For many years, India had balance-of-trade problems with many EU countries. In the earlier decades, the trade debate in India was dominated by balance-of-trade issues. However, with large foreign exchange reserves and average GDP growth rates of 8 to 9 percent annually, expansion in India will take place with relatively large trade deficits in the next few years. Therefore, trade deficit, which influenced trade talks between India and Europe in the past, may not be an important issue in the coming years.

### *Trade in services*

Both in the EU and in India, services are becoming more and more important. In 2008, the share of services (including construction) in the EU gross value added was 78.1 percent. In the same year, services accounted for about 55 percent of the Indian economy. The EU is the biggest global player in the international trade in services. In 2008, the EU's international trade in services recorded a surplus of €75.4 billion. Its total trade in services was €965 billion (€520 billion exports and €445 billion imports). India is also becoming a significant player in the global services trade. India's trade in services with the EU-27 grew from €7.8 billion in 2004 to about €17.9 billion in 2010. In the last few years, India has recorded a surplus in travel, computer and information services and communication services. The total deficit recorded with the EU was about €1.4 billion in 2008 and €1.7 billion in 2010. In terms of services export, the UK has been India's biggest market within the EU, followed by Germany and France.

### *Investment from the EU*

Apart from trade in goods and services, the EU is also a major investor in India. The EU's share in India's total FDI approvals during January 1991 to December 2005 was around 25 percent. These investment approvals rose from US\$78 million in 1991 to US\$2,314 million in 2001. From 2001, there was a further increase in investments from the EU. Between April 2000 and July 2011, cumulative FDI inflow from the EU countries amounted to US\$31.5 billion which was about 22 percent of total FDI inflows into India during this period. This was more than the combined investments from the US and Japan together. During the same period, the UK was the EU's top investor in India, closely followed by the Netherlands, Cyprus, Germany and France. The trouble with Indian FDI data is that it is difficult to accurately trace country-wise data, and there is a large amount of investment by European and American firms to India that may be routed through Mauritius. Between April 2000 and July 2011, about 41 percent of total FDI in India was reported from Mauritius (see table 1).

Although there is significant variation among various Eurostat publications, the following table provides some trends from the organisation's latest reports.

**Table 1: FDI inflows in India, April 2000 to July 2011 (US \$ million)**

Country	FDI Inflows	% of Total Inflows
<b>Mauritius</b>	59,311	41.11
<b>Singapore</b>	14,674	10.17
<b>USA</b>	9,869	6.87
<b>Japan</b>	5,879	4.08
<b>European Union</b>	31,456	21.80
<b>UK</b>	9,136	6.33
<b>Netherlands</b>	6,257	4.34
<b>Cyprus</b>	5,058	3.41
<b>Germany</b>	4,256	2.95
<b>France</b>	2,623	1.82
<b>Italy</b>	1,007	0.70
<b>Spain</b>	872	0.60
<b>Sweden</b>	810	0.56
<b>Belgium</b>	375	0.26
<b>Other EU Member States</b>	1,062	0.73

*Source: FDI statistics, Department of Industrial Policy & Promotion, Government of India*

It shows that the FDI has not been a one-way traffic. Indian FDI in the EU soared to about €10 billion in 2007. According to some estimates, between 2000 and 2007 around 900 Indian companies invested about \$12 billion in EU Member States. This was about 76 percent of Indian greenfield investments abroad in developed countries. The UK has been a major attraction for Indian companies with more than 500 Indian companies investing some \$9 billion between 1990 and 2007. The Netherlands and Cyprus are other main destinations. In the UK, the majority of earlier investments were in the service sector. In recent years, there have been major investments also in the manufacturing sector.<sup>9</sup>

9. For details, see Jaya Prakash Pradan, *India's Emerging Multinationals in the Developed Region* (New Delhi: Institute for Studies in Industrial Development, 2008).

**Table 2: FDI flows between India & the EU (2001-10 million euros)**

Year	EU FDI in India	Indian FDI in EU
2001	348	108
2002	1,074	133
2003	747	614
2004	1,562	0
2005	2,546	548
2006	2,390	879
2007	4,019	10,118
2008	3,272	2,560
2009	3,207	940
2010	3,000	

Source: Eurostat database

**Table 3: Indian FDI in EU, 1990-2007 (US\$ million)**

	1990-97	2000-2007	No. of Investing Firms
<b>European Union</b>	<b>1,021</b>	<b>12,061</b>	<b>857</b>
Austria	37	5	12
Belgium & Luxembourg	17	187	41
Cyprus	20	1,359	36
Czech Rep.	1	35	5
Denmark		27	5
Finland	2	-	4
France	3	109	28
Germany	24	138	131
Greece	3	-	2
Hungary	3	2	9
Ireland	38	13	13
Italy	42	54	16

Latvia	1		2
Malta		64	1
Netherlands		1,701	79
Poland	1	2	9
Spain	1	13	10
Sweden	3	10	8
UK	798	8,353	531

Source: Jaya Prakash Pradhan, 2008.

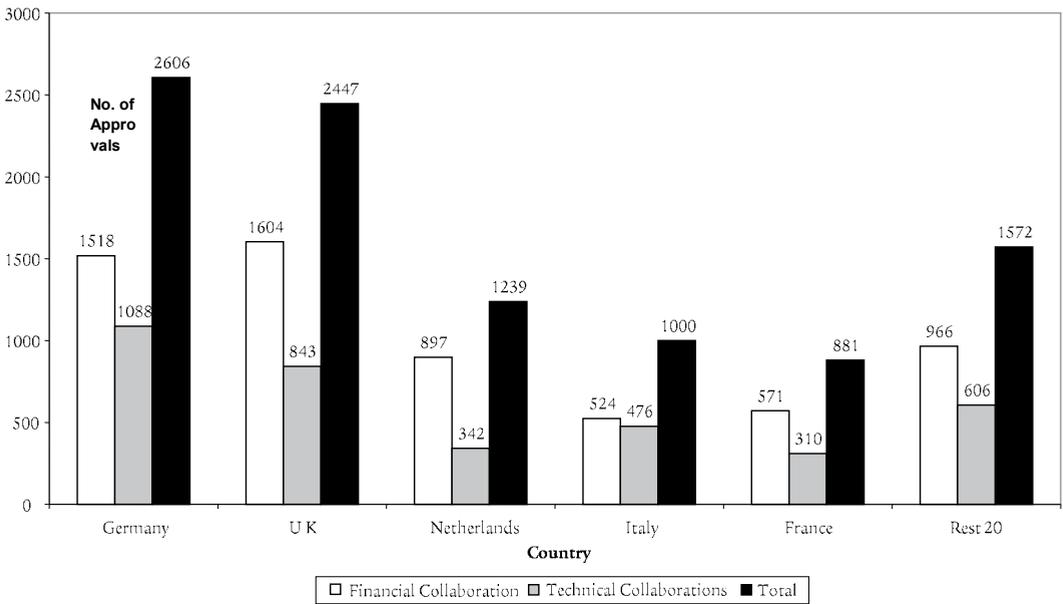
**Table 4: Overseas acquisitions by Indian firms in the EU, 2000-2008 (US\$ million)**

Region/Country	Value
European Union	23,536
Austria	133
Belgium	910
Czech Rep.	43
Denmark	16
Finland	101
France	316
Germany	3,115
Greece	16
Hungary	44
Ireland	169
Italy	363
Netherlands	486
Poland	8
Portugal	69
Spain	173
Sweden	87
UK	17,488

Source: Jaya Prakash Pradhan, 2008.

Apart from greenfield investments, Indian companies have also been actively involved in overseas acquisitions. According to some estimates, 306 Indian firms were involved in 596 acquisitions worth \$47 billion between 2000 and 2008 in the developed world. Of these acquisitions, European deals represented more than 50 percent in value terms.

**No. of FDI and FTC Approvals from EU-25, 1991-2004**



Source: Author’s calculations based on publications of the Indian Ministry of Commerce & Industry

**Technology transfer**

The EU is also one of the major sources of technology transfer to India. During the period between August 1991 and December 2004, the Indian authorities approved more than 3,600 technical collaborations from the EU-25 countries, which accounted for about 38 percent of total technical collaborations during this period. The highest number of technical collaborations was in the area of electrical equipment (including computer software), industrial machinery and chemicals. Germany has emerged as a clear leader in technical collaboration from the EU with about 1,088 technical collaborations. The UK and Italy were in the second and third place with 843 and 473 approved collaborations. In the area of financial collaborations, the UK is the leader with more than 1,600 collaborations. The total number of technical and financial collaborations signed between Indian and EU companies between 1991 and 2004 is 9,745, which is about 37 percent of total collaborations signed by Indian companies. In comparison, about 6,080 financial and technical collaborations were approved with

US companies. According to the Indo-German Chamber of Commerce, the Indo-German collaboration companies were market leaders in as many as fifteen product groups.

## Moving towards an India-EU FTA

Some of the factors discussed above are driving EU-India trade deals forward. Other factors are influencing trade negotiations adversely. The collapse of the Doha development round of WTO negotiations has pushed many countries, including India, to look for alternatives to multilateral negotiations to improve their trade positions. For the last few years, India has put its proposed regional trade agreements (including India-EU FTA) on the fast track. In the past, India had adopted a cautious approach to regionalism, and was engaged in only a few bilateral/regional initiatives, mainly through Preferential Trade Agreements (PTAs) or through open regionalism. In recent years, it has started concluding Comprehensive Economic Cooperation Agreements (CECAs) with many countries. These CECAs cover FTA in goods (zero customs duty regime within a fixed time frame on items covering substantial trade, and a relatively small negative list of sensitive items with no or limited duty concessions), services, investment and identified areas of economic cooperation. Such agreements include the South Asian Free Trade Area (SAFTA), India-ASEAN agreement, framework agreement for India-BIMSTEC FTA, India-Thailand FTA, India-Singapore CECA, the India-South Korea agreement etc. India already had FTAs with Sri Lanka and Nepal. In 2011, India also signed a trade agreement with Japan, the first agreement it signed with a developed country. The agreement covers more than 90 percent of trade, a vast gamut of services, investment, IPR, customs and other trade-related issues. India pledged to reduce more than 90 percent of its tariffs over a ten-year period. Japan has eliminated duties on 87 percent of its tariff lines with the immediate reduction of tariffs to zero. A trade and investment deal is also being negotiated with the Gulf Cooperation Council (GCC), MERCOSUR, South Korea, Chile etc. India-Israel, India-Brazil, South Africa (IBSA) and India-Russia joint study groups have also been set up. Against this background, the time is ripe for an India-EU FTA.

On the recommendations of the High Level Trade Group (HLTG), which was set up under the Joint Action Plan in 2005, it was agreed at the seventh summit in 2006 at Helsinki that both sides move towards negotiation for a broad-based trade and investment agreement. Both sides agreed that negotiations may begin on the following issues:

- (a) Trade in Goods: (i) achieving elimination of duties on 90 percent of tariff lines and trade volume within seven years of the entry into force of the agreement; (ii) modalities for the treatment of sensitive products including review clauses and partial liberalisation.

- (b) Trade in Services: (i) ensure substantial sectoral coverage measured in terms of number of sectors, volume of trade and modes of supply. No mode of supply should be excluded; and (ii) provide for the elimination of substantially all discrimination between the parties.
- (c) Investment: (i) improve market access and provide for national treatment to investors; (ii) ensure that host and home states retain their right to regulate; (iii) foster transparency by clarifying the regulatory framework; (iv) aim at freeing the flow of payments and investment-related capital movements; and (v) seek to facilitate the movement of investment-related natural persons.
- (d) Public Procurement: Competitive Procurement Regime.
- (e) Technical Regulations: Cooperation on Technical Barriers to Trade (TBT) and Sanitary and Phyto-Sanitary Measures (SPS).
- (f) Intellectual Property (IP) and Geographical Indicators (GIs) coverage to IP and GIs in any future agreement.
- (g) Competition Policy: Agreement on framework in any future agreement.
- (h) Dispute settlement (DS) and provision of DS mechanism.

It is clear from the agenda that India and Europe are aiming at not just a simple free-trade agreement but a much larger pact which includes services, IP, public procurement, competition policy, etc.

Despite the environment being conducive to a trade deal, governments on both sides are remarkably slow in negotiations: three deadlines have already been missed and more than a dozen rounds of negotiations have taken place alternatively in Brussels and Delhi. The 14<sup>th</sup> round of negotiations was held in Delhi in December 2011. At the ninth summit in France in 2008, leaders agreed to conclude the agreement by 2009 and double their trade in five years.<sup>10</sup> At the eleventh summit in Brussels both sides fixed a mid-2011 deadline to conclude negotiations. After missing this deadline, the 12<sup>th</sup> summit in Delhi in February 2012 merely mentioned that the agreement will be concluded 'at the very earliest'. Already the Federation of Indian Chambers & Commerce & Industry (FICCI) has expressed concerns that all items of export interest to India, like leather, textiles and

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10. 'India EU Set to Ink Trade Pact by 2009, Set 100 Bn Euro Target', *The Economic Times*, 28 September 2008. Available at: [http://economictimes.indiatimes.com/News/Economy/Foreign\\_Trade/India-EU\\_to\\_ink\\_trade\\_pact\\_by\\_2009\\_set\\_100\\_bl\\_Euro\\_target/articleshow/3541388.cms](http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India-EU_to_ink_trade_pact_by_2009_set_100_bl_Euro_target/articleshow/3541388.cms).

garments, may not get covered under the FTA being negotiated with the EU. It suggests expansion of scope of the pact to cover 95 percent of merchandise goods.<sup>11</sup> The Communist Party of India (Marxist) asserts that unless details of the agreement are discussed by the Indian parliament, no commitments should be made. The Politbureau of the party warns that 'such FTAs can turn out to be much more damaging for the livelihoods of our farmers, workers and other sections of the working people than the WTO agreements'.<sup>12</sup> Already a campaign group led by trade unions and non-profit organisations have asked the government to halt the talks.<sup>13</sup> Some domestic opposition, the difficult global economic situation and developments on other bilateral economic pacts (like India-Japan and may be India-US) may further slow down the India-EU FTA.

Some academic studies have looked at the implications of a possible EU-India trade and investment pact. A joint study by CUTS India and Sussex University asserts that instead of shallow integration (the removal of border barriers to trade, typically tariffs and quotas) it would be far more effective if the EU and India go for deeper integration (which involves policies and institutions that facilitate trade by reducing or eliminating regulatory and behind-the-border impediments to trade). These policies could include issues such as customs procedures, regulation of domestic services production that discriminate against foreigners, product standards that differ from international norms or where testing and certification of foreign goods is complex and perhaps exclusionary, regulation of inward investments, competition policy, intellectual policy protection and the rules surrounding access to government procurement.<sup>14</sup> The study also suggests that an EU-India FTA is likely to increase FDI flows from the EU by 27 percent and FDI stocks by 18 percent. Another report by Decreux and Mitoritonne argues that the impact of the pact will be positive for both the partners. However, in India's case strong positive results will arise only in areas where there is a sufficient level of liberalisation in services.<sup>15</sup>

## Impact of the ongoing eurozone crisis

India-EU economic relations have also been greatly influenced by internal European economic developments. In the last two decades, the process of European economic integra-

11. 'FTA with EU Must Cover 95% Goods for Real Benefit to India', *Business Line*, 26 September 2008. Available at: <http://www.thehindubusinessline.com/blnus/14261831.htm>.

12. See Press Statement by the Politburo of the Communist Party of India (Marxist) on the proposed India-EU Free Trade Agreement, at: <http://cpim.org/statement/2008/09272008-india-eu%20fta.htm>.

13. 'Amid Protests, EU India Talks Begins Today', available at: <http://www.livemint.com/2009/03/16222358/Amid-protests-EUIndia-trade.html>.

14. Michael Gasoriek et al, *Qualitative Analysis of a Potential Free Trade Agreement between the European Union and India* (Sussex: Centre for the Analysis of Regional Integration, and Jaipur: CUTS International, 2007).

15. Yvan Decreux and Christina Mitoritonne, *Economic Impact of a Potential Free Trade Agreement Between the European Union and India* (Paris: CEPPI-CERAM, 2007).

tion has undergone tremendous changes. The establishment of the Economic & Monetary Union (EMU), the arrival of the euro as well as the expansion of the EU to 27 was best viewed in the context of the EU's overall drive towards globalisation. The advent of the euro also completed the single market, which had already ensured the free movement of goods, services, people and capital in the EU. After its successful launch in 1999, the euro also became the most tangible symbol of a common 'European identity'. It also strengthened the image of Europe worldwide. After years of success, however, many eurozone economies are discovering that a single monetary policy in the absence of a single fiscal policy is not working. Despite promises of static and dynamic efficiency gains as a result of a single currency, the eurozone's economic performance in the last decade has been relatively slow.

After an impressive performance in the last decade, many 'peripheral' economies in the eurozone are facing a serious debt crisis. The European sovereign debt crisis has grown into one of the biggest challenges the EU has faced in recent times. After Greece, Portugal and Ireland, Italy and Spain are also showing dangerous signs of financial and economic instability. To tackle the issue, the European political elite have initiated several unprecedented measures. Along with the IMF, the euro area member states provided financial support to affected countries in the form of pooled bilateral loans. This included a €120 billion package to Greece; €85 billion assistance to Ireland; and €78 billion financing for Portugal. A second bailout package for Greece worth €109 billion has also been agreed with easier repayment terms from the private lenders. In so doing, the EU has effectively abandoned the 'no bailout' clause of the Lisbon Treaty. They also first established the €440 billion European Financial Stability Fund (EFSF) and then expanded it into a €780 billion EFSF. Its mandate is to raise funds in capital markets to provide loans to euro area member states which are experiencing difficulty in obtaining financing at reasonable rates. The EFSF may also intervene in the primary debt market. To strengthen economic policy coordination in the euro area, member states have also agreed to a European semester and the Euro-Plus Pact. They have further decided to establish a permanent crisis-resolution mechanism, the European Stability Mechanism (ESM) in order to safeguard the euro and financial stability in Europe. The ESM will build on the existing EFSM by mid-2013. There are also discussions about the creation of common eurobonds backed by all 17 euro area nations.

Despite all these measures, the situation remains murky. European attempts to run a common monetary policy without a single fiscal policy are not working. There are reports of the possibility of Greece's exit from the eurozone. The euro may not collapse but there is a serious possibility of a eurozone break-up, with one or more countries voluntarily abandoning the single currency or forced to exit. Already the European Council has

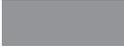
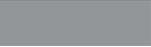
agreed to amend the Lisbon Treaty to provide a legal basis for a permanent mechanism to resolve euro debt crises. Now European policymakers are working on a long-term plan to establish (a) a European system to guarantee bank deposits; (b) a banking union; (c) fiscal integration; and (d) common eurobonds. The president of the European Central Bank (ECB), Mario Draghi, has declared that the ECB will do 'whatever it takes to save the euro.' Under its new plan, the Outright Monetary Transactions (OMT) scheme, the ECB has pledged to buy unlimited quantities of debt of up to three years in maturity. To qualify, a country would have to accept associated conditions, i.e., promise to make certain economic reforms.

Despite these measures, soon the EU might face a situation where a country leaves or is forced to leave the economic and monetary union. This would be a highly challenging situation for the EU, both legally and practically. ECB studies have shown that while negotiated withdrawal would perhaps be possible, unilateral withdrawal would be highly controversial and forced expulsion would be almost impossible. The global economic slowdown as well as the crisis in the eurozone has definitely affected India-EU trade and investment relations. In the last three years there has been significant decline in Indian investments to Europe.

## Conclusion

Trade and economic relations with Europe have always been very important for India. Since the early 1990s, the process of European economic integration and the process of economic liberalisation in India have created tremendous opportunities both for Europe and India. In recent years, India's trade with the EU has increased in absolute terms, but there are some disturbing trends. The growth of India-EU trade has not been able to follow the growth of total Indian trade; one important reason for that is the slow growth of the European economies in the last decade. In recent years, Europe has also become an important destination for cross-border investments and overseas acquisitions by Indian companies. Although from the European point of view, India still accounts for a very small share in trade and investment, its importance is increasing significantly. EU companies want to engage with the rapidly growing Indian economy in a much more systematic manner. These factors have led to the start of negotiations for a future wide-ranging trade and investment agreement. This also fits well within the current series of FTA/CECA agreements India has signed with many countries. As a result of bureaucratic delays on both sides, negotiations have been extremely slow. Global slowdown in the last few years also affected these talks negatively. In the last two years, the sovereign debt crisis in the eurozone has further increased uncertainty in the EU economy. Under the circumstances, the major challenge facing policymakers is how to conclude negotiations

before the 13<sup>th</sup> India-EU summit. Both sides are hopeful that they will be able to conclude the agreement by the end of 2012. For this to happen, however, a strong political will is needed on both sides. Many studies have already shown that Indian policymakers are still sceptical of Europe's role as a major strategic player in Asia. Apart from economic issues, India's partnership with the EU is still at a 'dialogue' level. The reason for this may be that because of the unique nature of the European project, the EU is not able to move swiftly and decisively on sensitive issues with India. On non-economic issues, there is more 'information sharing' and 'consultation'. Broadly, Indian policymakers always understood the EU in the context of a trade and economic bloc. Under the circumstances, convergence on political and security issues is likely to be limited. Therefore the focus should be to at least further strengthen those areas where broad agreement has already been reached. This includes the core issues of trade, investment and technology transfer. The early settlement of a broad-based trade and investment agreement will improve the chances of cooperation in other political and strategic issues as well.



**Part II**

**Proposals for enhancing  
economic and energy  
cooperation**



# EU-India Bilateral Trade and Investment Agreement: opportunities and challenges

Debashis Chakraborty and Animesh Kumar

## Introduction

The recent stagnation of the Doha Development Round negotiations (2001) has weakened the reliance of WTO member countries on the optimality of multilateral tariff and non-tariff reforms. The urge to enhance market access has therefore forced both developed as well as developing countries to further trade objectives through Regional Trade Agreements (RTAs), and the tendency has become more accentuated, especially over the last couple of years.<sup>1</sup> Two major features of the recent RTAs deserve special mention: first, the number of trade agreements between developed and developing countries have increased considerably (e.g. the Australia-Thailand TAFTA, EU-Caribbean EPA, Japan-ASEAN FTA); and second, the number of inter-continental agreements has also been on the rise in recent times (e.g. the US-Bahrain FTA, US-Singapore FTA, etc.). Both the European Union and India have recently been eyeing the RTA route with a view to enhancing market access for their exports.

The EU is the largest trading bloc in the world and has forged links with a number of developing countries through trade and partnership agreements. The diplomatic, economic and technological relationship between the EU and India dates back decades. The EU extended the Generalised System of Preferences (GSP) to India on 1 July 1971, thereby enabling the latter to export manufacturing products at preferential tariffs. The two sides later entered into the Indo-EC Commercial Cooperation Agreement (1974) and Indo-EC Commercial and Economic Cooperation Agreement (1981).<sup>2</sup> Subsequently, the EU-India Cooperation Agreement (1994) included areas such as respect for human rights and democratic principles, development and diversification of trade and investment in mutual interest, environmental protection and sustainable management of natural re-

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1. Debashis Chakraborty and Amir Ullah Khan, *The WTO Deadlocked: Understanding the Dynamics of International Trade* (New Delhi: Sage, 2008).

2. Swapan K. Bhattacharya, 'European Union's Trade with Asia and India', in Rajendra K. Jain (ed.), *The European Union in a Changing World* (New Delhi: Radiant Publishers, 2002) pp. 241-70.

sources, etc. That cooperation led to annual EU-India summits, which are instrumental in providing further focus to the growing EU-India relationship. For instance, India became a strategic partner of the EU at the fifth India-EU Summit in The Hague (2004), where both parties agreed to jointly create a comprehensive EU-India Action Plan for a Strategic Partnership. The Joint Action Plan subsequently came into existence in 2005, with five broad goals: (a) strengthening dialogue and consultation mechanisms; (b) deepening political dialogue and cooperation; (c) bringing together people and cultures; (d) enhancing economic policy dialogue and cooperation; and (e) developing trade and investment.<sup>3</sup>

From 2007 onwards, both the EU and India started discussing the possibilities of entering into a Bilateral Trade and Investment Agreement (BTIA) and several rounds of negotiations have taken place since then. The Joint Statement at the Eleventh EU-India Summit in Brussels (2010) noted the need for an ambitious and balanced Trade and Investment Agreement offering mutual benefits. The delegations hoped to conclude the negotiations by the spring of 2011. The declaration also talked about collaboration in the areas of security and defence, energy, clean development and climate change, maritime transport, research and innovation, culture, statistics, etc.<sup>4</sup> India as a labour-abundant economy stands to gain significantly from the investment and from technical know-how cooperation with the EU.

Nevertheless, despite growing Indo-EU collaboration and areas of potential cooperation, it is not uncommon for there to be conflicts of interests. For instance, the EU has often been vocal about the special additional duties on India's imports and other procedural hassles, especially on wine and spirits. It has also expressed dissatisfaction regarding investment issues in the automotive sector. India, on the other hand, has been apprehensive about the provision of agricultural subsidies in the EU, and the imposition of a number of anti-dumping and countervailing duties on its exports.

This chapter attempts to analyse the potential for economic cooperation between the EU and India through the proposed BTIA, by analysing the opportunities and challenges. The chapter is structured as follows: first, the deeper trade and investment integration between the EU and India in recent years is analysed; areas of potential trade conflicts and associated concerns are presented next, followed by certain policy observations.

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3. EU Council, 'The India-EU Strategic Partnership Joint Action Plan', doc. 11984/05 (Presse 223), Brussels, 7 September 2005. See: [http://eeas.europa.eu/india/docs/joint\\_action\\_plan\\_060905\\_en.pdf](http://eeas.europa.eu/india/docs/joint_action_plan_060905_en.pdf).

4. 'Eleventh EU-India Summit, Joint Statement', Brussels, 10 December 2010. See: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/118404.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/118404.pdf).

## The EU and India: RTAs and trade patterns

The integration process in Western Europe started in the early 1950s with the formation of the European Coal and Steel Community. With time the trade bloc expanded to become the EU, whose membership presently stands at 27; several other European countries, e.g., Croatia and Iceland, may join the bloc in the future. Over the years, the EU has entered into a number of trade agreements involving developed and developing countries.<sup>5</sup> It has entered into trade collaboration with several developing countries and least developed countries (LDCs) through a series of preferential agreements. At present it is engaged in RTA negotiations with India, ASEAN, Singapore, Malaysia, Canada and Mercosur, etc.

India, on the other hand, has focused on the RTA route for trade expansion only during the last decade.<sup>6</sup> It became increasingly dissatisfied with the progress of multilateral market access reform after the Cancun Ministerial (2003), and started the RTA negotiation process with several developing countries in the subsequent period. Only in recent times has the country been involved in negotiations with developed countries such as Australia, New Zealand and the EU.<sup>7</sup>

While the multidimensional RTA strategy followed by both the EU and India has enabled them to enhance their presence in global trade on the one hand, it has also made the subsequent RTA collaboration difficult on the other. The two parties often adopt a strong negotiating standpoint to further their goals. For instance, the EU negotiations with the Gulf Cooperation Council (GCC) were suspended in 2008 due to the former's willingness to include social and political concerns in the agenda.<sup>8</sup> Similarly, India's negotiations with ASEAN continued for a long time due to the difference of opinion on rules of origin provisions.<sup>9</sup>

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5. Julien Chaisse and Debashis Chakraborty, 'The Evolving and Multilayered EU-India Investment Relations: Policy Conjectures and Regulatory Issues', *European Law Journal* (forthcoming).

6. Debashis Chakraborty, 'Regional Trade Agreements and the WTO Framework: Reconciling Free Trade Objectives', *Policy Paper* no. 4, Liberty Institute, New Delhi, 2003.

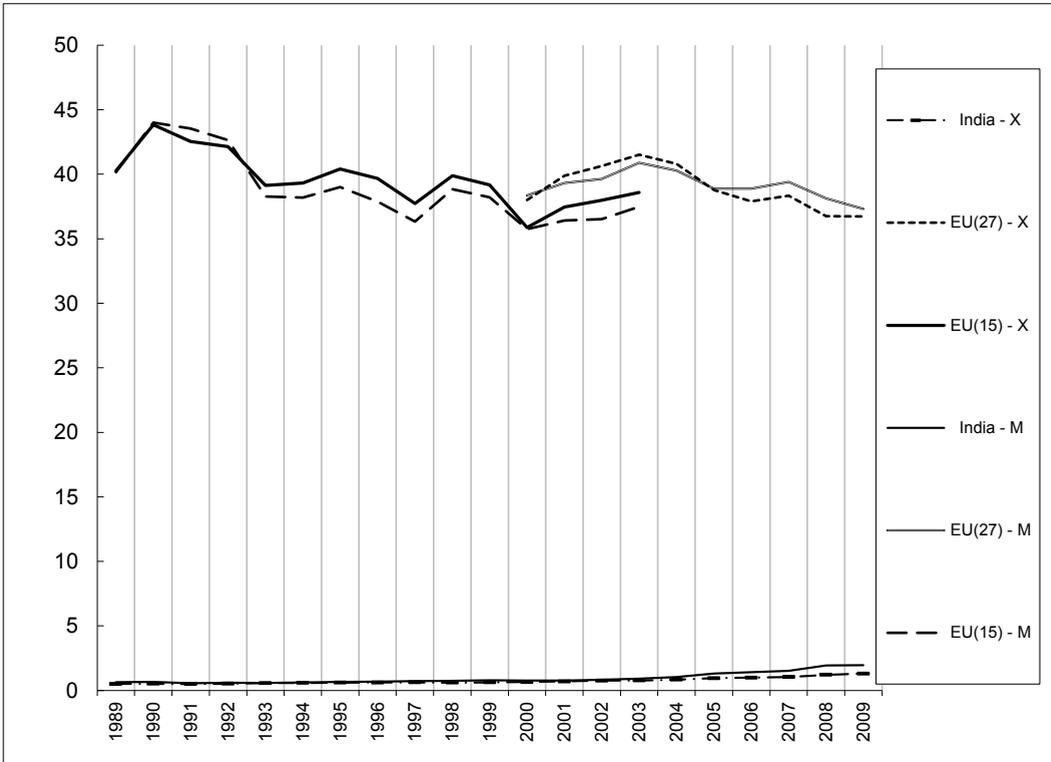
7. Julien Chaisse, Debashis Chakraborty and Biswajit Nag, 'The Three-Pronged Strategy of India's Preferential Trade Policy: A Contribution to the Study of Modern Economic Treaties', *Connecticut Journal of International Law*, vol. 26, no. 2, 2011, pp. 415-55.

8. Confederation of Indian Industries, 'India-EU BITA Negotiations: A Status Update' (undated). Available at: [http://newsletters.cii.in/newsletters/mailer/trade\\_talk/pdf/India-EU%20BITA%20Status.pdf](http://newsletters.cii.in/newsletters/mailer/trade_talk/pdf/India-EU%20BITA%20Status.pdf).

9. Debashis Chakraborty, Pritam Banerjee and Dipankar Sengupta, 'The Trajectory of the Indo-ASEAN Trade: FTA and Beyond', *Taiwanese Journal of WTO Studies*, no. 20, 2011, pp. 131-80.

Diagram 1 shows the market shares of the EU and India in global merchandise trade. The EU collectively accounts for a significant proportion of global merchandise commerce over the last two decades, although the figure has shown a decreasing trend over the last few years. On the other hand, the global presence of India has gradually increased over the same period. It could be argued that a trade agreement with India would enable the EU to secure tariff-free and procedurally trouble-free access to a large market, while the EU as a supplier of capital and technology would have a considerable impact on the trade and production structure of India. It is estimated that the benefits of India being more deeply associated with the EU will be greater than the costs.<sup>10</sup>

**Diagram 1: Global merchandise export and import shares of the EU and India (%)**



Source: Constructed by the authors on the basis of International Trade Statistics, WTO, various issues

10. Centre for the Analysis of Regional Integration at Sussex (CARIS) and CUTS International, 'Qualitative analysis of a potential Free Trade Agreement between the European Union and India', Department of Economics, University of Sussex, United Kingdom, 2007.

Table 1 provides a deeper insight into the presence of the EU and India in the global market for various commodity groups. While the EU is the established player in several product categories, India has been able to increase its global market presence only in recent times. Nevertheless, both sides could benefit considerably from the existing complementarities. In addition, WTO members are becoming more and more inclined towards the RTA strategy for export promotion in a post-recession period, when neo-protectionism in terms of tariff and other non-tariff barriers has been witnessed across countries.<sup>11</sup> The phenomenon becomes clear from the pre- and post-recession average applied tariff levels in the EU and India.<sup>12</sup> From this perspective, both the EU and India should have sufficient interest in each other's market.

**Table 1: Global presence of the EU and India in merchandise trade sphere**

Product Group	EU (27)				India			
	Export		Import		Export		Import	
	2000	2009	2000	2009	2000	2009	2000	2009
Agricultural products	41.8	42.3	42.6	43.9	1.1	1.4	0.7	1.2
Food	43.9	43.2	43.4	44.8	1.3	1.4	0.5	1.0
Manufactures	42.8	43.2	39.9	39.1	0.7	1.3	0.5	1.3
Iron and Steel	46.8	41.1	41.2	35.4	0.9	1.9	0.5	2.3
Chemicals	53.9	54.1	43.8	44.9	0.7	1.3	0.8	1.8
Office and telecom equipment	29.2	24.8	33.8	30.7	0.0	0.3	0.3	1.2
Telecom equipment	38.3	29.7	38.8	36.6	0.0	0.7	0.2	2.0
Integrated circuits and electronic components	19.1	13.5	22.6	15.2	0.0	0.1	0.2	0.5
Automotive products	49.7	53.8	42.3	45.0	0.1	0.6	0.1	0.4
Textiles	36.0	29.5	34.6	29.7	3.5	4.3	0.4	1.0
Clothing	28.5	30.7	41.0	48.5	3.0	3.6	0.0	0.0

Source: Compiled by the authors from *International Trade Statistics*, WTO (2010)

The EU and India began negotiations for a BTIA in 2007, and recently the Indian Minister of Commerce indicated that the negotiations were at an advanced stage.<sup>13</sup> Against this background, the next section of the analysis attempts to understand the extent of

11. Chaisse et al, op. cit. in note 7; United Nations Economic and Social Commission for Asia and the Pacific, 'Asia-Pacific Trade and Investment Report 2011: Post-Crisis Trade and Investment Opportunities' (Bangkok: UN ESCAP, 2011).

12. Chaisse et al, op. cit. in note 7.

13. 'India, EU free trade pact by year end', *The Hindu*, 26 July 2011.

trade integration between the two parties. It has often been noted that the twelve new EU Member States have a different economic structure as compared to the original EU-15 countries.<sup>14</sup> Given this perspective, India's trade dynamics with these two sub-groups within the EU are analysed separately.

### **Growing merchandise trade integration between the EU and India**

During the 1980s, India's export basket was largely made up of the Soviet bloc and Eastern European countries.<sup>15</sup> Only from the mid-1990s onwards did the importance of EU countries start increasing in India's trade basket. In 2009, India's exports to and imports from the EU stood at €25.4 and €27.5 billion respectively. The recent increase in Indo-EU trade is fuelled by the growing trade relationship with both the EU-15 and the newer EU members, many of which belonged to the former Soviet bloc. The increase in trade volume has occurred both in intermediate goods and final products, indicating possibilities of deepened intra-industry trade as well.

The relative presence of the EU and India in each other's markets provides interesting insights. Diagrams 2, 3 and 4 reveal the EU's presence in India's trade basket and vice versa. It can be observed from diagram 2 that the EU-15's presence in India's export and import basket has decreased considerably over the 1995-2010 period. The decline is in line with India's growing trade with West Asia and East Asia as a result of increased oil imports and the 'Look East Policy'. The decline has been sharper for imports, given India's growing import of energy products from oil-exporting countries. Nevertheless, the EU as a whole remains India's largest trading partner. Interestingly, India is witnessing increasing trade relationships with the new EU member countries (EU-12) as well, in particular in the area of exports since 2006, as can be seen in diagram 3.

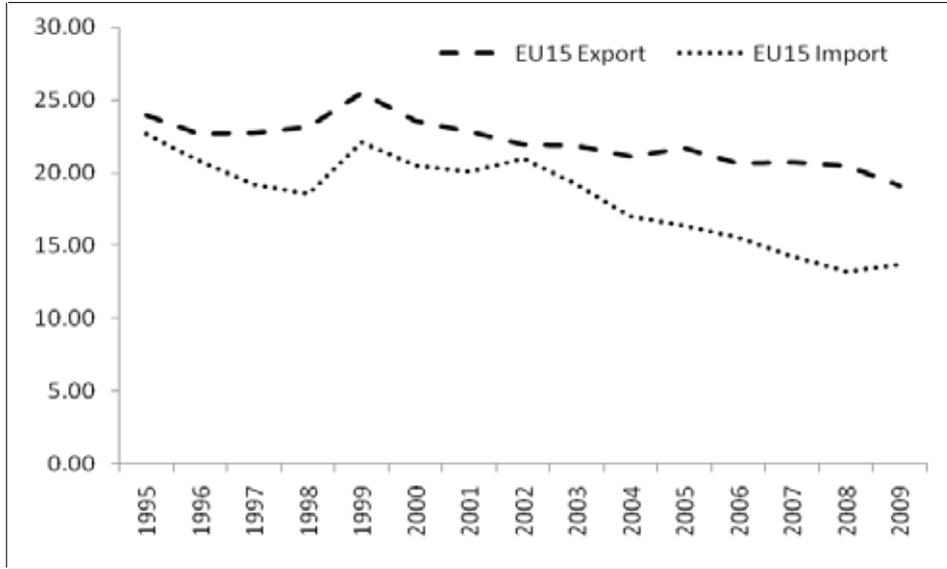
On the other hand, diagram 4 shows that India's presence in the EU-15's trade basket has improved over time, but still remains at a marginal level. A similar conclusion concerning new EU member countries emerges by looking at India's trade shares in the same diagram. Clearly both the EU and India have considerable scope for enhancing penetration in each others' markets through the formal trade agreement.

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14. Felix Brandes, Arjan Lejour, Gerard Verweij and Frans van der Zee, 'The Future of Manufacturing in Europe', Netherlands Bureau for Economic Policy Analysis and Innovation Policy Group, The Hague, 2007.

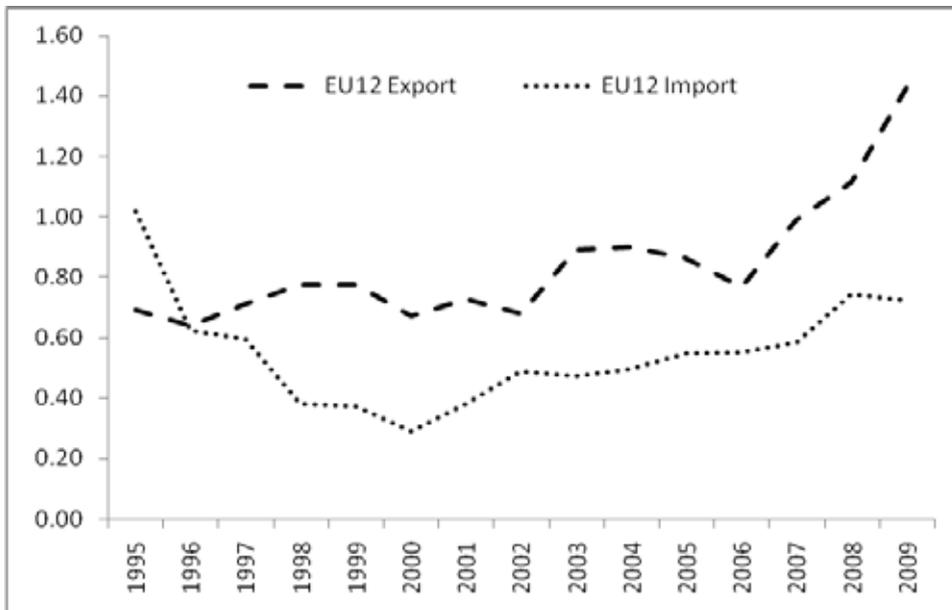
15. D.M. Nachane and Prasad Ranade, 'India's Trade Balance in the Eighties – An Econometric Analysis', Working Paper no. 13, Department of Economics, University of Bombay, 1996.

**Diagram 2: Dynamics of the EU-15's presence in India's trade basket (%)**



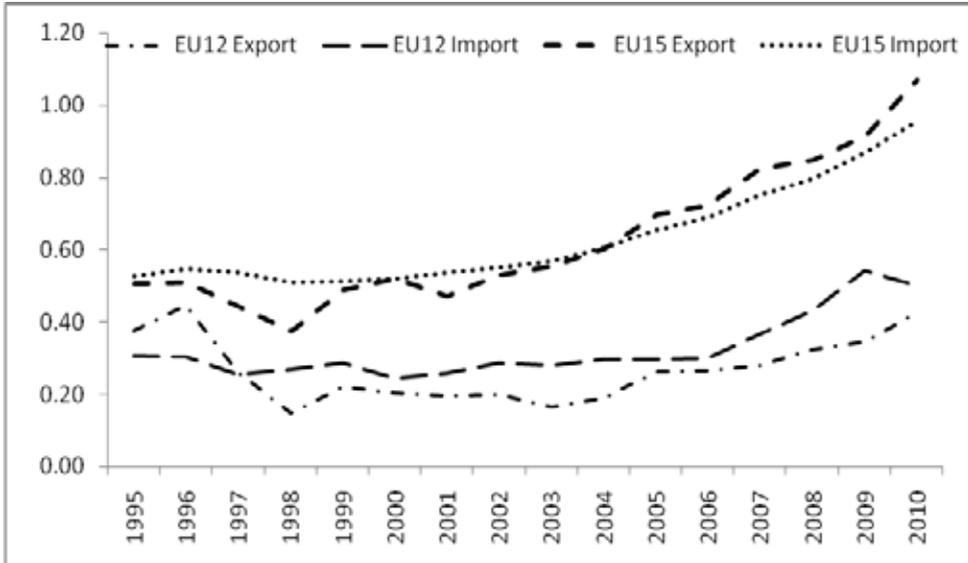
Source: Calculated by the authors from WITS data, World Bank

**Diagram 3: Dynamics of new EU members' presence in India's trade basket (%)**



Source: Calculated by the authors from WITS data, World Bank

**Diagram 4: Dynamics of India’s presence in the EU’s trade basket**



Source: Calculated by the authors from WITS data, World Bank

The importance of India for individual EU Member States and vice versa can be understood with the help of tables 2 and 3. Table 2 indicates that in line with the macro trend, the share of individual EU member countries, barring exceptions like the Netherlands, is declining in the case of exports. India’s share in EU member countries on the other hand has shown an increasing trend over the years, although the figure is at a modest level (table 3). It can be argued on the basis of these observations that both the EU and India stand to gain by enhancing their presence in each other’s market.

**Table 2: Share of the EU in India's trade basket (%)**

EU Country	Export share (%) (India's export to EU partner) / (India's global export)			Import Share (%) (India's import from EU partner) / (India's global import)		
	1995	2002	2009	1995	2002	2009
Belgium	-	3.23	2.01	-	6.21	2.06
France	2.35	2.07	1.87	2.11	1.80	1.65
Germany	6.22	4.05	3.31	8.57	4.02	4.12
Italy	3.19	2.53	1.87	2.47	1.37	1.38
Netherlands	2.42	1.93	3.66	1.51	0.67	0.74
Portugal	0.29	0.33	0.19	0.01	0.03	0.02
Spain	1.31	1.50	1.10	0.48	0.33	0.40
United Kingdom	6.33	4.81	3.69	5.20	4.60	1.52
European Union (27)	28.17	22.63	20.54	28.29	21.48	14.38

Source: Calculated by the authors from WITS data, World Bank

**Table 3: Share of India in the EU's trade basket**

EU Country	Export share (%) (EU member's export to India) / (Its global export)			Import Share (%) (EU member's import from India) / (Its global import)		
	1995	2002	2009	1995	2002	2009
Belgium	-	1.79	1.70	-	0.85	1.06
France	0.37	0.31	0.74	0.41	0.45	0.75
Germany	0.61	0.36	0.99	0.54	0.48	0.76
Italy	0.48	0.38	0.92	0.67	0.61	0.98
Netherlands	0.21	0.22	0.54	0.43	0.43	0.87
Portugal	0.11	0.06	0.13	0.35	0.46	0.52
Spain	0.24	0.21	0.50	0.41	0.58	0.88
United Kingdom	1.02	0.95	1.29	0.84	0.78	1.35
European Union (27)	0.58	0.51	0.85	0.53	0.53	0.83

Source: Calculated by the authors from WITS data, World Bank

One major concern, however, to be addressed during the negotiation of any trade bloc is domestic opposition fuelled by the fear of potential losses. The current trade balance pattern provides an indicative scenario in this regard. An analysis of the trade data reveals that while India has a trade deficit *vis-à-vis* the EU-15, it enjoys a surplus with respect to the EU-12. India's trade deficit with the EU-15 countries can be explained by their extensive imports of machinery and appliances, electrical machinery and equipment, chemical products, iron and steel products, precision equipment, etc. from the latter. On the other hand, India enjoys a trade surplus with respect to EU-12 countries, given its export of automotive products, textile fibres and clothing products, iron and steel products, pharmaceuticals, machinery and appliances, etc. to these markets and the limited diversity of India's present import basket from those countries.

An analysis of Indo-EU trade data at HS 2-digit level suggests that there is considerable scope for India to diversify its export basket to the EU. In this context, table 4 attempts to analyse the evolving complementarities in India's trade pattern with select EU-15 countries by calculating the Trade Complementarity Index (TCI). The TCI is calculated according to the following formula:  $TCI_{ij} = 100 - (\sum |M_{jk} - X_{ik}|)/2$ , where  $X_{ik}$  is share of commodity  $k$  in country  $i$ 's total exports, and  $M_{jk}$  is share of commodity  $k$  in country  $j$ 's total imports. Higher values of TCI over time indicate increasing similarities between the export basket of a country and the import basket of its trade partner. The table suggests that India's export complementarity with imports of EU-15 countries has increased over the period. On the other hand, a fluctuating trend can be noticed when a similar analysis is repeated with India as an importer. Interestingly, India's trade complementarities with the newer EU member countries reveal an increasing trend for exports, but a decreasing one for imports (table 5).

**Table 4: India's Trade complementarities with select EU-15 countries**

EU Country	India as exporter to EU-15			India as importer from EU-15		
	1995	2002	2009	1995	2002	2009
Belgium	-	53.72	60.46		48.46	47.35
France	43.51	49.70	59.82	52.15	42.72	45.93
Germany	45.39	47.60	59.66	49.36	40.28	44.11
Italy	45.02	52.31	63.86	48.50	41.67	43.77
Netherlands	43.80	46.78	59.82	57.22	46.99	53.12
Portugal	48.71	52.31	60.53	35.66	35.62	42.90
Spain	45.21	50.08	62.97	47.18	42.58	44.81
United Kingdom	42.91	47.20	57.77	54.75	48.98	54.61
European Union (15)	44.80	49.76	62.02	52.70	45.87	50.35

Source: Calculated by the authors from WITS data, World Bank

Note: Calculated at HS 4-digit level

**Table 5: India's trade complementarities with select EU-12 countries**

EU Country	India as exporter to EU-12			India as importer from EU- 12		
	1995	2002	2009	1995	2002	2009
Bulgaria	-	52.70	60.95	-	39.75	51.40
Czech Republic	41.39	44.00	51.00	50.97	40.28	41.13
Hungary	43.02	40.33	46.90	42.25	34.01	37.42
Poland	46.11	46.74	56.09	49.52	41.28	41.06
Slovakia	41.59	44.94	53.29	46.34	40.84	41.89
Slovenia	42.35	49.14	56.29	41.54	35.99	40.81
Romania	47.87	57.99	63.18	46.19	41.79	47.39
European Union (12)	44.45	46.93	55.90	50.77	41.62	44.15

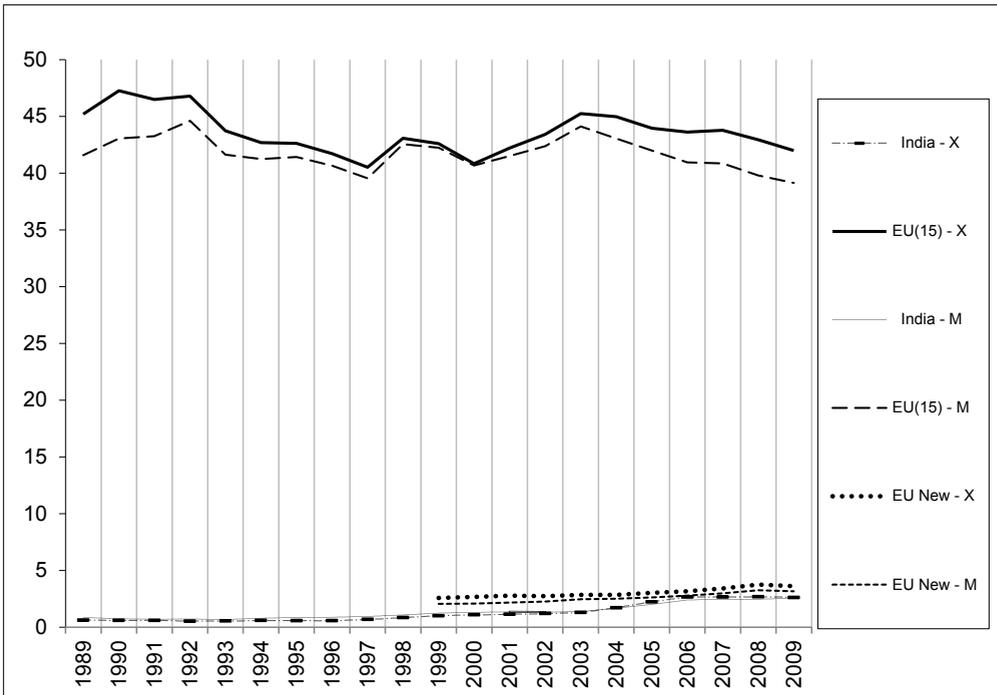
Source: Calculated by the authors from WITS data, World Bank

Note: Calculated at HS 4-digit level

### EU-India association for trade in services

The EU-15 countries have long been a major provider of tech-intensive professional services. Conversely, the EU-12 countries are on a learning curve for professional service categories on the one hand and are evolving as major providers of travel and tourism services on the other. It could be argued that India is located somewhere in between, as since the 1990s the country has moved from the provision of traditional labour-intensive services to higher skill-intensive and innovative tradable services. It can be observed from *International Trade Statistics* data on the services trade that both the EU and India have a trade surplus in this category. However, the EU-15 countries have recently witnessed a decline of their share in global services exports, arguably owing to the labour cost disadvantage. On the other hand, India as well as the EU-12 countries are witnessing an increase in their global presence (diagram 5).

**Diagram 5: Global services export and import shares of the EU and India (%)**



Source: Constructed by the authors from *International Trade Statistics*, WTO

The market share according to category of the EU-27 and India in commercial services is shown in table 6. It can be observed from the table that the EU countries are currently the leading players in all three service categories, namely – (i) transport, (ii) travel and (iii) other commercial services. On the other hand, India is still a marginal player in transport and travel service exports, but has evolved as a major service provider in other commercial services. In particular, the export of computer and IT-related services and professional services has evolved as a major item in India’s services export basket.

**Table 6: Global presence of the EU and India in commercial services**

Service Category	EU-27				India			
	Export		Import		Export		Import	
	2000	2009	2000	2009	2000	2009	2000	2009
Transport	42.5	45.4	35.5	33.5	0.6	1.5	2.1	4.2
Travel	42.0	39.2	45.3	42.3	0.7	1.2	0.6	1.0
Other commercial services	45.1	48.8	46.0	47.1	-	3.7	-	2.4

Source: *International Trade Statistics, WTO (2010)*

The trade in services between the EU and India has increased continuously over the last decade, with India’s services imports from the EU reaching €8.6 billion in 2009, while the corresponding figure for exports stood at €7.4 billion. India’s import of services from the EU mainly occurs in the area of financial services, professional services, travel services, etc. On the other hand, Indian interest in the EU market has been mixed, as export earnings from all types of operations, e.g. export by BPO units (Mode 1 of services trade), tourism (Mode 2), setting up of subsidiaries through investment (Mode 3) and movement of professional service providers (Mode 4) have increased over the period. For instance, the inflow of medical patients from European countries to India has gradually increased.<sup>16</sup> Similarly, there have been several reported acquisitions by Indian software players in EU countries in the post-recession period.<sup>17</sup>

However, the growing concern for India in the post-recession period has been austerity on several fronts, especially in the area of Mode 4 in respect of the movement of Indian professionals, namely software engineers, doctors and nurses, etc.<sup>18</sup> The EU-India Brussels Summit Joint Statement (2010) tried to respond to India’s concern by noting, ‘Rec-

16. Debashis Chakraborty and Anuj Dilwaria, ‘India’s Growing Presence in Health Services Trade? Challenges and Policy Options’, *Taiwanese Journal of WTO Studies*, no. 20, 2011, pp. 1-45.

17. Vibek Sinha, ‘IT Giants fish for buys in troubled Europe’, *Hindustan Times*, New Delhi, 10 August 2010.

18. ‘UK shuts door on Indian Docs’, *Hindustan Times*, New Delhi, 10 September 2010.

ognising the important implications of the movement of people for India and the EU, they agreed to explore initiatives that could lead to a regular, comprehensive and structured dialogue on migration issues, with a view to deepening cooperation in this field'.<sup>19</sup>

### Investment collaborations between the EU and India

Following the adoption of an active RTA strategy in 2003, India began engaging with developed countries spread over Asia, Africa and Latin America. However, India's expectations in terms of investment and technology have not been adequately fulfilled by many of these RTAs and its recent bid to engage with South Korea, Japan, the EU, Canada and Australia needs to be viewed in this light. Currently, a number of recent Indian preferential trade agreements (PTAs) involving Singapore, Japan, Australia and South Korea incorporate investment provisions. This changed focus corresponds to the Indian compulsion to attract investment inflows on the one hand, while facilitating growing investment outflows on the other. In this regard, the Indian focus on the EU, which has been a major source of Foreign Direct Investment (FDI) for the country,<sup>20</sup> is obvious. It can be observed from government documents that presently 19 EU Member States have operational Bilateral Investment Promotion and Protection Agreements (BIPA) and Double Taxation Avoidance Agreements (DTAA) with India. Negotiations for entering into BIPAs with four new EU Member States are currently underway. India signed BIPAs with several EU-15 countries in the mid-1990s, but similar agreements with newer EU members are a recent phenomenon.

There has been a considerable increase in EU-India investment collaboration over the years. In 2009, India received FDI inflows worth €3.2 billion from EU countries, while its outward investment to the EU stood at €0.4 billion. Table 7 analyses the importance of EU Member States in India's overall FDI inflow (expressed as a percentage of total FDI inflow). A fluctuating trend can be seen in overall EU-27 investment in India. Interestingly, investment from a new EU member, Cyprus, has been on the rise recently, which can be explained by tax-related reasons. In the post-recession period in 2010, however, the EU's importance in India's FDI flow has increased. On the other hand, a number of Indian investments have been directed towards the UK, Belgium, the Netherlands and Germany, spanning the IT, automobile and pharmaceutical sectors.<sup>21</sup> It is expected that the EU-India BTIA will further facilitate investment flows.

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19. 'Eleventh EU-India Summit, Joint Statement', Brussels, 10 December 2010. See: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/118404.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/118404.pdf).

20. Dietrich Kebschull, 'Indo-EU Trade and Economic Relations', in Rajendra Jain (ed.), *India and the European Union in the 21<sup>st</sup> Century* (New Delhi: Radiant Publishers, 2002).

21. Arpita Mukherjee and Ramneet Goswami, 'Upcoming BTIA : Prospects and Challenges', *Diplomatist Plus*, vol. 2, no. 4, 2010, pp. 36-9.

**Table 7: FDI Inflow in India from EU Member States (Percent and Rs. Billions)**

Country	2000	2006	2007	2008	2009	2010
Belgium	0.28	0.76	0.10	0.34	0.11	0.15
Cyprus	0.02	0.51	2.76	4.17	5.93	4.38
France	2.77	0.77	0.65	1.46	1.10	3.55
Germany	3.01	2.77	1.78	2.38	2.20	0.94
Italy	4.72	0.51	0.15	1.06	0.55	0.87
The Netherlands	4.43	4.46	3.50	3.06	3.06	5.42
Sweden	2.06	0.05	0.43	0.29	0.91	0.13
UK	2.28	15.53	2.47	5.01	1.72	3.57
Share of EU (27) in India's overall FDI inflow	20.01	26.09	12.66	19.14	16.80	21.49
Total FDI inflow in India	123.54	503.85	797.35	1,397.68	1,309.82	960.15

Source: Authors' calculation from SIA Newsletter data

## Areas of concern and the future

The RTA focus in India's trade strategy has been incorporated from 2003 onwards. The guiding principle of India's preferential trade agreements can be understood from a 2004 speech of the then Commerce Minister of India:

'The Uruguay Round took eight years to negotiate. The Doha Round has already taken four. When the WTO process reaches its final culmination, perhaps in the next fifteen years or so, regional FTAs would become redundant. But that is a long way off.... RTAs consolidate peace and regional security, and also confer greater bargaining power in multilateral negotiations by tying in partner countries through regional commitments.'<sup>22</sup>

In this light, India's RTA bid with other developing countries such as Brazil, Chile, Indonesia, Malaysia, Thailand and South Africa makes perfect sense, as all of them share common aspirations at the WTO negotiating forums. In other words, regional trade collaboration also strengthens their bargaining powers at agricultural and non-agricultural market access (NAMA) multilateral negotiations. The EU on the contrary has always occupied the other side of the negotiating table in all multilateral forums. For instance, the

22. Ministry of Commerce and Industries, 'Economic Cooperation Agreements to open up immense business opportunities for India', Press Release, 17 December 2004. See: [http://commerce.nic.in/pressrelease/pressrelease\\_detail.asp?id=1332](http://commerce.nic.in/pressrelease/pressrelease_detail.asp?id=1332).

EU and India locked horns during the failed Seattle Ministerial (1999) over inclusion of environmental and labour standards at the WTO. Negotiating history repeated itself during the Doha Ministerial (2001), Cancun Ministerial (2003) and Hong Kong Ministerial (2005) over Singapore issues, agricultural subsidies, NAMA modalities, TRIPS and public health provisions, etc., to name a few. Any future Indo-EU economic cooperation therefore needs to be viewed in the historical perspective of these pre-existing conflicts.

Strategic conflicts notwithstanding, Indo-EU collaboration is not altogether devoid of economic logic, as can be seen from the statistical analysis of trade and investment data. First, the EU-India bilateral merchandise and commercial services trade has increased considerably in recent times, indicating greater interaction between the two economic powers. Second, increased diversity in the trade basket and growing trade complementarity indicate a readjustment in line with economic benefits. Third, growing intra-industry trade signifies a greater volume of trade in intermediate and semi-finished products, which might deepen the intra-regional production networks in the long run and enable both sides to reap the benefits of specialisation and economies of scale. Fourth, service trade between the two sides has increased considerably, with profound implications for cross-border investments and economic development. Finally, investments in both directions are gearing up to ensure optimisation of key economic interests, which has important technology transfer implications.

Despite ongoing negotiations for the EU-India BTIA since 2007, the two sides have yet to conclude the agreement covering merchandise and services trade and investment provisions. There are several problem areas. First, conflict over the coverage of tariff and subsidy reforms as part of the BTIA has partially delayed the negotiation process. The EU is strongly negotiating for a major tariff reduction in India within several strategic product categories such as wheat, wines and spirits, automobile products, etc.<sup>23</sup> Similarly, India is concerned about the continuance of agricultural and fisheries subsidies in the EU.<sup>24</sup> Second, the negotiations have yet to reach agreement on the coverage of sensitive products to be kept aside for tariff reform in both entities.<sup>25</sup> Third, the continuance of stringent standard-related non-tariff barriers (NTBs) in the EU poses a major challenge for Indian

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23. 'India won't consider EU's demand on duty-free wheat import', *Business Standard*, New Delhi, 26 June 2011; 'EU seeks huge duty cuts on auto, wines in its FTA with India', *Economic Times*, New Delhi, 17 July 2011.

24. Marita Wiggerthale, 'What's wrong with EU agricultural subsidies?', 2005. See: <http://www.ppl.nl/bibliographies/wto/files/3908.pdf>. See also Debashis Chakraborty, Julien Chaisse and Animesh Kumar, 'Doha Round Negotiations on Subsidy and Countervailing Measures: Potential Implications on Trade Flows in Fishery Sector', *Asian Journal of WTO and International Health Law and Policy*, vol. 6, no. 1, 2011, pp. 201-34.

25. Confederation of Indian Industries, op. cit. in note 8.

exports.<sup>26</sup> Fourth, up until now, the EU has at times initiated anti-dumping and countervailing duty-related actions on Indian exports. The natural concern is that tariff-free entry of Indian products into the EU market or vice-versa might fuel anti-dumping activism further. Fifth, there have been a considerable number of patent-related disputes between the two countries involving pharmaceutical products in recent times, in the light of repeated seizures of Indian generic drug export consignments on patent infringement grounds in several EU markets during their transit to Latin America. Though the EU granted temporary relief to India recently,<sup>27</sup> the issue needs to be resolved before the negotiations conclude. Sixth, obtaining market access for commercial services in the EU market through the removal of non-transparent visa regulations and other procedures will be difficult.<sup>28</sup> Finally, the EU's inclination to include environment and labour standards is a major area of concern for Indian negotiators.

Indian apprehensions over offensive as well as defensive interests are well-founded. On the former question, Indian market access to the EU market can be violated by farm subsidies, stringent SPS-TBT standards, anti-dumping actions, etc. The latter concern arises from the potential public health dimension in the Indian market, if WTO-Plus IPR norms are incorporated in the BTIA provisions. In addition, the fact that 70 percent of European trade is currently intra-regional is another area of concern.<sup>29</sup> In particular, the new EU member countries can successfully fulfil the Heckscher-Ohlin predictions with respect to their trade with the EU-15 countries, thereby undercutting India's hopes of integrating with Western Europe. In other words, the ongoing exercise in intra-EU integration may significantly challenge India's capability as a supplier of labour-intensive products to EU-15 countries in the long run.

The proposed EU-India BTIA thus has many potential benefits, but it is also rife with latent problems for India. India's approach to negotiating with the EU should therefore be based on four broad policies. First, on the question of tariff reforms, the negative and sensitive lists should be prepared solely in line with livelihood security concerns associated with such measures. Second, India must take this RTA opportunity to force the EU to curb its farm subsidies as an additional rejoinder to its negotiating standpoint at multilateral forums. Third, all the WTO-plus concerns (e.g. the environment, labour standards, TRIPS-Plus) should be kept strictly outside the purview of the BTIA. Finally,

26. Export Import Trade Flash (EITF), 'Dyeing Naturally: Implications of a German Ban', New Delhi, 1-15 June 1996, pp. 4-5; EITF, 'India's seafood exports to EU banned', New Delhi, 16-31 August 1997, p. 5; G. J. Faber and Jan Orbie (eds.), *European Union trade politics and development: 'Everything But Arms' unravelled* (London: Routledge, 2007).

27. Government of India, Ministry of Commerce and Industries, 'India EU reach an understanding on issue of Seizure of Indian Generic Drugs in transit', Press Release, 28 July 2011. See: [http://commerce.nic.in/pressrelease/pressrelease\\_detail.asp?id=2807](http://commerce.nic.in/pressrelease/pressrelease_detail.asp?id=2807).

28. Sidhartha, 'European Union not keen to relax FTA visa curbs', *Times of India*, New Delhi, 15 August 2011.

29. World Trade Organisation, *International Trade Statistics 2010* (Geneva: WTO, 2010).

the inherent strengths of the economy need to be cultivated by focusing on strategic sectors and helping to boost their firms' level of competitiveness through WTO-compatible policies. The sectors identified by NMCC<sup>30</sup> could be considered as a guideline in this context.

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30. National Manufacturing Competitiveness Council, 'The National Strategy for Manufacturing', 2006. See: [http://nmcc.nic.in/pdf/strategy\\_paper\\_0306.pdf](http://nmcc.nic.in/pdf/strategy_paper_0306.pdf).

# EU-India energy cooperation: promoting renewable sources and widening commitments

Dinoj Kumar Upadhyay

## Introduction

Energy has emerged as one of the major areas of India-European Union (EU) cooperation in recent times. Although both India and the EU are net importers of energy, there is immense potential for them to collaborate in the areas of renewable energy, technology transfer and research and development cooperation for innovations in renewable energy. Growing emphasis on the green economy and the pressing need to reduce greenhouse gas emissions to mitigate climate change has made renewable energy indispensable. The recent Rio+20 declaration recognises that, in the context of sustainable development and poverty eradication, the green economy is one of the key tools available for achieving sustainable development; and sustainable development is inexorably interlinked with access to modern and clean energy services. To cope with ever-rising energy demands, to fuel its high economic growth rate and promote socio-economic development in an environmentally compatible way, India has been exploring multiple ways to diversify its sources of energy, including harnessing the potential to generate renewable energy. India's Integrated Energy Policy explicitly stresses, '[a]s the country is short of energy resources the need to develop all energy sources including the renewable options is paramount.'<sup>1</sup>

The EU is at the vanguard of the renewable energy sector and advanced clean energy technologies. EU companies are considered to be among the world leaders in renewable energy technology innovation and thanks to growing domestic markets they can explore markets across the world.<sup>2</sup> They see vast business and investment opportunities in India's energy market. The scope and prospects of India's clean energy market appear to be huge and the regulatory framework is gradually improving. Thus it would be an attractive destination

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1. Planning Commission, Government of India, *Draft Report of Expert Committee on Integrated Energy Policy*, December 2005, p. 92.

2. 'Renewable Energy Sector in the EU: Its Employment and Export Potential: A Final Report to DG Environment', ECO-TEC: Research & Consulting Limited, Birmingham, United Kingdom. Available at: [http://ec.europa.eu/environment/enveco/eco\\_industry/pdf/ecotec\\_renewable\\_energy.pdf](http://ec.europa.eu/environment/enveco/eco_industry/pdf/ecotec_renewable_energy.pdf).

for European investment and technological products. But there are many institutional and financial challenges in realising the full partnership potential. This chapter intends to examine the opportunities and challenges for EU-India renewable energy cooperation in this context. It analyses the determinants, policies and major areas of cooperation in renewable energy and technologies, investment and business opportunities and joint EU-India collaboration on research and development projects. It also examines the major challenges that hinder the realisation of the full potential of their partnership.

### Catalysts for the promotion of renewable energy in India

There are multiple factors, ranging from population growth, the structure of the economy, rising fossil fuel prices, enhancing energy security, growing energy demand, greenhouse gas emissions and climate change, improvements in renewable energy technology and cost reduction, rising electricity prices and so on, which have led to the promotion of the use and generation of renewable energy in India. The country is home to almost one sixth (approximately 1,210.2 million people, 17.5 percent) of the world's population. The annual rate of population is currently increasing by about 1.4 percent per annum.<sup>3</sup> India's urban population grew from the 290 million in the 2001 census to 340 million in 2008 and is expected to soar further to 590 million by 2030. The McKinsey Global Institute forecasts that urban expansion will happen at a speed quite unlike anything India has seen before. It took nearly forty years (between 1971 and 2008) for India's urban population to rise by 230 million. It could take only half that time to add the next 250 million.<sup>4</sup> There are more than 1.3 billion people in the world today who lack access to electricity and at least 2.7 billion people do not have clean cooking facilities;<sup>5</sup> 289 million people in India do not have access to electricity.<sup>6</sup> According to the National Sample Survey Office (2004-5), more than 80 percent of households still rely on traditional sources of energy for cooking in rural India. Therefore, providing access to clean and modern energy services is an enormous challenge for India.

India registered an economic growth of over 6 percent in the 1990s and over the last few years it has reached up to 9 percent. Although economic growth is slowing down due to policy inertia and delayed economic reforms, India is poised to target high economic growth under the 12<sup>th</sup> five-year plan. It has also witnessed changes in the structure of the

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3. Census of India 2011. Available at: [http://censusindia.gov.in/2011-prov-results/data\\_files/india/popvoptotalpresentation2011.pdf](http://censusindia.gov.in/2011-prov-results/data_files/india/popvoptotalpresentation2011.pdf).

4. McKinsey Global Institute, *India's Urban Awakening: Building Inclusive Cities, Sustaining Economic Growth*, April 2010, p. 13.

5. United Nations, *Sustainable Energy for All*, A Vision Statement by Ban Ki-moon, Secretary-General of the United Nations, New York, November 2011, p. 2.

6. International Energy Agency, *World Energy Outlook 2011*, 4 April 2012. Available at: [http://www.iea.org/Papers/2011/weo2011\\_energy\\_for\\_all.pdf](http://www.iea.org/Papers/2011/weo2011_energy_for_all.pdf), p. 11.

economy in the post-economic reform era. (The contribution of the services sector in GDP has been rising. According to *Economic Survey 2011-12*, the services sector grew by 9.4 percent in 2011-12, while its share in GDP went up to 59 percent in the same period.<sup>7</sup>) Strong demand for building infrastructure, housing, retail outlets, media and entertainment, and information and communication technologies has gradually been rising.<sup>8</sup>

India's energy requirements are expected to more than double in the next two decades; by 2030, the country is expected to overtake Japan and Russia and become the third largest global consumer of energy. Oil and natural gas comprise an increasing proportion of consumption, projected to account for almost a third by 2030. But with only 0.3 percent of the world's proven oil reserves and 0.6 percent of proven gas reserves, domestic supply will not be able to keep up with demand.<sup>9</sup> India has abundant reserves of coal, but the coal has been mined inefficiently, and by 2030 the country is expected to seek almost a third of its coal requirements abroad. Furthermore, if production grows at 5 percent annually, India is projected to run out of the currently extractable coal in 45 years.<sup>10</sup> Imports of natural gas and coal are also expected to increase. The growing oil import bill and increasing dependency on imports for coal, oil and gas are creating pressures to increase domestic production and explore alternative sources of energy. It is indeed difficult to predict how oil prices will evolve, but current assessments indicate that they will remain high. Use of more renewable energy is also important from an environmental point of view, since burning carbon-containing fossil fuels such as coal, oil and natural gas accounts for the majority of man-made carbon dioxide.

Higher fossil fuel prices, energy security concerns, and environmental considerations, rising fossil fuel costs, particularly for natural gas in the electric power sector, along with government policies and programmes to support renewable energy, will enable renewable fuels to compete economically over time.<sup>11</sup> Renewable energy-based power generation installed capacity has reached 18,655 megawatts (MW), which is about 11 percent of the total installed capacity of 168,945 MW and corresponds to a contribution of about 4.13 percent in the electricity mix. Considering the significance of energy issues in coping with climate change, the National Action Plan on Climate Change (NAPCC) encourages applications

7. Government of India, *Economic Survey 2011-12*, available at :[http://pib.nic.in/archieve/esurvey/esurvey 2011/eng 2011. pdf](http://pib.nic.in/archieve/esurvey/esurvey%2011/eng%2011.pdf).

8. Ligia Noronha and Anant Sudarshan, *India's Energy Security* (New York: Routledge, 2009), p. 8.

9. Tanvi Madan, 'India's Global Search for Energy', in Michael Kugelman (ed.), *Foreign Addition: Assessing India's Energy Security Strategy*, Asia Program Special Report, no. 142, Woodrow Wilson International Center for Scholars, October 2008, pp. 6-7; and *BP Statistical Review of World Energy*, June 2012.

10. Tanvi Madan, op. cit. in note 9, p. 6 and KPMG, *India Energy Outlook*, available at: [http://www.in.kpmg.com/pdf/ India\\_Energy\\_Outlook\\_2006.pdf](http://www.in.kpmg.com/pdf/India_Energy_Outlook_2006.pdf).

11. Ministry of New and Renewable Energy, Government of India, *Strategic Plan for New and Renewable Energy Sector for the Period 2011-17*, February 2011.

of clean technology and the promotion of renewable energy to mitigate climate change.<sup>12</sup> The National Solar Mission's target is to create an enabling policy framework for the deployment of 20,000 MW of solar power by 2022.<sup>13</sup> The government has also amended the Power Tariff Policy to make it mandatory for state governments to have three percent solar energy in their total power purchases by 2022, in order to align with the objectives of the National Solar Mission.<sup>14</sup> International cooperation has been sought in research and development, technology transfer and a global IPR regime that supports technology transfer to developing countries under the United Nations Framework for Convention on Climate Change.<sup>15</sup> National Mission for Enhanced Energy Efficiency aims to save about 23 million tonnes of oil-equivalent of fossil fuels per year by 2014-2015, along with an expected avoided electricity capacity addition of around 19,000 MW. The Mission also aspires to expand use of more energy efficient equipment and appliances.<sup>16</sup> This would be helpful in expanding access to electricity as well as reducing CO<sub>2</sub> emissions.

Energy policy analysts believe a favourable environment for the generation and promotion of renewable energy is emerging. Growth opportunities in renewable energy have gradually been shifting to the Southeast and South Asia region in recent times.<sup>17</sup> Global investment in renewable power and fuels has also increased by 17 percent to a new record of US \$257 billion in 2011. In particular, India displayed the fastest expansion rate for investment of any large renewables market in the world in 2011, with a 62 percent increase to \$12 billion.<sup>18</sup> Both national and international investors have more confidence in the renewable energy sector in the Indian market. With a wider portfolio of customers, a growing manufacturing base and an effective supply chain, the Indian renewable energy sector is an attractive destination for investment.<sup>19</sup> Ernst & Young's 'Renewable Energy Country Attractiveness Indices' of May 2012 rank India as the third most attractive country to invest in renewable energy.<sup>20</sup>

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12. The Government of India, Prime Minister's Council on Climate Change, *National Action Plan on Climate Change*, 2008. Available at: <http://pminindia.nic.in/Pg01-52.pdf>.

13. 'Jawaharlal Nehru National Solar Mission: Towards Building Solar India'. Available at: <http://india.gov.in/allimpfrm/s/alldocs/15657.pdf>, p. 1

14. 'States to Buy More Green Power Soon', *Business Today*, 7 January 2011. Available at: <http://businesstoday.intoday.in/story/government-implements-changes-in-power-tariff-policy/1/11989.html>.

15. Government of India, Prime Minister's Council on Climate Change, *National Action Plan on Climate Change*, p.4.

16. Kirit Parikh and Nicolas Stern, 'India's Low-Carbon Growth Strategy'. *The Indian Express*, 8 June 2012, and Aarti Dhar, 'National Mission on Enhanced Energy Efficiency Approved', *The Hindu*, 25 August 2009.

17. Rachita Prasad, 'Future's Bright for Clean Power Cos', *The Economic Times*, New Delhi, 5 June 2012.

18. Bloomberg New Energy Finance, *Global Trends in Renewable Energy Investment 2012*. Available at: <http://fs-unep-centre.org/sites/default/files/media/globaltrendsreport20123.pdf>.

19. Kavita Sinha, 'State of the Sector: Scaling New Heights', *Renewable Watch*, vol. 2, no.1, November 2011, p. 12.

20. Ernst & Young, *All Renewable Index. Renewable energy country attractiveness indices May 2012*. Available at: <http://www.ey.com/GL/en/Industries/Cleantech/RECAI-May-2012-All-Renewables-Index>.

## Opportunities for India-EU renewable energy cooperation

Energy security was an important agenda item of Indian foreign policy in the 1990s. The acceleration of India's economic growth rates after the 1991 economic reforms launched a new debate on energy-related issues in India's national security discourse.<sup>21</sup> Energy security is deemed to be an essential component of national security and it has been mainstreamed into India's foreign policy agenda.<sup>22</sup> India has made investments in hydro-carbon fields around the world on a national priority basis and has been exploring and signing agreements with developed nations with a view to diversifying their energy basket, including by making investments in renewable energy and clean technologies.<sup>23</sup> The Ministry of External Affairs has established an energy security division, entrusted with maintaining close coordination with relevant ministries and supporting 'their international engagement through appropriate diplomatic interventions.'<sup>24</sup> Increasing reliance on renewable sources and promoting energy is one of the main planks of India's energy security strategy.<sup>25</sup> Access to technology for clean energy and exploiting non-conventional sources of energy and investment have become necessary elements of India's economic diplomacy.<sup>26</sup>

Issues of energy cooperation between India and the EU have been part of their agenda since the beginning of their strategic partnership. The European Commission considers that both the 'EU and India are increasingly interdependent especially in terms of energy supply' and seeks increased cooperation with India.<sup>27</sup> The EU-India Strategic Partnership and the Joint Action Plan 2005 envisages energy cooperation between India and the EU. The Joint Declaration states that India and the EU decided 'to work towards achieving safe, secure, affordable and sustainable energy supplies'.<sup>28</sup> Emphasis has been placed on the development of more efficient, cleaner and alternative energy chains. An India-EU Energy Panel has been set up to coordinate joint efforts and discuss energy-related matters of mutual interest. The Energy Panel has decided to set up working groups in the areas

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21. C. Raja Mohan, 'Energy Security and Indian Foreign Policy' in Ligia Noronha and Anant Sudarshan (eds.), *India's Energy Security* (New York: Routledge, 2011), p. 128.

22. Address by State Secretary on Ensuring India's Energy Security, 9 March 2009, Ministry of External Affairs, Government of India, New Delhi.

23. C. Raja Mohan, op. cit. in note 21, pp. 128-129.

24. Indian Ministry of External Affairs, 'New Division of Energy Security', Press Release, 6 September 2007. Available at: <http://pib.nic.in/release/release.asp?relid=30972>.

25. Address by State Secretary on Ensuring India's Energy Security, 9 March 2009, Ministry of External Affairs, Government of India, New Delhi.

26. Tanvi Madan, op. cit. in note 9, October 2008, pp. 7-8.

27. European Commission, 'Energy from Abroad'. Available at: [http://ec.europa.eu/energy/international/bilateral\\_cooperation/india\\_en.htm](http://ec.europa.eu/energy/international/bilateral_cooperation/india_en.htm).

28. The Council of the European Union, 'The India-EU Strategic Partnership, Joint Action Plan', 11984/05 (Presse 223), Brussels, 7 September 2005.

of energy efficiency and renewable energies, coal and clean coal conversion technologies, and fusion energy including India's membership in the International Thermonuclear Experimental Reactor (ITER). With special reference to renewable energy, India and the EU agree to cooperate for: the promotion of energy efficiency and energy conservation; the development of affordable clean energy technologies; the identification of new technologies in the field of new, renewable, conventional and non-conventional energy sources; and technology and expertise in exchange of energy between different grid systems and the development of energy markets.<sup>29</sup>

The recent Joint Declaration for Enhanced Cooperation on Energy at the 12<sup>th</sup> EU-India summit 2012 was expanded to areas of cooperation and included safety, sustainability, access and technologies. It envisages that the EU and India will focus their joint efforts in a number of key energy areas: development and deployment strategies for clean energy production, improved energy efficiency of products and energy efficiency in the building sector, development of smart power grids, including the integration of renewable energy sources, cost-effective ways to encourage the uptake of renewable energy sources, as well as research and innovation cooperation on new, clean and renewable energy technologies, energy safety (in particular nuclear safety and off-shore drilling safety) and advances in developing fusion energy as a future sustainable energy source.<sup>30</sup>

India and the EU can cooperate in the areas of solar, wind and biomass energy, small hydro power, energy from waste, biofuel and clean coal. According to Census 2011, there are 641,000 villages in India. Forty percent of the country's population is currently denied energy access.<sup>31</sup> Renewables can be used for lighting, heating, cooling, water pumping, cooking and almost any requirement that is presently met by fossil fuels. Under the Solar Mission, it has been proposed to cover 2,000 MW equivalent off-grid power systems by 2022.<sup>32</sup> India has aggressively pursued a policy of harnessing solar power potential. It has been promoting both grid and decentralised solar power generation. As the national solar mission prioritises a major expansion in solar energy, business analysts see a huge market potential for processing raw materials for solar cells, large capacity Solar Photovoltaic (SPV) modules, film solar cells, SPV roof tiles, inverters, charge controllers, etc. in India.<sup>33</sup> The Ministry of New and Renewable Energy has planned to enhance off-grid

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29. Ibid.

30. The Council of the European Union, *Joint Declaration for Enhanced Cooperation on Energy, 12<sup>th</sup> EU – India Summit*, 6409/12, PRESSE 44, New Delhi, 10 February 2012.

31. Ministry of New and Renewable Energy, Government of India, *Strategic Plan for New and Renewable Energy Sector for the Period 2011-17*, February 2011.

32. Ibid.

33. Peerzada Abrar, 'Why India's Clean Tech Sector is Attracting US, Europe and Asia Pacific Entrepreneurs', *The Economic Times*, New Delhi, 13 January 2012. Available at: [http://articles.economicstimes.indiatimes.com/2012-01-13/news/30623761\\_1\\_solar-power-india-s-national-solar-mission-harish-hande](http://articles.economicstimes.indiatimes.com/2012-01-13/news/30623761_1_solar-power-india-s-national-solar-mission-harish-hande).

production of solar energy, particularly in rural areas.<sup>34</sup> European companies have shown great interest in the Indian solar market. The EU-India Summit Declaration 2008 called for both partners to foster cooperation on solar energy with a view to jointly developing a flagship programme in solar energy.<sup>35</sup> According to Bloomberg New Energy Finance, solar investments increased sevenfold from \$0.6 billion in 2010 to \$4.2 billion in 2011.<sup>36</sup> An attractive feed-in tariff and a very favourable solar energy policy have made India one of the top destinations for solar investments. A decline in feed-in tariffs and the advent of the financial crisis in Europe have led European renewable energy companies to invest more in India and on a large scale. Current feed-in tariffs in India are far more attractive than in Europe. India also offers huge potential for European companies to reduce costs by indigenising their products and services in India. Abengao Solar, Juwi Energy, Solairedirect and Moventas are a few of the larger European firms that have set up wholly-owned subsidiaries in India.<sup>37</sup> Among the prominent Joint Ventures are Proener Renoables, Immodo Solar SA and Gehrlicher Solar.<sup>38</sup> In August 2011, KfW bank signed a loan agreement for €250 million with the Indian government to finance the development of a 125 MW solar PV project in Maharashtra.<sup>39</sup>

Wind is another sector where immense business opportunities are available and need to be harnessed properly. According to the Confederation of Indian Industries (CII), the Indian wind energy industry is a great success story and the country is ranked fourth worldwide in terms of installed wind capacity and is set to increase its installed capacity figure substantially. Central and state governments have undertaken various policy initiatives to attract investment in the wind sector. Their policies offer a combination of feed-in tariffs, portfolio standards, subsidised capital and tax incentives to lure investment. Power sector reforms, capital support to renewables, attractive renewable tariffs, domestic equipment and partners, an improved business environment, the establishment of special economic zones and Clean Development Mechanism (CDM) investment<sup>40</sup> have all contributed. India's wind energy sector attracted investments of \$4.6 billion in 2011.<sup>41</sup> It is also observed that the wind energy sector has a better track record and lower cost,

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34. *Strategic Plan for New and Renewable Energy Sector for the Period 2011-17*, op. cit. in note 31.

35. Report for the Swedish Ministry of the Environment, *Reducing Green Gas Emission in India*, October 2009, pp. 35-36.

36. 'India Leads the World in Cleantech Investment Growth', 3 February 2012, BusinessGreen staff, Business Green. Available at: <http://www.businessgreen.com/bg/news/2143610/india-leads-world-cleantech-investment-growth>.

37. Kavita Sinha, op. cit. in note 16, p. 19.

38. Ibid, p. 13.

39. Dolly Khattar and Nitin Parmeswar, 'Key Financings: Major Debt and Equity Deals', *Renewable Watch*, November 2011, p. 91.

40. EU-India Wind Energy Network, *Wind Energy Finance: Mobilizing European Investment in the Indian Wind Sector*, January 2007.

41. 'India Leads the World in Cleantech Investment Growth', op. cit. in note 36.

and is relatively less risky.<sup>42</sup> The CII study observes that European investors have much to contribute to the Indian wind market. There are excellent prospects for joint venture partners, equipment suppliers and financial institutions. There are good prospects for both sides to meet halfway for everyone's mutual benefit.<sup>43</sup> Major European wind energy companies, especially from Germany and Spain,<sup>44</sup> have been seen to show an interest in India, for instance, in April 2011, the International Finance Corporation (IFC) provided a €11 million loan to Gamesa Wind Turbines Private Limited, the Indian subsidiary of Spain-based Gamesa Corporacion Tecnologica, to scale up its wind turbine assembling facility in the country over the next two years.<sup>45</sup>

It is estimated that 540 million tons of crop and plantation residues are produced every year, a large portion of which is either wasted or used inefficiently in India. There are opportunities for small hydro power projects given India's numerous rivers and their tributaries. An increasing quantity of rubbish in urban areas caused by rapid urbanisation and industrialisation presents further opportunities. The national biofuel policy, aimed at facilitating development of indigenous biomass feedstock for production of biofuels, has been approved. It proposes an indicative target of 20 percent blending of biofuels, both for biodiesel and bioethanol, by 2017. The government had already made 10 percent ethanol blending with petrol effective from 2008. With the bulk of power generated from thermal stations using coal as raw material, the scope of clean-coal technologies, both for mining and upgrading the low-grade coal currently in use, is huge.<sup>46</sup> It was noted at the meeting of the EU-India Working Group on Clean Coal Technologies that India would be interested in cooperating with the EU in developing the technology for improving the burning characteristics of high ash content coals in Integrated Gasification Combined Cycle (IGCC) plants. Other areas of possible cooperation included pulverised coal and fluidised bed combustion, low NO<sub>x</sub> burners and Oxy-fuel combustion.<sup>47</sup>

Major European banks can also provide loans for the renewable energy sector. For instance, the European Investment Bank (EIB) has granted a €200 million loan to the ICICI Bank of India for projects in the renewable energy sector supporting climate-

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42. Hemal Zobalia, cited in Sabarinath M and Ravi Teja Sharma, 'Morgan Stanley Joins Race to Acquire DLF's Wind Power Business', *The Economic Times*, 29 August, 2012.

43. EU-India Wind Energy Network, op. cit. in note 40.

44. Sabarinath M and Ravi Teja Sharma, Morgan Stanley Joins Race to Acquire DLF's Wind Power Business, *The Economic Times*, 29 August, 2012.

45. Dolly Khattar and Nitin Parmeswar, op. cit. in note 36, p. 91.

46. European Business and Technology Center, 'Promoting European Clean Technologies in India & Tackling Climate Change', page 11, and 'Biofuel Policy Gets Government Approval', *Business Standard*, New Delhi 25 December 2009.

47. Meeting Report, EU-India Working Group on Clean Coal Technologies, 20 June 2008, Brussels.

change mitigation. The main aim of this loan is to make long-term finance available for investments in renewable energy projects that mitigate climate change by contributing to the avoidance or reduction of greenhouse gas emissions. The loan will finance renewable energy projects, especially solar photovoltaic, biomass and onshore wind. The EIB is authorised to lend up to €3.8 billion for financing operations that contribute to climate-change mitigation or support the EU presence in those regions through foreign direct investment (FDI) or the transfer of technology and know-how. The €3.8 billion regional ceiling is broken down into indicative sub-ceilings of €1 billion for Asia and €2.8 billion for Latin America.<sup>48</sup> India is one of the principal target markets of other European banks such as the French Development Bank (AFD), German Development Bank (KfW) and Nordic Environmental Finance Corporation (NEFCO). Finance from the EU in providing technical support for the emergence of energy services companies, joint technology development and deployment in small and medium-sized enterprises, and financial assistance to overcome transactional barriers to CDMs is also important for India.<sup>49</sup>

The India-EU working group on renewable energy and energy efficiency sees opportunities for partnerships in various areas of renewable energy and clean-conventional energy technologies for ‘off-grid power generation and biofuels’. It should involve institutions and industry. For this purpose an Indo-EU Consortium for carrying out focused RD&D based on the technological strengths of each country up to the pre-competitive phase appears useful, the working group has suggested.<sup>50</sup> The EU’s FP7 programme provides opportunities for increasing cooperation and improving the participation of scientists from India in research and development activities in the areas of energy. The work programme includes the India-EU Call on Solar Energy Systems that is intended to facilitate India-EU project mode partnerships supported by two-way mobility of researchers. Research is focused on areas of development of novel materials, device structures and fabrication methods suitable for thin film solar cells, etc.<sup>51</sup> There is also scope for research and development with regard to improving solar photovoltaic cells and solar thermal technologies.

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48. European Investment Bank, ‘India: EUR 200 Million Loan for Climate Change Mitigation Projects’, Release Date, 29 August 2011.

49. Report for the Swedish Ministry of Environment, *Reducing Green Gas Emissions in India*, October 2009, p. 36.

50. A. R. Shukla, ‘Renewable Energy for Distributed Power Generation / Co-generation & Bio-diesel’, Indo-EU Working Group on Energy Efficiency and Renewable Energy, 31 January 2007, Brussels.

51. European Commission, *Community Research and Development Information Service*. See: [http://cordis.europa.eu/fp7/energy/international-cooperation\\_en.html](http://cordis.europa.eu/fp7/energy/international-cooperation_en.html).

## Major challenges to widening energy cooperation

The growth of the renewable energy sector in India, particularly solar energy, has been very strong in the recent past. There is no shortage of opportunities, but European companies face major challenges in adapting to the Indian business and regulatory environment in renewable energy: legal and regulatory delays in land acquisition, getting the necessary approval, the signing of power purchasing agreements (PPA), maintaining cost competitiveness and quality, technological suitability for Indian conditions, uncertainty about the long-term viability of the renewable energy sector in India due to the poor financial health of Discom, the reluctance of Indian financial institutions to finance renewable energy projects, and recent tax-related developments preventing large foreign investment in renewable energy in India.

The business and regulatory environment in India has been not very conducive to investment in recent years and overall investor sentiment is low. This has made it very difficult for developers and companies to arrange finance for renewable energy. Although India has a strong and clear renewable energy regulatory regime, it does not give long-term assurance to the investor. Renewable energy certificate (REC) schemes have a lot of potential but bankers are still finding it very difficult to finance projects through REC routes.<sup>52</sup> There is also a wide range of schemes, with multiple agencies dealing with renewable energy, which makes it very difficult for any new European companies to adapt to the Indian environment. India's decision to grant preference to local manufacturers and the mandatory 30 percent domestic sourcing requirement in the Jawaharlal Nehru National Solar Mission (JNSSM) were strongly criticised by the US, the EU and Japan. Under the JNSSM, India asks all investors to compulsorily use solar modules manufactured in India and source at least 30 percent of input locally.<sup>53</sup>

Considering the huge potential for business, companies across the world want their share of the Indian pie. European companies will face stiff competition from Chinese companies in India. Even Indian producers have been struggling against low-cost solar energy products. Due to government support for exports, Chinese solar products are 25-30 percent cheaper than Indian companies' products. Chinese solar equipment makers get free power for manufacturing, free land, incentives for exports and cheap capital. According to Bloomberg New Energy Finance, Chinese banks have given at least US\$43 billion in credit facilities to renewable energy companies.<sup>54</sup> In contrast, European countries have

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52. Sanjay Jog, 'Banks Say PPA Structure for Solar Projects Not Bankable', *Business Standard*, 31 August 2012. See: <http://www.business-standard.com/india/news/banks-say-ppa-structure-for-solar-projects-not-bankable/406386/>

53. Amiti Sen, 'US, EU, Japan Pile Pressure to Remove Local Content Clause', *The Economic Times*, 20 July 2012.

54. Shelley Singh and Rachita Prasad, 'Chinese Eclipse', *The Economic Times*, New Delhi, 5 June 2012.

cut subsidies for solar power since the recession began in 2008. Germany, the UK, Italy, Spain, France and Greece have slashed subsidies for solar power and other renewable energy sources. Fears are mounting that Chinese manufacturers will put European solar companies out of business and European firms may collapse.<sup>55</sup>

A conducive atmosphere at the state government level is still missing in India. State governments have a very important role to play in the promotion of solar business, land acquisition, grid connectivity and so on. As electricity is a state subject, solar power generation is also a state government subject. Therefore, the state should play a proactive role in solar power generation.<sup>56</sup> Social acceptance is the key to the development of successful renewable energy projects in India. The truth is that renewable energy delivers a multitude of benefits to communities. Apart from energy services and environmental benefits, it is sustainable and creates local jobs and livelihoods. To improve further understanding of social acceptance, actions can be taken such as the active and early engagement of stakeholders, proactive planning and evaluation of how benefit-sharing mechanisms are distributed locally.

## Concluding remarks

To sum up, recent trends reflect the positive and upward growth that has been observed in the Indian renewables market. Overall business perception is changing and foreign entrepreneurs believe that the momentum is heading in the right direction in India and the government is supportive, with both subsidy and regulatory policies.<sup>57</sup> India's impressive economic growth, its fast-growing middle class, vibrant democracy and booming trade, services and investment sectors have transformed European perceptions of India.<sup>58</sup> Today India is perceived as a centre of economic growth and business in the world. As demand for energy increases, domestic production of unconventional oil and natural gas supplies can be more expensive, resource-intensive or environmentally unfriendly than the oil and natural gas obtained in international markets.<sup>59</sup> Ensuring adequate levels of energy security in an interdependent world will require diversity in sources of fuels and suppliers, but also a healthy appreciation for the inherent trade-offs to make sound energy policy.<sup>60</sup> The Rio+20 declaration also calls for international cooperation for promoting sustain-

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55. Sonia Van Gilder Cooke, 'Will Austerity Derail Europe's Clean-Energy Movement?', *Time*, 10 February 2012; Kate Connolly, 'Germany to Cut Solar Power Subsidies', *The Guardian*, 2 March 2012.

56. Narasimhan Santhanam, 'Missing Link', *Renewable Watch*, November 2011, pp. 64-5.

57. Peerzada Abrar, op. cit. in note 33.

58. Madhur Singh, 'Why European is coming to India', *Time*, 29 November 2007.

59. Frank Verrastro and Sarah Ladislaw, 'Providing Energy Security in an Interdependent World', *The Washington Quarterly*, vol. 30, no.4, 2007, p. 98.

60. Ibid, p. 104.

able development and exploring opportunities for investment and technological cooperation in order to facilitate the green economy. Investment in India's renewable market would not only promote energy access and help fight climate change, but would also be rewarding in terms of appreciation. Despite some policy hurdles, India offers a huge and sustainable market for European renewable companies. It still has significant scope for growth, as it only accounts for four percent of global investment in clean energy.<sup>61</sup> Thus, energy will be a key area for India-EU partnership in the future. There is a need to find business solutions and promote energy innovations to develop products according to local needs.

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61. 'India Leads the World in Cleantech Investment Growth', op. cit. in note 36.

# The potential for triangular cooperation between Europe, India and Africa

Jean-Joseph Boillot

## Introduction

Cooperation between India and Europe cannot ignore the global challenges around us, especially in the medium term. In this regard, the future of Africa is a source of challenges and opportunities for both partners. Both have already independently adopted public policies making Africa one of their priorities in their strategic relations in recent years, as shown by the bilateral summits held just a few months apart: the third EU-Africa summit in Tripoli in November 2010, and the second India-Africa summit in May 2011.

Each partner of course has specific interests with regard to the African continent, but a cross-analysis of the three continents shows that there are probably many complementarities between India and Europe *vis-à-vis* Africa and that there are good reasons to initiate triangular cooperation in many areas, as already observed in the private sector.

Some of the areas identified include: migration (from 'brain drain' to 'brain gain'), higher education, institutions for stable development, specific policies to combat mass poverty, climate change and energy, frugal innovations and triangular private-sector partnerships, agriculture (agro-ecological techniques and food security) and natural resources (responsible development and on-site recycling).

## The role of the population factor in the future relationship between Europe, India and Africa

Major demographic changes will inevitably result in a shift of power in the world. In the coming decades, the gap between the rising world giants on the one hand, i.e. China, India and Africa, and the 'old countries' on the other, first and foremost the countries of the European Union, will substantially widen. Given their critical mass and rapid eco-

conomic growth, it is clear that the concerns of the demographic giants will weigh increasingly on the global agenda and compel the EU to adapt to their priorities.

But India and Africa have more in common than they have with China, because their populations will continue to grow fast, while their standard of living – far behind that of China – will keep the poverty challenge at the centre of their concerns.

In this context, it would make sense for Europe to work closely with India and Africa in a two-pronged approach. First, in terms of global governance, in order to face the challenges of a world that will have to cope with 10 billion people. And secondly because, from a bilateral point of view and in its own interests, triangular cooperation involving a demographic giant directly adjacent to another with a strong democratic tradition would allow Europe to benefit from their demographic power and would work in favour of a polycentric world rather than a diarchic one ('Chinamerica').

### *The challenge of job creation*

Given that the working-age population has grown rapidly in India and that it has even accelerated significantly in Africa, these two giants face huge pressures to create millions of jobs while Europe faces the paradox of high youth unemployment in the context of a workforce that is gradually being reduced.

This paradox can in fact be explained by the existence of tensions on the global labour market relating to the second major historical wave of globalisation at work since the 1980s:<sup>1</sup> jobs are shifting out of Europe, creating significant structural unemployment, but not enough workplaces are being created in the emerging world, with the exception of China which has led the field in global industrial relocation, including at the expense of India and Africa considering the evolution of their textile industry.<sup>2</sup>

This is a real waste of human resources in Europe, but also in India and Africa, which justifies the need for triangular cooperation on employment, particularly when China is beginning to face a shrinkage of its labour force (due to the ageing of the population) and when it is far from certain whether India and Africa will benefit from the vacuum. It may in fact be that new protectionist threats driven by a populist movement

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1. Richard B. Freeman, 'Doubling the Global Work Force: The Challenge of Integrating China, India, and the Former Soviet Bloc into the World Economy', presentation 8 November 2004, Harvard University, Centre for Economic Performance, London School of Economics and NBER.

2. International Labour Organisation (ILO), 'The Nexus of Growth, Investment and Decent Work in South Asia'; Background paper presented at the South Asia Sub-Regional High-Level Tripartite Meeting on the Nexus of Growth, Investment and Decent Work, Delhi, 3-4 April 2007.

in favour of deglobalisation will make India and Africa pay for the adjustment shock caused by the accelerated opening up of China 30 years ago.

In any case, if Europe believes it is getting rid of the burden of China, it should instead consider the possibility of a new job shock coming from India and Africa, and find ways to create a 'positive-sum game' with these new global powerhouses. Indeed, Europe has an interest in the rapid development of employment both in India and Africa. On the one hand, to take advantage of the demand effect from these two continents, if we are to believe the projections of the CEPII,<sup>3</sup> for example, at the 2030-2050 horizon, and on the other hand, to ensure the socio-political stability of its immediate neighbour: Africa. Otherwise we shall see extremely strong migratory pressures from Africa to Europe. But this debate is also of interest for India, since the deal between Europe and Africa could be to its detriment. For example, the possible development of offshore services in Africa by European companies, which would benefit from preferential conditions as regards the mobility of African experts to Europe (mode 4 under the General Agreement in Trade and Services, referring to temporary migration for professionals), or the migration of African skilled workers at the expense of the Indian offshore services strategy in the health, information technology or business services sectors.

### *The global demographic shift and the migration issue*

In Europe, the rapid growth of the over-60 population has led to a marked ageing of the continent and the entry into a second demographic transition with uncertain effects. By some estimates, the population of some European countries could decline by more than 20 percent by 2050, as in Central Europe.

India and Africa will not have to deal with the ageing problem for many years yet, while it will have a sudden negative impact on China. Their challenge, however, is the entry of millions of young people into the labour market each year, with a plateau at around 300 million 18-25 year olds in India around 2020. In Africa, the shift will be even more abrupt, with a rise from 200 million young workers today to 300 million in 2020, with that figure set to rise steadily over the following two decades.

Here there is a need for effective coordination between Europe on the one hand and India and Africa on the other. How to promote the integration of productive young people is clearly a priority for all three partners. The N.K. Singh report of 2003 on the best strategy

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3. See Jean Fouré, Agnès Bénassy-Quéré and Lionel Fontagné, 'The world economy in 2050: a tentative picture,' CEPII Working Paper, 27 December 2010.

to create 40 million jobs in India over the next 20 years should be recalled in particular.<sup>4</sup> One of the major solutions adopted was to play on the demographic squeeze with the developed world to provide the maximum of cheap remote services to areas such as ageing Europe. But nobody knows if an EU facing the stability challenge of neighbouring Africa will not choose alternatives that compromise the Indian strategy.

In this regard, migration will emerge as another key issue in the relationship between Europe and Africa, to judge by the most serious research undertaken on this topic. The number of African migrants in the EU could increase from less than 3 million in 2000 to over 15 million in 2030. The implications for India could be very serious, in particular with restricted access to Europe for migrants from South Asia. Conversely, it would be extremely instructive to explore how India has finally managed to resolve the 'brain drain-brain gain' dilemma of the 1960s-2000s. It could yield some useful advice on how best to organise the migration of young African graduates without compromising a take-off in Africa for lack of qualified people.

### **Maximising the economic dividend**

Demographic transition creates opportunities from a certain threshold. It is measured by the dependency ratio or the number of inactive persons supported by every active one. From this point of view, China's demographic window of opportunity (DWO) is almost behind it. India, on the other hand, entered this phase more than ten years ago and the trend should continue until 2050. Africa, meanwhile, experienced a long period of extremely unfavourable DWO with regard to its historically high dependency ratio. In 2010 it entered into a period corresponding to the dependency ratio of China in the 1970s and its demographic window of opportunity will only improve slowly until 2030 when it will reach the current level of India.

Europe availed of this window of opportunity – the so-called 'demographic bonus' – during the 'Trente Glorieuses' era<sup>5</sup> after the Second World War. It has also worked well for China from 1980 to the present day. It also appears to be working for India, since its current growth is catching up with Chinese growth levels. Would it work for Africa?

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4. N.K. Singh, 'India's New Opportunity – 2020', report with CII and The Boston Consulting Group, All India Management Association, New Delhi, 2003.

5. Referring to the 1945-75 period during which France and some other European countries experienced constant economic growth and prosperity.

### *The institutional environment*

Based on the institutional scores calculated by the economists at Goldman Sachs, it appears that two thirds of African countries are today in the poor or very poor environment categories.<sup>6</sup> Although China and India are quite a long way behind Europe's scores, they have nevertheless succeeded in improving their institutional environment thanks in part to the transmission of European standards through international trade and foreign direct investment (FDI). They also entered an era of constant reforms in the 1980s. What matters in this field is less the absolute level than the path of improvement. On this big challenge for Africa, it could be that the Indian experience – far more transposable than the Chinese imperial model – may be used to improve the institutional environment in many African countries, since their conditions are closer to those of India than Europe.

A good example here is provided by the experience of the Africa Competition Forum (ACF) with the participation of the Indian NGO CUTS whose research department – the CCIER – launched an extensive comparative study on competition laws in Africa, partly funded by European countries (but not by the EU).<sup>7</sup> The advantage here of a triangular dialogue with India is that it has experience of both developing countries and democracy, therefore closer to both African conditions and the ideals of Europe.

### *The role of education and human capital*

The number and age of the new labour force do not guarantee an economic take-off. Especially since we are moving globally towards a knowledge-based economy, human capital is increasingly emerging as a key input for growth.

In this connection, the current gap between the education levels in Europe on the one hand and India and Africa on the other is significant, regardless of the existence of a globally recognised Indian elite. The literacy rates measured periodically by the UNDP show that there are no major disparities within each continent, including the Indian continent, between the average indices for India or Africa. In fact, half of Indian states show a literacy rate lower than half of African countries. Regarding human capital measures, the average number of years of schooling of the working-age population seems to be acceptable, judging by the updated database of Barro-Lee.<sup>8</sup>

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6. Goldman Sachs, 'Our 2010 GES: The Links between Growth Conditions, Growth and Markets', *Global Economics Paper* no. 206, 15 December 2010.

7. Consumer Unity & Trust Society (CUTS), 'Broad-based Support Key to Competition Enforcement in Africa', *Newsletter*, vol. 12, no. 1, 2011. Available at: [www.cuts-ccierr.org](http://www.cuts-ccierr.org).

8. Barro-Lee, Education data set, 2010. Available at: <http://www.barrolee.com>.

Considering that the educational challenge is a priority for India and even more so for Africa, real triangular cooperation could be established with the European Union in this area. This applies both to the spread of primary education, which is far from being satisfactory in India and Africa, and to the development of higher education.

On the first point, experiences across India and Africa could potentially enrich both continents and provide a framework for cooperative actions by the European Union, which is not well-placed to find innovative solutions in such environments. There is, for instance, an interesting experience in India whereby the provision of a free midday meal – and even double rations for girls – is linked to regular school attendance.

On the second point, the different rankings of universities worldwide show that Europe lags behind the US but comes far ahead of India; India itself has a clear lead over Africa, which is virtually absent from the landscape of the world's top 500 universities. The existence of a well-trained elite is a condition for any endogenous development, if we are to avoid an unbalanced opening strategy such as in China. In this field, triangular cooperation should be promoted between Europe, India and Africa, combining the expertise best suited to the terrain. The network of Indian Institutes of Technology and Management (IITs and IIMs), for instance, is a very successful formula, while on the other hand India has some shortcomings in the area of universities and training or vocational education.

A simple quantitative assessment by the 2030-2050 timeframe is enough to demonstrate the benefit Europe can derive from such cooperation. The world should see a considerable shift in global human capital in favour of India and even Africa over the next three decades, due to the explosion in the number of active young people in both continents and the regular improvement of education.

Major challenges posed by the take-off of India and Africa are clearly those of social, environmental and food sustainability given the huge increase in population yet to come.

## Sustainability

### *Social sustainability*

Regarding social sustainability, available data on the possible evolution of world poverty by 2030 show that the fight against poverty will remain a priority in India, but that it will most likely emerge as an even greater priority in Africa, given that by 2015 Africa will have a greater number of poor people than India. This of course concerns Europe, given the economic, political and migration effects on a continent that is just a few

kilometres' distance across the Strait of Gibraltar. It is easy to see how triangular cooperation could benefit Africa by learning from both the positive and negative experience of India in the last few decades with funding from the European development agencies, in particular in the area of microfinance which already features prominently in numerous exchanges between Indian and African NGOs, including during the recent crisis observed in Bangladesh and India. Access to credit and banking is clearly a powerful tool to fight poverty.

**Table 1 – Absolute number of poor (1 US \$/day) in millions**

	1990	2003	2015	2030
East Asia	472	213	57	4
<b>South Asia</b>	<b>462</b>	<b>472</b>	<b>273</b>	<b>159</b>
<b>Sub-Saharan Africa</b>	<b>227</b>	<b>320</b>	<b>345</b>	<b>337</b>
Other	8	14	10	4
% World population	28	20	12	8

Source: World Bank 2007

### *Environmental sustainability*

A mere glance at the positions of the various countries of the world on the maps of the Global Footprint Network show how India and Africa on the one hand and Europe on the other stand at the two extremes of the global ecological resources map.<sup>9</sup> This is an opportunity for Europe to better understand its own responsibilities for the implementation of a new soft growth regime, freeing up resources for the other two giants. On the other hand, it is also an opportunity to share the best experiences of each partner in socialising technological innovations and sharing funds for the maximum benefit of the planet. This includes decentralised solar or wind devices in India, or innovations such as the systematic recovery of rainwater (rain harvesting).

There is also a particular area where triangular cooperation could yield very positive results: the fight against global warming with the pooling of institutional resources and technologies developed by each of the three continents. This would constitute a positive follow-up to the Copenhagen Summit where the Europeans lost part of their advance in the framework of the Kyoto protocol.

9. Global Footprint Network, *Ecological Footprint Atlas 2009*, November 2009. Available at: [http://www.footprintnetwork.org/images/uploads/Ecological\\_Footprint\\_Atlas\\_2009.pdf](http://www.footprintnetwork.org/images/uploads/Ecological_Footprint_Atlas_2009.pdf).

*Sustainability and agricultural development*

How to feed nearly 10 billion people in 2050 remains a key issue for the world. The solution to half of the problem depends on the agricultural strategies followed by China, India and Africa. The latter two were released from three decades of severe famine after the war, thanks to the agricultural ‘green revolution’ and more or less comprehensive land reform. But China and India are now going through their own nutrition transition. Due to the rapid improvement in living standards, they consume more meat, fruits and vegetables, while the yields of the green revolution falter and the shortage of land and impact of climate change are increasingly felt. They are now increasingly looking for agricultural opportunities in Africa, as there is a large amount of cultivable land available and yields are still a fraction of those in Asia. Both can play a positive role, particularly India, since here again conditions are more similar to Africa’s own situation. They can in particular introduce certain innovations, including genetically modified organisms (GMOs) at an affordable price, as India did with generic drugs.

**Table 2 – Estimation of the arable land used and exploitable in 2005**

	<b>Cultivated land</b>	<b>Cultivated land still available</b>	<b>Total cultivated land</b>	<b>% in use</b>	<b>% world still available</b>
Asia	466	120	586	79	5
Sub-Saharan Africa	209	823	1031	20	31
Northern Africa & ME	92	7	99	93	0
Latin America	170	896	1066	16	34
OECD	372	502	874	43	19
Eastern Europe	213	284	497	43	11
<b>World</b>	<b>1521</b>	<b>2632</b>	<b>4153</b>	<b>37</b>	<b>100</b>

Source: FAO 2010

But Africa also has the largest number of undernourished people in the world and it has missed the green revolution. Africa will therefore have to combine three revolutions at once: green, nutritional and ecological. All these challenges can be met only if Europe feels directly concerned and supplies expertise and finance. Here again, the experience

of India could bring a lot of benefits. Sharing ideas and tools related to agricultural development, in particular agro-ecological techniques, and promoting food security for all could be a very fruitful area of cooperation.

## Natural resources

Soaring commodity prices is the main symptom of the pressures associated with the tripling of global wealth forecast by economists. This is attributed in particular to the surge of 'thirst' in emerging countries, China and India first and foremost. This assessment is not wholly inaccurate in so far as China accounted for a third of extra global demand for oil in 2010. But it is still inaccurate from the point of view of the rising giants, because their *per capita* consumption of natural resources, particularly that of India, is only a fraction of that of rich countries. As for high prices, they see them differently than the Western consumer, who is used to paying the tenth of an hour of work for a litre of petrol. Energy has always been expensive in India and its main concern is to secure its supplies, in a world that is dominated by a few large Western multinationals. So it is natural for India to turn strategically towards Africa, one of the richest regions of the world in raw materials. And Africa sees this as a windfall to finance its economic take-off. Will these pressures aggravate the 'natural resources curse' in Africa or help Africa to use its huge reserves to finance its long-term development? This is still an open question since a great deal depends on institutional reforms in Africa itself.

But this could also be part of a triangular cooperation between Africa, Europe and India with exchanges on the implementation of mechanisms conducive to the responsible development of natural resources as proposed by the Extractive Industries Transparency Initiative (EITI) announced in 2002 by the then British Prime Minister Tony Blair. These exchanges should also cover the value maximisation of on-site African resources for export to Europe and India.

## For a pooling of scientific resources

Redistribution of major demographic and economic maps by 2030 is now almost certain. But there is another equally important field: knowledge and technological power (KTP). Faced with the imperatives of ecological sustainability and social equity, science and technology are formidable weapons. So too is innovation, i.e. the ability to invent or design new products or new processes, such as the train, car and aircraft in the area of transport.

It was these assets that clearly gave Europe political ascendancy worldwide in the nineteenth and early twentieth centuries, and this is what will determine whether the new giants can cope with the huge challenges looming ahead. Here too, the capacity of rich countries to adapt comes into play, and how they rebound against the newcomers, particularly China and India. This is a key element in determining whether the transition will be orderly and straightforward or whether it will be a true reversal of global power. Will ‘Chindiafrica’ become major technological powers in the future and compete with the West?

**Table 3 – Mapping of countries’ capacity to acquire the top 16 technology applications**

Needed capability	Technology applications
<p><b>Low</b> Lagging (South Africa)</p>	<p>Cheap solar energy Rural wireless communications GM crops Filters and catalysts Cheap autonomous housing</p>
<p><b>Medium</b> Developing (China, India, ...)</p>	<p>Rapid bioassays Green manufacturing Ubiquitous RFID tagging Hybrid vehicles</p>
<p><b>High</b> Proficient (Europe, ...)</p>	<p>Targeted drug delivery Improved diagnostic and surgical methods Quantum cryptography</p>
<p><b>Very high</b> Advanced (US, Japan, top Europe...)</p>	<p>Ubiquitous information access Tissue engineering Pervasive sensors Wearable computers</p>

Source: Richard Silberglitt et al., ‘The Global Technology Revolution’, Rand Corporation, 2006

As regards KTP, the answer is probably not, contrary to some widespread beliefs. According to the best research in this field (Rand Corporation surveys), despite the rapid catch-up of the two Asian giants, knowledge and technological power are likely to elude Chindia, which for a few decades is therefore likely to remain at a technological crossroads. In an era of globalisation of research networks, they will first have to improve their research organisation and integrate these networks fully. But there is a double challenge for Europe which, according to all the surveys, is losing ground to the US in the area of

knowledge-based power. First, it must take account of India's rising scientific power due to its vast pool of scientists and growing links with the best American scientific institutions; and second, it should consider areas of research where India and Africa constitute vast lands of experimentation due to their own constraints such as in health, energy or food. For these reasons, Europe should develop many more scientific partnerships with both India and Africa.

## **New business models and 'frugal innovations'**

To integrate the poorest into the economic circuit, the key is probably in the paradigm shift introduced by an Indian management guru: the late C.K. Prahalad (1941-2010). In his book *The Fortune at the Bottom of the Pyramid*, published in 2004, he developed a highly innovative concept.<sup>10</sup> The Base of Pyramid, or BoP, actually refers to the four billion people at the bottom of the global income pyramid who are still completely cut off from modern economic circuits. They live, on average, on 3.35 dollars a day in Brazil, 2.11 in China, 1.9 in Ghana or 1.6 in India. Yet they should not be left by the wayside, given that by sheer weight of numbers, their total consumption expenditure already amounts to 5,000 billion dollars. This should be compared to the 12,500 billion spent by the 1.4 billion people worldwide belonging to the so-called middle classes. For its part, the World Resource Institute (WRI) estimated at nearly three billion in 2007 those people with a potentially solvent income, provided suitable products are developed, and for a market totalling 3,500 billion, almost twice that of French consumption. This amount is modest in terms of global opportunities, but already huge as it concerns the great majority of the populations of many countries in Africa, Asia, and Latin America.

In contrast to the creditworthy middle classes – who live mainly in towns and have easy access to commercial networks – the BoP market is largely rural or economically marginalised in urban enclaves. The majority of the poor do not, in practice, have access to banks or phones, and live in very poor-quality housing, such as in slum areas, without any land title, without access to the most basic amenities: water, sanitation, electricity, health and primary education. They rely mostly on the informal sector of the economy to either meet their needs or find work. And they are often caught in a so-called poverty trap: a vicious circle where poverty breeds poverty. Overall, the core of the African population and a large part of the Indian population are at the base of the pyramid.

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10. C.K. Prahalad, *The Fortune at the Bottom of the Pyramid* (Wharton School Publishing, 2004). See also the original article by C.K. Prahalad and S. L. Hart, 'The Fortune at the Bottom of the Pyramid' in *Strategy+Business*, vol. 26, 2002, pp. 54-67.

For that reason, it would make sense to initiate a triangular dialogue on the new business models and in particular the popularisation in Africa of Indian innovations such as the Base of Pyramid (BoP) management approach in telecommunications, housing or banking. It will also make sense for European companies to become more familiar with these new business models.

### **Conclusion: 11 suggestions to stimulate EU-India-Africa dialogue and cooperation**

- (1) Global dialogue on global challenges for a planet supporting 10 billion human beings and for a polycentric world;
- (2) Employment generation and adjustment among the three continents in order to reach full employment;
- (3) Migration: reflections on circular migration policies and the Indian model of 'brain gain' to avoid the negative effects of brain drain from Africa to Europe;
- (4) Institutions: joint cooperation on the link between democracy and economic development with cross-institutional support, including transparency of the state, competition law (c.f. the experience of the Indian NGO CUTS-CCIER);
- (5) Education: joint development of higher education institutes with cross-partnerships between institutions of excellence or Indian and European universities in Africa to train professionals that Africa needs; and cooperation to fully meet the Millennium Development Goal (MDG) for primary education;
- (6) Poverty: development of specific tools undertaken with some success in India such as employment programmes and rural microfinance;
- (7) Climate change and environmental sustainability: fighting against global warming on the three continents with the pooling of institutional resources and technologies developed by each (follow-up to the Copenhagen climate summit); this could apply in many environmental sectors such as solar and wind energy or rain harvesting;
- (8) Agriculture: sharing ideas and tools related to agricultural development, in particular agro-ecological techniques, and promoting food security for each country;
- (9) Natural resources: reflections on the implementation of mechanisms conducive to the responsible development of natural resources in Africa, such as the Extractive Industries

Transparency Initiative (EITI) proposed in 2002 by the then British Prime Minister Tony Blair; and value maximisation of on-site African resources for export to Europe and India;

(10) Scientific resources: pooling of the scientific resources of the three regions, providing scientists with greater scope and covering more fields;

(11) Frugal innovations: support for triangular private partnerships implementing original Indian business models oriented towards demand from low-income groups (Base of Pyramid or BoP), coupled with European technological innovations which are sometimes too expensive to be implemented in Africa.



# The scope for economic cooperation within the G-20

Gareth Price

## Introduction

This paper explores the opportunities for enhanced cooperation between the EU and India within the framework of the G-20. In recent months the G-20 has understandably become increasingly focused on the eurozone crisis. Furthermore, G-20 meetings have been criticised for failing to provide the necessary leadership. Nonetheless, for the foreseeable future the G-20, or some slightly amended version thereof, is likely to be the key forum in which global economic decisions are taken.

There is a clear-cut desire within the EU, and in its Member States, to engage more closely with India. But on the overriding economic issue of the day – the various economic imbalances affecting the global economy – it is unclear whether the EU and India are obvious partners. Within the broader remit of the G-20, however, there are specific issues for which the G20 could provide a forum for Europe and India to set the agenda. Whether there is political will to do so on either side is questionable: Europe is focused on its economic crisis; Indian politics is also increasingly insular, as a host of corruption allegations undermine the government as a general election approaches.

If Europe and India are to deepen their engagement, this engagement will need to offer clear benefits to India. The first section of this chapter addresses India's ongoing economic priorities. The chapter then turns to the question of the type of engagement. What benefits are offered by engaging the EU within the G20 rather than seeking bilateral cooperation between the EU and India, or at the level of Member States? In broad terms, this chapter posits the hypothesis that better cooperation between India, as a representative of developing economies, and the EU, as a representative of developed economies, would provide both with the opportunity to better promote their interests and avoid being sidelined by the US and China. Finally, the chapter suggests a number of specific areas in which the interests of the EU and India demonstrate greater synergies and in which a greater level of engagement both within and outside the G-20 could offer mutual benefit.

## India's priorities

Put simply, India's economic priority is growth. While India could be described until relatively recently as autarchic, this is no longer the case, and India's increasing interaction with the rest of the world has underpinned the acceleration in economic growth. And as India has become increasingly integrated into the global economy, so its stake in good global governance has increased. In recent months, India's economic growth has slowed, demonstrating in part that India is no longer able to escape the repercussions of economic slowdowns elsewhere, as it did as recently as the 1997-98 Asian financial crisis.

Unpicking the components of India's economy, India's aspiration for 'sustainable growth' requires a range of domestic hurdles to be overcome as much as it is dependent on the actions of other countries. This in turn has led India to press for the expansion of areas on which the G-20 focuses, notably a greater focus on 'development'.

India's list of needs is reasonably self-evident. At a macro level it needs to generate employment, which in turn requires the expansion of its manufacturing sector. To do this it needs greater power generation and improvements in infrastructure, putting domestic regulatory hurdles to one side. To develop the power sector (particularly in ways that are carbon-neutral) requires technology transfer from the West. It also requires skilled manpower, hence the push for higher standards of education in recent years.

India's agriculture sector continues to require investment in infrastructure, notably in the development of higher-value supply chains. Cold-storage facilities, for instance, would reduce the waste from which the sector currently suffers, but again to be effective this requires uninterrupted power supplies. India's services sector is slightly different. Sectors such as IT are globally competitive. India's key requirement is market access for a range of IT-enabled services. But much of India's labour force is employed in much lower value-added services sectors, such as transportation.

At the same time, it is important to outline what India does not want. While it is recognised that climate change, for instance, threatens India, there is a clear reluctance to subscribe to measures proscribing India's actions. Climate change, it is often noted, was not caused by India. Similarly, the economic crisis was not caused by India. But the fall-out from depressed Western economies (as with climate change) could harm India's economic growth. So India has direct concerns not just about demand for exports but about the impact Western policies may have on foreign investment. Furthermore, Western currency depreciation would harm India's export earnings, and potentially harm sectors such as IT.

In 2009 Montek Singh Ahluwalia gave an interview to *The Hindu*<sup>1</sup> in which he laid out India's hopes in the run-up to the London conference, and as a broad indicator of India's aspirations from the G-20 many remain unchanged:

- First, India hopes for the revival of the global economy, in turn requiring the banking sector in the West to be fixed and for developed economies to avoid any moves towards protectionism. India's concerns regarding protectionism relate not only to tariff barriers, but to issues such as access to trade finance for developing countries.
- Second, India hopes for assistance for developing countries that have been affected by the withdrawal of private capital from emerging markets as a result of the banking crisis.
- Third, global integration requires a system of global governance better able to anticipate future crises. It also requires increasing capitalisation of international financial institutions such as the IMF, as well as more representative governance of international financial institutions (IFIs).
- Finally, as a whole India's demands imply that the agenda of the G-20 is widened to take account of the particular requirements of developing countries.

Other concerns noted in India relate to Basel III, in particular that higher capital requirements would harm the interests of developing countries, although more recently the Reserve Bank of India has suggested that Indian banks will not face a major problem in the transition to the Basel III rules.

Along with its economic priorities, India has political concerns. The question of the legitimacy of the G-20 is particularly important for India, especially when compared to India's long-standing foreign policy goal of gaining permanent membership of the UN Security Council. Unlike the UN, the G-20 is self-appointed and is not universally popular; some large economies are excluded (for the sake of geographical balance) and some smaller countries that previously punched far above their weight have expressed concern at being sidelined.

## The G-20, Europe and India

The G-20 was born out of a need to confront an economic crisis, in the recognition that existing forums, such as the G-8, insufficiently represented the global economy as a whole. Countries in the G-20 produce close to 90 percent of global GDP, and are home to

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1. See: <http://www.hindu.com/nic/montek.htm>.

two-thirds of the world's population. While serious questions have been asked regarding its legitimacy, it is clear that the G-20, or an evolution thereof, will remain the key global forum in relation to economic questions over the next few years.

In 2008 and into 2009 the G-20 was clearly successful. 'Through the adoption of parallel stimulus packages, the rejection of competitive trade protectionism and a commitment to multilateral regulation, the G-20 leaders managed to revive confidence among the markets'.<sup>2</sup> But after this initial success in stabilising the global economy and setting out reforms to financial architecture, it is clear that the pace of decision-making in the G-20 has slowed, while its remit has broadened. Thus, working groups of the G-20 are currently examining issues ranging from development to corruption, to the working of multilateral development banks.

At the same time, in response to more recent economic crises, such as that in the eurozone, the G-20 has been conspicuous by its absence. In part that relates to its structure; the G-20 does not exist in tangible form; despite suggestions from South Korea and Turkey, among others, that it should have a permanent secretariat, as yet it does not. That said, a tendency towards national action, and away from a concerted international effort, has clearly been evident in recent months. While the economic policies of the United States have been hamstrung by domestic politics, markets appear to doubt the credibility of action to prevent default within eurozone member states. Countries such as China and Germany have failed to reduce their foreign-exchange reserves while the US launched its own quantitative-easing programme despite concerns from other countries (leading to a surge of capital flows into emerging economies). This shift into unilateral action has led to a surge of commentators making comparisons with the 1930s.

The impact of growing protectionism would augur badly for India. While it is true that many of its industries (notably services exports such as IT and IT-enabled services) would remain cost-competitive in comparison to developed economies, India still requires market access, as well as technology transfer and in such a worst-case scenario India would clearly suffer. It is in the interests of India that such an outcome should be avoided and that policy-making in concert resumes.

After its initial success in coordinating fiscal and monetary stimulation, the G-20 has been less effective. Structural surpluses and deficits have persisted; emerging economies have continued to build up foreign-exchange reserves rather than stimulate demand for products from developed economies; quantitative easing has weakened the effective exchange rates of some developed economies (hindering the competitiveness of exports

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2. See: 'Shyam Saran: where is the G20?', *Business Standard*, 17 August 2011.

from emerging markets, not least because some of these funds find their way into faster-growing emerging economies, further appreciating their currencies).

So given this, what does this mean for the question of cooperation between the EU and India? First, it is worth considering why the EU and India should cooperate. Clearly, there are major differences between the two. And for the broader issue of cooperation to create a framework for sustainable global growth, that is the fundamental purpose of the G-20. But there is a clear logic to cooperation between the EU and India, and it is that there is no alternative bilateral combination within the G-20 that could provide a mix of developed and developing countries to compete with the US and China. The US and China have set the agenda for a range of issues. Were they to cooperate, then the EU and India would be in a better position to lead rather than follow.

## **Areas for engagement?**

In terms of agenda setting, a number of longer-term issues present themselves as potential areas for cooperation. Some of these already lie within the current scope of the G-20, while others are at present more tangential but could be brought in if the G-20 were to set out means of sustainable growth. They are also areas where Europe has some advantages – in terms of technological expertise – and in which India both has needs and will suffer if global solutions are not found. In some of these areas EU-India engagement already exists, but deepening that engagement, and considering wider lessons learnt for the G-20, would seem useful.

The first relates to commodity prices. Fluctuating food prices are of great concern to many developing countries, including India, and form part of the wider agenda of the G-20. European companies have a range of expertise in agri-business and food-supply chains with a number of implications for India. Traditionally food has been a source of contention between the two blocs, because of both subsidies within the EU and divergent attitudes towards phytosanitary standards. However, food processing is an increasingly important challenge for India, and European firms have the relevant expertise (most notably applied in the former Soviet Union after the Cold War).

Within the G-20, the agriculture ministers' statement was long on intent, but short on practical measures, although these details are set to be outlined prior to the November Summit in Cannes. In particular, it stressed the intention of increasing private sector investment in developing countries and it would seem that here there is scope for EU-India cooperation with clear mutual benefits and the potential to provide a framework for other agricultural cooperation.

The second agricultural issue where dialogue would have significant implications relates to the international trade in food. Some surveys have suggested that the 2008 food spike would have been up to 50 percent less had countries not started introducing export bans. Now, clearly there is immense political pressure on countries like India to do so, but global food security suffers as a consequence. At the same time, production of bio-fuels within the EU reduces the global output of a number of food crops; if the EU and India could work out a rules-based form of engagement that balances out these two issues, there would be significant positive global implications.

The question of technology transfer also relates to power. Access to new and more efficient technology would assist India, and help tackle climate change. As well as access to green technology, there would be benefits from improving efficiency and production in India's coal and thermal power plants. A 1 percent efficiency increase in the thermal cycle in India would provide carbon emission savings equal to the total emissions of Holland for ten years. There has been some progress between Germany and India on this front, but there is scope for deeper cooperation.

The fourth plausible area for cooperation relates to India's infrastructure needs, which are vast. By some estimates India is likely to spend around US\$200 billion a year on infrastructure. The UK has taken some steps to engage with India on infrastructure finance, but is there a potential for the EU and India to create an innovative pricing mechanism that enables India to access 'high-technology' infrastructure (rather than the Chinese technology it frequently relies upon now) from European firms which are, like their US counterparts, currently pricing themselves out of the market?

As a subset of this, water management provides scope for deeper engagement. Transferring technology, discussing policy frameworks and best practices could lead to a significant change in agricultural and industrial practices and productivity. Within the EU, countries such as Spain have unrivalled experience of coping with low water availability. Many water-related issues were discussed at the India-EU and Member States Partnership for a Strategic Roadmap in Research and Innovation conference here last year; for instance, issues such as implementing integrated water-management approaches, using water more efficiently both at household, and agricultural and industrial level, were all identified as potential areas where best practice could be shared.<sup>3</sup> It would seem reasonable as cooperation moves from discussion to implementation that the lessons learnt here have a much wider application.

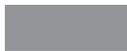
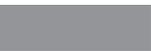
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3. European Commission, 'India-EU and Member States' Partnership for a Strategic Roadmap in Research and Innovation', Conference Report, Delhi, 11-12 November 2010. See: [http://ec.europa.eu/research/iscp/pdf/india-eu-conference-2010/conference\\_report.pdf](http://ec.europa.eu/research/iscp/pdf/india-eu-conference-2010/conference_report.pdf).

Finally, could the EU-India Free Trade Agreement (FTA) set the trend for the next round of WTO talks? Self-evidently, the negotiations have not gone to plan thus far, and clearly it is seen in a bilateral context. Nonetheless, the FTA has the potential to suggest unique, responsible and responsive frameworks to address concerns relating to agriculture and intellectual property, as well as services and manufacturing.

Better engagement between the EU and India makes geopolitical sense; the expansion of existing dialogues to assess broader lessons learnt could provide a series of road-maps for the G-20. Furthermore, thinking globally, rather than bilaterally, could work to reduce the insularity of both the EU and India. At present, however, it is difficult to envisage that this will be the case. The effectiveness of the G-20 in providing leadership is questionable. And both India and Europe are struggling to make progress in their bilateral engagement. The FTA remains unsigned after years of discussion. The inability to deepen a bilateral relationship does little to suggest that global leadership is within reach.





## **Part III**

# **Exploring new forms of traditional and non-traditional security cooperation**



# EU-India cooperation on counter-terrorism

Gauri Khandekar

## Introduction

This chapter explores the European Union's strategic partnership with India in the framework of security cooperation, with a particular focus on counter-terrorism. In accordance with its ambitions to play a greater political role in international affairs in complement to its traditional image as a trading partner and major economic actor, the EU has been pushing for security cooperation with a number of its ten strategic partners, including India. At the 11<sup>th</sup> EU-India Summit held in New Delhi on 10 December 2010, the EU and India signed a Joint Declaration on Counter Terrorism. How this cooperation evolves and deepens, however, depends on three key factors: (i) the nature of the EU as an actor in counter-terrorism – what does counter-terrorism consist of in the EU?; (ii) India's threat perceptions and expectations – what is India looking for as regards international cooperation?; and (iii) what the EU can really offer India. The principal aim of this chapter is to create a better understanding of counter-terrorism in the EU while identifying areas where EU-India cooperation in countering terrorism jointly could be deepened.

## Counter-terrorism in the EU

While conventionally the EU has not been an actor in the fight against terrorism, the Union's competence in this area has been developing at the supranational level especially since 9/11. Today, the EU has become a platform for the coordination of the counter-terrorism activities of 27 nations, although in a limited capacity. As an international actor in counter-terrorism, the EU faces many challenges. It is eclipsed by individual Member States, and third countries still prefer bilateral cooperation. Its 'work-in-progress' status might bring little in terms of reassurance to third countries. Nor does it have the same competences as a nation state, and it is vital in the case of the EU to balance fundamental rights against security, more so than for its Member States. Furthermore, there is little understanding of the EU internationally. Counter-terrorism within the EU is itself a complex web. Its architectural framework is intricate and perception at the EU level differs greatly from the perceptions of its composite Member States and among them. The EU does not

have at its disposal the traditional instruments used in the fight against terrorism: it does not have its own army, navy or air force, nor an intelligence service.

Although EU integration has progressed in unprecedented ways, it has been a process very much tailor-made to suit the tastes of its Member States. The EU is not the sum total of its Member States but the lowest common denominator that emerges. The EU's contribution as a global actor in counter-terrorism relates much to its own internal 'actor-ness' – how much of an impact it is able to make within its own territory. The EU is lost in the eternal search for a middle ground: some Member States are more willing to take issues forward than others and are more supportive. The EU's budget is quite limited too. Britain's counter-terrorism strategy, for instance, entails annual expenditure of £3.5 billion. In comparison, the budget for the entire Directorate General (DG) Home is only 1 percent of the overall budget of the EU. As a *sui generis* organisation, it does not even have its own territory – its borders are those of its Member States and evolving.

Much of the counter-terrorism activity is carried out through the Justice and Home Affairs domain: Police and Judicial Co-operation in Criminal Matters (PJCC), of which some 95 percent is handled by national authorities. The EU therefore accounts for only about 5 percent. Despite the EU's role being limited, it has an excellent transnational overview of counter-terrorism. The EU is an important forum where 27 countries regularly sit down across a table and hold substantial discussions about the threats affecting their countries with a view to finding a joint solution. Coordination is thus enhanced at a transnational level.

The EU as an entity sets itself apart from its Member States in the way in which it views threats, and the way in which it reacts to them. Nonetheless its approach to counter-terrorism has been formed by the varying experiences, identities and preferences of its Member States. Terrorism is a persistent reality in EU countries, but while Slovenia and Finland might have had just one incidence of terrorism from 1968 to 2006, France and Spain have experienced more than 1,000 occurrences apiece.<sup>1</sup> Differing perceptions within the EU do at times hamper efficiency as consensus is hard to find. The EU nonetheless allows for select groups of Member States to coordinate and lead. More particularly, the Member States' approach to internal and external terrorist groups is different. They also have varying levels of sensitivities. Some of its Member States have enacted legislation that is tougher than the USA Patriot Act.<sup>2</sup> Moreover, the EU has its own definition of

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1. See: 'Terrorism Statistics>Terrorist Acts>1968-2006>Incidences (most recent) by country', *Nation Master.Com*. Available at: [http://www.nationmaster.com/graph/ter\\_ter\\_act\\_196\\_inc-terrorist-acts-1968-2006-incidences](http://www.nationmaster.com/graph/ter_ter_act_196_inc-terrorist-acts-1968-2006-incidences).

2. Interview with German Interior Minister Wolfgang Schäuble, *Spiegel Online International*, 7 September 2007. Available at: <http://www.spiegel.de/international/germany/0,1518,493364,00.html>.

terrorism, while its Member States have theirs. The European Union's definition of terrorism, adopted on 13 June 2002, is based primarily on a list of terrorist offences.<sup>3</sup>

Countries	TERRORIST ACTS					
	1968-2006			2000-2006		
	Incidences	Fatalities	Injuries	Incidences	Fatalities	Injuries
Spain	1,290	287	1,389	732	241	1,034
France	1,097	183	1,365	446	15	17
Greece	630	149	516	230	2	8
Germany	484	95	722	15	1	15
Italy	418	86	424	125	3	74
UK	174	366	408	25	56	229
Belgium	117	19	186	12	0	0
Netherlands	76	27	46	7	2	0
Cyprus	72	25	67	10	0	0
Austria	61	17	117			
Portugal	51	9	13	1	0	0
Sweden	45	34	11	0	8	1
Denmark	28	1	60	3	0	1
Poland	14	3	8			
Malta	12	2	9			
Bulgaria	12	2	0	4	1	0
Norway	10	1	5	1	0	0
Estonia	8	1	39	4	1	39
Latvia	8	0	0			
Slovakia	8	1	1	2	0	0
Hungary	8	0	11	1	0	0
Romania	5	5	2			
Luxembourg	5	0	0			
Czech Republic	5		4	3	0	0
Lithuania	5	0	6			
Finland	1	0	0			
Slovenia	1	0	0	1	0	0

Source: Nation Master <http://www.nationmaster.com/index.php><sup>4</sup>

3. Council of the European Union, Framework Decision of 13 June 2002 on combating terrorism, *Official Journal* L 164, P.0003-0007, 22 June 2002.

4. Nation Master, 'Terrorism Statistics > Terrorist Acts > 1968-2006 > Incidences (most recent) by country'. See: <http://www.nationmaster.com/index.php>. Compiled 18 April 2009. Individual country data derived by clicking on each country on the web page [http://www.nationmaster.com/graph/ter\\_ter\\_act\\_196\\_inc-terrorist-acts-1968-2006-incidences](http://www.nationmaster.com/graph/ter_ter_act_196_inc-terrorist-acts-1968-2006-incidences).

The EU responds to this new-age threat without the typical assets that serve Member States – without its own spies, its own prosecutors, an individual police force, or even strong military capabilities. From the EU's perspective, terrorism is best treated as an organised crime and counter-terrorism in the EU is structured accordingly. For the EU, terrorism is primarily a call for global action but not global war. According to the EU, the best way to respond would therefore be by tackling the root causes of terrorism through increased democracy, literacy, equality and economic growth. But the EU would then have to solve the world's problems before effectively tackling terrorism. The EU's approach is thus in sharp contrast to that of its own Member States, third countries or NATO.

### **The institutional architecture of counter-terrorism in the EU**

Counter-terrorism instruments are spread across the EU and its institutions, independent agencies and beyond at the level of its Member States. In particular, counter-terrorism has become pervasive to all policy areas – from agriculture, to the environment, health, aid, trade, justice, freedom and security, transport, finance control or external relations. Concretely, the EU has two specific roles: regulation and coordination. Information-sharing remains crucial.

EU legislation constitutes an essential element in the fight against terrorism. Market harmonisation for one is being used in the fight against terrorism as well as the fight against organised crime. The Commission and now the EEAS are major stakeholders in the fight against terrorism. Counter-terrorism policies emanate mostly from the Commission's DG Home which is principally concerned with the internal aspects of counter-terrorism while those internal policies with external implications come under the remit of the EEAS. The Commission proposes and monitors implementation of counter-terrorism legislation. But since terrorism affects myriad policy areas, counter-terrorism legislation gets legal input from almost every other DG of the Commission too. Legislation on safety and phytosanitary legislation, for instance, are dealt with legally by DG Environment or DG Health and Consumers (SANCO). The Data Retention Directive concerning the internet or telecommunications data has now found its way into DG Information Society and Media or DG Internal Market and Services, which give it its legal basis. One of the main hurdles is identifying which policy is preventive and which is disruptive. In the case of terrorist financing for example, there are disruptive as well as preventive effects.

With increased legislative powers in the post-Lisbon Treaty EU, the European Parliament has also become an active player in counter-terrorism. The European Parliament took a

strong position on the Swift Agreement with the US, for instance, when it successfully emphasised the importance of data protection and fundamental freedoms.

Specialised units and committees in the Council such as the Joint Situation Centre (SitCen)<sup>5</sup> and the Political and Security Committee (PSC)<sup>6</sup>, composed of experts or EU officials, monitor global situations and trends.<sup>7</sup> Various thematic working groups and working parties ensure that Member States' representatives gather around the table at regular intervals to discuss serious issues: the Terrorism Working Group (TWG),<sup>8</sup> Working Party on Terrorism (COTER),<sup>9</sup> Article 36 Committee (CATS),<sup>10</sup> CP931 Working Party, RELEX,<sup>11</sup> the Strategic Committee on Immigration, Frontiers and Asylum.<sup>12</sup> Other Working Parties include: Working Party on Civil Protection,<sup>13</sup> CIVCOM, CPCC, PMG, EUMC and the EDA.<sup>14</sup>

The EU also offers a platform for a single Member State or a small group of Member States to lead pilot projects. A programme called 'Check the Web' for instance was initiated by Germany in 2007, is coordinated through Europol and aims to identify and dismantle jihadist websites and combat online recruitment. A Spanish-led project deals with the training of imams. The UK is leading another which studies de-radicalisation and evasion of negative stereotyping – i.e. avoiding the identification of terrorists with religions. The progress reports are discussed in various working groups. The EU then shares guidelines, to be followed by Member State governments across the 27.

Coordination at the EU level is also ensured by the office of the Counter-Terrorism Coordinator. A large part of the EU Counter-Terrorism Coordinator's job involves coordinating the meetings of various working groups and offering advice or new proposals and

5. SitCen works round the clock to provide the EU with assessment reports of events around the globe, with a sharp focus on terrorism, radicalisation, PWMD, conflict regions and crisis-prone regions, prepared by experts from EU member countries.

6. The PSC meets about once or twice weekly, and is formed by senior MS, Council and Commission officials dealing with Common Foreign and Security Policies. Its task in counter-terrorism is to oversee and coordinate all the various related working groups.

7. The PSC monitors global situations and trends, tries to foresee potential problems and formulates policies or recommendations, in this case, relating to terrorism. It liaises closely with the Counter-terrorism Coordinator and the presidency.

8. TWG deals with the internal aspects of counter-terrorism.

9. COTER, the TWG's complementary half, deals with the external aspect of counter-terrorism.

10. CATS coordinates the works of the various working groups dealing with police cooperation, judicial cooperation in criminal matters, the SIS, as well as the work of EU agencies and the various bodies working in the field of police and judicial cooperation (Europol, Eurojust, European Judicial Network, CEPOL etc.).

11. The Foreign Relations Counsellors Working Group, working under the coordination of the PSC on freezing terrorists' and terrorist organisations' assets and accounts. For a detailed analysis of the workings and purpose of CP931, please see <http://soc.kuleuven.be/iieb/eufp/files/COCOP.pdf>.

12. SCIFA is the EU platform for information-sharing among MS as regards asylum, frontiers and immigration.

13. The Working Party on Civil Protection normally deals with early warning and consequence management.

14. Purely CSDP-related. Sometimes they might work on issues related to counter-terrorism, but this has drawn much criticism.

maintaining the link between the various EU institutions, working very closely with the Commission, as well as with sessions at the European Parliament and those of various parliamentary subcommittees. But with an understaffed office, and no legal basis as yet, the entire process is rather fragile, as the institutional framework is not yet designed to accommodate his post.

Counter-terrorism is principally dealt with under Police and Judicial Cooperation in Criminal Matters (PJCC) (Title V of the Treaty of the Functioning of the EU and previous third pillar), given that there are no borders between EU Member States today but police borders remain largely in the hands of national governments. Therefore the role of the EU as such is to create the conditions for law enforcement officials to work together.

One of the key EU agencies is Europol, the European Law Enforcement Organisation, which aims at improving the effectiveness of and cooperation between the competent authorities for preventing and combating terrorism, unlawful drug trafficking and other serious forms of international organised crime in Member States. Europol was established by the Treaty of Maastricht on 7 February 1992 and provides a forum where police officers and law enforcement authorities or experts can share and examine information. Although the role of Europol is undeniably crucial in the fight against terrorism in the EU, it is handicapped by a lack of trust among Member States, which prefer not to share too much with Europol for fear of leaks and choose rather to share information bilaterally. Since Europol's work is based predominantly on the analysis of information, the quality of raw information it receives from Member States shapes the reports it generates. Other important forums include the Club of Berne,<sup>15</sup> the European Police Chiefs Task Force,<sup>16</sup> the Police Working Group on Terrorism (PWGT)<sup>17</sup> and the *Collège Européen de Police* – European Police College (CEPOL).<sup>18</sup>

Judicial cooperation as a 'twin-track approach'<sup>19</sup> entails the mutual recognition of Member States' criminal laws and procedures on the one hand (via the European Arrest

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15. The Heads of the EU Member States' security and intelligence services, plus Norway and Switzerland, meet to discuss intelligence and security matters. The Club de Berne last met on 21 April 2004 in Switzerland to discuss implementation of the objectives of the European Council Declaration on Combating Terrorism following the attacks in Madrid in March.

16. First launched in April 2000 under the Portuguese Presidency, it proved to be a highly successful forum where the chiefs of police of EU Member States could meet and share information on patterns and developments in cross-border crimes.

17. Established in 1979 when the UK's ambassador to Holland was assassinated, the PWGT provides an excellent environment for the heads of the counter-terrorism units of the MS (and Switzerland and Norway) to engage in operational communication. The PWGT is hosted twice yearly by member countries on a rotational basis and ensures a "secure communications network for the passage of information".

18. Established by a 2005 Council Decision, CEPOL amalgamates senior police officers from across Europe with the same objective as the PWGT or the European Police Chiefs Task Force of fostering cooperation in the domain of law and order.

19. House of Lords, European Union Committee, Twenty-Third Report, 'Judicial Co-operation in the EU: the role of Eurojust', UK Parliament, 2004. See: <http://www.publications.parliament.uk/pa/ld200304/ldselect/ldcom/138/13804.htm>.

Warrant) and the setting-up of new institutions like Eurojust on the other. Eurojust, established on 28 February 2002, is strictly a judicial cooperation unit of 27 prosecutors, magistrates and lawyers, whose aim is to make the fight against terrorism and organised crime more effective and seek greater 'harmonisation of criminal law and procedures, centralised EU structures, mutual recognition of Member States' laws and procedures and enhanced co-operation between them.'<sup>20</sup> Eurojust never carries out the task of prosecuting; its main role resides in facilitation, especially through multilateralism. In this sense it can be seen as a European alternative to an 'EU Prosecutor'. Eurojust's biggest challenge is that it works in the context of the diverse and incompatible criminal justice systems of 27 Member States: for example, the Common Law system of the UK and the Civil Law system of other EU states. EU states do not share exactly the same definitions of crimes and it is quite common for a crime in one Member State not to be regarded as a crime in another. Exchange of information continues to be inadequate.

The European Arrest Warrant (EAW), first launched on 13 June 2002, has proved to be one of the most far-reaching steps taken by the EU in the domain of law enforcement and justice post-9/11. The process of extradition has thus been simplified to a transfer of suspects or sentenced criminals, which in turns speeds up the fight against terrorism. It is founded on trust between Member States and the principle of mutual recognition extended to decisions taken by national courts. The EAW, however, removes the requirement for double criminality.

The fight against terrorism underlines the importance of information sharing. Exchange of information is especially crucial in a transnational political organisation such as the EU and EU databases like the Schengen Information System (SIS), SIS II, and Eurodac play an important role. Europol also has at its disposal various sophisticated technologies, information systems and databases such as the Secure Information Exchange Network Application (SIENA), the Check the Web platform, the Crime Scene Website or the European Analysis System.

Border control is an area that further supports the EU's efforts in the fight against terrorism, facilitated by the European External Borders Agency (Frontex), the EU's agency for the security of its external borders headquartered in Poland. It involves intelligence-driven cooperation between Member States for border security and became fully operational on 3 October 2005.

The EU has played an important role in monitoring money laundering and terrorist financing. Within the EU, the Framework Decision on Combating Terrorism of 13 June

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20. Ibid.

2002 brands the financing of terrorism a criminal offence punishable by law. The EU has adopted a plethora of other communications, directives and regulations<sup>21</sup> aimed at freezing and curbing terrorist funds and financing. The European Criminal Intelligence Model (ECIM), introduced by the November 2004 Hague Programme, is the primary tool for intelligence-led law enforcement. The EU also works in close cooperation with the Financial Action Task Force on Money Laundering (FATF), established by the 1989 G-7 Summit in Paris, which plays a substantial role in countering money laundering. The EU Commission is an official member of the FATF and Europol has also been granted observer status.

A great deal of terrorist financing (in particular al-Qaeda's) comes from charities – through either unwitting or conscious donations – many of which are based in Europe,<sup>22</sup> the hawala system, the trade in conflict diamonds,<sup>23</sup> Gulf countries, especially Saudi Arabia,<sup>24</sup> and the drugs trade. Moreover, one of the key tasks for the EU and its Member States is to crack down on this funding. Member States like Luxembourg, which have strict banking secrecy laws, make it more difficult. While Europol is working hard to enforce anti-terrorist funding laws, there can be significant discrepancies given the lack of trust between Member States.

Counter-terrorism in the EU is in fact a highly sophisticated concept built as a complementary platform to 27 countries and must be seen in this light.

### The EU as an international actor

While the EU as a whole, the Member States and the European Union, forms an effective combination in countering terrorism globally and within its own borders, the EU as an individual entity still lacks lustre and appeal. For many third countries, it is hard to comprehend the actual role and competences of an entity like the EU in a Westphalian world and hence it becomes difficult to accord credibility to the EU as an actor in counter-terrorism. Indeed, the EU cannot offer what actual countries as such can offer: intelligence. The level of information-sharing within Europol is not very advanced and countries such as India are quizzical as to what added value a bilateral agreement with

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21. For the list of directives, communications and regulations adopted to this effect, please visit the Commission website – Freedom, Security and Justice: [http://ec.europa.eu/justice\\_home/fsj/terrorism/prevention/fsj\\_terrorism\\_prevention\\_disrupt\\_en.htm](http://ec.europa.eu/justice_home/fsj/terrorism/prevention/fsj_terrorism_prevention_disrupt_en.htm).

22. Mark Chediak, 'Following the Money: Tracking Down al-Qaeda's Fundraisers in Europe', *Frontline*, January 2005. See: <http://www.pbs.org/wgbh/pages/frontline/shows/front/special/finance.html>.

23. Victor Comras, 'Al Qaeda Finances and Funding to Affiliated Groups', *Strategic Insights*, vol. IV, no. 1, January 2005. See: <http://www.ccc.nps.navy.mil/si/2005/Jan/comrasJan05.asp>.

24. 'Saudis "fail to curb al-Qaeda funding"', *BBC News*, 17 October 2002. See: [http://news.bbc.co.uk/2/hi/middle\\_east/2336949.stm](http://news.bbc.co.uk/2/hi/middle_east/2336949.stm).

Europol might bring over its existing partnership with Interpol. As a result, EU Member States steal much of the limelight. Negotiating with the EU seems less interesting when its competences appear hazy. Its institutional architecture, while very sophisticated, is quite confusing.

What the EU can offer in concrete terms, especially to complex federal states like India, is its own experience in coordination and cooperation. The Mumbai 26/11 attacks laid bare the coordination gaps between states, security agencies and among security forces. India's response to disaster was shockingly inadequate as the country remained paralysed for days. The EU model of facilitating regular information-sharing among 27 countries is indeed impressive. EU programmes such as the European Programme for Critical Infrastructure Protection (EPCIP) and the programme for Prevention, Preparedness and Consequence Management of Terrorism and other Security-Related Risks, are transnational in nature and offer valuable lessons in cooperation among police and emergency teams.

With the Treaty of Lisbon, the international actorness of the EU has been given a boost. Special bilateral agreements, such as the transatlantic SWIFT Agreement, placed the European Parliament in a decisive position *vis-à-vis* the US, and enhanced the role of the EU. Not least, the European Parliament's decision was imperative for its own Member States. In the future, the EU's institutions will be increasingly involved in countering terrorism alongside its Member States, thus enhancing the EU's complementary role and its attractiveness externally.

The EU also contributes directly to strengthening counter-terrorism efforts in third countries through technical know-how, institution building, governance, financial aid and training, among other measures. In particular, EU aid has been crucial in enhancing human resources and reinforcing prison structures and border control. It has supported counter-terrorism centres such as the regional counter-terrorism centre established in Bangladesh, or the African Centre for the Study and Research of Terrorism (ACSRT) in Algiers. It has also been keen to address radicalisation through cooperation with third countries. While the EU is the largest donor in the world, funds need to be monitored carefully lest they be misused by recipient nations.

Politically the EU carries some weight. Its list of banned terrorist organisations and persons give it and its Member States leverage in its relations with third countries. Furthermore, its role in the UN is magnified by the fact that it represents 27 countries and has two UN Security Council permanent members. It has also been instrumental in supporting the adoption and implementation of the UN Counter-Terrorism Strategy. It conducts counter-terrorism dialogues with a variety of countries.

For the EU to be a desirable partner in counter-terrorism internationally, Member States must first build trust among themselves. In addition to trust, political will is also crucial. For now, the EU tends to move forward in 'big bangs', adopting some of its most daring advancements in the aftermath of major, tragic events: Eurojust, the EAW, the appointment of a Counter-terrorism Coordinator. In the years ahead, it will be important for the EU to maintain momentum.

### **EU-India cooperation**

There is already a certain level of cooperation between the EU and India in the area of counter-terrorism and security. A bilateral working group on counter-terrorism has been established alongside a security dialogue. Furthermore, the EU Counter-terrorism Coordinator has paid multiple visits to India to lay the groundwork for future cooperation. The EU's High Representative for Foreign and Security Policy, Catherine Ashton, pushed for security cooperation during her visit to India in January 2012. Numerous contacts have been established between EU officials, as well as EU agencies and bodies (i.e. Europol or Eurojust), and their Indian counterparts. The EU and India have signed an important Joint Declaration on International Terrorism which will form the foundation for deepening collaboration. Besides India, the EU has such a Joint Declaration only with the US, indicating the level of importance given to this relationship.

At the 12<sup>th</sup> EU-India Summit in New Delhi on 10 February 2012, a security roadmap was signed which will outline cooperation in countering terrorism and cyber-terrorism, and in joint anti-piracy efforts, thus acknowledging security cooperation as an important priority of the EU-India relationship. Details are to be sketched out. Countering cyber-threats is an interesting avenue with the potential for in-depth cooperation. Both partners being information societies, India's growing clout as an information technology hub, and the EU's multi-layered structure and organisation, all provide good premises for cooperation. Cooperation in countering cyber-terrorism in particular requires a great deal of public-private partnership. Although countering cyber-terrorism has its own challenges, it may well suit the structure of the EU-India partnership.

At the multilateral level, both parties are signatories to the UN Counter-Terrorism Strategy and are committed to promoting its implementation domestically and worldwide. They actively promulgate the proposed Comprehensive Convention on International Terrorism as an international legal framework against terrorism. This is an area where collaborative efforts made within the compact of the strategic partnership could make an impact at the international level. Both actors are particularly active in multilateral fora, notably in the UN system, but dialogue and cooperation need to be deepened. India

is currently chairing the UN Counter-Terrorism Committee, and both parties are founding members of the Global Counterterrorism Forum. The potential for cooperation is thus even greater than existing bilateral exchanges.

Europe and India face a similar range of threats (although these might vary in intensity). While al-Qaeda may be considered as the single biggest international threat for Europe, India's threat perception is more nuanced – cross-border terrorism from neighbouring countries such as Pakistan, Bangladesh, Nepal or Bhutan are major preoccupations. India also faces serious threats from ideological sources other than just radical Islam: Maoist Naxalite terrorism for instance is India's single biggest internal security threat. Various separatist movements further challenge India's territorial integrity. But terrorist groups traditionally operating against India, such as the Lashkar-e-Taiba (LeT), have now become a threat for Europe and Europeans abroad. Local terrorist groups previously operating against India from Pakistan and Afghanistan have now established links with those operating in the Sahel and Sub-Saharan Africa, or in the Gulf, expanding cooperation at an international level and posing a threat to Europe and European interests. This provides further incentives for the EU and India to cooperate closely and deepen collaboration. While there may be a partially shared threat perception, there exists a major common ground for expanding security relations.

Yet cooperation remains suboptimal. The EU-India Europol agreement has remained stuck in an impasse for years. Dates for security dialogues are often postponed and protocol problems are fairly common. The EU's High Representative for Foreign and Security Policy, Catherine Ashton, has made only one visit to India to date. Further, there needs to be a move away from diplomatic conferences and summits to more concrete achievements. Dialogue must be enhanced. A limited list of priorities must be agreed within the module of counter-terrorism cooperation, given that the Indian Ministry of External Affairs is particularly understaffed and cannot afford cooperation on a wide range of issues simultaneously.

While the EU approach to counter-terrorism can be defined as inclining towards soft security, India focuses more on hard security, making use of all the traditional instruments at its disposal: army, navy, air force, police, intelligence and judiciary. Conversely, the EU does not have any of these at its disposal, in particular intelligence. The death penalty in India is a further sticking point in relations and many EU Member States remain highly critical of India on this account. Cyber-security is a vital aspect of security and counter-terrorism where deeper cooperation could be underscored. Exploring cooperation on deradicalisation, however, remains implausible given the size of India's population and religious sensitivities. India is very careful to avoid linking terrorist attacks to any particular religious group.

For India, Pakistan is an obvious source of irritation. The Mumbai 26/11 attacks in particular created significant tensions in EU-India relations. The December 2008 Council Conclusions on the Mumbai terror attacks in particular gave New Delhi the impression that the EU took Pakistan's side by increasing its aid to that country, rather than sympathising with India's victims. While India might consider Pakistan as an 'epicentre of global terrorism', the EU remains cautious in its choice of words. By contrast, India's major partners, the UK, France, Germany and the US, have been vocal in their support of India and critical towards Pakistan. Indian officials further point towards the misuse of EU funds to Pakistan for fostering terrorism towards India. Whereas the EU is trying to support the civilian dimension of counter-terrorism policies in Pakistan, India remains dismissive of such support.

Nonetheless, cooperation with the EU has plenty to offer India. India must view cooperation with the EU through two lenses: (i) the EU as a model, and (ii) the EU as a forum for dialogue with 27 European nation states. The EU model for cooperation and regular dialogue between 27 Member States is quite effective and cost-efficient in the limited space within which it has been allowed to develop, especially as India is in the process of reforming its own security apparatus. A similar model for Indian federal states could greatly enhance security in India. Regular dialogue in specialised working groups between the security officials of Indian federal states could enhance security considerably given that the 2008 Mumbai attacks laid bare coordination gaps within India's security structure.

It is unrealistic of India to expect intelligence sharing with the EU. Indeed, India must view cooperation with the EU as providing added value to existing bilateral cooperation with EU Member States. A possible extradition agreement between the EU and India would be an attractive prospect for India. A single document would provide India with an extradition agreement applicable to 27 countries. India could also consider an agreement with Eurojust as a complement to its security cooperation with the EU. Eurojust as a forum also brings together 27 Member State prosecutors specialising in international relations, allowing for dialogue and facilitating quick legal action across multiple European states. While at the moment, any discussion or cooperation between the EU and India on Naxalism is non-existent, given that the root causes of Maoist Naxalism in India stem from grievances which are to do with development and social welfare issues in poor underdeveloped tribal areas, it would be of some benefit to have an exchange with the EU on its own social welfare and development programmes and how to address the issue in an Indian context. European NGOs have been already quite effective in providing relief in such areas in India.

On counter-terrorism cooperation, the relationship with the EU is at times unfairly compared to India's relationship with the US. Apart from the fact that the US is a completely different entity from the EU, India has quite a lot to learn from the EU. In some domains, the EU is far more advanced than the US, especially as regards dialogue and coordination among its Member States. Legislation is another domain. Sophisticated counter-terrorism legislation in the EU can be shared with India, for instance the EU legislation (applicable to 27 nations) banning the sale of ammonium nitrate across the counter. While implementation of such legislation in India presents its own challenges, discussion of the issue forms a good basis for the exchange of ideas.

The EU's experience with border management, particularly within the Schengen area, is another dimension. Its border control agency Frontex could serve as a model for India. India could also seek specific expertise from the European Defence Agency (EDA) on explosive devices. Given that the Naxalite threat puts India's deposits of coal in a number of states at risk, and given that terrorism also threatens key infrastructure such as pipelines for instance, and that the response to the Mumbai attacks were quite poorly managed, India could learn from the EU's expertise on disaster management and risk reduction, in particular in the area of transnational threats. Like the US, India could also investigate cooperation with the EU on the European Civil Protection Mechanism which facilitates cooperation in disaster response among 31 European states (the EU-27 plus Croatia, Iceland, Liechtenstein and Norway). The European Programme for Critical Infrastructure Protection with its Critical Infrastructure Warning Information Network (CIWIN), Critical Infrastructure Protection (CIP) expert groups at EU level, CIP information-sharing processes, and the identification and analysis of interdependencies could also be looked into.

But cooperation between the EU and India still needs greater impetus both at the political and technical levels. Within the limited capacity of human resources available, deepening technical cooperation would give flesh to the EU-India declaration on counter-terrorism and foster greater trust on both sides. Political engagement also remains crucial. Regular visits from top EU officials, especially at this early stage of cooperation, would establish firm foundations for cooperation in the future.

## Concluding remarks

As the EU seeks to upgrade its economic ties with India and other strategic partners by laying greater emphasis on political relations, security cooperation has much to offer. Security remains a priority for both the EU and India individually, as well as within the context of their strategic partnership. Given the mutual threats they face, there is a real

impetus to enhance cooperation. India must adopt a much more open attitude to cooperation on counter-terrorism with the EU and learn from European experiences of coordination and collaboration at the supranational level. In particular, understanding of the EU as an actor in counter-terrorism must be developed. Comparing the EU to the US as a counter-terrorism actor is erroneous. There is much that cooperation with the EU can offer. The EU must also seek to learn more from India's decades'-long experience of dealing with terrorism. Terrorist attacks like those that happened in Mumbai in November 2008 are worrying in terms of future trends. Debate on lessons learnt must be enhanced to prevent further such attacks from taking place either in Europe or India.

To deepen bilateral relations on counter-terrorism, greater dialogue is key, especially for understanding each other's threat perceptions and the regional context. The EU and India should enhance bilateral foreign policy dialogues on India's neighbourhood given that it is a source of much regional and international insecurity and that the EU is also involved in the region. Security cooperation under the security roadmap must be etched out clearly and with achievable targets.

# Partners for peace?

## Possibilities for EU-India cooperation in promoting security sector reform

Beata Górka-Winter

### Introduction

Military force and other forms of violence remain one of the most widely used methods to achieve political gains, maintain power over a coveted territory, impose a particular ideology or simply provide access to raw materials. Despite the efforts of many institutions to promote peaceful methods of conflict resolution, in particular led by the UN and the EU, the international community still has to cope with the harsh reality of armed conflict and its dramatic and long-lasting consequences, with a constant flow of refugees and internally displaced persons (IDPs), economic breakdown in various countries, environmental degradation or simply the lack of life opportunities for future generations. As some scholars point out, 'our expectations regarding the degree of safety we seek to achieve have risen, our tolerance for risk decreased substantially, so we have created a wide range of institutions and international instruments empowered to provide better than ever before security to the whole world, individual nations and even individuals (human security!)'.<sup>1</sup>

Indeed, after the end of the Cold War, at the same time as many extremely violent intra-state wars broke out, we simultaneously witnessed intense efforts by the international community (international organisations, non-governmental organisations, think tanks, etc.) to come up with a formula to prevent further explosions of conflict in the spirit of the R2P principle. This resulted in an outpouring of ideas regarding possible ways to reduce the risk of the use of force and destabilisation, ranging from concepts such as preventive diplomacy, post-conflict peace-building and defence diplomacy to good governance and security sector reform. The common denominator was a desire to create conditions which would significantly lower the risk of the outbreak or recurrence of conflict. In this context the concept of security sector reform (SSR) is especially worth promoting as a solution for post-conflict environments.

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1. See R. Kuźniar, 'Niebezpieczeństwa nowego paradygmatu bezpieczeństwa' [Dangers of new security paradigm], in R. Kuźniar and Z. Lachowski (eds.), *Bezpieczeństwo międzynarodowe czasu przemian, Zagrożenia-Koncepcje-Institucje* [International security in the time of changes; Threats-Concepts-Institutions], (Warsaw: PISM, 2003), p. 210.

It should come as no surprise then that SSR is more and more often included in the mandates of UN-, NATO- and EU-led operations, as well as in programmes implemented by individual donors. It would be extremely challenging to list all the missions launched over the last decade which focused entirely or partially on SSR: the most palpable examples are NATO in the Balkans and Afghanistan, or the UN and the EU in a number of African countries. As this chapter will argue, the European Union and India could both envisage cooperation in promoting SSR in various unstable regions around the world, including by implementing a security sector reform agenda.

There are manifold reasons why these two partners should seriously consider stepping up their efforts in this particular sphere. Beginning with the ideological premises underlying their declared commitment to the R2P principle, they should both realise that their interests in this domain are intertwined and cover all dimensions (political, military, business) of their engagement in such volatile regions as Afghanistan and some African states. Moreover, the complexity of modern SSR naturally calls for the creation of partnerships, since it usually involves a very ambitious and multi-layered agenda which more often than not cannot be borne (especially in terms of resources) by a single external donor. Finally, joining forces in this particular domain could breathe new life into the EU-India Strategic Partnership and constitute one of the most important ‘building blocks’ of that partnership. At present the focus is predominantly on negotiating a free trade agreement (FTA), and because of that single-track focus it has never achieved the dynamism foreseen in the EU Security Strategy (2003) – where India was listed as one of the EU’s prospective strategic partners – and the India-EU Strategic Partnership Action Plans (2005, 2008) which call for ‘promoting comprehensive security’ as well as dialogue and cooperation in different areas such as counter-terrorism, piracy, non-proliferation, etc.

### Modern approaches to SSR

The modern approach to SSR places the individual or the most vulnerable groups in society at the centre of these reforms (taking into account how their ethnic or religious identity or gender may expose them to different risks). This entails multiple consequences, the most important of which being that the SSR process is no longer exclusively focused on reforming core security institutions alone (according to the rules of accountability, effectiveness, transparency, inclusiveness, etc.), but engages every – statutory or non-statutory – actor that is important to the local environment in accordance with their ability to influence the security situation in the country.<sup>2</sup> Such an approach puts greater emphasis on the issue of ‘local ownership’, stressing that all concepts of the reform must at least be accepted (if not

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2. See for example Dylan Hendrickson and Andrzej Karkoszka, ‘The Challenges of Security Sector Reform’, *SIPRI Yearbook 2002: Armaments, Disarmament and International Security* (Oxford: Oxford University Press, 2002).

conceived) by the host country and its representatives, and underlines the importance of ‘sustainability’ in the case of long-term efforts rather than quick-impact projects.

The complexity of modern SSR is seen as a prerequisite for its success, since it addresses literally all levels of the security sector. Advocates of this concept claim that once properly implemented, SSR can guarantee long-term stability in a country, since it facilitates the creation of effective security institutions capable of maintaining order and at the same time constitutes a precondition for the success of other important processes, such as economic recovery (according to the ‘no reconstruction without security’ logic) and social development.

While SSR is a worthy method of post-conflict stabilisation, it is nevertheless a relatively difficult process to implement. While its complexity and multidimensionality are described as an advantage of SSR, they are at the same time a major impediment. First of all, the demand for a ‘strategic approach’ requires a very broad and holistic reform agenda, usually starting with the implementation of different activities simultaneously (such as Disarmament, Demobilisation and Reintegration [DDR], reconciliation, forming new security forces, etc.). All of these require substantial external assistance, especially in post-conflict environments, in terms of strategic advice (given that some countries have never had a properly functioning security sector, instead only experiencing its oppressive side), technical support and financing. Moreover, external donors have to demonstrate great political and cultural sensitivity, maintaining good relations both with the country’s current political establishment and with the opposition which may soon take the helm and undo the process of reform.

For obvious reasons the complexity of SSR usually makes it impossible for a single external donor to implement. That is why such endeavours are more often than not undertaken by a ‘consortium’ of partners, which raises further complications such as the adoption of a common approach, coordinating efforts, being free from particular interests, gathering resources, sustainability (or the lack thereof: described as ‘donor fatigue’), etc. Given that both the EU and India are deeply involved in SSR-related activities in a number of countries, the quest for closer cooperation between the two should be seen as a natural process in the light of today’s preference for ‘pooling and sharing’ in the security and defence sphere.

## **The EU’s record as SSR promoter**

In recent years the European Union has been increasingly active in promoting the idea of security sector reform. On the one hand, this is an acknowledgment of the obvious fact that SSR is one of the most promising stability-building measures close to its borders. On

the other hand, it means that the EU has the means and instruments (including political and financial ones) to promote such activities. Therefore, the EU (formerly the European Communities) actively supported the 'first round' of SSR initiated mainly by NATO in the former Soviet bloc countries (many of which later became members of both the EU and the Alliance), and is currently engaged in the promotion of SSR in the framework of the Eastern Partnership, as well as in some further, mainly African, destinations.

To date, the EU has launched a number of operations which were devoted entirely to the implementation of SSR, such as in the Democratic Republic of Congo (EUSEC RD Congo, 2005), Guinea Bissau (EUSSR Guinea-Bissau, 2008-2010) or Somalia (EUTM Somalia, since 2010). In addition, some of the EU's police missions had a security sector reform angle, starting with EUPOL *Proxima* launched in 2003, EUPOL *Kinshasa* (2005, prolonged in 2007 as EUPOL RD Congo), EUPOL COPPS Palestine (2006) and, last but not least, EUPOL Afghanistan launched in 2007 (in 2010 the mandate was extended to 2013).<sup>3</sup> Their tasks include, among other things, the promotion of good governance, reconstruction of the country's security institutions (army, police, intelligence services, defence ministry, etc.), the reintegration of former insurgents into regular armed forces, the establishment of credible methods of payment for recruits, and the creation of mechanisms to prevent violence towards the most vulnerable groups.

Apart from the obvious interest of some European states with colonial legacies to take at least some responsibility for the regions in which they were once ruling powers, this particular incentive for the whole EU for engaging in such activities is based on four main premises. Firstly, the European Security Strategy (2003) declares that Europe will be ready 'to share in the responsibility for global security and in building a better world', which means active involvement in different endeavours, including the launch of international operations with diverse mandates.<sup>4</sup> Moreover, the Strategy states that the EU 'should think in terms of a wider spectrum of missions. This might include joint disarmament operations, support for third countries in combating terrorism and security sector reform. The last of these would be part of broader institution building'. Secondly, the EU potentially has at its disposal a wide range of assets and capabilities (going far beyond military ones) which could be used in a coherent and coordinated manner by different EU bodies to meet the extremely complex nature of SSR. Thirdly, in some countries and regions the EU is the most welcomed political power, which is crucial given the delicate nature of some aspects of reform. Lastly, the majority of the EU Member States have considerable experience in implementing SSR-based solutions in their own backyards, both

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3. For a detailed description of these particular operations go to: <http://www.csdpmap.eu>.

4. *A Secure Europe in a Better World. European Security Strategy*, Council of the European Union, Brussels, 12 December 2003. Available at: <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>.

after the end of the Cold War and later on, some years after 9/11, when some of them realised their governments had gone too far in granting security agencies extra prerogatives without much control.<sup>5</sup>

On the one hand, all of the above-mentioned factors predestine the EU to play a role as a successful SSR promoter. On the other hand, it is on the whole faced with many different obstacles and struggles both with internal impediments and the weaknesses of the CSDP institutions – which too frequently act in a non-coordinated manner without clear strategic guidance – and with external conditions that are generally unfavourable for SSR stakeholders, be it the reluctance of some internal political actors to accept the necessity of reform, severe under-resourcing, or lack of coordination between donors due to conflicting interests. As can be seen, the EU, though formally prepared to engage in such endeavours, faces severe shortfalls, especially in terms of civilian personnel and experts who would be willing to be deployed in distant, volatile regions. In addition, EU initiatives in some countries are perceived through the prism of the Members States involved and risk being rejected as a form of intervention by former colonial powers in the highly sensitive defence sector.

The most apparent and at the same time extreme example of the EU's underperformance in this particular sphere is the EUPOL mission in Afghanistan. In spite of the obvious fact that EU countries have a stake in Afghanistan (given their contributions to ISAF alone), for many years the EU itself was reluctant to share the burden of SSR with other stakeholders, among whom were EU Member States such as Germany, a lead nation in the creation of the Afghan police forces, and Italy, in charge of the reform of the Afghan judicial system. When EUPOL was finally fielded in June 2007, it was tasked with an ambitious project of developing a holistic philosophy of the Afghan National Police (ANP) architecture, yet it has faced persistent problems with staffing (the mission has never reached the planned level of 400 trainers) and resourcing (including IT support), thus limiting the scope of the tasks which could be undertaken and making it impossible for the EU to be considered a serious player in the region.<sup>6</sup> As a consequence, the bulk of activities in this domain were finally taken over by the United States and the NATO mission NTM-A, with the EU left in a secondary role.<sup>7</sup>

The EU's efforts in promoting security sector reform in different African countries are equally troubled. The most striking example of the inadequacy of the EU's efforts (and,

5. For more on this, see Marina Caparini, *Response to Herbert Wulf's paper*, Berghof Handbook for Conflict Resolution, Dialogue Series no 2, Berghof Research Centre for Constructive Conflict Management, Berlin, Germany 2004, pp. 4-7.

6. See Eva Gross, 'Security Sector Reform in Afghanistan: the EU's contribution', *Occasional Paper* no 78, EUISS, Paris, April 2009.

7. Sebastian Bloching, 'Policing in conflict – an overview of EUPOL Afghanistan', *ESR Briefing* no. 7, 12 July 2011, p. 3.

to be fair, of other external actors involved) is the level of insecurity the populations of the Democratic Republic of Congo have faced for several decades now. Since 2005 the EU has been assisting the central government with building security forces (police and army) capable of ensuring a safe environment for the most vulnerable groups (e.g. women, ethnic minorities). Aside from the complicated internal conditions, including problems with the Congolese authorities accepting the concept of the proposed reform, the EU also suffers from a number of shortcomings which have hampered its effectiveness in this particular mission. The 'usual suspects' are: a lack of awareness among EU staff on the ground of the existence of a comprehensive strategy in the implementation of SSR in the DRC; EU bodies and Member States having different agendas while being simultaneously engaged in the country; the lack of a body which could be perceived as an institutional leader of the SSR agenda; the lack of an integrated approach to reforming different pillars of the security system; EU fiscal bureaucracy, etc. Moreover, as experts argue, the EU representatives have no political mandate to negotiate with the DRC administration when problems arise, not to mention the fact that the reform programme was largely conceived in Brussels, without sufficient input from the Congolese government.<sup>8</sup>

In the coming years, it is also likely that the EU's ability and the level of its ambition in promoting different security projects, including SSR, will be limited because of the ongoing financial crisis in the EU. One of the disastrous consequences of the need to implement drastic reforms, including managing austerity defence budgets, is that European societies are clamouring increasingly for the EU institutions to focus on solving problems at home first and foremost. This will undoubtedly be to the detriment of the EU's international engagement and its role as a promoter of SSR. Unfortunately, the demand for such projects is on the rise, as evidenced by the recent events in Egypt and Libya where there is a clear need for serious security sector reforms so as not to squander the positive outcome of the so-called Arab Spring.

There is no doubt that the dynamics of EU involvement in promoting SSR reform programmes cannot be maintained in the coming years, unless Europe combines forces with carefully selected partners with a shared interest in implementing such programmes in post-conflict environments. For multiple reasons, the European Union should think seriously about engaging India in their activities in this sphere, especially in the regions of Africa and South-East Asia, where both partners have a stake.

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8. See Sylvie More and Megan Price, *The EU's support to Security System Reform in the Democratic Republic of Congo: Perceptions from the field in Spring 2010*, CRU, the Netherlands Institute for International Relations. Available at: [http://www.clingendael.nl/publications/2011/20110706\\_cru\\_publication\\_smore.pdf](http://www.clingendael.nl/publications/2011/20110706_cru_publication_smore.pdf).

## India – responsible stakeholder

Over the last decade modern India has not only emerged as a booming market with the potential to become one of the most important economies in the world but it has also enhanced its role as a prospective partner in various international endeavours including the promotion of democracy, good governance and effective multilateralism. As achieving the status of permanent member of the United Nations Security Council (UNSC) is a well-defined strategic goal of Indian foreign policy, the country is multiplying its efforts to build an image as a responsible stakeholder. There are two particular regions towards which India today presents a particularly pro-active attitude: one is Afghanistan and the other is the East African region in general, which is increasingly becoming a focal point for Indian foreign and economic policy, especially in terms of military security, energy security and investments.

As regards Afghanistan, the Indian government has already sought for many years, and against many odds (including the strongest reservations from Pakistan), to get involved in the nation-building project in this country.<sup>9</sup> Considering the centuries-long historical, cultural and social ties between the two countries and India's specific interests there, this engagement takes place on many levels: in the political domain (Indian officials have warm relations with President Karzai), economic and social reconstruction (including the rebuilding of devastated infrastructure), humanitarian aid, and revitalising the agricultural and energy sectors. The overall amount of Indian assistance to Afghanistan totals \$1.5 billion, placing this country sixth on the list of major donors, with an additional pledge of \$500 million made this year by Indian Prime Minister Manmohan Singh. Last but not least, although it sparks much controversy, India has finally decided to increase its engagement in security sector reform in Afghanistan. For obvious political reasons, India's troops would be less than welcome in the country, although there are few misgivings over other forms of cooperation, such as in the security and defence sector. In October 2011 the two countries signed the Agreement on Strategic Partnership, in which the Indian government pledged its assistance in training and equipping the Afghan National Security Forces as well as in building their capabilities. As the newly-released plans show, the Indian government is keen to train as many as 30,000 Afghan National Army (ANA) soldiers, and to equip them with small arms and heavy weapons.<sup>10</sup>

Far more complex is India's engagement in many African countries, where Indian 'soft power' is also combined with economic and security means.<sup>11</sup> India is the third-largest

9. For more on this, see Patryk Kugiel, *India in Afghanistan: a valuable partner for the West*, PISM Policy Paper no. 19, October 2011.

10. 'India steps up Afghan troop training', *Jane's Defence Weekly*. See: <http://jdw.janes.com>.

11. The complexity of these relations is well covered in the recently published volume *India in Africa: Changing Geographies of Power* edited by Emma Mawdsley and Gerard McCann (Oxford: Pambazuka Press, 2011).

'provider' of UN peacekeepers to missions in Africa<sup>12</sup> (presently to countries such as Côte d'Ivoire, the DRC, Liberia and Sudan), and the Indian navy is also taking part in the fight against piracy off the Somali coast. What is much appreciated by many African governments and societies is India's record as an aid donor and promoter of democracy: it has supported national liberation movements and, in the late 1990s, heavily criticised apartheid in South Africa. It has also invested in infrastructure, which not only profits India – winning it concessions to exploit African resources (such as oil, minerals and gems), as is the case with China – but also serves local communities. The present government and the extremely vibrant private sector in India are also involved in creating incentives for African businessmen willing to trade with India (including easily accessible loans), but also for African students by funding scholarships at Indian technical universities.<sup>13</sup>

India's still growing defence engagement in the security sector in Africa is equally important. In addition to peacekeeping and fighting piracy as mentioned above, India also maintains close relations with some African governments and political establishments, and has signed defence agreements (with countries like Madagascar, Kenya and Mozambique) relating to India's strategic interest in securing the Indian Ocean littoral in order to safeguard its economic interests but also with a view to fighting military threats posed by both state actors and non-state actors in the form of piracy, terrorism, etc. As regards security sector reform, India has a solid record in this domain, with such undertakings as training the South African National Defence Force (SANDF) to perform peacekeeping tasks and training thousands of African officers and other military staff in Indian military academies. In 2007, in the framework of promoting gender awareness in the area of defence and security, India was also the first country to deploy an all-female police contingent in Liberia (as part of the UNMIL operation).

Such multisectoral engagement has paid off, since India is perceived by many African societies as a responsible rather than a predatory power and as a reliable stakeholder whose engagement is balanced across a number of pillars: economic, social and military. An important factor here is that there exists a huge Indian diaspora in many African countries which maintains its ties with the motherland and creates broad networks. Furthermore, the fact that Indian governments are obliged to cope with India's own ethnic, religious and linguistic diversity means that they have a great deal of experience dealing with such challenges, including conflicting interests within the security sector. This know-how can be transferred to other regions faced with similar problems.

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12. See Frank van Rooyen, 'Blue Helmets for Africa, India's Peacekeeping in Africa', *Occasional Paper* no. 60, South African Institute of International Affairs, May 2010.

13. For a detailed overview of India's interests in African countries see monograph authored by J. Peter Pham, 'India in Africa: Implications of an emerging power for AFRICOM and US Strategy', Strategic Studies Institute, March 2011.

These four factors – good relations with the representatives of governments (both in Afghanistan and many African states); a positive image among local populations as being an attractive model of development and social change; extensive know-how of the security and defence environment in many African countries; as well as financial/technical know-how (including the capacity to provide substantial military/police forces and highly-qualified experts) – place India at the forefront of prospective partners for the EU's peace-related endeavours, including security sector reform.

## Recommendations for EU-India cooperation

Apart from the political commitment the European Union needs to maintain in its immediate neighbourhood, in the coming years two compelling issues will shape EU activities in the area of security. The first is the successful implementation of the last phase of SSR in Afghanistan where, by the end of 2014, a four-hundred-thousand strong Afghan National Security Force (including 160,000 policemen) is expected to take over responsibility for the security situation in the country. The second will be a more general focus on events in the most volatile regions of Africa, with particular emphasis on SSR reforms, which the EU has already started to implement, as well as possible new endeavours, particularly in the Arab countries in the north. Unfortunately, the prospects for the EU being able to act effectively in this particular domain are tenuous. For political and operational reasons, the decision-making bodies should consider far greater involvement from external actors such as India. To make this partnership dynamic and effective, bilateral mechanisms to institutionalise this cooperation should be set in place.

- Firstly, the European Union should ensure that its institutions, including high-level decision-making bodies, establish procedures for consultation with the Indian government when launching SSR-related projects in regions where the interests of both partners intertwine.
- All possibilities should be carefully examined for a joint formulation of the overall strategy of a potential mission as well as for the participation of Indian experts or trainers on the ground. In the short term, the EU should consider cooperation with India in operations that have already begun and where both partners are engaged on the ground (as in the DRC, where Indian peacekeepers form the core of MONUSCO, and in Afghanistan).
- In the longer run, both partners should consider establishing reciprocal military liaison missions to promote permanent consultation and increase awareness of the activities undertaken by both sides in the area of security and defence.

## The EU-India partnership: time to go strategic?

- Both partners should launch initiatives aimed at sharing knowledge and expertise (by organising seminars, workshops, briefings, etc.), as well as common training of forces and experts, or exchanges of senior military/police and civilian personnel earmarked to take part in SSR missions.
- The EU and India should establish a working group consisting of experts tasked with identifying the assets and capabilities the two partners could bring to different operations, including SSR, and consider the possibility of specialisation to avoid unnecessary duplication and the waste of financial resources. An obvious example of such specialisation would be India's capabilities in the area of technical advice, logistics and IT solutions which could be deployed to ensure proper services for the mission on the ground (providing a biometric census of security personnel, issuing IDs, etc.).
- In Africa, both partners should consider trilateral cooperation between the EU, India and the African Union (AU). To date, the EU and India have used separate channels of collaboration with the AU, but there exist possibilities to change this formula if all the parties agree.

With sufficient political will on both sides, the EU-India partnership may gain fresh impetus in the near future. Both partners want to secure their position as global powers, both share the same interests and are struggling with similar threats. For the EU, India is important in that it can give a boost to its security initiatives and prevent obvious failures. India needs constant EU support in order to obtain permanent member status of the UNSC: this would not be possible without initiating reform of the whole system and the EU will undoubtedly play a significant role in this process if it is initiated. All in all, this prospective partnership, even if aimed mainly at securing the particular interests of the EU and India, may prove to be extremely beneficial for all those regions that are still on the difficult path to democratisation and stability.

# India-EU cooperation on Afghanistan: context, constraints and prospects

**Arpita Basu Roy**

This chapter discusses the prospects and constraints of India-EU cooperation in Afghanistan in a context where negative scenarios are becoming more probable, with the Obama administration declaring a withdrawal of forces by 2014 and in the face of the extremely calculated optimism displayed by NATO countries as ISAF begins to transfer security responsibilities to the Afghan government. The chapter examines the concerns shared by both India and the EU on issues primarily related to radicalism and extremism emanating from Afghanistan. These concerns are reason enough for both to effectively engage with each other and contribute towards peace and stability in that country. Given the fact that the EU is well placed to offer a leading contribution to conflict prevention and crisis management and that the EU's expertise has been solicited in many crisis theatres, it makes sense for India to strike a partnership with the EU in respect of Afghanistan. Most European nations have been deeply involved with Afghanistan and at the same time India, as the largest regional donor, has made a substantial contribution to Afghan reconstruction. India and the EU share similar objectives and face similar challenges in Afghanistan.

It is now generally admitted that military power never suffices to bring about peace, and that in most international conflicts 'soft power' counts equally: police training, creation of an independent judiciary, mechanisms for dialogue and reconciliation, and education, etc. With the EU's strategic engagement with major powers such as India on global issues, both India and the EU can be confident of developing new forms of global governance. This chapter argues that prospective areas of cooperation could be in the field of human security, social development, capacity building, democratic reforms, agriculture and rural development, sustainable energy consumption and sub-national governance. By way of conclusion, this chapter notes that there are several constraints, primarily related to escalating insurgent attacks and allied insecurity, institutional and governance weaknesses in the countries involved, and negative domestic public opinion, as well as difficulties arising from the local population's confused perception of the role of the international actors, which impede India-EU cooperation in Afghanistan. Cooperation nevertheless remains imperative on an issue of global concern such as Afghanistan.

## The EU in Afghanistan

Although Afghanistan is a key foreign policy priority for the EU and its Member States and a cooperative partnership exists between the EU and Afghanistan, most European nations are in favour of diminishing their involvement in Afghanistan. The EU has been committed to the international project of democracy building and nation building which is mandated by the United Nations (UN) and led by the United States and also has been well placed to offer its expertise in conflict-prevention and crisis management, given the experience it has acquired in dealing with many other crisis situations. It is one of Afghanistan's largest donors, having committed around €8 billion for reconstruction activities. EU countries have also participated in the NATO-led International Security Assistance Force (ISAF). But it has often been noted that the EU approach was different from the US approach as Europeans mainly thought of the intervention as a peacekeeping and reconstruction effort rather than as a part of a 'war on terror' in which they have to engage with the resurgent Taliban.<sup>1</sup>

The European Commission (EC)<sup>2</sup> was present in Afghanistan since the mid-1980s with an office in Peshawar and had been active in delivering humanitarian assistance; in the post-9/11 era there was an emphasis on strengthening the Afghan institutions and services to make them viable. Initially the focus was on infrastructure building and establishing new government institutions and public services<sup>3</sup> which later on remained the same with emphasis on strengthening the capacity of Afghan institutions and services.<sup>4</sup>

The EC's cooperation in Afghanistan is supposedly aligned with the Afghan government's priorities as demonstrated by the fact that rural development, health and governance happen to be focal areas of EC intervention in the period 2007-2010. The non-focal areas are social protection, humanitarian mine action and regional cooperation.<sup>5</sup> The EC's aid for Afghanistan and the focal areas defined in the strategy papers and indicative programmes are aligned with the Afghan government's priorities as set out in the

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1. Luc Vandebon, Seminar on *European Engagement in Afghanistan*, organised by Centre for European Studies, School of International Studies, Jawaharlal Nehru University, 22-23 November 2010.

2. The EU operates through a hybrid system of supranational independent institutions and intergovernmental decisions negotiated by the Member States. Important institutions of the EU include the European Commission, the Council of the European Union, the European Council, the Court of Justice of the European Union, and the European Central Bank.

3. European Commission, *Country Strategy Paper: the Islamic Republic of Afghanistan, 2007-2013*. Available at: [http://eeas.europa.eu/afghanistan/csp/07\\_13\\_en.pdf](http://eeas.europa.eu/afghanistan/csp/07_13_en.pdf).

4. Ibid.

5. The Multiannual Indicative Programme (MIP) defines the EC intervention for 2007-2010 in 3 focal and 3 non-focal areas with planned activities, expected results and indicators.

*Afghan National Development Strategy* (ANDS) of April 2008,<sup>6</sup> and its predecessors, the *interim ANDS* (i-ANDS) and the *National Development Framework* (NDF). It is also stated that the focus of the EU has often been the strengthening of democracy by reinforcing government institutions, improving service delivery, fighting corruption and intensifying counter-narcotics efforts, stimulating investments in infrastructure, especially in the agriculture and energy sectors, creating opportunities for Afghans through private sector growth, improving aid effectiveness to ensure tangible results, ensuring greater civil society participation in the nation-building process, promoting respect of human rights and strengthening regional cooperation.<sup>7</sup>

### EC aid to Afghanistan 2002 – 2009 in € million

Year	Total commitments	Disbursed
2002	247.59	151.04
2003	285.55	213.90
2004	247.55	171.19
2005	224.48	206.11
2006	200.52	175.08
2007	195.90	224.59
2008	214.49	213.27
2009	219	198.82
<b>TOTAL</b>	<b>1,835.09</b>	<b>1,555.00</b>

Source: EEAS website. ‘*Afghanistan and the EU: Cooperation for Development*’

Donors pledged around €14 billion to fund the ANDS.<sup>8</sup> The EC’s contribution has arguably been chiefly concerned with improving the life of ordinary Afghans. According to reports, since 2002, the EC has been contributing to financing the salaries and training of 220,000 public sector workers including doctors, nurses, teachers and 60,000 police officers. Since the end of 2005, the EC has delivered basic health services in 10 provinces covering over 20 percent of the population of the country; established 1,660 drinking water supply schemes; vaccinated over 1.3 million animals and facilitated local produc-

6. The ANDS is a strategic document setting priority areas and high-level benchmarks for 5 years. It also serves as Afghanistan’s first Poverty Reduction Strategy Paper (PRSP). The ANDS is based on 3 pillars: (i) Security; (ii) Governance, the rule of law, and human rights, and (iii) Economic and social development.

7. European Commission, ‘Major Milestones Towards Reconstruction and Peace-building in Afghanistan’, *State of Play*, January 2009. Available at: [http://ec.europa.eu/europeaid/where/asia/documents/afgh\\_state\\_of\\_play\\_january\\_09\\_en.pdf](http://ec.europa.eu/europeaid/where/asia/documents/afgh_state_of_play_january_09_en.pdf).

8. The EC confirmed that around €500 million is programmed for Afghanistan for 2008-2010.

tion of more than 6.3 million vaccinations for livestock; engaged in the promotion of rural livelihoods by setting up work schemes in 30 provinces; ensured that 82,000 anti-personnel mines were cleared in 2008 alone; and improved irrigation for 150,000 hectares of agricultural land.<sup>9</sup>

Trends indicate a long-term EU presence in Afghanistan. Speeches and statements by EU representatives indicate that the EU now believes that a post-transition Afghanistan will require significant assistance from the international community for the foreseeable future. This is cited as one of the main reasons why the EU is committed to forge a long-term partnership with Afghanistan which focuses on capacity building, improved governance and support to Afghan-led processes.<sup>10</sup> Ambassador Vygaudas Ušackas urged that the international community demonstrate staying power in support of Afghanistan and encouraged regional endeavours to lay the foundations for peace, trust and stability.

He also stated that earlier examples of conflict states have proved that nations must eventually become independent from aid and find ways of identifying, developing and utilising their own resources to support nation-building. During his speech the EU Special Representative stressed the fact that the recent history of Afghanistan has highlighted the regional dimensions which have to be taken into consideration if long-term stability is to be achieved; otherwise Afghanistan will continue to struggle to assert its sovereignty and manage its borders. He further stated that people-to-people links have been known to have a positive impact on many conflicts and this is particularly crucial for a country like Afghanistan in a region where there has long been a trust deficit between governments and between peoples. This is indicative of the fact that the EU is committed to remain engaged in Afghanistan and the region.

### India in Afghanistan

Afghanistan's fate cannot be disentangled from that of the wider region. As a stakeholder, therefore, India's engagement as a regional power will remain crucial. Afghanistan also relates to India's immediate foreign policy goals of a peaceful periphery – good relations with neighbours, transformation of relations with the major powers and cooperation with the international community on a range of concerns being some of the others. Friendly ties with Afghanistan have been constant in Indian foreign policy and an

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9. Delegation of the European Union to Afghanistan, 'Cooperation for Development'. Available at: [http://eeas.europa.eu/delegations/Afghanistan/eu\\_afghanistan/development\\_cooperation/index\\_en.htm](http://eeas.europa.eu/delegations/Afghanistan/eu_afghanistan/development_cooperation/index_en.htm).

10. Ambassador Vygaudas Ušackas, EU Special Representative and Head of the EU Delegation, speaking at the Riga Conference (a leading foreign and security policy forum in Northern Europe), 18 September 2011.

equally unswerving source of concern for the common neighbour, Pakistan.<sup>11</sup> Bilateral relations between the Republic of India and the Islamic State of Afghanistan have been traditionally strong and friendly. India considers Afghanistan to be its neighbour<sup>12</sup> as the Gilgit-Baltistan region of Kashmir which borders Wakhan,<sup>13</sup> although under Pakistani control, is claimed by India as a border between the nations. India's engagement in the country remains crucial, especially in view of the fact that there is a gradual recognition by the international community that India can play a role as a provider of regional stability.<sup>14</sup>

India cannot disengage from the complex and multifaceted problems facing Afghanistan. Therefore, political developments, economic changes and social transformation within Afghanistan remain imperative for India. India's engagement is largely influenced by its security interests. These security interests are: first, not to allow Afghan territory to be used for destabilisation of India. As a result of weak governance, factional infighting (1991-96) an Islamic regime (1996-2001) and militant non-state actors assuming prominent roles, Afghan territory was used to train groups operating in Kashmir. Al-Qaeda, which had its international network in about 55 countries, found a safe haven in Afghanistan when the Taliban were in power and one vital area of its operation remains Indian Kashmir.<sup>15</sup> The second priority for India is to ensure that radical ideologies do not threaten regional stability. The Taliban government's rejection of democratic and secular values, compounded by its fundamentalist mindset, promoted radical ideologies in the region. This is in contradiction to the ethos of a secular nation like India. Third, India does not want Afghanistan to emerge as the major theatre of a geo-political contest. India would prefer a consensual approach by the countries in the region to ensure that Afghanistan emerges as a country with a strong central power which is representative and governs independently without outside interference. Afghanistan does not yet have a well-trained army and its police force is ill-equipped to deal with the Taliban insurgency. Therefore, India has concerns about the post-US withdrawal situation that may emerge in Afghanistan.

India has a keen interest, therefore, in the stability of Afghanistan, and in fostering a representative, democratic government there that will keep civil war at bay. Moreover,

11. Arjun Verma and Ambassador Teresita Schaffer, 'A Difficult Road Ahead: India's Policy on Afghanistan', *South Asia Monitor*, no. 144, Center for Strategic and International Studies, South Asia Program, 1 August 2010.

12. Ministry of External Affairs of India, Annual Report, 2011-12.

13. Wakhan is an area in far north-eastern Afghanistan which forms a land link or 'corridor' between Afghanistan and China. The Corridor is a long and slender panhandle or salient, roughly 220 km long and between 16 and 64 km wide. It separates Tajikistan in the north from Pakistan in the south.

14. R.K. Sawhney, Arun Sahgal, and Gurmeet Kanwal (eds), *Afghanistan: A Role for India*. (New Delhi: KW Publishers Pvt. Ltd., 2011).

15. Yonah Alexander and Michael S. Swetnam, *Usama bin Laden's al-Qaida: Profile of a Terrorist Network*, (New Delhi: Aditya Books, 2002), p.31.

the Taliban-al Qaeda nexus and their ideological moorings have larger security implications, and India is anxious to ensure that such radicalism is controlled. Realising the importance of connecting different parts of Afghanistan and opening it up to the outside world, India would like to see communication networks being developed in the country. India also wants to revive and maintain a connection with the people of Afghanistan through aid and development projects. India remains committed to Afghan stability and supports multiple development projects that impact directly on the reconstruction of the war-ravaged country.<sup>16</sup>

India has a strong cultural influence in Afghanistan as Indian films, TV soaps and music are widely popular in the country.<sup>17</sup> Conversely, Afghanistan exerts a certain mystic appeal on the Indian consciousness. The *kabuliwalas*,<sup>18</sup> the rugged terrain of the Hindu Kush and its fearless tribes, has profound appeal for Indians, and the country also extensively imports typically Afghan goods such as carpets, nuts and fruits. The Republic of India was the only South Asian nation to recognise the Soviet-backed Democratic Republic of Afghanistan in the 1980s. Following the withdrawal of the Soviet armed forces from Afghanistan in 1989, the Republic of India and the international community supported the coalition government that took control. Contacts were severed with the outbreak of another civil war which brought the Taliban to power. The rise of Islamism in Afghanistan and the active involvement of Afghan *mujabideen* in the insurgency in Indian-administered Kashmir turned the Taliban and Afghanistan into a security threat for the Government of India. The destruction of the Bamiyan Buddha monuments by the Taliban led to outrage and angry protests by India, the birthplace of Buddhism. In December 1999, when Indian Airlines Flight 814 was hijacked and landed in Kandahar. Taliban and Pakistan's Inter-Services Intelligence (ISI) were suspected of supporting the hijackers.

India offered intelligence and other forms of support to the Coalition forces during the US-led intervention of Afghanistan in 2001. After the overthrow of the Taliban, India established diplomatic relations with the newly-established democratic government, provided aid and participated in the reconstruction efforts. The fall of the Afghan Taliban government in 2001 was seen by India as a major strategic gain. India participated

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16. Nalini Kant Jha, 'Resurgence of Taliban in Afghanistan: Implications for India and Pakistan', in Mondira Dutta (ed.), *Emerging Afghanistan in the Third Millennium* (New Delhi: Pentagon Press, 2009).

17. Interviews conducted with several Afghans during study trips and conferences.

18. Members of 'Pathan' or other tribes from Afghanistan like the Kuchi nomads settled or engaged in business or money-lending in the Indian subcontinent. This term has been immortalised by Rabindranath Tagore's famous short story of the same name, which is a melancholic portrait of his own family life and that of the Afghan pedlar who gives the story its name. The friendship struck up between the tall, tough and turbaned Afghan and the writer's chirpy little daughter is the subject-matter of the story. In Tagore's time, real *kabuliwalas* were a common sight in the streets of Calcutta, as in those of most cities of north and central India.

in the 2001 Bonn conference, which determined the basic outlines of the political and constitutional structure for Afghanistan. In contrast to its attitude during the Soviet intervention, India has looked favourably on the US and NATO military involvement in Afghanistan and has made it clear that it does not want this role to end prematurely.

As one expert contends, India happens to be 'the only country in the region that might possess the capabilities and the willingness to offer a model of regional security management to Afghanistan, namely, an India-centred hegemonic order. It will, however, not suffice that Afghanistan accepts a bargain between core and periphery to legitimise Indian authority over its neighbours. Pakistani has to consent too. In light of the conflict configuration in South Asia, India's offer of strategic restraint *vis-à-vis* Pakistan is particularly affected by the problem of credibility.'<sup>19</sup> Whether or not India sends out the right signals and whether or not such signalling could be justified in future are major issues. Is it possible that a signal of benevolence from India will convince its neighbour to reciprocate positively? Or would it be taken advantage of to the detriment of India's interest in future? The chances of India-centred hegemonic order becoming a long-term principle of regional policy are therefore indeterminate.

### *India's partnership with Afghanistan*

India has played an active role in the reconstruction of Afghanistan since 2001. Indian engagement is based on the understanding that social and economic development is key to ensuring that Afghanistan becomes a source of regional stability.<sup>20</sup> India's current pledged assistance to Afghanistan stands at 2 billion US dollars<sup>21</sup> and India has initiated projects in all parts of Afghanistan, in a wide range of sectors, identified by Afghanistan as priority areas for reconstruction and development. All the projects are undertaken in partnership with the Afghan government, in complete alignment with the Afghanistan National Development Strategy, and with focus on local ownership of assets. India's assistance activities and development partnership are conducted in four broad areas, i.e. (i) humanitarian assistance, (ii) major infrastructure projects, (iii) small and community-based development projects, (iv) education and capacity development.

Afghanistan is generally appreciative of India's assistance. Polls and surveys indicate that Afghans generally have a positive view of India. India's cultural influence prevails as reflected in the popularity of Bollywood and Indian soap operas. At the diplomatic level, India and

19. Melanie Hanif, 'Indian Involvement in Afghanistan: Stepping Stone or Stumbling Block to Regional Hegemony?', *GIGA Working Paper no. 98*, GIGA Research Programme, Institute of Asian Studies, April 2009.

20. Ministry of External Affairs of India, *Rebuilding Afghanistan: India at Work*, August 2005.

21. The figure includes PM Manmohan Singh's pledged assistance of an additional 500 million dollars in May 2011. Opening Statement by Prime Minister at the Joint Press interaction in Kabul, 12 May 2011.

Afghanistan have generally had cordial relations. India has opened an embassy in Kabul along with four consulates in Herat, Kandahar, Jalalabad, and Mazar-e-Sharif. The only other country to host as many is Pakistan, whose consulates are also located in these cities.<sup>22</sup>

Clearly, sustainable peace cannot be brought about by military means. Afghanistan believes that peacebuilding is important because it includes state-building and nation-building and therefore urges that India share its nation-building experiences with India.<sup>23</sup> Afghans seek help in areas such as film-making, developing the media, facilitating research and scholarship, and curriculum development. They are keen on more scholarships in medical and engineering courses and have said that they are looking forward to the establishment of the SAARC University. Afghans have expressed their disappointment and frustration regarding the system of police registration of Afghans in India and wanted India to promote tourism, medical treatment and trade.<sup>24</sup>

### The present Afghan context

Uncertainty and conflict remain recurrent themes in Afghan history, and this is absolutely true of the current phase Afghanistan is going through. One commentator has diagnosed the situations as follows: 'A growing insurgency visible in the lethal attacks on specified targets, weak governance leading to space for increasing Talibanisation, a disgruntled population confused and disillusioned with corruption and abuse of power, the drawdown of international forces and its related insecurities are some of the perceptible tendencies visible in contemporary Afghanistan. Although Afghanistan experimented with democracy as a panacea for its challenges, positive results still elude the country. Rather, manipulated elections, cabinet reshuffles and crisis in the parliament have emerged as new issues needing attention.'<sup>25</sup> Various conferences focus on Afghanistan's problems but immediate issues like security and stability are still far from being resolved. 'New uncertainties about the aftermath of possible US drawdown and increasing reluctance of other major powers to remain actively engaged have added to the anxieties to a number of domestic and regional actors.'<sup>26</sup>

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22. Arjun Verma and Ambassador Teresita Schaffer, *op. cit.* in note 11.

23. An Afghan participant at DPG organised a workshop on the India-Afghanistan-Pakistan trilogue (6 June 2009) and emphasised that India should share its nation-building experience with Afghanistan, commencing appreciatively on the fact that India had a Sikh Prime Minister and a Muslim President.

24. Mir Ahmed Joyenda, Afghan Parliamentarian, in a concluding keynote speech delivered at the trilateral meeting entitled 'Afghanistan-India-Pakistan Trilogue: Finding Common Grounds for Peace', Jamia Millia Islamia University and India International Centre, organised by the Delhi Policy Group: Peace and Conflict Program, New Delhi, 6-8 June 2009, mentioned all these points emphasising what Afghanistan expected from India.

25. Arpita Basu Roy, Concept Note for the International Seminar on 'Bonn '01 to Bonn '11: Debating Afghanistan's Political Future', Jamia Millia Islamia University, 8-9 February 2012.

26. *Ibid.*

Experts predict varying scenarios in the aftermath of US withdrawal from the region. Although the US-dominated ISAF view the process of transferring security to the Afghans with calculated optimism and maintain that the transition process is on the right path, an objective analysis would suggest that any such optimism is based on unfounded assumptions. This has been proved right with the recent spate of Taliban attacks on the US embassy in Kabul and the assassination of Burhanuddin Rabbani, the President of the High Peace Council who was negotiating peace by talking to the Taliban. Citha D. Maass and Thomas Ruttig suggest that four scenarios may evolve in the period up to 2014 and beyond.<sup>27</sup> In the case of scenario 1, 'the current power oligarchy continues to consolidate without the participation of the Taliban until the completion of the transition process in 2014 or a later date. Scenario 2 involves the integration of the opposing Taliban by the current power oligarchy as part of the previously initiated dialogue by sharing power with them'.<sup>28</sup> Another probable scenario, scenario 3, is that, 'despite overriding economic and profit interests, the ethno-political polarisation intensifies to such an extent that the army and police as well as the Karzai government collapses. Local warlords and armed insurgents battle each other leading to crime spiralling out of control'.<sup>29</sup> This happens when negotiations with the Taliban totally fail and a local power struggle would be enough to spark widespread violence across Afghanistan. The fourth scenario is the establishment of the Islamic Emirate of Afghanistan by taking advantage of the draw-down of the NATO troops, where the Taliban take control of Kabul and large parts of the country, and the Karzai government, army and police disintegrate. Western military trainers and the majority of civilian aid workers leave the country and a few anti-Taliban factions wage guerrilla warfare.

Suffice here to say that any cooperation on Afghanistan will be based on the evolving political scenario in the country at this very critical transition phase. In the case of scenarios like 3 and 4 stated above, any cooperation projects on Afghanistan are unlikely to take off. Rather the majority of international staff in Afghanistan is likely to flee out of the country. However if scenario 1 and scenario 2 prevail with a degree of security support from the international community,<sup>30</sup> powers like India and the EU which share similar objectives and face similar challenges in Afghanistan may work for consolidation of peace and development in cooperation with a workable government in Afghanistan. In the UN

27. Citha D. Maass and Thomas Ruttig, 'Is Afghanistan on the Brink of a New Civil War? Possible Scenarios and Influencing Factors in the Transition Process', *SWP Comments 21*, German Institute for International and Security Affairs, August 2011.

28. Ibid.

29. Ibid.

30. President Karzai's speech in the UN General Assembly called for a new kind of security paradigm for the international community to guarantee Afghanistan's security and stability. It was read out *in absentia* by Afghanistan's Foreign Minister Zalmay Rassoul, Karzai said he had to cut short his visit and return to Kabul in the aftermath of the assassination of High Peace Council chairman Burhanuddin Rabbani.

General Assembly Speech on 24 September 2011 President Karzai urged the international community to engage in a new paradigm of cooperation with Afghanistan, with a view to achieving long-term stability and economic development. Karzai said the strategic partnership that Kabul was currently negotiating with the United States and other partners, including the European Union, would be a model for the kind of enduring partnership Afghanistan wished to have with the international community. He also explained that these partnerships will help guarantee Afghanistan's security and stability, as well as assist Afghanistan's future economic development. He also emphasised that neither the strategic partnership with the US nor any other partnerships that Afghanistan will forge in the future 'shall be a threat to our neighbours or any other country'. All this explains the complications of the regional security complex at work *vis-à-vis* Afghanistan.

### Cooperation on the ground

If we assume that the international community will display their staying power in Afghanistan and will provide the security and strategic assistance to guarantee that the first two scenarios prevail in Afghanistan over the civil war scenario, we need to focus on greater India- EU cooperation in the region. It is more than established that military power never suffices to bring about peace, and that in most international conflicts 'soft power' counts equally. Prospective areas of cooperation in Afghanistan could be in the field of human security, social development, capacity building in the form of police training and creation of an independent judiciary, democratic reforms, agriculture and rural development, finding sustainable methods of energy consumption and sub-national governance.

Some areas of cooperation for India and the EU were identified in a conference on European Engagement in Afghanistan, organised by the Centre for European Studies, School of International Studies, Jawaharlal Nehru University on 22-23 November 2010. Major areas identified were higher education, regional cooperation, police training, capacity building, strengthening sub-national governance and institutions of democracy.<sup>31</sup>

India and the EU should focus on the Afghan people as referents of cooperation. The emphasis should be on the promotion of the security, livelihood, health and education of

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31. The proposals made at the conference were as follows: *Higher Education*: Afghan students could study in Indian universities with EU/European involvement in cost sharing as well as faculty mobility; *Regional Cooperation*: Afghanistan, India & the EU are all committed to regional integration and involved in SAARC as well as the RECCA process. The EU and India could join their efforts in Afghanistan in making RECCA and other trade and transit initiatives more meaningful; *Police Training*: To make European police training more effective, Indian trainers and training facilities could be utilised; *Capacity Building*: Indian trainers and training institutes could be utilised by the EU in its various capacity building programmes; *Decentralisation*: India and Europe could work together to strengthen sub-national governance and grassroots democracy in Afghanistan; *Institutions of Democracy*: As both India and Europe are involved in building and strengthening democratic institutions in Afghanistan, there are tremendous possibilities of cooperation.

ordinary Afghans. Thus, human security needs to be the paradigm for cooperation and intervention. The government should be strengthened in matters related to democracy promotion and training of security personnel. There can also be possible cooperation on matters related to energy. Recent findings of the US Geological Survey and the Afghan Ministry of Mines and Industry indicate that Afghanistan has significant hydrocarbon reserves in its northern regions.<sup>32</sup> India and the EU could also cooperate on matters related to exploration of this energy potential. Both the EU and India have huge energy requirements and can tap this potential to their advantage. The revenue generated in the process would provide the Afghan government with the essential resources for reconstruction and allow economic opportunities for its people.

## Conclusion

There can be no shortcuts in the case of Afghanistan. A total withdrawal of Western forces would be catastrophic for the country and would mean a reversal of all the achievements of the last few years.<sup>33</sup> Although the international community has committed itself at various important international conferences to assist Afghanistan, such declarations of support tend at best to be vague references to the need for a long-term commitment by way of sustained financial assistance and material support for Afghanistan.<sup>34</sup> But whether anything concrete will emerge from these periodic interactions among numerous stakeholders is a matter of debate and will only become clear in the future.

Most nations, including both India and the countries of Europe, are committed to support Afghanistan in the long run, but in a democratic setup public opinion cannot be ignored. Since informed public opinion, particularly in Europe, is not always supportive of the Afghan cause, it may become difficult for respective countries to play a big role. Moreover the commitment of various countries stands at different levels, making the EU a rather weak player in the Afghan context where the US takes a leadership role. Taking into account the imperatives of public opinion in democracies on the one hand and the realisation of the disastrous results of a withdrawal from Afghanistan on the other,

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32. The US Geological Survey and the Afghan Ministry of Mines and Industry projects an eighteen-fold increase from previous findings on the hydrocarbon reserves of the country. Unexplored petroleum resources in northern Afghanistan range from 3.6 to 36.5 trillion cubic feet (TCF) of natural gas, with a mean of 15.7 TCF. Estimates of oil range from 0.4 to 3.6 billion barrels of oil (BBO), with a mean of 1.6 BBO. Estimates for natural gas liquids range from 126 to 1,325 million barrels (MMB).

33. Mr. Samim Hamraz, Chargé d'Affaires, Embassy of Afghanistan, in a conference on European Engagement in Afghanistan, 22-23 November, 2010, at the Centre for European Studies, School of International Studies, JNU, New Delhi. He said that despite major security challenges, Afghanistan has made major achievements in the areas of education, health, democracy building and the empowerment of women.

34. The conferences held in *Bonn* (December 2011) and *Istanbul* (November 2011) were about political stability; the conference held in *Chicago* (May 2012) was about security in Afghanistan; the *Delhi Investment Summit* (28 June 28 2012) was about private investment in the country; the *Tokyo Summit* (July 2012) dealt with economic stability and financial commitments.

the international community, donors and major stakeholders in Afghanistan like India and EU happen to be debating their future role in Afghanistan. Apart from these issues there are constraints related to the local Afghan population's confused perceptions of the role of the international actors complicating the cooperative process and the bilateral relationships to a certain extent.<sup>35</sup> Thus there are several issues impeding this cooperation, primarily those related to escalating insurgent attacks and allied insecurity, compounded by negative domestic public opinion and confused perceptions about the roles of actors, as previously mentioned. In spite of constraints, engagement between the EU, a global power, and India, an emerging global power and the largest regional donor to Afghanistan, is imperative on an issue of such global significance.

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35. Professor Hari Vasudevan, Chairperson, Advisory Committee for Textbooks, NCERT during an interaction on the subject talked about India-EU cooperation on a training programme for primary schoolteachers which took place in the Regional Institute of Education (RIE) financed by the EU but facilitated by India in its territory. He mentioned issues like the disgruntlement of certain sections of the Afghan population who would have preferred that the programmes were done on European territory than in the neighbourhood. He talked about the kind of complications that are created for Indo-Afghan relations when India is seen as a facility-provider and not the fund-provider under such cooperation. Thus there are high chances of confused perceptions about the roles these actors are undertaking.

# Interlocking challenges: EU-India convergence on climate change

Uttam Kumar Sinha

## Interlocking challenges

Global threats and challenges today are less predictable and more multidimensional. Unlike during the Cold War period, where threats were essentially adversarial and met by high defence spending and troop deployment, today these are described as ‘shared risks and vulnerabilities’, the dimensions of which have a major influence on security and stability. This calls for redefining our understanding of security and wider joint cooperation – popularly referred to as strategic partnership. The core principles of a new understanding for security policies in the twenty-first century can be designated as TIP: *transformative* (strengthening civilian institutions); *integrative* (multidisciplinary with wider stakeholder participation); *preventive* (addressing the cause and not the symptom).<sup>1</sup> Collectively TIP ‘broadens and deepens’ security policies from ‘dead-end choices’ to a balance of social, economic and environmental policies.

Resource use is also intrinsic to global politics. The issues of access to and control of natural resources have contributed to a large number of conflicts. Non-renewable resources such as oil and minerals result in geopolitical rivalries and twentieth-century global politics was primarily dominated by oil. Many foresee competition for renewable natural resources such as water, arable land, and forests contributing to increasing tension and even the possibility of war, particularly over water.

Water is the mainstay of states and societies. Many parts of the world will have to juggle with competing and conflicting food-energy-water (FEW) concerns, which will result in a set of challenging consequences. A ‘perfect storm’ of food-energy-water shortages by 2030 has already been predicted.<sup>2</sup> There is a set of critical drivers that will present difficult-to-manage outcomes and will reinforce each other as never before. First, as populations grow, competition for food, energy and water will increase correspondingly. Increasing

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1. Chris Falvin and Michael Renner, *State of The World 2005: Redefining Global Security*, Worldwatch Institute Report, Washington DC, 2005.

2. As noted by John Beddington, UK Chief Scientist on 18 March 2009. See: <http://www.guardian.co.uk/science/2009/mar/18/perfect-storm-john-beddington-energy-food-climate>.

demand for food grains among the growing middle classes will claim larger areas of cropland and greater volumes of irrigation water. Second, with the risks that climate change brings, FEW will be subject to various stresses and strains.

Over the next 20 years, the increasing evidence of the interlinkages between climate change and environmental and development issues will largely dictate national policies. Perceptions of a rapidly changing ecosystem will in all likelihood prompt nations to take unilateral actions to secure resources and territorial sovereignty. Any willingness to engage in greater resource cooperation will depend on a number of factors, such as the conduct of other competing countries, economic viability, and other interests that states are reluctant to either compromise or concede.

### EU-India climate convergence

India occupies two worlds simultaneously: a 'notional entity' referred to as India, which is largely anglicised and relatively well-off, and Bharat, which is largely rural, agricultural and poor.<sup>3</sup> The dichotomy in the economy is also explained by the India-Bharat divide. In the former, there is rapid economic growth and social change indicative of a lopsided, non-inclusive growth structure. In the latter, a large percentage of the population is left behind, which is indicative of a structural contradiction in economic reforms. India needs rapid growth to reduce poverty and sustain income increases for its very young population. Reforms and social cohesion are also necessary to accelerate growth in order to meet the Millennium Development Goals (MDG).

On the path to development there also lie challenges posed by climate change, with implications for food, water, health and energy. Addressing the challenges of climate change requires scientific understanding on the one hand, as well as coordinated action at national and global level on the other. Historically, responsibility for the increase in greenhouse gas emissions lies largely with the industrialised developed world. However, developing countries, as various projections indicate, will be the source of an increasing proportion of future emissions. For a developing economy like India, the adaptive capacity is low. A thrust towards sustainable development is crucial, and 'the issue of highest importance to developing countries is reducing the vulnerability of their natural and socio-economic systems to the projected climate change.'<sup>4</sup> India will have to brace itself for the challenges of promoting mitigation and adaptation strategies, and will have to

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3. See Sharat Joshi, 'The Great India-Bharat Divide', *Business Line*, 12 February 2003. Available at: <http://www.thehindu-businessline.in/2003/02/12/stories/2003021200050800.htm>.

4. Jayant Sathaye, P. R. Shukla and N. H. Ravindranath, 'Climate change, sustainable development and India: Global and national concerns', *Current Science*, vol. 19, no. 3, 10 February 2006, p. 314.

bear the cost of such an effort and its implications for economic development. Shifting to environmentally sustainable technologies and promoting energy efficiency, renewable energy, forest conservation, reforestation, water conservation, etc. are practical ways to deal with climate difficulties but also require good governance, extensive structural reforms and increased social cohesion, which are not easy.

The EU is a principal protagonist in the climate change debate. Combating climate change has given the EU a collective identity and leadership role distinct from and even opposed to that of the US, and many Euro-enthusiasts see the EU's role in this regard as a counterweight to the dominance of the US. It is instructive to read the EU's December 2002 Communication of the Commission on the Institutional Architecture dealing with 'The common objectives of outside action'. It notes: 'The Union must be in a position to take more resolute and more effective action in the interests of sustainable development and to deal with certain new risks, associated in most cases with the persistent and growing economic and social imbalances in the world. It must therefore stick up for a strategy of sustainable development, based on a multilateral and multipolar organisation of the world economy, to offset any hegemonic or unilateral approach'.<sup>5</sup> Equally, Article 3.4 of the EU draft Constitution states: 'In its relations with the wider world, the Union shall uphold and promote its values and interests. It shall contribute to peace, security, the sustainable development of the earth...'. The EU's proactive position on climate change has given it a 'moral duty' to contest the dominance of the US and finds resonance with popular public opinion across Europe.<sup>6</sup>

Not surprisingly, the EU leaders endorsed an integrated energy and climate policy in March 2007. It signalled the beginning of a new approach towards the production and use of energy. Climate-friendly growth based on a combination of low-carbon technologies and energy sources was adopted as a formula to limit global warming to 2 degrees Celsius. The EU has been quite outspoken in accepting the industrialised countries' collective responsibility for cutting emissions by 30 percent below 1990 levels by 2020 and by 50 percent by around 2050. The EU has taken the lead and agreed to cut its own emissions by at least 20 percent by 2020.<sup>7</sup> Some of the 2020 targets that have been defined are as follows:

- Energy efficiency leading to 20 percent saving of energy consumption

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5. See Commission of the European Communities, 'For the European Union: Peace, Freedom and Solidarity', Communication of the Commission on the Institutional Architecture, COM (2002) 728 final/2, Brussels, December 2002, p.11. Available at: [http://ec.europa.eu/economy\\_finance/emu\\_history/documents/treaties/commissioncommunicationconvention.pdf](http://ec.europa.eu/economy_finance/emu_history/documents/treaties/commissioncommunicationconvention.pdf).

6. Charlotte Bretherton and John Vogler, 'The European Union as a Protagonist to the USA on Climate Change', conference paper, March 2004, p.2. Available at: [http://citation.allacademic.com/meta/p\\_mla\\_apa\\_research\\_citation/0/7/4/4/2/pages74423/p74423-1.php](http://citation.allacademic.com/meta/p_mla_apa_research_citation/0/7/4/4/2/pages74423/p74423-1.php).

7. European Commission, 'Combating climate change: The EU leads the way', Brussels, September 2007, p. 5.

- Increasing renewable energy by 20 percent
- Increasing the share of biofuels by 10 percent
- Developing and promoting zero-emission technologies, including carbon capture and storage
- Integrating EU energy policy with other policies
- Integrating EU energy markets
- Leading the global debate on climate change.

Issues relating to climate change have been a critical part of the EU-India dialogue. Soon after the India-EU Strategic Partnership was established in 2005 in New Delhi, a Joint Action Plan was launched with the 'EU-India Initiative on Clean Development and Climate Change'.<sup>8</sup> This initiative has been taken forward at successive EU-India summits with specific agreements on widening access to clean technologies; promoting public-private partnerships for research and development of cleaner technologies; reducing the price gap between 'cleaner' and 'less efficient' technologies by seeking economies of scale; and holding expert-level meetings on the climate change debate.<sup>9</sup>

On the eve of the 11<sup>th</sup> India-EU Summit in Brussels in December 2010, the Prime Minister of India declared: 'I will seek to deepen our political and strategic cooperation, including in the area of counter-terrorism and other non-traditional threats to security.' This statement pointed to a required shift in the India-EU partnership from a narrow and limited 'dialogue' and 'consultation' to a broader geo-political commitment. In a new global society with potential new challenges, both India and the EU will have to acquire a greater strategic role. A strategic partnership can only fully evolve if it is based on a strategy of sustainable development and its approach is multipolar and multilateral. World peace and security cannot be delinked from world sustainability.

India has a number of 'strategic partnerships' and while each has its reasons and significance, they are not all of equal importance. Some of these strategic partnerships have a dominant political element, while others have an economic thrust. In some cases, the security dimension is vital. A strategic partnership is regarded as top priority when all the above indicators are equally significant. India's strategic partnership with Europe

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8. The 5th India-EU Summit at The Hague in 2004 endorsed the EU's proposal to 'upgrade' its relationship with India to a 'Strategic Partnership'.

9. See: [http://ec.europa.eu/external\\_relations/india/sum09\\_05/index.htm](http://ec.europa.eu/external_relations/india/sum09_05/index.htm).

has been predominantly economic. But as India continues on a path of rapid economic growth, as most observers expect it to, the need for development assistance will gradually decrease.<sup>10</sup> In such a situation a focus on other areas of cooperation, particularly on critical non-traditional security issues, becomes crucial.

The focus on climate change and the associated risks and threats is a natural choice for India-EU cooperation. India is vulnerable to the impact of climate change from the rise in sea levels fluctuation in the monsoon cycle, glacial melt in the Himalayas and diminishing water resources. India's growing population together with increased economic development has put enormous pressure on its natural resource base, referred to as 'population-resource tension'. Between 1990 and 2002, India's carbon emissions increased by 70 percent. *Per capita* carbon emissions are expected to increase further due to the rapid pace of urbanisation, increased vehicular usage and continued use of older and more inefficient coal-fired plants.<sup>11</sup> These increased carbon emissions are likely to have adverse impacts on India's precipitation patterns, ecosystems, agricultural potential, forests, water resources, and coastal and marine resources, besides an increase in the range of several disease vectors.

India has a well-developed climate change research capacity to study and monitor the effects of global warming. The EU sees climate change as a 'threat multiplier' and therefore as an issue of great concern. Over the last 50 years, the EU has had to grapple with waves of immigrants. Now with global warming, new waves of environmental migrants can be expected. Some European leaders have regularly expressed concern over migratory pressures: large-scale immigration as a result of climate change was identified as one of the seven threats to Europe by Javier Solana, then the EU's chief foreign policy coordinator, and Benita Ferrero-Waldner, the European Commissioner for External Relations, in a report in 2008.<sup>12</sup> The EU can ill afford not to factor climate change and its impact into its security and foreign-policy decisions. At the core of the threat multiplier argument is that while the immediate effects of global warming will be felt far away from the European continent – in South Asia, West Asia, Central Asia and Africa – Europe will ultimately bear the consequences, for example immigration. Not surprisingly, research collaboration on climate change is of obvious interest to the EU. Since climate change is a global phenomenon, there is a pressing need to increase knowledge of climate systems outside Europe and discover the interactions between different climate systems around the world.

10. See European External Action Service, *India: Country Strategy Paper, 2007-2013*. Available at: [http://www.eeas.europa.eu/india/csp/07\\_13\\_en.pdf](http://www.eeas.europa.eu/india/csp/07_13_en.pdf).

11. *Ibid.*

12. 'Climate change is best viewed as a threat multiplier which exacerbates existing trends, tensions and instability ... the core challenge is that climate change threatens to overburden states and regions which are already fragile and conflict-prone. The risks include political and security risks that directly affect European interests.' 'Climate changes and international security', Paper from the High Representative and the European Commission to the European Council, 14 March 2008.

It was the 10<sup>th</sup> India-EU Summit in November 2009 in New Delhi that introduced a convergence on international negotiations on climate change, energy cooperation and environment-related loans. According to the Summit statement, the 2 degree Celsius target was accepted but with an underlying understanding that this target should take into account the ‘overriding priority of poverty eradication and social and economic development of the developing countries.’<sup>13</sup> A commitment to giving equal priority to mitigation and adaptation was recognised, as well as the critical role of enabling financial and technological support to developing countries to that end. There was broad acceptance on achieving security, sustainability and reliability of energy supplies. The EU and India agreed to jointly invest €10 million in promoting research into solar-energy technology, and concluded a cooperation agreement on research in the field of nuclear energy.<sup>14</sup>

Climate change and the interlinked risks and vulnerabilities has introduced a new sense of urgency and given the India-EU partnership ‘context, concerns and goals’.<sup>15</sup> In the past the relationship between the two was overshadowed by a ‘trust deficit’ stemming from India’s negative perception of the EU as a strategic actor and its view that the EU only had a limited ability ‘to bring security deliverables to the partnership.’<sup>16</sup> The challenge now in the India-EU strategic partnership is to go beyond the economic template into new areas.

### Sharing knowledge and experience

The EU and India enjoy robust scientific and technological cooperation. Under the 7<sup>th</sup> EU Framework Programme (2007-2013),<sup>17</sup> India is the third largest recipient of research and development projects. Co-funding research activity is an important part of aligning strategic interests with ‘knowledge, education and innovation’. The proposed areas of further research, for example food and nutrition research, solar energy and water and waste management, will be crucial in mitigating the effects of climate change.

Another important mechanism has been the framework of cooperation between the European Atomic Energy Community (EAEC) and India in the field of fusion energy research set up in November 2009. It aims at intensifying cooperation to enhance technological

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13. See: <http://climate-l.iisd.org/news/india-eu-summit-tackles-climate-change-solar-and-nuclear-energy/>

14. Ibid.

15. Experts like RK Jain have felt that ‘given the mismatch of context, concerns and goals...it is difficult to envisage more substantial cooperation in the near future’. Quoted in Gulshan Sachdeva, ‘India and the European Union: Broadening Strategic Partnership Beyond Economic Linkages’, *International Studies*, vol. 45, no. 341, 2008, p.364.

16. Ummu Salma Bava, ‘The EU and India: Challenges to a Strategic Partnership’ in Giovanni Grevi and Alvaro de Vasoncelos, (eds.), ‘Partnerships for Effective Multilateralism: EU Relations with Brazil, China, India and Russia’, *Chaillot Paper* no. 109, European Union Institute for Security Studies, Paris, June 2008, p.113.

17. See Summaries of EU legislation at: [http://europa.eu/legislation\\_summaries/energy/european\\_energy\\_policy/i23022\\_en.htm](http://europa.eu/legislation_summaries/energy/european_energy_policy/i23022_en.htm).

capability and to demonstrate that fusion is the energy source of the future. Developing further fusion research will help bring the EU and India closer in tackling climate change from a scientific angle.<sup>18</sup> India is part of the 7-country sponsored ITER (International Thermonuclear Experimental Reactor) project being developed in southern France. The EU contributes 45 percent of the cost, while the other countries pay 9 percent.

However, the core area of cooperation remains that of strengthening India's efforts in overcoming poverty and meeting the Millennium Development Goals, with a particular focus on the social sectors (health and education), sustainability development and on the efficient implementation of the EU-India Joint Action Plan. At the 2008 Marseille Summit the JAP stated that 'clean development and climate change need more concrete activities involving all stakeholders.'<sup>19</sup>

One area of controversy is the EU Emissions Trading Scheme (ETS), launched in 2005. It is probably the biggest international scheme for the trading of greenhouse gas emission allowances and covers installations such as power stations, combustion plants, oil refineries, iron and steel works and cement industries. The EU ETS works on the 'cap and trade' principle; as defined by the European Commission's DG Climate Action, 'this means there is a "cap", or limit, on the total amount of certain greenhouse gases that can be emitted by the factories, power plants and other installations in the system. Within this cap, companies receive emission allowances which they can sell to or buy from one another as needed. The limit on the total number of allowances available ensures that they have a value.'<sup>20</sup> As of January 2012, airlines have now joined the scheme. The ETS will be further expanded to the petrochemicals, ammonia and aluminium industries by 2013, when the third trading period will start. China immediately barred its airlines from participating in the scheme. India took strong exception to the extension of the ETS to airlines, with Environment and Forests Minister Jayanthi Natarajan saying 'I strongly believe that as far as climate change discussions are concerned this is unacceptable.'<sup>21</sup> It is also believed in some quarters that the EU has long wanted to bring in stringent emission rules and would use trade leverage to impose targets. The EU clearly wants a deal on the emissions trading scheme. The European Commission estimates that by 2020 global aviation emissions are likely to be 70 percent higher than in 2005.

18. See European Commission Research and Innovation at: <http://ec.europa.eu/research/index.cfm?pg=newsalert&lg=en&year=2009&na=na-061109>.

19. EU-India Summit, 'Global Partners for Global Challenges', The EU-India Joint Action Plan, Marseille, 29 September 2008. See: [http://eeas.europa.eu/india/sum09\\_08/joint\\_action\\_plan\\_2008\\_en.pdf](http://eeas.europa.eu/india/sum09_08/joint_action_plan_2008_en.pdf).

20. European Union, EU action against climate change in Europe and India, 'Working with India to tackle climate change', Brussels, 2012, p.6.

21. 'Jayanthi Natarajan attacks European Union for unilateral decision of charges on international flights', *The Economic Times*, 11 April 2012. Available at: [http://articles.economicstimes.indiatimes.com/2012-04-11/news/31325010\\_1\\_climate-change-connie-hedegaard-carbon-tax-eu-s-emission-trading-scheme](http://articles.economicstimes.indiatimes.com/2012-04-11/news/31325010_1_climate-change-connie-hedegaard-carbon-tax-eu-s-emission-trading-scheme).

That said, three key areas emerge where India can enhance its policy on climate change based on the experiences of the EU. These are:

*Diversification:* Greater security of energy supply is not about relying on one form of energy or on a handful of supplier countries, it is about producing more energy within other stable regions and simultaneously ensuring that supply. India is increasingly dependent on imports and therefore increasingly vulnerable to supply and price shocks. Clearly, India needs to move towards lessening its dependence. For one, energy consumption has to be checked and the fuel mix changed. Diversification into home-grown energy will need greater use of low-carbon technologies based on renewable energy sources, such as wind, solar and bio-mass. As was done in the EU, targets should be framed and new laws adopted to achieve those targets. In addition, the private sector should be encouraged to make the necessary investment.

*Energy behaviour:* The straightforward answer to the challenges of climate change is to reduce the demand for energy. By so doing, security of supply is also increased. The reality, however, is that the energy-hungry world needs more, not less. Be that as it may, it is not only prudent but imperative to use energy more efficiently so that less is wasted. Saving energy makes good economics and there are instructive lessons to take from the EU on energy behaviour. Transport and building are two areas where there is huge potential for energy efficiency.

*Technology:* It goes without saying that technology can make a major contribution to the more efficient use of energy, particularly in industry and the transport sector. Technology is an 'enabling arm' of sustainable development. The EU is the leader in eco-innovation and its industries take the lead in sustainability. The real strength of the EU lies in disseminating best practice and providing a platform to share knowledge. India would be well-advised to closely emulate EU activities as it rethinks its approach to supply, production and distribution of energy.

### **New warming challenges: the Arctic and Tibet**

The climate looms large in discussions on the Arctic and Tibet, where the impact of global warming will have significant ramifications in terms of competition for resources and managing the fragile ecosystem. The Arctic and Tibet are possibly the most environmentally strategic areas of the world. But how significant are they to the EU and India? Should they feature in future discussions? This section shows that there are immediate areas of convergence on issues such as resource use, sustainability and global governance both in the Arctic and Tibet.

The Arctic is one of the original poles along with Antarctica, while Tibet has recently become to be regarded as the 'Third Pole'. In both places protecting the ecology is a low priority issue. According to European scientists at the National Snow and Ice Data Centre (NSIDC), the summer melt of sea ice in the Arctic in 2011 'appears to have melted to exactly the same degree as in 2007.'<sup>22</sup> These figures were similar to findings made by the Polar Science Centre of the University of Washington. The year 2007 is taken as a benchmark in terms of a record reduction of 4.13 million square km of Arctic sea ice. In fact the chief scientist Alex Schwieger at the Polar Science Center confirmed that '... 2010 broke the previous record of 2007.'<sup>23</sup> According to Schwieger, 'the real story is the decline over the past 30 years in both [ice] extent and thickness.'<sup>24</sup>

As global warming results in the opening up of the Arctic, the Arctic 5 countries (the US, Russia, Canada, Norway and Denmark) are preparing to claim the expanded exclusive economic zone (EEZ) and exploit the resources discovered.<sup>25</sup> According to the US Geological Survey, the Arctic contains 10 percent of the world's known petroleum reserves and 25 percent of undiscovered reserves. Competition and friction is bound to increase. Already on various occasions, Sweden, Iceland and Finland, who along with the Arctic 5 form the Arctic Council, have complained of being sidelined. Sensing the rifts and the repercussions, the EU has considered strengthening its involvement and has increased its cooperation with the Nordic Council of Ministers on Arctic issues. The EU is equally conscious of its ecological footprint in the Arctic, with emissions accounting for up to 45 percent of black carbon and 25 percent of all mercury.<sup>26</sup>

The Tibetan Plateau, on the other hand, is the source of many major Asian rivers. With no water-sharing arrangements, China is wilfully exploiting the rivers through dams and diversions, leaving in its wake far-reaching consequences for downriver states in South and Southeast Asia. Geologists often regard all the rivers, including those originating from Tibet, collectively as the 'circum-Himalayan rivers'. The Tibetan Plateau covers an area of 2.5 million square kilometres, with an average elevation of 4,500 metres. The glaciers here contain one of the largest reservoirs of snow and ice outside the Polar regions. More than 2 billion people directly depend on the water from rivers originating in the Tibetan Plateau. Retreating glaciers, melting permafrost and degrading ecosystems

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22. 'Really Bad Year for Arctic Ice', *Science News*, 6 October, 2011. See: [http://www.sciencenews.org/view/generic/id/335040/title/Science\\_%2B\\_the\\_Public\\_\\_Really\\_bad\\_year\\_for\\_Arctic\\_sea\\_ice](http://www.sciencenews.org/view/generic/id/335040/title/Science_%2B_the_Public__Really_bad_year_for_Arctic_sea_ice).

23. Ibid.

24. Ibid.

25. 'Five nations debate precious Arctic seabed in Quebec', 31 March 2010. See: <http://rt.com/news/arctic-conference-quebec-criticism/>

26. 'New initiatives could improve EU-Arctic Relations', *Overseas Territory Review*, 14 April 2011. Available at: <http://overseasreview.blogspot.com/2011/04/new-initiatives-could-improve-eu-arctic.html>.

with monsoon variability are the consequences of ongoing regional and global climate warming. Consequently, shrinking glaciers will result in the decrease of water runoff in the long-term. In the short-term earlier water runoff from glaciers when combined with seasonal rains can result in flood conditions.

### *What is the connection?*

The Arctic and Tibet, although geographically distant, nonetheless share similar concerns. Unprecedented warming is opening up the Arctic to global shipping and resource exploitation, an unsettling phenomenon in many ways, particularly in light of the ecological damage that will inevitably occur as a result. The melting of the Arctic is likely to result in sea-level rise and alter the stable patterns of ocean currents resulting in unpredictable weather cycles. The availability of fossil fuels from the seabed would only intensify carbon-based growth and impede progress towards a low-carbon based growth. This would greatly complicate the whole climate change debate and negotiations. While the Arctic Council<sup>27</sup> coordinates various issues and activities in the Arctic region, every Arctic nation is primarily concerned about sovereignty and resource development. While on the whole there is peace, cooperation and consensus, as the Arctic opens up boundary disputes and competition for resources are likely to create tensions, including over shipping regulations, ownership of the Lomonosov Ridge<sup>28</sup> and disputes over the Northwest Passage.<sup>29</sup>

Fluctuations in the glaciers of the Tibetan Plateau are the result of environmental changes on a local, regional and global scale. Scientists reason that the Tibetan Plateau is not only a key component of Asian monsoon evolution but that the fluctuations on the Tibetan glaciers have a significant impact on the climate system in the Northern Hemisphere and on the entire earth on various temporal and spatial scales.<sup>30</sup> Studies have also

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27. The Arctic Council is composed of the eight Arctic nations of the US, Canada, Iceland, Norway, Sweden, Finland, Russia and Denmark with Greenland and The Faroe Islands.

28. The Lomonosov Ridge is an underwater ridge in the Arctic Ocean. The width of the Lomonosov Ridge varies from 60 to 200 km. It rises from 3,300 to 3,700 m above the seabed. The Lomonosov Ridge was first discovered by the Soviets in 1948. In 2001, the Russian Federation submitted to the UN Commission on the Limits of the Continental Shelf in accordance with the United States Convention on the Law of the Sea (UNCLOS) a proposal to establish new outer limits for the Russian continental shelf beyond the previous 200-mile (320 km) zone, but within the Russian Arctic sector. The territory claimed by Russia in the submission is a large portion of the Arctic, including the North Pole. In 2002, the UN Commission neither rejected nor accepted the Russian proposal, recommending additional research. Denmark hopes to prove that the ridge is an extension of Greenland which would make Denmark another claimant to the area. Canada, another claimant, asserts that the ridge is an extension of its continental shelf. In June 2007, Russian scientists claimed that the ridge is an extension of Russia's territory.

29. The Northwest Passage is a sea route through the Arctic Ocean along the northern coast, connecting the Atlantic and Pacific Oceans. Until 2009, the Arctic pack ice prevented regular shipping but the Arctic shrinkage has now made the waterways more navigable. Sovereignty over the Passage is contested. Canada considers the Northwestern Passages part of its waters, but the US and various European countries maintain that the passage is an international strait or transit passage.

30. As noted by Syed Iqbal Hasnain, United Nations Environment Program Committee on Global Assessment of Black Carbon and Troposphere Ozone.

shown a significant co-relationship between the Arctic Oscillation (AO) and the autumn/winter snow depth on the Tibetan Plateau.<sup>31</sup> Scientists believe that the AO is causally related to weather patterns in areas thousands of miles away, including many of the major population centres of Europe and North America. NASA climatologist James Hansen explains the mechanism by which the AO affects weather at points so distant from the Arctic: ‘When the AO index is positive, surface pressure is low in the polar region. This helps the middle latitude jet stream to blow strongly and consistently from west to east, thus keeping cold Arctic air locked in the polar region. When the AO index is negative, there tends to be high pressure in the polar region, and greater movement of frigid polar air into middle latitudes.’<sup>32</sup>

Before the late 1970s when the AO was in its inter-decadal negative phase, the snow depth over the Tibetan Plateau increased in autumn and then decreased in the following winter. Now the AO has been in a positive phase since the early 1980s, and consequently snow depth has decreased. Furthermore, sediments taken from the bottom of Kiang Lake on the Tibetan Plateau suggest that changes in wind patterns, which are clearly caused by global warming, are making the area dustier.<sup>33</sup> According to the American Geophysical Union, this trend could accelerate the melting of crucial glaciers in the Himalayas and affect already imperilled water supplies.

The increase in dust particles in the Tibetan plateau was at one time attributed to over-grazing and increased activity by local people. Scientific observation has now revealed that dusty periods coincide with the AO being in a ‘positive phase’. As a result of this positive phase, the Tibetan plateau is exposed to stronger winds in the summer. The link between dust levels and the AO, while not exact, does indicate that a dustier atmosphere can accelerate the melting of the glaciers in the Himalayas. Common science tells us that as dusts settle on white ice, it makes it darker thus absorbing radiation and accelerating melting. Dust also warms the air above, enhancing monsoon circulation patterns which could affect rain and alter rainfall patterns.

As the Arctic melt raises the sea level, the Tibetan glacier melt will increase the flow to many rivers, from the Yangtze, which irrigates more than half of China’s arable land, to the Indus river system, which is critical to the agricultural heartlands of India and Pakistan. Ongoing studies suggest that 40 percent of the plateau’s glaciers could disappear

31. ‘Arctic Oscillation and the autumn/winter snow depth over the Tibetan Plateau’, *Journal of Geophysical Research*, vol. 113, 2008, p.9

32. James Hansen, Reto Ruedy, Makiko Sato and Ken Lo, ‘If It’s That Warm, How Come It’s So Darned Cold? An Essay on Regional Cold Anomalies within Near-Record Global Temperature’. Available at: <http://westcoastclimateequity.org/2010/01/28/revision-essay-by-dr-james-hansen-with-new-graphs-and-photos/>

33. ‘Is Global warming making Tibet dustier?’, *Science Now*, January 2011. See: <http://news.sciencemag.org/sciencenow/2011/01/is-global-warming-making-tibet-d.html>.

by 2050. Studies also indicate that full-scale glacier shrinkage is inevitable and will lead to ecological catastrophe.

The impact of warming on the Tibetan glaciers and its direct relation to river flows creates an opportunity for the downriver countries in South and Southeast Asia to raise common concerns and draw China into a regional water dialogue. Downriver countries dependent on the rivers from Tibet should also advocate the establishment of a new ecological regime for the protection and sharing of the Tibetan Plateau. In the case of the Arctic as well, similar questions can be raised. As has been noted, 'should five countries, which, as an accident of geography, form the Arctic rim, have the right to play with the world's ecological future in pursuit of their economic interests?'<sup>34</sup>

There are common concerns and changing realities for both the Arctic and Tibet that need to be addressed, particularly with regard to whether the resources of the Arctic (oil and gas) and Tibet (freshwater) can be regarded as 'global commons'<sup>35</sup> or as the 'common heritage of mankind'.<sup>36</sup> While no two issues can be the same and one should be cautious of drawing parallels, as a reference case the Antarctic Treaty is interesting as it constitutes a global compact to preserve the pristine ecology of the southern ice-continent by prohibiting any resource exploration or exploitation. Moreover, many states would contest the principle of 'global commons' or 'common heritage' based on sovereignty and territorial jurisdiction.

### Conclusion: capping emissions

Capping carbon emissions is essential to reduce global temperatures and slow down the melting of ice in the Arctic and the Tibetan Plateau, the two emerging areas of concern. Developed countries carry a historical responsibility, while developing countries have responsibility for future carbon emissions. Each through 'common but differentiated responsibility' has to act. According to the European Commission's 'EU action against

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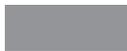
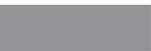
34. Shyam Saran, 'Why the Arctic Ocean is important to India', *Business Standard*, 12 June 2011. See: <http://business-standard.com/india/news/shyam-saran-whyarctic-ocean-is-important-to-india/438716/>

35. In the latter part of the twentieth century, the term 'commons' has expanded to include intangible resources such as the internet, open-source software, and many aspects of culture. The term 'global commons' is more recent and has several meanings: those resources that are shared by all of humanity, such as the sky, the oceans, or even the planet itself; the sum of various local and regional commons across the world; and a philosophical position suggesting that humankind has both a right and a responsibility to steward the wise use of the earth for all living species, as well as for future generations. See United Nations Institute of Training and Research, 'Introductory e-Course to the Global Commons', at <http://www.unitar.org/event/introductory-e-course-global-commons-0>.

36. The concept of the common heritage of mankind was first articulated in 1970, when the UN General Assembly adopted a Declaration of Principles governing the seabed and ocean floor. Now this concept includes outer space, the legal status of lunar minerals, geostationary orbit, radio-frequencies used in space communication, solar energy, low earth orbits and Lagrange points, the internet, etc. The Arctic according to non-Arctic Asian countries is rightly called the 'common heritage of mankind'. See Col PK Gautam, 'The Arctic as a Global Commons', *IDSAs Issue Brief*, 2 September 2011. Available at: [http://www.idsa.in/system/files/IB\\_ArcticasaGlobalCommon.pdf](http://www.idsa.in/system/files/IB_ArcticasaGlobalCommon.pdf).

climate change in Europe and India, 2012', the 15 EU Member States which had ratified the Kyoto Protocol in May 2002 and collectively committed to reducing their emissions by at least 5 percent by the period 2008-2012 have shown an 8 percent reduction in their emissions. The 12 new EU Member States added since have individual Kyoto commitments to cut emissions to 6 or 8 percent below base year levels. On a positive note, a downward emissions trend indicates that the EU has adopted proactive climate policies. What is interesting is that the drop in emissions did not affect the economy. In fact between 1990 and 2010 GDP increased by 41 percent. A well-thought-out policy that integrates the economy, ecology and sustainable development can succeed in decoupling emissions from economic growth. India's future growth must take a similar path, balancing development with sustainability in order to ensure a safe and liveable world, but not an unequal one.





**Part IV**

**Case study: the Indian  
Ocean – another missed  
opportunity?**



# Piracy in the Indian Ocean: an area where the interests of the European Union and India converge?

Tanguy Struye de Swielande

In a world characterised by globalisation and emerging powers, controlling the sea lanes of communication (SLOCS) and acquiring resources is a matter of vital importance. Almost 90 percent of trade in the world measured by weight and volume (and 80 percent as measured by value) is conducted by sea. The Indian Ocean is the third largest of the world's oceans and has seen significant development of its ports and consequently of maritime commerce. As one commentator has observed: 'Nearly half of the world's sea-borne trade is through the Indian Ocean, and approximately 20 percent of this trade consist of energy resources. It has also been estimated that around 40 percent of the world's offshore oil production comes from the Indian Ocean, while 65 percent of the world's oil and 35 of its gas reserves are found in the littoral states of this Ocean'.<sup>1</sup> The region is also home to multiple choke points: the Strait of Hormuz, Bab-el-Mandeb, the Strait of Malacca, the Strait of Mozambique, the Straits of Lombok and Sunda and the Suez Canal. It is also plagued by all kinds of threats: piracy, terrorism, failed states, rogue states, overfishing, and drug and arms trafficking. Furthermore it is a major conduit for military supplies. It is consequently evident that the strategic weight of the Indian Ocean in the international system has recently increased. The fight against maritime piracy is a perfect illustration of this evolution.

## Sea piracy

Piracy developed first around the Malacca Strait in the 1990s, but today pirates are operating off the coast of Somalia, near the Gulf of Aden.<sup>2</sup> Somali pirates in so-called mother ships and skiffs equipped with AK-47 and rocket propelled grenades (RPGs) intercept commercial vessels, helped by people on shore who give them information about the sea-routes of the ships. At first they operated not far from the Somali coasts, but now they operate further from the coast (at a distance of 1,000 to 1,600 km). The disrupt-

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1. Harsh V. Pant, 'India in the Indian Ocean: Growing Mismatch Between Ambitions and Capabilities', in *Pacific Affairs*, vol. 82, no. 2, Summer 2009, pp. 279-280.

2. 23,000 ships pass through this area each year (= 7% of the world's maritime transport and 12% of the oil supply).

tion of flows has catastrophic consequences. The cost of piracy to the global economy is estimated at between 7 and 12 billion dollars. The pirates have about 30 ships and 600 people. In the first half of 2011, there were 142 attacks worldwide (97 of them in the seas around Somalia). The attacks are still increasing despite the naval military presence. There are some 30 to 40 warships from different countries in the region to fight the pirates and there are different mechanisms of cooperation between the participating countries. There has been good cooperation in the legal area through the Contact Group on Piracy off the Coast of Somalia (CGPCS) established in 2009. The CGPCS is composed of 60 countries and different regional organisations, and has determined six tasks for itself: (i) improving operational and information support to counter-piracy operations, (ii) establishing a counter-piracy coordination mechanism; (iii) strengthening judicial frameworks for arrest, prosecution and detention of pirates; (iv) strengthening commercial shipping self-awareness and other capabilities; (v) pursuing improved diplomatic and public information efforts, and (vi) tracking financial flows related to piracy.<sup>3</sup> The Shared Awareness and Deconfliction mechanism (SHADE) that coordinates some operations is another initiative, related to the CGPCS.<sup>4</sup>

A further positive step towards greater cooperation was the establishment in February 2009 of an Internationally-Recognized Transit Corridor (IRTC) in the Gulf of Aden, which is patrolled by warships accompanying merchant vessels that travel in groups. Nevertheless, the pirates have moved to other areas further from the Gulf of Aden and the coastal region.<sup>5</sup> In October 2010, the Eastern and Southern Africa-Indian Ocean Ministers and the European Union High Representative held their Second Regional Ministerial Meeting on Piracy and Maritime Security in the Eastern and Southern Africa and Indian Ocean Region. Delegations from the US, China, Russia and international organisations such as the UN, Interpol and the African Union (AU) also attended the meeting. The result of the conference was to promote a Regional Strategy based on three pillars: '(i) develop, agree and implement a Somalia Inland Action Plan to counter and prevent piracy; (ii) encourage States of the region to undertake prosecution of pirates apprehended in the region with the financial and technical support of the international community; (iii) strengthen

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3. L. Ploch, C. Blanchard, R. O'Rourke, C. Mason, and R.O. King, 'Piracy off the Horn of Africa', Congressional Research Service, 27 April 2011, p. 26.

4. 'The SHADE meeting was established in December 2008, in order to coordinate the efforts of the myriad military forces conducting counter piracy in the region. Tactical and Operational commanders meet with their counterparts to provide awareness of current and planned operations, discuss threat analysis, and provide feedback to the Contact Group for Piracy off the Coast of Somalia' ('Combined Maritime Forces, 19<sup>th</sup> SHADE Meets to Discuss Counter-Piracy', Combined Maritime Forces, 17 May 2011. Available at: <http://oceansbeyondpiracy.org>).

5. A. Pandya, R. Herbert-Burns and J. Kobayashi, 'Maritime Commerce and Security: The Indian Ocean', The Henry Stimson Center, February 2011, p.115.

capacities of States of the region to secure their maritime zones'.<sup>6</sup> There are many other initiatives (forums, conferences and summits) which have borne fruit, in particular with regard to legal procedures (prosecutions, for example), but it would also appear that the fight against piracy is more than just about fighting Somali pirates. Although there is a certain level of cooperation among the contributing powers, there is also a great deal of mistrust, and for good reason. Every one of those powers is not only fighting piracy but also positioning itself on the Indian Ocean chessboard.

The EU launched Operation *Atalanta* (EU NAVFOR Somalia) in 2008. The mission as defined by the European Union consists in 'conducting a military operation to help deter, prevent and repress acts of piracy and armed robbery off the coast of Somalia. Its mandate is to contribute to: (i) protect vessels of the World Food Programme, humanitarian aid and African Union Military Mission in Somalia (AMISOM) shipping; (ii) protect vulnerable shipping; (iii) help deter, prevent and repress acts of piracy and armed robbery; (iv) monitor fishing activities off the coast of Somalia'. Half of the EU Member States (Belgium, Estonia, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Malta, Portugal, Spain, Sweden and the United Kingdom) have provided equipment and assets (ships, aircraft and special forces). But for certain Member States it is also all about geostrategy. The French army, for example, operates from Reunion and Mayotte and also Djibouti, giving Paris control of a number of SLOCS. In 2008, French president Sarkozy concluded an agreement with the United Arab Emirates (UAE) for a permanent base in the country. This facility, along the Strait of Hormuz, hosts between 400 and 500 French military personnel. It serves as a power projection base for France in the Persian Gulf and Indian Ocean. The British army is also present through its facilities in Oman. Thus, although *Atalanta* is a first important step in the right direction, and certainly interesting in its bottom-up approach, the Member States are still pursuing their own national interests, thereby weakening the EU as a global actor.

Since the end of 2008, India has also been sending warships to the Gulf of Aden region. The Indian Ocean is considered by Delhi as its 'natural perimeter of security'. Consequently, Delhi is investing in the modernisation of its navy and power projection. While at present India can only count on the ageing aircraft-carrier INS *Viraat*, the purchase of the aircraft-carrier *Gorshkov* from Ukraine and the two homemade aircraft-carriers under construction will reinforce its position in the region in the coming years. As part of its 'Look West' policy, Delhi has reinforced its relationship with the Maldives,<sup>7</sup> Mauri-

6. Joint Communiqué from the Eastern and Southern Africa-Indian Ocean Ministers and European Union High Representative at the 2<sup>nd</sup> Regional Ministerial Meeting on Piracy and Maritime Security in the Eastern and Southern Africa and Indian Ocean Region, 7 October 2010, Grand Bay, Republic of Mauritius.

7. India trains the Maldivian Air Force.

tius and the Seychelles. (which form strategic footholds in Africa): economic agreements, maritime patrols, and military training are all part of the package. In Madagascar, New Delhi is building a monitoring station, and Mauritius could have one next.<sup>8</sup> The Indian Navy also carries out joint patrols of their Exclusive Economic Zone (EEZ).<sup>9</sup> The islands of Lakshadweep, south of the Arabian Sea and belonging to India, are also of particular interest to India because the country intends to control what it sees as its natural sphere of influence. The tsunami of December 2004 was revealing in this regard: India deployed humanitarian aid across the Indian Ocean, first and foremost, to affirm its influence and domination (an exercise of soft power). As Nehru once said: 'To be secure on land, we must be supreme at sea'.<sup>10</sup> India has also reinforced its cooperation with the states of the Indian Ocean Rim-Association for Regional Cooperation (IOR-ARC). In the Persian Gulf, the country concluded security agreements with Qatar in 2008, particularly concerning maritime security, and has access to port facilities in Oman.<sup>11</sup> South Korea and India have also reinforced their collaboration under a Memorandum of Understanding concerning the fight against piracy.<sup>12</sup>

In October 2002 in Djibouti, Washington created the Combined Joint Task Force-Horn of Africa to fight terrorism and to better control the sea lanes. A few years later the US established JTF-151 (January 2008) to fight piracy,<sup>13</sup> a spin-off from navy operation JTF-150 that was created in 2002 to combat terrorism. The US can also count on its 5<sup>th</sup> Fleet (headquarters in Bahrain) and its military presence in most of the Gulf States. Like many countries, the US navy is interested in the island of Socotra (Yemen). Washington has also reinforced its presence in Kenya (Manda Bay and Lamu) and can still count on Diego Garcia.

China has also deployed ships since 2008 as part of the fight against piracy. It is interesting to note that China usually deploys its most modern warships. The objective is clear: to demonstrate its new capacities to the other navies. China has intensified foreign port calls (for refuelling, restocking supplies and maintenance) and courtesy visits in the Persian Gulf and in Africa. Furthermore, China is considering a permanent presence ('places not bases') in the Gulf of Aden in the near future to sustain its anti-piracy operations.

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8. Harsh V. Pant, 'Le rôle croissant de l'Inde dans l'Océan indien', in *Défense nationale et sécurité collective*, n° 4, April 2008.

9. 'Sea Piracy in Indian Ocean', in *Targeted News Service* (Washington, D.C.), 2 August 2011.

10. In 2008, India participated in naval exercises with France and Britain in the Atlantic, thus demonstrating its power projection capabilities.

11. Despite this *rapprochement* the Indian influence in the Gulf Cooperation Council countries is still limited, compared to the US, Europe or even China.

12. Anonymous, 'South Korea, India to boost anti-piracy cooperation', in *BBC Monitoring Newsfile*, 27 January 2011.

13. It is mainly an American mission with contributions from other countries such as Pakistan, Australia, Canada, Germany, Turkey, Singapore and France.

The port of Salalaah in Oman already serves as a logistical base. While it has no naval bases in the Indian Ocean, it has ever warmer relations with Madagascar, Mauritius, the Seychelles and the Maldives,<sup>14</sup> traditionally in the Indian sphere of influence. Already in 1993 Zhao Nanqi stated: 'We can no longer accept the Indian Ocean as only an ocean of the Indians'.<sup>15</sup> According to an American report published in 2004, *Energy Futures in Asia*, China has adopted a military strategy known as the 'string of pearls',<sup>16</sup> based on the creation of a chain of naval bases, diplomatic and commercial posts across the Indian Ocean: Hainan (China), Sittwe and Coco islands (Burma/Myanmar), Gwadar, Pasni (Pakistan), Chittagong (Bangladesh), Sri Lanka, the Maldives and Mauritius. The objective of the strategy is to defend the lanes of communication from the Indian Ocean to China. China's current repositioning is explained by a desire for greater control of the Indian Ocean, echoing the prophecy of Admiral Mahan: 'Whoever controls the Indian Ocean, dominates Asia. In the 21<sup>st</sup> century, the destiny of the world will be decided upon its waters ...'<sup>17</sup>

Other states have also reinforced their presence in the region. Japan has deployed ships there, probably in reaction to the Chinese presence, but also to defend its economic and geostrategic interests. It has even established a military base at Djibouti. Russia, another big player, has also scaled up its presence. Moscow, whose ambition has always been to reach the warm seas, has reinforced its relations with Syria in order to use the facilities in the ports of Tartus and Latakia. The Russian navy is already using Djibouti and has plans to establish a long-range command for operations in the Indian Ocean by 2013.<sup>18</sup> Like the Americans, the Russians are interested in Socotra, and their good relations with Iran would likely stand to their advantage in this regard. And this is only a short list of states or organisations present in the region: Turkey, Iran, South Korea and NATO have also been sending ships.

From these brief examples of presence and pre-positioning, it is hard not to presume that the stakes are more important than fighting some Somali pirates. Most of the powers are influenced and guided by the theories of Saul Cohen (particularly regarding control of the strategic choke points) and, of course, Alfred Thayer Mahan. The fight against piracy

14. China has expressed its desire to build a naval base at Marao (Maldives) even though this is an Indian preserve. It has also not hesitated to play the 'historical' card by referring to the adventures of Zheng He in the Maldives in the 15th century, and recalling that in Chinese history, the Maldives was called 'Liushan Guo'.

15. Quoted in D. Scott, 'The Great Power "Great Game" Between India and China: The Logic of Geography', in *Geopolitics*, no. 13, 2008, p. 6.

16. The 'String of Pearls' concept appeared for the first time in a report written for the Department of State in 2004 entitled 'Energy Futures in Asia'.

17. Admiral Alfred Thayer Mahan, quoted in J.R. Holmes and T. Yoshihara, 'China and the United States in the Indian Ocean. An emerging Strategic Triangle?', in *Naval War College Review*, vol. 61, no. 3, Summer 2008.

18. Anonymous, 'Russian Navy plans to deploy ships permanently in Indian Ocean to combat piracy', *BBC Monitoring International*, 24 March 2011.

is more about dominance of the SLOCS from Suez to the Strait of Malacca and the desire to reduce Washington's dominance of the seas. As Maxim Worcester notes, 'the need to protect shipping assets and off-shore resources will increase'.<sup>19</sup> And because of mistrust, *realpolitik* and the dilemma of security, everyone is in reality playing 'solo', although the image or perception of cooperation prevails, and the outcome of the fight against piracy has been disappointing. The best illustration of this is that the fight against piracy has to be conducted on land (to end the civil war and stabilise Somalia) and not at sea.<sup>20</sup> Moreover, as the fight against piracy is for some more a show of force, the warships are not always adapted to the task: 'The kind of naval vessels [that] might be required in order to combat piracy more cost effectively'<sup>21</sup> are not the ones deployed at present.

### Possible cooperation between the EU and India?

The EU has long neglected India. Although the EU's relationship with India dates from the 1960s it has stagnated for a long time. In 1973 a first Framework Agreement was signed followed by two others, in 1981 and in 1994 respectively. But these agreements were still very limited. In 1994, the two parties signed a Cooperation Agreement that helped to start a political dialogue, effective since 2000. In 2004 the Strategic Partnership was established and a Joint Action Plan was subsequently defined in 2008. Finally an EU-India security dialogue was launched, where the questions of terrorism and piracy, *inter alia*, are discussed between Delhi and Brussels. But up until now, the real driving force has been the economic sector. In 2009, bilateral trade between the two stood at around 70 billion dollars. And although Europe and India share some common values such as democracy, human rights, multipolarity, multilateralism, and so on, the political-strategic relationship has been neglected by both sides but particularly by Europe.

The European Union understands the emerging importance of India, acknowledges India's centrality and regional role in south Asia, as well as on the world scene, but appears uncomfortable to take further steps to reinforce the political and security relationship. The China factor is certainly one reason why Europe has not devoted more energy to these questions.<sup>22</sup> But there is another more important cause. In 2007, the European Union published a document entitled 'Guidelines and the EU's Foreign and Security Policy in East Asia'. In the document there is acknowledgment that the centre of gravity

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19. Maxim Worcester, 'Time to rethink the fight against maritime piracy in the Indian Ocean', Institute for Strategic, Political, Security and Economic Consultancy, Berlin, February 2011, p. 2.

20. The international community should invest in the coastguards of Tanzania, Kenya and so on, to privilege regional initiatives, as did Singapore, Malaysia, Thailand and Indonesia concerning the security of the Strait of Malacca (cf. the coordinated maritime air patrols set up under the 'Eyes in the Sky' initiative).

21. M. Worcester, *op. cit.* in note 19, p. 7.

22. Some reasons are also related to the internal workings of the EU.

is moving to the Asia-Pacific and that Brussels has to take this new reality into consideration. But it appears that Europe forgot that the link between the Asia-Pacific region and Europe is the Indian Ocean. The European Union does not currently have a strategy for the region of the Indian Ocean. The EU has strategic partnerships but they are bilateral. The Asia-Europe Meeting (ASEM) is an interesting initiative, but it is not very effective, certainly not in security matters.

Furthermore, while up until now the EU has not really defined its strategic interests in the region, some of the Member States have, as mentioned above. This has consequences, as once more Europe is sending out mixed signals. India consequently does not know what to expect from the EU. As Richard Whitman puts it, 'individually and collectively, European states are struggling to define the nature of the relationship that they wish to cultivate with the new "rising powers" and how to respond to an ongoing process of globalization'.<sup>23</sup> The EU still does not speak with one voice, contrary to the image it wants to project. And although Lady Ashton is the High Representative of the European Union for Foreign Affairs and Security Policy, the European capitals still retain control in the domain of foreign affairs. Divisions among EU members have not surprisingly given rise to conflicting policies and priorities.

The EU approach to India is defined by economic considerations while at the same time being also coloured by idealism, whereas Delhi above all speaks the language of *realpolitik*. Unlike in the past, Indian foreign policy has become more pragmatic and based on hard power, whereas the European Union is still anchored in an idealist, normative view of the world. On the other hand, due to its history in the non-alignment movement, India is still defiant towards the West. The priority of the two entities is also their immediate neighbourhood, which makes cooperation in the Indian Ocean complicated, each having different priorities. For Europe, piracy is the biggest challenge, while for India, terrorism, Pakistan and China are the main challenges. Former Indian external affairs minister Jaswant Singh was very clear when he mentioned that China was the 'principal variable in the calculus of Indian foreign and defense policy'.<sup>24</sup> For several years now China has been extending its presence in the Indian Ocean, arousing India's distrust. New Delhi notes with suspicion the growing and explicit relationship between Beijing and Islamabad. In fact, the two states are very heavily engaged in the development and expansion of the port of Gwadar (near the Gulf of Oman). Burma/Myanmar, situated between China and India, is of key geostrategic importance because of its coastline along the Strait of Malacca and the Bay of Bengal and its relationship with Southeast Asia. Today Burma/

23. Richard Whitman, 'The EU: Standing Aside from the Changing Global Balance of Power?', in *Politics*, vol. 30, 2010, p.24.

24. Cited in Donald L. Berlin, 'India in the Indian Ocean', in *Naval War College Review*, Spring 2006.

Myanmar is of crucial importance for China.<sup>25</sup> Beijing benefits from access to the ports of Akyab, Cheduba and Bassein,<sup>26</sup> offering access to the Indian Ocean. There is also a great deal of Chinese activity in the exploitation of the gas fields. China is moreover the largest donor to Sri Lanka and is active in the construction of infrastructure. It was involved in the construction of the recently built Mattala airport. According to New Delhi, it could possibly serve as a supply point for the Chinese military, especially the navy which may in future be stationed in Hambanthota. This is possible because Beijing is also assisting Sri Lanka to enlarge the port of Hambanthota (a multi-phase project, begun in January 2008 and expected to take 15 years). And even if the port is primarily a commercial port, India fears its use as a Chinese naval base,<sup>27</sup> which would give Beijing access to the Indian Ocean and better control of commercial maritime routes. India's perception of being encircled or contained by Beijing is not well understood in Europe, and the same applies to the Indian concept of Mandala.

New Delhi is partly influenced by the Mandala theory<sup>28</sup> developed by Kautilya<sup>29</sup> in Arthashastra: immediate neighbours are 'natural' enemies, and any state on the far side of the neighbouring state is a 'natural' ally. Thus my enemy's enemy is a friend.<sup>30</sup> This strategy was strongly influenced by Lord Curzon, former Viceroy of India (1899-1905) and British Minister of Foreign Affairs (1919-25). He stressed the centrality of India in the Indian Ocean region. In his book, *The Place of India in the Empire* (1909), he explained that its human and material resources and its business acumen made it a country whose influence could spread to Africa and across Asia.<sup>31</sup> While it is clear that this vision was very much part of a British Empire mindset, his vision still remains present in the contemporary strategic policy of India.<sup>32</sup> India has indeed for several decades practised the 'Indira Doctrine' (after Indira Gandhi), a kind of Monroe doctrine applied to South Asia.

Finally, the EU lacks a global maritime strategy. A more determined EU presence in the region would probably be a positive factor. As an external power, it could serve as an

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25. Larry Jagan, 'Myanmar best bad buddies with Beijing', *Asia Times*, 13 June 2007.

26. It is worth mentioning that in addition to China, Pakistan is also present in Burma/Myanmar. Although the relationship between Burma/Myanmar and Pakistan remains vague, there is military cooperation: Pakistani military equipment was sold to the military regime. According to India, Pakistan uses Burma/Myanmar to support some Islamist movements in Bangladesh and India.

27. Lisa Curtis, 'U.S.-India Relations: The China Factor', in *Backgrounder*, Heritage Foundation, 25 November 2008.

28. Mandala, which in Sanskrit means 'circle', refers, in the original sense, to 'meditation' to achieve a deeper state of consciousness.

29. Advisor to the Emperor Chandragupta (3<sup>rd</sup> century BC).

30. M. S. Pardesi, 'Deducing India's Grand Strategy of Regional Hegemony from Historical and Conceptual Perspectives', *Working Paper* no. 75, Institute of Defence and Strategic Studies, Singapore, April 2005, p. 28.

31. P. Bandimutt, 'India and Geopolitics', in *India Forum*, September 2006. Available at: <http://www.india-forum.com/articles/148/1/India-and-Geopolitics-Part-I>.

32. A. Batabyal, 'Balancing China in Asia: A Realist Assessment of India's Look East Policy', in *China Report*, vol. 42, no. 179, 2006, pp. 181-82.

intermediary between the different actors of the region. Indonesia has already shown its interest in a bigger EU presence in the Strait of Malacca. But that supposes investment in sea power projection. As James Rogers has put it: ‘The trajectory of European naval power has remained steadily downward, even with the rise of piracy in the Gulf of Aden. Disjointed and top-heavy, with a hotchpotch of frigates and corvettes, European navies are a far cry from what they once were. Starved of resources and languishing on the second tier of strategic priorities, even the French and British fleets are close to being outclassed and outgunned by previously inferior navies elsewhere’.<sup>33</sup> The European Union lacks the means to increase its influence. Consequently, the EU plays a secondary role in important world matters. And although it would be foolish to be too active in the ‘disputes’ between Beijing and Delhi for spheres of influences in the Indian Ocean (without even mentioning the United States), a more dynamic and productive role could help the EU defend its interests. Because the rivalry in the region will not limit itself to these two actors. Due to its geostrategic and geo-economic interests, the Indian Ocean will be the ‘rendez-vous’ of great powers, and the fight against piracy is an interesting example of this new reality.

## Conclusion

The shifting power structure in the world has consequences for the region of the Indian Ocean. Once dominated by Great Britain and then the US, the Indian Ocean has become a key strategic arena for numerous powers with fast-growing economies. This new configuration of power is accompanied by tensions and mistrust between the various actors. We are at an early stage in the development of a new security architecture in the region, and there still remains a question mark over the form it will take. There is scope for cooperation, in matters of piracy and terrorism, disaster management, search and rescue, securing of the SLOCs. More joint naval exercises would also reinforce confidence-building measures, but that supposes ‘trust’. And if the EU and India, which have good relations and share many values, are not able or not in a position to really trust each other in security matters, then it is hopeless to expect this in relations with the Russians, the Chinese, the Americans, the Koreans, the Japanese and so on. As the Singapore Prime Minister observed, ‘individual state action is not enough. The Oceans are indivisible and maritime security threats do not respect boundaries’.<sup>34</sup> The EU and India could set the example, but this is far from being the case. There is cooperation between India and individual states, particularly France and the UK, but less between India and the European institutions, although there is a security dialogue as already mentioned. But when it comes to

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33. James Rogers, ‘Why Europe no longer rules the waves’, in *E!Sharp Magazine*, 21 May 2009.

34. ‘Prospect for int’l anti-piracy cooperation in Indian Ocean’, in *The Financial Express* (Dhaka), 4 January 2011.

matters of security and defence it appears that powers such as India prefer to work on a bilateral level instead of a multilateral level. As one commentator has put it: 'We should explore the possibility of using this long-standing networking with governmental and non-governmental entities in the UK and France for establishing similar networking with other EU countries individually and with EU specific institutions collectively'.<sup>35</sup>

There is still a window of opportunity today to cooperate to secure the maritime commons, but that means confidence-building measures between the powers and also a readiness on the part of India to accept an active role by extra-regional powers in the Indian Ocean. As explained by Raja Mohan: 'From a practical perspective, then, India cannot either wish away the extra-regional presence of the United States or prevent the significant rise in Chinese naval presence in the Indian Ocean. Instead of proclaiming a Monroe Doctrine it cannot enforce, India must find a way to deal with the reality of American and Chinese interests and presence in the Indian Ocean'.<sup>36</sup> There is of course, as mentioned above, a lack of any grand strategy from the EU. Brussels thinks too much in terms of normative and civilian power and not enough in terms of hard power and has not been able to define a proactive approach. Consequently, the influence of the EU on strategic questions is still limited. The question that the European Union has to ask is: does it want to have an impact on major geostrategic and geo-economic issues? The world is still governed by *realpolitik* by. Is European civilian power adapted to this reality?

In conclusion, despite the rhetoric, there is significant competition and rivalry among states in the quest for energy resources and raw materials, and there is already an increased determination to control trade routes, have forward operational bases and enlarge zones of interest. Ambitions in the region are soaring and most of the external and regional powers are already sparring over control of parts of the Indian Ocean. Any disruption in traffic flow would have enormous consequences for world trade. Ensuring the security of the SLOCs and choke points is in everybody's interest, but unfortunately that is easier said than done, in a context of great power rivalry and competition.

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35. B. Raman, 'India & China in Europe', Keynote speech delivered on 11 October 2010 at the inaugural session of an international workshop on 'European Common Foreign and Security Policy - Implications for India' organised by the Department of Politics and International Studies, Pondicherry University.

36. C. Raja Mohan, 'India and the Changing Geopolitics of the Indian Ocean', in *Maritime Affairs*, vol. 6, no. 2, Winter 2010, p.12.

# India-EU cooperation in the Indian Ocean: strategic thinking, policy framework and challenges ahead

Vijay Sakhuja

This chapter identifies areas of cooperation between India and the European Union in the Indian Ocean. It begins by highlighting the geopolitical, geo-economic and geostrategic significance of the Indian Ocean and showcases the element of continuity in the politico-strategic relations and economic transactions between India and the European states from colonial times right up to the twenty-first century. This chapter also refers to the European Union's Common Security and Defence Policy (CSDP), the European Security Strategy (ESS), and the India-EU Strategic Partnership Joint Action Plans (2005 and 2008) to identify issues of convergence between India and the European Union. The chapter also seeks to explore vistas for cooperation between India and the European Union in the Indian Ocean.

## Mapping the Indian Ocean

The Indian Ocean region is a large maritime-littoral space of geo-political, geo-economic and geostrategic significance. It is characterised by globalisation, maritime trade, an extra-regional naval presence, asymmetric actors and non-traditional maritime security challenges arising from climate change and natural disasters. Significantly, economics and security have been the twin drivers that have shaped historical and contemporary discourse in the region. In its historical geo-economic construct, the Indian Ocean facilitated links between the maritime trading systems of the Greeks, Romans, Egyptians, Jews, Arabs, Indians and Chinese. In contemporary times, trade and energy flows (via the Persian Gulf) link the Indian Ocean region to global economies of the Asia-Pacific, Europe, and North and South America.

In its geostrategic construct, the Indian Ocean region has over the centuries been an arena for the great-power navies seeking domination, an ambition that persists to this day. In the contemporary era, the region continues to be of strategic significance to the United States, China, Japan, and European Union countries which are engaged in the region through their naval forces to safeguard the sea lanes that serve as the umbili-

cal cord of their respective economies pivoting on energy supplies, raw materials and markets.

At one level, some regional countries have welcomed the presence of extra-regional powers patrolling the ocean, but at another level suspicions remain that prohibit cooperation with extra-regional powers which are perceived as hegemonic and whose presence is regarded as adding to insecurity. At the functional-operational level, several extra-regional navies are forward deployed in the region in support of the war on terror and to counter piracy off Somalia. In essence, the Indian Ocean region emerges as an arena of both competition and cooperation.

### *The historical context of Indian-European trading relations*

Since ancient times, the Indian Ocean has facilitated a thriving maritime trading system among several states. These trading relations were not necessarily always peaceful and competition arose with one state attempting to outdo the other, but the competition was generally non-violent. This lack of violence, which lasted over several centuries, was suddenly disrupted by the appearance of the Portuguese, heralding the first ever presence of an extra-regional naval power in the Indian Ocean. The Portuguese ventured into the Indian Ocean in support of the state policy of the Portuguese kings who looked upon the seas as their possession.<sup>1</sup> Notwithstanding initial resistance, the Portuguese established themselves as the only naval power in the Indian Ocean to exert sway across the entire swath of the Indian Ocean as far as Macao in China. It was their naval capability that allowed the Portuguese to monopolise the Indian Ocean trade and maintain their domination over the next one hundred and fifty years.<sup>2</sup>

Unlike the Portuguese, the Dutch who followed were more interested in commerce and controlling the Indian Ocean was not on their agenda. The French and the British launched into the Indian Ocean as traders and rivalry between the two powers resulted in numerous naval bases in the Indian Ocean. Several setbacks for the French, particularly the near annihilation of their navy at Trafalgar in 1805, and the opening of the Suez Canal in 1869, resulted in Britain enjoying undisputed sway in the Indian Ocean. By the dawn of the twentieth century, the Indian Ocean had been turned into a 'British lake', with the British Royal Navy at the vanguard of Indian Ocean mercantilism and holding supreme command over the oceanic trade, supported by tough control over the colonies that served as the source of raw materials. It has been observed that '[i]t was the century in which it could legitimately be said that Britannia ruled the waves. The mere presence

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1. K. M. Pannikar, *India and the Indian Ocean* (Bombay: George Allen and Unwin (India) Private Ltd, 1971), p. 39.

2. K. M. Pannikar, *Asia and Western Dominance* (London: George Allen and Unwin (India) Private Ltd, 1959), p. 41.

of the British Gunboat anywhere in the seven seas had decisive effects both for maintenance of peace and enforcement of policy'.<sup>3</sup>

The Indian Ocean countries have deep-rooted historical memories of their over four hundred-year-long colonial occupation and subjugation by the European powers which came from the sea.

## The Indian Ocean in Indian and EU strategic thinking

In the twenty-first century, the Indian Ocean continues to be of critical importance for both India<sup>4</sup> and the European countries, since they are increasingly reliant on trade and are interdependent.<sup>5</sup> Protection of sea-based commerce and merchant shipping is vital for economic growth<sup>6</sup> and is perhaps what drives economic globalisation.

The centrality of the Indian Ocean in India's strategic thinking is driven by the constants of geography, and also the imperatives of globalisation and economic growth. Over 97 percent of India's trade by volume and 75 percent of its trade by value is sea-borne. The safety and security of sea lanes and energy supply chains through the Indian Ocean, particularly through the Strait of Bab-el-Mandeb-Strait of Hormuz-Straits of Malacca and around the Cape of Good Hope, is critical for India's economic growth and prosperity. Furthermore, India's Military Maritime Strategy identifies the Indian Ocean region as the primary area of interest and operations.

From the European perspective, its shores extend into the Indian Ocean in the form of French territories, i.e. Mayotte (a French protectorate since 1841 and officially an overseas department of France as of 31 March 2011), Reunion Island, and the Scattered Islands (or *Îles Eparses*). In 1978, France established an Exclusive Economic Zone (EEZ) of 640,400 square kilometres around these islands and it maintains a sizeable naval capability in the Indian Ocean to safeguard its maritime interests.

The European Security Strategy (ESS) adopted in December 2003 establishes principles and sets out objectives for advancing the EU's security interests. The strategy also defines the EU's specific interests and objectives with regard to distinct issues or regions. The Petersberg Tasks detail various operations in which the EU can be expected to engage, and

3. *Ibid.*, p. 72.

4. Vijay Sakhuja, *Asian Maritime Power in the 21<sup>st</sup> Century: Strategic Transactions China, India and Southeast Asia* (Singapore: Institute of Southeast Asian Studies, 2011).

5. James Rogers, 'From Suez to Shanghai: The European Union and Eurasian maritime security', *Occasional Paper* no. 77, EUISS, Paris, March 2009.

6. Robert Kaplan, 'Centre Stage for the 21<sup>st</sup> Century: Rivalry in the Indian Ocean', *Foreign Affairs*, vol. 88, no. 2, March/April 2009.

the Headline Goals (2003 and 2008) specify the capabilities that the EU Member States agree to provide.

In the past decade (1999-2009), the EU has engaged in 23 missions; four military operations<sup>7</sup> and six civilian-military missions<sup>8</sup> have been completed. There are 11 civilian-military missions<sup>9</sup> and two military operations ongoing.<sup>10</sup> These operations are noteworthy, bearing in mind that these operations have been successful and achieved the set objectives.<sup>11</sup>

Among the ongoing EU military operations, Operation *Atalanta* is the first ever naval operation conducted by the EU: the area of operations is in the Indian Ocean in the Gulf of Aden off Somalia, and the aim of the operation is to deter piracy. EU naval and air units are working closely with NATO, US-led Task Force (TF) 150 and TF 151, and other navies from a number of Asian countries, including India. Operation *Atalanta* is also significant from the perspective of maritime multilateralism.

### *The India-EU Strategic Partnership and the Joint Action Plan*

The 2004 communication on the EU-Indian Strategic Partnership lays the foundation of a robust engagement between India and the EU which is based on the 'shared values and convictions and their commitment to democracy, pluralism, the rule of law and multilateralism in international relations, which contribute to stability and peace in the world.' In the last seven years, the partnership has witnessed convergence and moved ahead in select areas such as trade and counter-terrorism, including the 2010 Joint Declaration on International Terrorism, etc.<sup>12</sup> However, there is ample scope and potential to develop the partnership into a multi-dimensional engagement in several domains including the political, economic and strategic spheres, science and technology, and culture.

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7. (a) *Concordia* in the Former Yugoslav Republic of Macedonia (FYROM) (2003); (b) *Artemis* in the Democratic Republic of Congo (DRC) (2003); (c) EUFOR RD Congo (2006); and (d) EUFOR Chad/CAR (2008-9).

8. (a) EUJUST *Themis* in Georgia (2004-5); (b) EUPOL *Proxima* in the FYROM (2004-5); (c) EU support to the African Union Mission in Sudan (2005-7); (d) EUPAT in the FYROM (2006); (e) Aceh Monitoring Mission in Indonesia (2005-6); (f) EUPOL Kinshasa in the DRC (2005-7).

9. (a) EUPM in Bosnia and Herzegovina (since 2003); (b) EUBAM in Moldova and Ukraine (since 2005); (c) EUSEC in the DRC (since 2005); (d) EUBAM Rafah in the Palestinian Territories (since 2005); (e) EUPOL COPPS in the Palestinian Territories (since 2006); (f) EUPOL in the DRC (since 2007); (g) EUPOL in Afghanistan (since 2007); (h) EUMM in Georgia (since 2008); (i) EULEX Kosovo (since 2008); (j) EU SSR in Guinea Bissau (since 2008).

10. (a) EUFOR *Althea* in Bosnia (since 2004); (b) EUNAVFOR *Atalanta* (since 2008); and (c) EUTM Somalia (since 2010).

11. See Sven Biscop, 'A Military Strategy for the EU', paper presented at the 12<sup>th</sup> EUSA Biennial Conference, Boston, 3-5 March 2011.

12. See Gauri Khandekar, 'The EU and India: A Loveless Arranged Marriage', *Policy Brief* no. 90, FRIDE, August 2011.

The India-EU Strategic Partnership Joint Action Plans (2005 and 2008) offer the framework for dialogue and cooperation in the security domain on thematic and specific issues such as global and regional security threats and challenges, and cooperation in a number of areas, including (i) counter-terrorism, (ii) organised crime, including piracy, (iii) counter drug and illegal arms trafficking, (iv) cyber-terrorism, (v) non-proliferation of weapons of mass destruction and their delivery systems. Furthermore, both partners are endowed with a highly developed space technology complex that offers wide scope for new areas and projects of cooperation. Elsewhere, the two partners agree to cooperate to address the issue of climate change at the national and international levels.

### *India-European Union maritime cooperation*

Both India and EU countries have a long history of seafaring and possess modern navies equipped with sophisticated platforms. The areas of operation of the Indian and the EU navies were quite distinct in the past but are fast converging. The Indian Ocean is the primary area of operation of the Indian Navy and the EU countries' navies have been more focused on the Atlantic and the Mediterranean, barring the deployment of their navies for Operation *Iraqi Freedom*, Operation *Enduring Freedom* and, since August 2009, Operation *Atalanta* in the Gulf of Aden. At another level, India is significantly engaged on a bilateral basis with the navies of several EU countries. For instance, the Indian and the French navies annually engage in the joint military exercise *Varuna*, resulting in increasing complexity in their naval exercises. Similarly, the Indian Navy undertakes joint naval exercises with the British Royal Navy as part of the *Konkan* series, engages in exercises with the Spanish Navy and Italian Navy, and several other European navies have engaged in passage exercises in the Indian Ocean and Atlantic waters.

The European Security Strategy (ESS), European Union Common Security and Defence Policy (CSDP) and the India-EU Strategic Partnership Joint Action Plan do not specifically refer to maritime cooperation. Likewise there is no particular reference to the Indian Ocean as a geographic space for cooperation in the above documents and policies.

However, it is important to note that the Indian Ocean is a contiguous maritime space adjoining the Mediterranean Sea and as such is the 'near abroad' of the EU, and should be seen as strategically important to the EU's economic vitality. The Indian Ocean also gains salience for the EU in terms of maritime security, given the significance of 'the Eurasian coastal zone, that stretch of vital oceanic waters running from the Suez Canal to Shanghai, through which a huge proportion of EU commercial traffic passes and whose

volume is set to increase between 2006 and 2016 by 121%'.<sup>13</sup> The ongoing engagement between India and the EU (Operation *Atalanta*) in counter-piracy operations off Somalia along with other multinational forces has the potential to provide the basis for building strong maritime cooperation in the future.

### *Counter Piracy*

Since 2008, the incidents of sea piracy in the Gulf of Aden and off the coast of Somalia have reached unprecedented numbers. The surge in attacks forced the UN Security Council to adopt a number of resolutions to counter piracy off Somalia, calling upon states to provide international assistance to Somalia to counter piracy in the region and deploy naval forces. Several nations have deployed naval vessels in the area either as part of existing multilateral security arrangements or individually. Yet, the Somali pirates continue to hijack vessels, negotiate ransom money and seek out new prey with impunity in the chaotic northern Arabian Sea.

In the Gulf of Aden, the Indian and EU navies cooperate with each other through an *ad hoc* arrangement called SHADE (Shared Awareness and Deconfliction) that was established in December 2008. This forum, based in Bahrain, provides a platform for the participants (26 member nations and three coalitions, i.e. Coalition Maritime Forces, the European Union and the North Atlantic Treaty Organisation [NATO]), to coordinate activities between the countries and coalitions involved in military counter-piracy operations in the Indian Ocean region.

### *Capacity building of smaller states to counter piracy*

Maritime and naval cooperation provides states with ambient conditions to develop a broad and substantive agenda for capacity building. This issue is particularly significant for the smaller navies which are constrained in the protection of their maritime interests due to lack of resources and capabilities. In essence, cooperative agendas build synergies in joint and coordinated naval patrols and exercises that are usually focused on a specific operational theme which can be leveraged in times of crisis.

In that context, the Indian and EU navies have been engaged in building the capacities of smaller Indian Ocean states. For instance, the Maldives and Sri Lanka have benefited from their maritime cooperation with India. Similarly, India navy ships have undertaken anti-piracy and counter-terrorism patrols in Seychelles waters on a regular basis. India and Mozambique have also agreed to work together to improve maritime security in the

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13. Jolyon Howorth, 'Implementing a "grand strategy"', in Álvaro de Vasconcelos (ed.), *What ambitions for European defence in 2020?* (Paris: EUISS, 2009), p. 45.

Indian Ocean, including through joint maritime patrols along the Mozambican coast. India recently announced that it would offer technical advice to Somalia to counter piracy and it has been stated that 'India is also considering extending technical assistance to Somalia in developing a counter-piracy policy and strategy'.<sup>14</sup>

Likewise, EU NAVFOR is a major partner for the Seychelles and Kenya in combating piracy.<sup>15</sup> Interestingly, EU NAVFOR has signed a contract with the Seychelles Petroleum Company (SEYPEC) in Port Victoria to supply helicopter fuel to all military counter-piracy warships.<sup>16</sup>

### ***Proliferation of WMD***

India and the EU are fully committed to UN Security Council resolution 1540 (2004) on non-proliferation which calls for 'coordination of efforts on national, sub-regional, regional and international levels' to effectively respond to the challenge and threat posed by the proliferation of weapons of mass destruction and their delivery systems. In that context, EU member countries have agreed to take the necessary steps consistent with their obligations under international law and frameworks to interdict movement of weapons of mass destruction (WMD) under the Proliferation Security Initiative (PSI).<sup>17</sup>

India has debated the issue of joining the PSI but has refrained from any active participation. Among other issues, the legality of the initiative, the legitimacy of the international weapons trade and freedom of the seas have been debated and discussed.<sup>18</sup> Analysts have cast doubt on the right of the powerful nations to violate the basic principles and norms enshrined in the United Nations Convention on the Law of the Sea (UNCLOS). New Delhi is conscious of the dangers of proliferation, particularly in the light of the nexus between Pyongyang and Islamabad. India has expressed concerns over North Korea's proliferation activities and even intercepted the vessel *Ku Wul Son* carrying WMD-related equipment for Pakistan/Libya.<sup>19</sup> Like India, a number of countries have been reluctant to participate in the PSI, for various reasons.

14. 'India to provide humanitarian assistance to Horn of Africa nations', Embassy of India press release, New Delhi, 14 September 2011.

15. 'EU HR Ashton to visit Kenya, Tanzania and Seychelles to discuss anti-piracy operations', available at [http://www.europa-eu-un.org/articles/en/article\\_9743\\_en.htm](http://www.europa-eu-un.org/articles/en/article_9743_en.htm). 'EU Remains Committed to Fighting Piracy', available at <http://www.statehouse.gov.sc/index.php/2011-07-15-09-16-47/news-archive/748-eu-remains-committed-to-fighting-piracy>.

16. 'EU NavFor Offers a New Kerosene Facility in Seychelles to All Counter-Piracy Warships', available at <http://allafrica.com/stories/201010280806.html>.

17. Council of the European Union, 'Non-Proliferation Support of the Proliferation Security Initiative (PSI)', 10052/04 (Presse 189), Brussels, 1 June, 2004. Also see Gerrard Quille, 'The European Security Strategy: A Framework for EU Security Interests?', *International Peacekeeping*, vol. 11, no. 3, Autumn 2004, pp.422-38.

18. A. Vinod Kumar, 'Counter Proliferation: India's New Imperatives and Options', *Strategic Analysis*, vol. 31, no. 1, 2007.

19. Vijay Sakhuja, 'Nuclear Developments in Myanmar', *ICWA Issue Brief*, 9 September 2009.

However, the Indian navy engages in Visit Board Seize and Search (VBSS) operations with the US navy as part of the Malabar series of exercises. VBSS finds a special mention in the Indian Maritime Doctrine. The Doctrine notes that, in accordance with global practice, the Indian navy exercises the right to visit and search merchant vessels to determine the true character (enemy or neutral), nature of the cargo (contraband or not), manner of employment (innocent or hostile) and other features.

### *Climate change*

The India-EU Strategic Partnership Joint Action Plan also offers an opportunity for the two partners to cooperate to address the issue of climate change at the national and international levels. In 2007, R.K. Pachauri, Chairman of the Intergovernmental Panel on Climate Change (IPCC), had warned that ‘even under the most conservative scenario, sea level will be about 40 cm higher than today by the end of 21st century. It is projected to increase the annual number of people flooded in coastal populations from 13 million to 94 million (worldwide).’<sup>20</sup>

The Indian Ocean basin presents substantial evidence of the symptomatic effects of climate change and several studies have concluded that in the Bay of Bengal and the Arabian Sea the intensity of cyclonic storms is greater than ever before. As a result of this change, the shoreline of some countries has suffered adverse effects, with coastal areas being eroded. In the Arabian Sea, India, the Maldives and Pakistan are experiencing the impact of climate change; Malé, the capital of the Maldives, is now surrounded by a protection wall built of dense concrete. In this context, the issue of ‘climate refugees’ gains salience; for instance, the people of the Maldives may soon be climate refugees due to changes in the sea level that could inundate large parts of the archipelago. The Maldives is now looking towards India and Sri Lanka to offer them space on their territory. While this may result in organised and legal migration, there remain fears that there may be illegal migrants from the Maldives who may look for different destinations, and most of these would travel by the sea route.

Displacements induced by climate change are likely to be a major problem in coming decades. They will occur more frequently and will require humanitarian assistance. Currently there is no institutional mechanism for interaction on climate-related maritime issues; Indian and EU navies could develop a bilateral cooperative agenda that could be built around capacity building of island states in the Indian Ocean.

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20. ‘Kolkata, Mumbai to Face Maximum Brunt of Climate Change’, *Indian Health News*, 11 April 2007.

***Space cooperation***

Worldwide trends indicate that unmanned aviation is fast emerging as an attractive option for maritime security. Satellites, UAVs, aerostats and near space technologies are deployed for a variety of tasks such as reconnaissance, surveillance, sea-lane security, search and rescue and also to improve shipping traffic in Vessel Traffic Service Systems. This is partly driven by the rising costs of maintaining large numbers of human resources to operate platforms.

The European Space Agency's Galileo system offers improved positional accuracy and better search and rescue response capabilities. Galileo also offers compatibility with the Automatic Identification System (AIS) and when integrated with the Electronic Chart Display and Information System (ECDIS), it will further enhance situational awareness as well as facilitate precise and reliable navigation, particularly in narrow waters or in congested ports. Likewise, the Indian Space Research Organisation (ISRO) is developing a 'low-cost model' of AIS for the Indian fishermen to serve as security devices. Apparently the cost of such a device would be less than US\$50.

Both India and Europe possess highly-developed space technology programmes which offer wide scope for cooperation. And the Indian Ocean region offers specific new areas for technical collaboration between the two space agencies.

***Interoperability***

In operational terms, coordinated and joint operations provide for sustained reconnaissance/surveillance of the maritime domain and enhance mutual trust, resulting in sharing of intelligence for an improved maritime domain picture, and appropriate tasking orders both in concert or independently.

Interoperability with diverse navies is a significant issue that fosters multilateral maritime cooperation and allows diverse naval platforms from different countries to function seamlessly as a single unit at the tactical and operational levels and to work together to meet a shared objective, which results in synergy. Perhaps what is more significant is that interoperability facilitates multi-nation and at times *ad hoc* coalitions that bring with them a variety of platforms, personnel, doctrines and operating procedures.

Individually, security of sea lanes is one of the primary missions of both Indian and EU navies and is reflected in their maritime doctrines, missions, force structures and deployment patterns. Also, these navies engage in bilateral and multilateral engagements focused on sea-lane security.

A quick look at the force structure of the EU navies suggests that there is a general reduction in defence spending by the EU countries and that the budget as percentage of GDP declined from 1.7 percent in 1999 to 1.4 percent in 2009. As far as the navies are concerned, manpower has dropped from 281,450 to 222,313, corresponding to a decrease of 32 percent.<sup>21</sup> As regards the platforms, aircraft carriers have increased (from 6 to 7), there has been a significant reduction in destroyers (31 to 26), frigates (155 to 108), and mine warfare vessels (296 to 243). However, the number of coastal patrol vessels in the inventory of navies has risen from 521 to 811 vessels. Perhaps what merits attention is that the number of amphibious vessels has risen sharply from 274 to 494, corresponding to an increase of nearly 80 percent. The latter indicates that the EU navies are building expeditionary capabilities.

With 70,000 personnel and over one hundred ships and submarines the Indian navy is the third largest in Asia after China and Japan. The Indian navy envisages building robust capabilities to safeguard India's sovereignty and protect national interests. It is acquiring a number of surface and sub-surface platforms capable of long-range sustained operations supported by manned and unmanned aviation capabilities. In the nuclear domain, Indian strategic thinking is predicated on the idea of sea-based nuclear deterrence. There has been a phenomenal increase in India's expeditionary capability and these vessels are capable of hosting helicopters and of playing a vital role in humanitarian assistance and disaster relief (HADR) operations in response to a crisis.

### *Maritime multilateralism*

It is also widely understood that no country can, all by itself, manage multiple threats and challenges. Also, oceans are acting as catalysts for the globalisation of maritime security. It is in this context that the relevance and importance of multilateral arrangements among maritime nations becomes important. This is applicable to both medium and small maritime powers. It is evident that the tactical, strategic and political effectiveness of multilateral naval cooperation will always be dependent on the cohesiveness of the partnership that stands behind it, and particularly on the will of the major contributing naval powers.

### *Challenges for India-EU maritime cooperation*

There are a number of challenges that need to be addressed for India-EU cooperation in the maritime domain to be a success. Firstly, there is a strong belief that India should adhere to the policy of non-alignment and not join any alliance or coalition or grouping that has a military purpose. This was amply demonstrated during the US-led attack

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21. Giovanni Grevi and Daniel Keohane, 'ESDP Resources', in Giovanni Grevi, Damien Helly and Daniel Keohane (eds.), *European Security and Defence Policy: The First 10 Years (1999-2009)* (Paris: EUISS, 2009), p. 81.

on Iraq in 2001 and India's recent abstention during the vote on UN Security Council resolution 1973 for a no-fly-zone in Libya. Second, non-UN sanctioned military operations are not welcomed by India. Third, the EU is viewed through the prism of NATO and is seen as an alliance with a history of intervention. Fourth, India appears to be quite content with bilateral military cooperation and has yet to think of engaging the EU as an entity for bilateral security cooperation. This is best reflected in the nature of the engagement between India and the EU in counter-piracy operations off Somalia. Fifth, at the tactical level, India and the EU have yet to explore the possibility of joint naval exercises, after which common tactical procedures can be devised. This is notwithstanding the fact that the Indian navy engages in robust naval cooperation with France and Britain.

## Conclusion

The above discussion suggests that the EU-India Strategic Partnership is a significant partnership. Furthermore, there is widespread faith in India in the potential of the partnership to grow into a robust arrangement through new ideas and multi-faceted engagements which would be dependent on the kind of resources the two sides wish to invest to achieve strategic convergence.

The level of cooperation between India and the EU in the ongoing counter-piracy operations off Somalia is noteworthy but it is important to keep in mind that it is taking place in a much broader multilateral framework. It can be a model for future India-EU maritime cooperation which could include joint exercises to address counter-terrorism, counter-proliferation and counter-gun running and drug smuggling. For that to succeed, the two partners must develop operational interoperability, build mutual trust and enhance understanding. At the tactical level, it is essential that they develop a common doctrine and standard operating procedures for greater cooperation and to improve communications. Finally, in today's context, maritime multilateralism is a tool for nations which consider using sea power for cooperation in their national interests.



# ANNEXES

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## Abbreviations

AIDS	Acquired Immunodeficiency Syndrome
ANDS	Afghan National Development Strategy
AO	Arctic Oscillation
ASEAN	Association of South-East Asian Nations
ASEM	Asia-Europe Meeting
AU	African Union
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIPA	Bilateral Investment Promotion and Protection Agreement
BoP	Base of Pyramid
BPO	Business Process Outsourcing
BRICS	Brazil, Russia, India, China & South Africa
BTIA	Bilateral Trade and Investment Agreement
CDM	Clean Development Mechanism
CECA	Comprehensive Economic Cooperation Agreement
CGPCS	Contact Group on Piracy off the Coast of Somalia
CII	Confederation of Indian Industries
CIP	Critical Infrastructure Protection
CIVCOM	Committee for Civilian Aspects of Crisis Management
CPCC	Civilian Planning and Conduct Capability
CSDP	Common Security and Defence Policy
CSP	Country Strategy Paper
DG	Directorate General
DRC	Democratic Republic of the Congo
EAW	European Arrest Warrant
EC	European Commission
EDA	European Defence Agency
EEAS	European External Action Service
EEC	European Economic Community
EEZ	Exclusive Economic Zone
EIB	European Investment Bank
EPA	Economic Partnership Agreement
ETS	Emissions Trading Scheme
EUMC	EU Military Committee
FAO	Food and Agriculture Organisation

FDI	Foreign Direct Investment
FEW	Food-Energy-Water
FTA	Free Trade Agreement
FYROM	Former Yugoslav Republic of Macedonia
GCC	Gulf Cooperation Countries
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
HIV	Human Immunodeficiency Virus
HS	Harmonised Commodity Description and Coding System
IAEA	International Atomic Energy Agency
IBSA	India-Brazil-South Africa Dialogue Forum
ID	Identification
IDP	Internally Displaced Person
IMF	International Monetary Fund
IP	Intellectual Property
IPR	Intellectual Property Rights
ISAF	International Security Assistance Force
IT	Information Technology
ITER	International Thermonuclear Experimental Reactor
JAP	Joint Action Plan
JTF	Joint Task Force
KTP	Knowledge and Technological Power
LDC	Least Developed Country
MDG	Millennium Development Goal
MIP	Multi-Annual Indicative Programme
MONUSCO	United Nations Organisation Stabilisation Mission in the DR Congo
MS	Member State(s)
MW	Megawatts
NAMA	Non-agricultural Market Access
NASA	National Aeronautics and Space Administration
NATO	North Atlantic Treaty Organisation
NGO	Non-Governmental Organisation
NTM-A	NATO Training Mission Afghanistan
NTS	Non-Traditional Security
PJCC	Police and Judicial Cooperation in Criminal Matters
PMG	Politico-Military Group
PSC	Political and Security Committee
PSI	Proliferation Security Initiative
PTA	Preferential Trade Agreement
PWGT	Police Working Group on Terrorism

PWMD	Proliferation of Weapons of Mass Destruction
R2P	Responsibility to Protect
R&D	Research and Development
RD&D	Research Development and Demonstration
RECCA	Regional Economic Cooperation Conference
RTA	Regional Trade Agreement
SAARC	South Asian Association for Regional Cooperation
SARS	Severe Acute Respiratory Syndrome
SCIFA	Strategic Committee on Immigration, Frontiers and Asylum
SHADE	Shared Awareness and Deconfliction
SIS	Schengen Information System
SLOCS	Sea Lanes of Communication
SPS	Sanitary and Phyto-Sanitary
SSR	Security Sector Reform
TAFTA	Thailand-Australia Free Trade Agreement
TB	Tuberculosis
TBT	Technical Barriers to Trade
TCI	Trade Complementarity Index
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TWG	Terrorism Working Group
UAV	Unmanned Aerial Vehicle
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
UNDP	United Nations Development Programme
UN HCR	United Nations High Commissioner for Refugees
UNMIL	United Nations Mission in Liberia
UNSC	United Nations Security Council
WHO	World Health Organisation
WMD	Weapons of Mass Destruction
WTO	World Trade Organisation



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Bassma Kodmani, F. Stephen Larrabee, Patricia Lewis, Patryk Pawlak, Maria João Rodrigues; edited by Álvaro de Vasconcelos

How can India and the EU expand their relationship from its current economic dimension to a broader, security-based dimension? Why is this not happening in spite of expressed willingness and the clear reciprocal benefits that would ensue? Is there a lack of frank dialogue on sensitive areas, or is there a more general lack of mutual understanding?

The various Indian and European contributors to this volume – the result of long-standing collaboration between the Indian Council of World Affairs (ICWA) and the European Union Institute for Security Studies (EUISS) – assess incipient progress and explore ways to advance India-EU relations in the bilateral and multilateral dimensions of the Strategic Partnership.

Although it was launched in 2004, a consensus emerges that such a partnership cannot be called *strategic* as yet. Continuing discussion and analysis of pressing issues is thus necessary in order to facilitate a breakthrough. This book contains detailed proposals for widening the scope of cooperation to both traditional and non-traditional security issues, such as counter-terrorism, security sector reform in third countries and energy. It also explores the potential for India and the EU to reach consensus in international governance forums, with particular emphasis on economic governance, as well as prospects for effective inter-regional cooperation on the main global security issues, such as peacekeeping and maritime security.

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