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The Europe-India Balance Sheet: Trade, Like-Mindedness and Strategic Interests



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The Europe-India Balance Sheet: Trade, Like-Mindedness and Strategic Interests

POLICY PAPER – DECEMBER 2021

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*There is no desire more natural
than the desire for knowledge*

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INTRODUCTION

The increasingly warm relations between Europe – EU countries and the UK – and India are one of the most significant – and yet largely undervalued – developments on today’s international scene.

At the EU level, the rapprochement accelerated in the second half of the last decade. The July 2020 EU-India summit, where an ambitious “India-EU 2025 agenda” was agreed, is usually seen as a “milestone” or “watershed moment” by insiders on both sides. In 2021, Narendra Modi was due to meet all 27 EU heads of state and government during the Porto EU-India Summit, had the pandemic not forced him to cancel his visit and join instead via video call. Up until then, the EU had only offered this format to the American President. A senior EU official identifies this growing proximity as a “historical opportunity”.¹ However, the situation varies depending on the nature of actors one looks at, and on the domain under review.

On the European side, actors are very heterogeneous. They belong to three different categories: France, Germany and the UK form a league of their own, as demonstrated by the density of official visits (see Appendix 1), then comes a “second circle” made of smaller countries,² and, finally, the EU itself represents a third, separate player. While all these actors have made a point of upgrading their economic as well as strategic relations with India, sometimes as part of their Indo-Pacific strategy, a concept adopted by the EU in September 2021, there are sometimes more than simple nuances in their approach to the country.

The impression of heterogeneity is even stronger when this pro-India trend is analyzed sector-wise, in relation to specific domains. Trade and investment are still the main driving forces for some European actors in their approach to India. Others regard “the world’s largest democracy” as one of the few “like-minded” countries in Asia. Others still consider, on the contrary, that Indo-European convergence is based more on strategic interests than on values.

1 A close observer of the EU-India relations also sees this as a “turning point”: Garima Mohan, “A Turning Point for Europe and India”, German Marshall Fund, May 4, 2021. <https://www.gmfus.org/news/turning-point-europe-and-india>
2 We borrow this idea of “two circles” from R.K. Jain, cited by Henrik Chetan Aspengren, Emil Lidén, Axel Nordenstam, “Circles of EU-India Engagement: How Member States Cooperate with India on Global Issues”, *UI Paper*, 1/2021, The Swedish Institute of International Affairs, 2021. <https://www.ui.se/globalassets/ui.se-eng/publications/ui-publications/2021/ui-paper-no.1-2021.pdf>

The present study explores the potential of the rapprochement between Europe and India from the European point of view. It is based on in-depth interviews with 25 European corporate sector executives, security experts, politicians, think-tankers, and academics.³ Their testimonies and other sources (including official reports, op-eds, and press reports) suggest **that despite growing skepticism towards the democratic credentials of their (more or less) new partner, most European stakeholders remain moderately optimistic towards the potential of economic relations with India. In fact, their growing interest in India is largely driven by strategic calculations linked to the need to balance China's weight in Asia and beyond.**

³ The few, senior, Indian personalities we interviewed were either based in Europe at the time of the interview and/or very familiar with the European scene.

WHAT ECONOMIC POTENTIAL?

When trying to assess the economic relations between Europe and India, the word “potential” keeps coming back, along with formulas like “missed opportunities”. If, in recent years, the EU has indeed become India’s first or second trade partner, the country still representend less than 2.5% of EU trade in 2020 and ranked only 9th or 10th, trailing well behind China (16.1% of EU trade), the USA (15.2%) and the UK (12.2%).⁴ Before the Covid-19 pandemic, which created so many economic disruptions, trade between the EU and India was six times smaller than trade between the EU and China. Yet economic relations between the EU-India were gaining momentum. For instance, trade tripled between 2002 and 2018.⁵ However, that pace does not compare favorably with that of US-India or China-India trade relations and is nowhere near the level of trade between the EU and China (see Table on next page).

⁴ “India – Trade”, European Commission, Directorate-General for Trade. <https://ec.europa.eu/trade/policy/countries-and-regions/countries/india/>

⁵ For an overview of the economic relations between India and the EU, see Sangeeta Khorana, “The European Union-India Strategic Partnership: An Examination of the Economic Aspects”, in Philipp Gieg, Timo Lowinger, Manuel Pietzko, Anja Zürn, Ummu Salma Bava and Gisela Müller-Brandeck-Bocquet (eds), *EU-India Relations*, 2021, pp. 144-145 and Nicolas Köhler-Suzuki, “Determinants and Impediments of the EU-India Bilateral Trade and Investment Agreement: The Proof of This Old Pudding Is in the Eating”, in Philipp Gieg, Timo Lowinger, Manuel Pietzko, Anja Zürn, Ummu Salma Bava and Gisela Müller-Brandeck-Bocquet (eds), *EU-India Relations*, 2021, p. 151.

Trade flows in billion USD between the EU and India, India and the US, India and the UK, India and China, and the EU and China (2011-2020)

Year	EU-India ⁶	India-US ⁷	India-UK ⁸	India-China ⁹	EU-China ¹⁰
2020	77.1	78.2	25.4	77.79	692
2019	91.9	92.1	32.4	85.67	663
2018	92.3	87.4	30.3	106.75	627
2017	86.4	74.1	25.3	84.41	593
2016	77.6	67.6	21.8	69.39	543.5
2015	76.2	66.2	22.1	71.1	522
2014	71.7	66.8	26.1	71.66	475
2013	71.3	63.6	29.1	68.04	442
2012	75.6	62.6	23.3	68.86	451
2011	80.1	57.6	25.1	72.19	452

Similarly, while European foreign direct investment (FDI) in India more than doubled between 2011 and 2020 (see Table below), it remains much lower than in China.

FDI stocks in India and China (without Hong Kong) from the EU – 27 countries (in billion euros)

Year	India	China
2019	75.7	198.7
2018	68.2	184.6
2017	63.7	171.6
2016	60.2	170.3
2015	55.1	161.9

Source: Eurostat (https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=bop_fdi6_geo&lang=en).

6 "European Union, Trade in goods with India", European Commission, Directorate-General for Trade, June 2, 2021.

https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_india_en.pdf

7 "Foreign Trade – U.S. Trade with India", United States Census Bureau.

<https://www.census.gov/foreign-trade/balance/c5330.html>

8 "Trade & Investments Factsheets: India", Government of the United Kingdom, Department for International Trade,

October 29, 2021. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1029138/india-trade-and-investment-factsheet-2021-10-29.pdf

9 <http://wits.worldbank.org/WITS/WITS/Results/Queryview/QueryView.aspx?Page=DownloadandViewResults>

10 "China-EU – International Trade in Goods Statistics", Eurostat.

https://ec.europa.eu/eurostat/statistics-explained/index.php?title=ChinaEU_-_international_trade_in_goods_statistics

Sectors with highest FDI inflow in India from the European Union (2000-2019)

Sectors	Amount of FDI inflow (in billion dollars)	% of FDI equity inflows from the EU
Services sector	14.7	14.18
Chemicals (other than fertilizers)	10.1	9.8
Automotive industry	7.3	7.04
Computer software and hardware	7.1	6.85
Drugs and pharmaceuticals	5.8	5.61

Source: Government of India (https://dipp.gov.in/sites/default/files/European_Union_B_2019.pdf).

Sector-wise, European FDI into India's services and chemicals amounted to USD 14.6 billion and USD 10.1 billion between 2000 and 2019. India also attracted sizable investments in the automotive sector with FDI of over USD 7.3 billion. Other major investments include the drugs and pharmaceutical sector, attracting USD 5.8 billion over the same period.

Disaggregation of the data at country-level provides an interesting read, pointing to the diversity of situations.

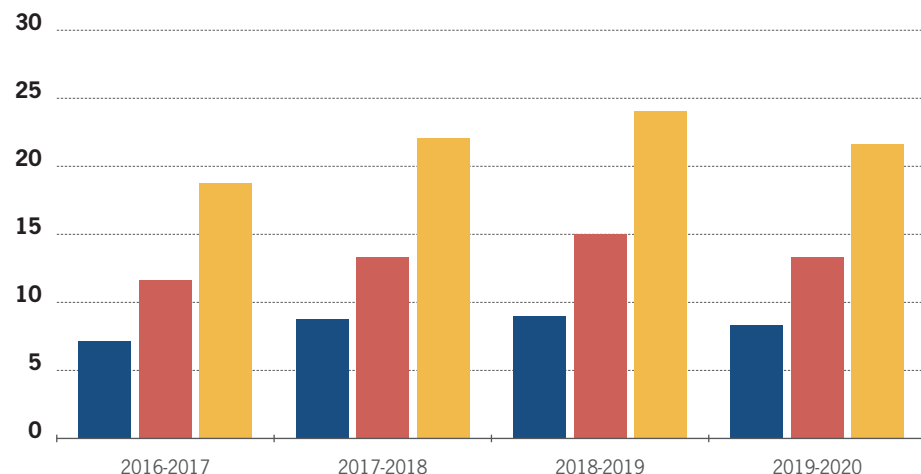
Germany is India's largest trading partner in the EU.¹¹ Germany-India bilateral trade grew from about USD 19 billion in 2016-17 to approximately USD 21.5 billion in 2019-20 (against more than USD 24 billion in 2018-19). However, in 2019-20, the volume of trade between China and Germany (USD 182 billion) was about 8 times more than that between India and Germany. In fact, since 2015, China has been Germany's first source of imports.¹²

11 "China remains Germany's biggest trade partner for the 5th year: report", *Global Times*, February 23, 2021.

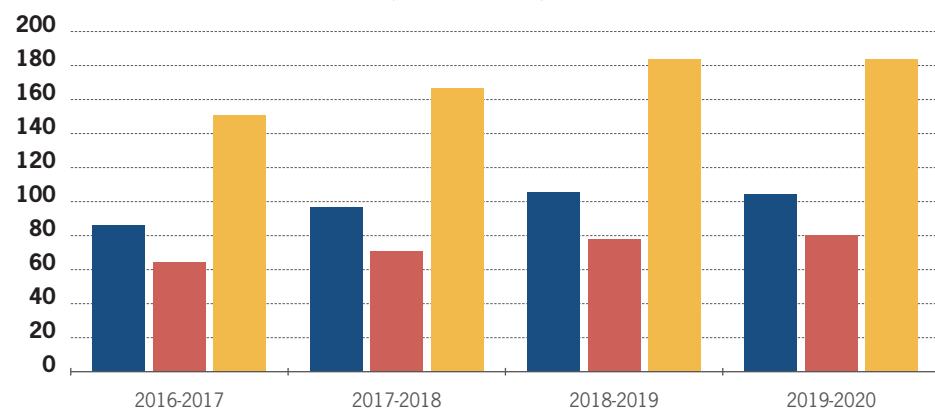
<https://www.globaltimes.cn/page/202102/1216263.shtml>

12 Ibidem.

India-Germany bilateral trade
(in billion euros)



China-Germany bilateral trade
(in billion euros)



■ Exports ■ Years Imports ■ Total

Source: Indian Ministry of Commerce and Industry and the World Bank.

Germany is also the 7th largest foreign direct investor in India. More than 1,700 German companies are active in India, providing around 400,000 direct and indirect jobs.¹³ Various programs have been set up to facilitate business opportunities in India such as the Fast-Track System for German companies or the Make in India Mittelstand (MIIM) program.¹⁴ Yet, between 2003-2018, Germany's annual FDI into China was over USD 1.7 billion.¹⁵ **As a result, between 2013 and 2019, the net outflow of German FDI in India is 5 times smaller than what it is in China: EUR 8.5 billion against EUR 43.4 billion.**

An increasing number of Indian companies also invest in Germany. Germany is now home to more than 213 Indian subsidiaries of more than 70 Indian companies, each with an annual turnover of more than EUR 10 million, and with a generated combined annual revenues of approximately EUR 11 billion.¹⁶ But since 2011, Chinese FDI in Germany stands around EUR 1 to 2 billion per year.

Trade relations between the Netherlands and India are particularly dynamic too. **Bilateral trade almost doubled between 2016-17 and 2018-19.** It is still far from the level of trade between the Netherlands and China, which peaked at about USD 85 billion in 2018-19 – 6.5 times more. By contrast, in terms of investments, the Netherlands and India are almost as closely integrated as the Netherlands and China. The Netherlands was the 3rd largest FDI investor in India and India the 4th largest FDI investor in the Netherlands in 2019-20.¹⁷ The Netherlands' share of FDI equity inflows (2012-2019) into India stood at USD 24 billion. Between 2012 and 2017, Dutch FDI in China grew by EUR 10 billion, to nearly EUR 27 billion. Over the same period, Chinese direct investment in the Netherlands grew from EUR 3 billion to EUR 29 billion in 2017.¹⁸

On the other hand, countries like Italy, Portugal, and Poland show how economic links with India within the EU are diverse.

13 "Indo-German Economic Relations", Government of Germany, Missions in India. <https://india.diplo.de/in-en/themen/wirtschaft/economic-relations/1991398>
 14 Gurjit Singh, "The hurdles to German investments in India", *The Hindu Business Line*, June 2, 2021. https://www.thehindubusinessline.com/opinion/the-hurdles-to-german-investments-in-india/article34710315.ece?__cf_chl_captcha_tk__=pmd_Q3pUuw50miOhbF9CyLwjCGEwte9.oasHdwiJYt8dmmw-1635930284-0-gqNtZGzNAzujcnBszQiR
 15 "German Investment in China: Changing Opportunities and Trends 2019", China International Investment Promotion Agency, FDI Center, 2019, pp. 2-3. <http://fdi-center.com/wp-content/uploads/2020/05/German-Investment-in-China-English-Version.pdf>
 16 "India and Germany: A Strong Strategic Partnership", Confederation of Indian Industry, March 3, 2020. <https://www.ciiblog.in/india-and-germany-a-strong-strategic-partnership/>
 17 "Joint Statement on India-The Netherlands Virtual Summit - Towards a Strategic Partnership on Water", Kingdom of the Netherlands, April 9, 2021. <https://www.netherlandsandyou.nl/latest-news/news/2021/04/09/joint-statement-on-india-the-netherlands-virtual-summit>
 18 De Nederlandsche Bank (2017).

India-Italy trade culminated at USD 10.5 billion in 2018-19 (less than half the level of India-Germany trade) with China-Italy trade reaching USD 50 billion that same year.¹⁸ India-Poland trade was only USD 2.36 billion in 2018-19, so low that it was not affected then by the Covid-19 pandemic. In contrast, China-Poland trade was nearly 10 times higher in 2021.²⁰ In Portugal's case too, trade with India was about six times smaller than trade with China (see Appendix 3).

France occupies an intermediary position on this list. It ranks 25th among exporters to India, with a 1% market share, and is its 15th largest customer. France-India trade peaked just under USD 12 billion in 2018-19, before declining to about USD 11 billion in 2020-2021, whereas France-China trade continued to grow, at USD 66 billion – exactly 5 times more.²¹ On the investment front, both France and India have made significant investments in each other's economies. For instance, the total share of France in FDI equity inflows into India between 2012-2020 stood at USD 9.8 billion, which represents 1.86% of total FDI inflows into India.²²

To sum up, **the bilateral trade of EU countries with India is, on average, six times smaller than their trade with China. While the gap is not as big with regards to foreign direct investments, the EU FDI stocks in India amounted to EUR 75.8 billion in 2019**, which is significant but far below EU FDI stocks in China (EUR 198.7 billion) or Brazil (EUR 318.9 billion).²³ The upgrading of economic relations between Europe and India is therefore a central question. Whether a catching-up trend could form after a 10-year growth trend in terms of trade and investment (until 2019 and the Covid-19 crisis) is the question we will now turn to.

19 "China and Italy have huge potential for bilateral trade and investment", CGTN, March 21, 2019. <https://news.cgtn.com/news/3d3d774e3541544e33457a6333566d54/index.html>

20 Shan Jie, "Chinese ambassador details deepening ties with Poland", Global Times, December 25, 2018. <https://www.globaltimes.cn/content/1133513.shtml>

21 "India", Government of France, Ministry for Europe and Foreign Affairs. <https://www.diplomatie.gouv.fr/en/country-files/india/>

22 "Quarterly Fact Sheet: Fact Sheet on Foreign Direct Investment (FDI) from April 2000 to March 2021", Government of India, Ministry of Commerce and Industry: Department for Promotion of Industry and International Trade, March 2021. https://dpiit.gov.in/sites/default/files/FDI_Factsheet_March,21.pdf

23 India - Trade, European Commission, Directorate-General for Trade. <https://ec.europa.eu/trade/policy/countries-and-regions/countries/india/>

1. How to Promote Trade and Investment?

Trade and investment have been the cornerstone of the EU-India Strategic Partnership right from its inception in 2004, with both sides agreeing to "facilitate and expand bilateral trade and investment flows".²⁴ The EU and India officially decided to launch negotiations for a Bilateral Trade and Investment in 2006. **Seven years later, these negotiations were suspended²⁵ for reasons which need to be revisited.**

The two sides attributed the failure of the talks in 2013 to different factors. The European side highlighted "the lack of flexibility of Indian negotiators in providing access in dairy, wine and automotive sectors".²⁶ Agriculture products in general were very sensitive matters. The Bharatiya Janata Party (Indian People's Party), then in the opposition, fought against the EU-India FTA, "citing the potential flooding of the Indian market with 'dairy, poultry, sugar, wheat, confectionery, oilseeds, plantation products and fisheries'".²⁷ Automobiles were an issue mostly because of two interest groups' roles: influential car associations such as the German VDA and the European ACEA on the one hand and Indian carmakers like Tata Motors on the other hand.

But the EU was also willing to secure "a strong intellectual property regime (IPR) and a sustainable development chapter with social and environmental clauses, which India [was] reluctant to negotiate in the FTA context".²⁸ Drug patents (India aspiring to become the "pharmacy of the world", because of its strength in the generic drugs sector) became a serious bone of contention too. The EU also requested the inclusion of labor standards which were rejected by the Indian side. **The European Parliament even demanded that "the FTA would address child and bonded labor by requiring India to sign on to key conventions of the International Labour Organization".**²⁹ A former member of the Indian government, who took part in the negotiations, considers that this question "has been a major issue in many previous trade negotiations and has been responsible in many ways for the scuppering of the last attempts at an FTA. So that is something we do need to bear in mind: Europe never seems to understand that Indians are very proud people. We cannot accept that, on problems we need to solve ourselves, a foreign power or a foreign treaty tries to impose one rule or the other on us".

24 Cited in "Determinants and Impediments of the EU-India Bilateral Trade and Investment Agreement", p. 151.

25 For a detailed analysis of the EU-India trade talks between 2007 and 2013, see *ibid.*, pp. 161-184.

26 "The European Union – India Strategic Partnership", p. 146.

27 Cited in "Determinants and Impediments of the EU-India Bilateral Trade and Investment Agreement", p. 170.

28 *Ibid.*, p. 147.

29 *Ibid.*, p. 163.

30 "The European Union – India Strategic Partnership", p. 146.

By contrast, India held “the unwillingness to provide access to the services market, data security and transparency laws as the main stumbling block”.³⁰ In particular, New Delhi demanded a more liberal visa regime (especially for Indian IT engineers³¹) and the status of a “data-secure nation”, which would reduce compliance costs for Indian software providers in the EU.³²

Today, European experts and negotiators consider that the situation has not improved. **In fact, in some sectors – like agriculture products – the situation is even said to be “worse”, partly because tariffs have increased, for instance on wine and alcohol.**

So, why has the resumption of trade negotiations been decided at the 2021 Porto Summit? According to an EU trade negotiator, as early as 2016, during the 13th EU-India summit which marked the resumption of this erstwhile high-profile meeting which had ceased to take place in 2012, “India showed that it was ready to move ahead, closer to our position and expectations”. This change was further accentuated by the Indian decision not to join the China-dominated Regional Comprehensive Economic Partnership (RCEP), which consequently forced India to turn to the EU – among others – to find “alternative trading partners”. On top of it, the Covid-19 pandemic “revealed the high degree of India’s dependence vis-à-vis China, both for trade and for fundamental value chains. That is clearly an issue, that they want to counterbalance. And we are a good partner [...] because] they think we are complementary”.

On the EU side, according to that same expert, there was some initial “reluctance to resume talks because we remembered what happened in 2013. We really needed to get some reassurances before engaging again. I am not denying that strategic interests played a role too. Clearly, there are some strategic interests. Right now, everybody is concerned about China, and India is a good partner”.³³

However, the resurgence of protectionism taking place in India casts a shadow on the prospect of FTA negotiations. According to that same trade negotiator: “This protectionist trend has always been there. And it has been confirmed by the Make in India program,³⁴ not only because of different discriminations

30 “The European Union – India Strategic Partnership”, p. 146.

31 India demanded up to 50,000 visas a year for highly skilled professionals. “Determinants and Impediments of the EU-India Bilateral Trade and Investment Agreement”, p. 167.

32 “The European Union – India Strategic Partnership”, p. 147.

33 We will return to the role of the China factor and to the importance of strategic considerations in the relations between the EU and India, even from the point of view of trade.

34 Initiated in 2014 by Narendra Modi, the Make in India program is intended to attract foreign companies to invest in India in order to boost the industry.

but also because of a more difficult access to government procurements. And we have this continuous increase in tariffs in India – within the WTO obligations, but it is still coming as a trend. We have seen a massive surge in standards, Indian specific standards which deviate from international ones, which should allow India to make specific requirements [...]. It is going to be even worse with the ‘Self-Reliant India’ initiative”.³⁵

Among the guarantees given by India, two are regularly put forward by EU trade experts: the opening of a new chapter on digital trade and New Delhi’s readiness to have “a chapter on trade and sustainable developments, including references to labor protection and fundamental conventions [like those of the International Labour Organization]”.

However, European experts and negotiators apprehend that the resumed EU-India trade talks will face similar challenges as before, as well as new ones in the context of India’s industrial crisis and the Modi government’s emphasis on industrialization, as the share of the industry in India’s GDP is eroding: it contributed more than 7% to India’s GDP but now faces a severe contraction, with some companies facing a year-on-year decline of more than 30% in the aftermath of the pandemic. For the EU negotiators, five potential bones of contention can be highlighted at this stage:

- **India’s labor standards may remain problematic** as the economic crisis, accentuated by the pandemic, has not helped the informal sector – which employs 80% of the Indian labor force – to improve working conditions. A senior German think-tanker says that he does not see the European Parliament easily ratifying an EU-India FTA if labor standards clauses are too shallow. The European Parliament is vigilant for human rights violations and it has gained jurisdiction over EU trade agreements. Any Broad Based Trade and Investment Agreement (BTIA) will therefore have to be ratified not only by member states but also by the Parliament.
- **The automotive sector may continue to be a bone of contention:** while in 2016, the automotive sector contributed 7.2% to India’s GDP and generated employment for about 32 million people, making India the 6th largest producer of automobiles in the world with an average annual production of 29 million vehicles, of which 4 million were exported, automakers underwent a year-on-year decline of more than 30% in 2019-20. Protecting such a key sector, now recovering from the Covid-19 crisis, may remain one of India’s priorities in the course of trade talks.³⁶

35 The “Self Reliant India” campaign was launched by Narendra Modi in 2020 to limit the country’s dependence vis-à-vis the rest of the world.

36 “Covid-19: How the Indian auto sector got impacted”, The Financial Express, May 24, 2021.

<https://www.financialexpress.com/auto/industry/covid-19-how-the-indian-auto-sector-got-impacted/2256999/>

- **Joblessness has become an even more acute issue for India's youth after the pandemic.** The unemployment rate of 20-24 year-olds was already above 34% in 2020.³⁷ The Modi government is therefore increasingly relying on the "Make in India" program to woo foreign investors and create jobs. Instead of importing cars or other industrial products, India will probably prefer to have foreign companies manufacturing in India, and tariffs on such imports will need to remain high to serve that goal.
- **Agriculture, too, will probably remain a difficult area for the reasons mentioned above.** EU trade negotiators recall that "agriculture is not only market access in terms of duties" but that "SPS [sanitary and phytosanitary] requirements" are equally "problematic" – if not more. One European negotiator emphasized that there are many "long-standing barriers" to deal with in the dairy sector in particular – a sector which will be a "very, very, very big part of the discussion", leading to him being "skeptical" of the outcome of the negotiation.
- **Access to the EU for Indian professionals was also contentious and may very well remain so.** An EU trade negotiator recalls that the EU, before the trade talks stopped in 2013, had made "an offer with a number of visas" (50,000), most of which were for the UK. Now that the UK has left the EU, "we will have to see how this plays out. Because if India maintains its demands of 2013, or even increases its demand for IT worker visas, this is clearly going to be difficult. As you know, immigration is a sensitive issue in the EU right now". This question, however, is not very prominent so far as Indians are concerned today. The only EU country where Indian migrants are in large numbers is Italy. There, they play a big role in agriculture, especially in the making of Parmesan. But Indian workers may be penalized by the fact that no European country – and certainly not Italy, as one think-tanker points out – has developed a strategy of "talent-driven migration".

While goods (and some services) are part of physical exchanges, trade negotiations will have to factor in an increasingly important dimension in contrast to 2013: the digitalization of the economy, where other issues could surface.

37 For a complete overview of the economic crisis that India was facing before the pandemic, see Christophe Jaffrelot, "From slowdown to lockdown, India's economy and the COVID-19 shock", Institut Montaigne, June 11, 2020. <https://www.institutmontaigne.org/ressources/pdfs/blog/slowdown-lockdown-policy-brief.pdf>

2. Trade, Data and Privacy

Digitalization of the Indian economy has made tremendous progress since 2013, when trade talks were suspended between the EU and India. The weight of the IT sector in the Indian economy has grown to such an extent that it now represents 8% of the GDP, with a 52% share in services exports, and a 50% share in total FDI inflow.³⁸ In this context, the recognition of India as a data-secure nation by the EU has become even more necessary than before for the Indian government. This clause is partly subject to the vote of a privacy law in India. A senior EU negotiator for international data flows and protection emphasizes the commonalities between the Indian and the European legal frameworks. According to him, the 2017 decision of the Supreme Court of India endowing data protection with a constitutional value has prepared the ground for legislation that should converge with the EU's GDPR. The data protection bill drafted by the Committee of Experts on a Data Protection Framework for India (chaired by B. N. Srikrishna, a former Supreme Court judge), appointed by the Modi government in 2017, did draw some inspiration from the GDPR.³⁹ However, the government then redrafted it to the extent of dilution.⁴⁰ Further, the new bill, known as the Personal Data Protection Bill, was not put in front of the competent parliamentary committee, the Standing Committee on Information Technology chaired by Shashi Tharoor, a Congress Member of Parliament, but a joint committee headed by a BJP MP. In July, a discussion of that bill, which should have taken place 18 months before, was postponed for the fifth time.

European negotiators remain "confident" that **India will adopt a law sufficiently protective of personal data to allow the EU to issue an "adequacy decision" that recognizes the Indian regime of personal data protection as an EU-level equivalent.** They see such a development as being in the interest of the Indian IT sector, which could lose business in Europe – its main customer – if the legal framework is not congenial with a "free flow of data" on the basis of agreements similar to those made with Japan and South Korea. For European policy-makers, more is at stake than sheer business interest: if the EU and India were to converge

38 Avik Das, Shilpa Phadnis, "Nasscom: IT industry to grow 2.3% to USD 194 billion in FY21", *The Times of India*, February 16, 2021, <https://timesofindia.indiatimes.com/business/india-business/it-industry-to-grow-2-3-to-194bn-in-fy21-nasscom/articleshow/80954964.cms>

39 "Data Protection Committee Report: A Free and Fair Digital Economy Protecting Privacy, Empowering Indians", Government of India, Ministry of Electronics and Information Technology. https://www.meity.gov.in/writereaddata/files/Data_Protection_Committee_Report.pdf

40 So much so that Justice Srikrishna has seen in this rewriting of the bill the advent of an "Orwellian state". Megha Mandavia, "Personal Data Protection Bill can turn India into 'Orwellian State': Justice BN Srikrishna", *The Economic Times*, December 12, 2019. <https://economictimes.indiatimes.com/news/economy/policy/personal-data-protection-bill-can-turn-india-into-orwellian-state-justice-bn-srikrishna/articleshow/72483355.cms?from=mdr>

in this key domain, they would be in a position **to define international standards on personal data protection**, a domain where the GDPR is in competition with two other “models”, the American one and the Chinese one. In India itself, what is at stake also goes beyond business. The manner in which India will legislate on this matter will give an indication of the resilience of democratic values – a question we will return to in the next section.

3. Is post-Covid India still an Attractive, Emerging Market for Europe?

Besides trade and digitalization, economic relations between the EU and India are affected by other variables. Here, it is important to pay attention to the views expressed by German players, as their country is more influential than any other in Europe in the economic domain and because the economic dimension plays a major role in their relationship with India. A senior Berlin-based think-tanker emphasizes that in Germany’s relations with India, “the main focus, of course, is on trade and investment”. The “second pillar” is “cooperation in science and technology and development cooperation” – with Germany investing more than any other EU country in this area. On this list, “security and defense” come third – an order of priorities that stands in stark contrast with France (see below).

To German businessmen, the “ease of doing business” issue is essential. Some of them complain about regulations, delays, and corruption in this regard. A senior German insider admits: “We have doubts about the reliability of the rule of law in India. We have doubts, serious ones over Modi’s capability, and need to tackle corruption. We are not happy about the debate on Self-Reliant India. And we see the government curbing back on the independence of the Central Bank. [...] I am not really sure whether in 10 years India will be a cornerstone of our international strategy”.

A German diplomat reconfirms this assessment: “All these registration processes are slow, and there is sometimes not enough guarantee on rule of law, that you can, if necessary, implement your right, and if you do, it takes years, it takes ages... So, the ease of doing business is not there. [...] I am quite sure that a lot of companies would rather do business with India, but it comes with a price and means red tape, corruption, and very slow processes. And there has always been a tendency in Indian economic policies towards protectionism... [...] Companies say, ‘No, we are not interested in India’. Not interested in a market of 1.3 billion inhabitants, it’s amazing!”

This lack of appetite for the Indian market is of course due to the economic crisis which started in 2017-2018, which was then amplified by the pandemic, and has resulted in a dramatic decline of the purchasing power of the Indian middle class. **Local market consumption has been affected by the way the middle class has been shrinking.** Some companies, like Volkswagen, admit that they do not invest in India because they have unused production capacities.

Private companies also seem to be skeptical of the effectiveness of the collaboration between the EU (or European countries) and India in the infrastructure domain. Connectivity, defined as one priority during the Porto summit, is a case in point. German observers point out that Japan has not achieved much, five years after launching a similar program in this domain, and they apprehend that the EU-India plans will meet the same fate.

Certainly, India figures ambitiously in the EU’s connectivity projects and what will be achieved in this domain will be an important benchmark for the EU-India relations, according to Brussels-based experts and officials. **For one of them, “connectivity patterns will be the first reality check”, not only in terms of roads and railways but also in energy-related and digital terms, especially because it will show the possibility – or not – of an alternative to the China-sponsored Belt and Road Initiative (BRI), on the territory of India to begin with.** But many experts underline that what is still missing is a clear financial commitment (when half a trillion dollars have already been spent in the framework of the BRI) and a division of labor between private and public actors. EU officials consider that their main task is “to create the conditions for the private sector to come in and invest – and invest in infrastructure development, regionally and beyond”. But more skeptical observers point out that this may not be enough as few concrete projects have materialized in India itself. A German expert points out that the main achievement between the EU and India has been the metro of Pune.⁴¹ Another think-tanker admits that he does not know “any specific concrete initiatives that the EU and India are prepared to promote in the coming years and no extra financial resources for implementing this kind of initiatives have been announced. This will need to be fleshed out in coming months or years”. A Delhi-based expert focusing on connectivity issues suggests that it has become a “buzzword”. Flows of data are a large part of the story and uncertainty on that front remains, as mentioned above. In fact, according to insiders, **when connectivity became center-stage during the 2021 EU-India summit, digital-related issues (including privacy)**

⁴¹ The European Investment Bank is financing part of the metro systems of Pune and Kanpur.

immediately arose.⁴² Interestingly, some EU officials link the connectivity partnership to the negotiation of the FTA, which may take time to finalize.

Diplomatically, one expert points out that the “resources being devoted to actually enacting the connectivity strategy vis-à-vis India are not optimal” and that money seems to be the main problem. Both sides are responsible for this situation. But the European side tends to consider that the Indian government is not doing its job. A senior EU officer elaborates on this point: “when we received the zero draft on connectivity partnership, it was all about the European Investment connectivity projects in India. I mean even as a zero draft, it was so naive...”. However, for Frédéric Grare, “The EU is now able to dedicate substantial financial means to this end [connectivity] but still lacks clear criteria to decide upon concrete projects”.⁴³ As a senior EU diplomat admits: “we were not ready” to respond to India’s expectations. It is **as if the political will of the decision-makers to do more with India had taken the bureaucratic machine by surprise, a possible sign of the understaffing and the lack of expertise on India that several interlocutors have emphasized.**

In short, while economic relations play a promising role in the rapprochement between Europe and India, they continue to be seen in terms of their “potential”. Some actors also consider that much will depend on the evolution of China’s attitude vis-à-vis European trade partners and investors. For the moment, India has not benefited much from the “decoupling” process. Ideological “like-mindedness” between Europeans and Indians can be analyzed in similar terms.

⁴² Another expert was even more critical about the paragraph of the post-Porto Summit EU-India joint statement on connectivity: “the connectivity partnership in the joint statement is a litany of normative adjectives. It has never been adjectivised more in the history of diplomatic statements: you have sustainable, comprehensive, transparent, viable, inclusive, sustainable rules based; it refers to international law, norms, shared values, democracy, freedom, rule of law, respect of international commitment, and I could go on but I will not bother you with that”.

⁴³ Frédéric Grare, “Where is the EU headed in the Indo-Pacific?”, in James Bowen (ed.), *Europe’s Indo-Pacific Embrace: Global Partnership for Regional Resilience*, Perth USAsia Centre and the Konrad Adenauer Stiftung, 2021, p. 6.

AN ELUSIVE CONSENSUS ON THE “LIKE-MINDEDNESS” QUESTION

Official speeches almost always refer to the affinities between the two “world’s largest democracies” in terms of “like-mindedness”. This notion covers at least two domains: democratic values, and, more recently, a special concern for environmental challenges.⁴⁴ In these two domains, Europe’s assessment of India’s “like-mindedness” varies from country to country – and even within EU institutions.

1. The Human Rights Issue

An emerging issue in Brussels and among European countries

India’s democratic quality is eulogized by some and questioned by others. A careful analyst of the EU-India relationship concludes her chapter in the most comprehensive book on the subject by pointing out that “controversies have marked Modi’s second term and undermined the image of Indian democracy in Europe”.⁴⁵ She refers to one episode in particular. In 2019, the Citizenship Amendment Act passed by the Indian parliament made only non-Muslim refugees from Afghanistan, Bangladesh, and Pakistan eligible for Indian citizenship. In January 2020, some MEPs introduced a motion against the CAA, “which they viewed as discriminatory”. The vote was postponed in the European Parliament to the end of March, after the planned EU-India summit... which did not take place because of the pandemic. **The fact that the motion was not passed was seen as “a significant diplomatic victory for**

⁴⁴ We may add another one which will be dealt with in the third section: a commitment to “a rule-based international order that upholds agreed international norms, global peace and stability”, cited in Timo Lowinger, Anja Zürn, Philipp Gieg, Manuel Pietzko, “Norm Contestation in EU Strategic Partnerships: The Cases of Civil Society Involvement and Climate Justice in EU-India Relations”, in Philipp Gieg, Timo Lowinger, Manuel Pietzko, Anja Zürn, Ummu Salma Bava and Gisela Müller-Brandeck-Bocquet (eds), *EU-India Relations*, 2021, p. 45.

⁴⁵ Pascaline Winand, “A Partnership Between Two Large Elephants? Opportunities and Challenges in India-EU Relations”, in Philipp Gieg, Timo Lowinger, Manuel Pietzko, Anja Zürn, Ummu Salma Bava and Gisela Müller-Brandeck-Bocquet (eds), *EU-India Relations*, 2021, p. 134.

India”, whose “intense lobbying” (according to a diplomatic advisor to the European Parliament) had paid off.⁴⁶

However, the question of human rights in India is more and more talked about in Brussels among officials and experts. A senior EU officer emphasizes that India and the EU have resumed their Bilateral Human Rights Dialogue which had stopped in 2013. For him, this is a very important signal: “certainly, human rights issues in India are numerous. We see more and more people voicing their concerns about deterioration. But one must not forget that India has made a major concession last summer to open up again and have a dialogue. Of course, as you know, a dialogue is a dialogue. So there’s no commitment. But this is a sign. So even if there is no result, it is a clear sign of a concession from India towards Europe, because they know very well that human rights and democracy are close to our hearts. So they claim that they are the largest democracy after all, and they are”.

Another long-serving EU diplomat points out that India is “not going in the right direction” regarding human rights, but also admits that there is “almost no hope”: “I believe that Europeans have understood, in the geopolitical crisis situation in which we have been living for some time, that we have lost a lot of ground on the issue of human rights. It is a bit sad.” A Brussels-based think-tanker and close observer of the EU-India relations concurs: “Currently, the way this human rights dialogue is going on between India and the EU is completely dysfunctional” because **if the EU wants to protect human rights, it needs “to find a way to enforce this”. But the Commission is not prepared to go that far – hence a sort of division of labor in which the European Parliament plays vigil on human rights issues.** “But obviously the European Parliament does not have the same power as a national parliament”.

Interestingly, things have been changing at that national level, precisely. In May 2020, an FDP member of the Bundestag, Frank Müller-Rosentritt, asked the government whether it was aware “of the detention of Indian activist Safoora Zargar,⁴⁷ and what is its knowledge of activities in India to restrict freedom of expression in the wake of the Unlawful Activities Prevention Act”.⁴⁸ On May 29, the Staatssekretär (equivalent to a Minister of State or Deputy State Secretary) Miguel Berger responded that “she is four

⁴⁶ Ibid., p. 135.

⁴⁷ Safoora Zargar is a student leader who took part in the anti-CAA movement in 2019-20 and who was arrested by the police in April 2020. She was accused of an attempt “of uprooting a democratically elected government”.

⁴⁸ The Unlawful Activities (Prevention) Act (UAPA) is criticized by human rights activists because, while the police normally have 60 to 90 days to investigate a case and submit a chargesheet failing which the accused may obtain default bail, under the UAPA, this pre-chargesheet time is extended to 180 days. Further, normal bail rules do not apply to an accused, under 43(d)5 of the UAPA. Besides, the UAPA has been amended in 2019 by the Modi government, making this law even more draconian: this amendment allows the government to designate an individual as a terrorist without trial. The previous versions of the Bill allowed for only groups to be designated as terrorists.

months pregnant and has so far been denied bail. In addition to Safoora Zargar, other students were detained during and in the aftermath of the protests. The late February 2020 protests were also accompanied by the most severe inter-religious violence [or riots] in years. The European Union and the German government have brought up and criticized the changes in India’s citizenship law on several occasions during high-level talks with the Indian government, most recently during a meeting of EU foreign ministers with India’s foreign minister in February 2020.” However, such debates have not taken place in any other national parliament among EU Member States.

Lately, Germany has indeed paid more attention to human rights in India than any other European country. One German diplomat considered that Germany would like “India to choose the West when it comes to political principles”. Another one points out :

“... we share our values with India definitely more than with China. I am quite sure. Nonetheless, there are also discrepancies, differences in terms of human rights and how to treat minorities, especially Muslims. In India, Hindu nationalism is a big issue. I myself attended our parliament’s human rights commission in May last year and I was quite riddled: the parliamentarians were quite critical. Normally, people would think of Indian food, Indian cuisine, Indian yoga – and that is what Modi actually promotes a lot. But this is overshadowed by incidents in India like the arrest of a 22-year-old activist who actually tried to support farmers and was in custody without any prosecution for a long time. In terms of freedom of the press, the situation in India has deteriorated too...”.

Spokespersons of the German industry mention human rights as a “concern” too.

On the French side, a senior French diplomat is “scandalized” by the fact that President Macron has not mentioned attacks affecting Indian secularism during his 2018 visit. Another one elaborates on this point:

“We must not evade the issue, we must look at the situation and developments with our eyes wide open... Some of them are worrying, it is true, and we must have the courage to say so, and I believe that this should be one more testimony to the strength of the Franco-Indian partnership, to be able to discuss this subject in all frankness, in a spirit of trust. We do so bilaterally... we also say things, I believe, publicly, as we should. Today, the Indian case is still somewhat hidden by the seriousness of what we see elsewhere in the region and obviously, first and foremost in China, but this will not last. If the developments we have observed continue, sometimes the subject will present itself to us.”

In Brussels, some parliamentarians and diplomats consider, in private, that human rights may become a serious issue in India. The European Parliament has become the epicenter of related debates. **The episode mentioned above of the 2020 still-born resolution had created some “malaise” (according to an insider) among European MEPs.** In 2021, when preparing the EU-India summit, the Foreign Affairs Committee of the European Parliament made recommendations to the Commission. They triggered, according to the same advisor, a “fierce reaction of the Indian embassy”, so much so that many parliamentary groups “felt the need for a debate in plenary”.

The April 2021 debate and the European politics of Human Rights in India

Having a close look at this debate is very important for two reasons: **it shows the diversity of approaches of the EU-India relations in Europe with respect to two key notions, values and interest, and it illustrates the importance of human rights for some EU parliamentarians.** This debate was introduced by the rapporteur, Alviina Alametsä, who focused on human rights issues:

“The EU-India high-level meeting will convene in virtual format on 8 May and will take stock of the implementation of our partnership and the roadmap 2025 that was agreed upon last July. Now I hope that the positive progress made in many areas will give us the confidence to effectively address human rights questions. We have to place human rights and our values at the heart of the EU’s engagement with India, thereby enabling a results-oriented and constructive dialogue.

This applies to both the EU and India. We need concrete goals and progress in basic rights, freedom of speech and assembly, minority rights and democracy. And I have to say that the EU is also far from reaching all of its goals in terms of human rights and democracy. So there is a lot to work on.

EU-India local human rights dialogue took place recently, but this is far from enough to address the human rights concerns that should be brought to the discussion with the leaders at the highest level.”⁴⁹

49 Alviina Alametsä, “EU-India relations (debate)”, European Parliament, April 28, 2021. https://www.europarl.europa.eu/doceo/document/CRE-9-2021-04-28-ITM-015_EN.html

A Member of the Commission, on behalf of the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy Josep Borrell, replied that “Human rights and democratic values are also at the heart of our engagement with India. Your report highlights a number of concerns. Let me assure you that the EU raises these matters with India through different channels. Earlier this month, in the 9th EU-India Human Rights Dialogue, the EU expressed the need for greater engagement on several human rights issues and we underlined the important role that civil society actors and journalists play in a vibrant democracy”.⁵⁰

In other words, the EU expected India to be true to its democratic official status.

The debate that followed reflected the political divide in the European Parliament along the right-left axis. The speaker of the S&D Group, Katarina Barley, emphasized that “human rights must be at the heart of the EU’s engagement with India”.⁵¹ A representative of the ECR group, Bert-Jan Ruissen, focused on the fate of the minorities:

“All too often, religious freedom in India appears to be just a paper reality. In our resolution, we therefore point the finger at the harmful anti-conversion laws and call on India to do more to protect Christians and other religious minorities.

I call on the Presidency and the European External Action Service to do the same. The human rights dialogue at the beginning of this month absolutely must be followed up. That is in the interests of religious freedom, in the interests of human rights and in the interests of religious minorities.

Strengthening economic cooperation must go hand in hand with improving the human rights situation.”⁵²

In the same vein, but in a more radical manner, Mick Wallace, on behalf of The Left Group argued:

“We shouldn’t pretend that we’re going there and engaging with them because of shared values. The truth is that Modi is a far-rightwing racist. He’s a nasty piece of work, but that doesn’t stop us from actually engaging with India. Hopefully he won’t be there forever.

50 Ylva Johansson, “EU-India relations (debate)”, European Parliament, April 28, 2021. https://www.europarl.europa.eu/doceo/document/CRE-9-2021-04-28-ITM-015_EN.html

51 Katarina Barley, “EU-India relations (debate)”, European Parliament, April 28, 2021. https://www.europarl.europa.eu/doceo/document/CRE-9-2021-04-28-ITM-017_EN.html

52 Bert-Jan Ruissen, “EU-India relations (debate)”, European Parliament, April 28, 2021. https://www.europarl.europa.eu/doceo/document/CRE-9-2021-04-28-ITM-017_EN.html

But the idea that we can use India as a vehicle to stop China, as if China was the baddy and India was the goody, is absolute nonsense. The human rights record in India is much worse than it is in China. There is no comparison. The Chinese have performed miracles with challenging poverty unheard of in humankind.”⁵³

By contrast, the PPE speaker, David McAllister, argued that the EU “share[d] strong political, economic, social and cultural ties with India, the world’s largest democracy. [...] I believe the full potential of our relations with India should finally be unleashed. It is about accelerating and strengthening the strategic partnership – a strategic partnership based on common values and principles, as well as on joint interests [...] India is an important partner for the EU when it comes to preserving and promoting the rules-based multilateral order. Therefore, let us improve our cooperation on geopolitical challenges, especially in the Pacific and in international organizations”.⁵⁴

The idea here is that **India can still be considered as a democracy and that European interests are also important, in particular from a geostrategic point of view.** This position was similar to that of the Renew Group whose speaker dwelled not only on strategic issues but also on economic interests. Klemen Grošelj, indeed, pointed out that “India has seen incredible growth in its global economic and political weight. This is why the EU-India strategic partnership is of ever greater importance for international cooperation in general. [...] The stability of the Indo-Pacific area is of common strategic interest, where mutual cooperation should be strengthened in light of China’s growing influence in the region. [...] Opportunities for cooperation are practically unlimited in fields such as research, innovation and the development of new technologies. [...] We expect the world’s largest democracy to demonstrate its commitment to respect and fully enforce the constitutionally guaranteed rights of all of its citizens and to put an end to all forms of discrimination. India needs an open and vivid civil society, and civil society organizations must be able to carry out their work without any obstacles”.⁵⁵

In this speech, economic and strategic interests are highlighted, but human rights are not ignored. By contrast, Thierry Mariani, from the ID group, claimed that his “colleagues in the Committee on Foreign Affairs had largely spoiled the text and the atmosphere of that meeting, by turning this text we are considering into an NGO leaflet rather than a political strategy. What they believe to be a demonstration of

53 Mick Wallace, “EU-India relations (debate)”, European Parliament, April 28, 2021. https://www.europarl.europa.eu/doceo/document/CRE-9-2021-04-28-ITM-017_EN.html

54 David McAllister, “EU-India relations (debate)”, European Parliament, April 28, 2021. https://www.europarl.europa.eu/doceo/document/CRE-9-2021-04-28-ITM-017_EN.html

55 Klemen Grošelj, “EU-India relations (debate)”, European Parliament, April 28, 2021. https://www.europarl.europa.eu/doceo/document/CRE-9-2021-04-28-ITM-017_EN.html

their virtues is only further proof to the world that arrogance and blindness have become the watchwords of European foreign policy. [...] Because of the economic opening and the progress of Indian power, it is therefore essential that we free ourselves from the prejudices of many of the Commission’s ideologues to negotiate with India on the basis of our mutual and well-understood interests. In sum, we need to move away from a situation where the EU grants GSP+ status to Pakistan,⁵⁶ which supports Islamism, especially in Kashmir, but refuses to come to terms with India, because of ideological prejudices against Prime Minister Modi”.⁵⁷

In this understanding, partly because of ideological affinities, interests prevail. In particular, the idea that India could be an ally against Islamism and human rights are not even mentioned.

Studying this debate in detail was necessary to understand the politics of India’s human rights in the European Parliament – an emerging issue to which several MEPs pay unprecedented attention. One of the officers of the European Parliament admits that he was taken “by surprise” because of the “very fierce language” of the resolution – which resulted in intense lobbying of Indian diplomacy, but to no avail this time.

The resolution that was eventually passed on April 13, 2021 by 61 votes out of 71 – a quasi-unanimity – devoted a full section to “Promotion of the rule of law, human rights and good governance”.

This resolution recommended that the Commission:

ab) place human rights and democratic values at the heart of the EU’s engagement with India, thereby enabling a results-oriented and constructive dialogue and deeper mutual understanding; develop, in collaboration with India, a strategy to address human rights issues, particularly those concerning women, children, ethnic and religious minorities and freedom of religion and belief, and to address rule of law issues such as the fight against corruption, as well as a free and safe environment for independent journalists and civil society, including human rights defenders, and to integrate human rights considerations across the wider EU-India partnership; .../...

56 For the last seven years, Pakistan has benefited from the EU’s Generalised Scheme of Preferences Plus (GSP+). Thanks to this status – set to expire on Dec 31, 2023 – there is zero percent duty on several products imported from Pakistan.

57 Thierry Mariani, “EU-India relations (debate)”, European Parliament, April 28, 2021. https://www.europarl.europa.eu/doceo/document/CRE-9-2021-04-28-ITM-017_EN.html

ac) express deep concern regarding India’s Citizenship Amendment Act (CAA), which, according to the Office of the United Nations High Commissioner for Human Rights, is fundamentally discriminatory in nature against Muslims and dangerously divisive; encourage India to guarantee the right to freely practice and propagate the religion of one’s choice, as enshrined in Article 25 of its Constitution; work to eliminate and deter hate speech that incites discrimination or violence, which leads to a toxic environment where intolerance and violence against religious minorities can occur with impunity; share best practices on training police forces in tolerance and international human rights standards; recognise the link between anti-conversion laws and violence against religious minorities, particularly the Christian and Muslim communities;

ad) encourage India, as a member of the UN Human Rights Council, to act upon all recommendations of its Universal Periodic Review process, to accept and facilitate the visits of and cooperate closely with UN special rapporteurs, including the UN Special Rapporteur on the promotion and protection of the right to freedom of opinion and expression, the UN Special Rapporteur on the rights to freedom of peaceful assembly and of association and the UN Special Rapporteur on extrajudicial, summary or arbitrary executions, in monitoring developments in civic space and fundamental rights and freedoms, as part of its pledge to foster the genuine participation and effective involvement of civil society in the promotion and protection of human rights;

ae) address the human rights situation and challenges faced by civil society, in particular concerns raised by the UN High Commissioner for Human Rights and the UN special rapporteurs, in its dialogue with the Indian authorities, including at summit level; encourage India, as the world’s largest democracy, to demonstrate its commitment to respect, protect and fully enforce the constitutionally guaranteed rights to freedom of expression for all, including online, the right to peaceful assembly and association, including in relation to the latest large-scale farmers’ protests, and freedom of religion and belief; call on India to secure a safe environment for the work of and protect and guarantee the fundamental rights and freedoms of human rights defenders, environmentalists, journalists and other civil society actors, free from political or economic pressure, and to cease invoking laws against sedition and terrorism as a means to restrict their legitimate activities, including in Jammu and Kashmir, stop blanket restrictions of internet access, review laws in order

.../...

to avoid their possible misuse to silence dissent and amend laws that foster discrimination, and facilitate access to justice and ensure accountability for human rights violations; address the harmful effects of the Foreign Contribution Regulation Act (FCRA) on civil society organisations”.⁵⁸

Never before had human rights issues occupied such an important place in the EU-India relations. However, this trend reflects a certain division of labor. First, the EU is in charge of talking about human rights with India in the framework of the Bilateral Human Rights Dialogue, and second, the European Parliament pays more attention to these issues than any other European institution or, for that matter, any member state.

“People-to-people” relations: with or without NGOs?

The question of human rights usually emerges in respect of the deficit of “people-to-people” relations between Europe and India, something many European diplomats are keen to upgrade.

But many observers emphasize that NGOs based in India, whether international or local, are on the decline, partly because, having been deprived of their FCRA license,⁵⁹ they can no longer receive foreign contributions. The editors of the book *EU-India Relations* point out that “as more than 20,000 licenses under FCRA were withdrawn in 2016 alone, one can speak of a *negated* norm of civil society involvement to a significant degree”.⁶⁰ This development – resulting in the death of two-thirds of Indian NGOs within a few years – is not unimportant for the EU-India relations.

First, European NGOs put pressure on European governments, as in Germany, and the European Commission. A German think-tanker points out: “we have a lot of NGOs, especially from the development side, who are working in India. And I can tell you they have a constant debate with the Ministry of Foreign Affairs on the restrictions against Western NGOs; we all know about that. This really affects these

58 “Report on a European Parliament recommendation to the Council, Commission and the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy concerning EU-India relations”, European Parliament: Committee on Foreign Affairs, April 16, 2021. https://www.europarl.europa.eu/doceo/document/A-9-2021-0124_EN.html

59 The *Foreign contribution regulation Act* (1976) is a law that the government of India passed during the Emergency (when democracy was suspended for 21 months in India). It allows the government to regulate receipt of money from abroad. Many Indian NGOs need these contributions in order to support their activities.

60 “Norm Contestation in EU Strategic Partnerships”, p. 50.

groups directly in different ways, from the foreign exchange regulation to restriction of the visas, and so on”. This is partly one of the reasons why Angela Merkel, during her 2019 visit to Delhi – the last one –, “raised the human rights issue, the rights situation in India, especially in Kashmir.”

This think-tanker anticipates that the “decline of democracy” in India “will become important” in the relations between Europe and India. He even asks: “Given the present stage of India’s democracy, do you think the FTA would pass the European Parliament? I would be skeptical”.

The situation of Indian NGOs also matters because many European diplomats consider that “people-to-people relations” are one of the things which need to be encouraged the most.

Certainly, relations between NGOs are not the only important factor here, but other channels, education for instance, are not particularly developed either. According to UNESCO’s Global Flow of Tertiary-Level Students, in contrast to the traditionally great number of Indian students in the UK (19,600 in 2021) and the growing attractiveness of the US (135,940 in 2020 compared to 102,63 in 2013-14),⁶¹ the number of Indian students remains relatively low in Germany (15,473 in 2020) and in France (3,252 in 2020) compared to the number of Chinese students (respectively 30,023 and 23,494).⁶²

In addition to India’s domestic situation, **New Delhi’s attitude in several respects has sometimes been difficult to understand by the European side, for instance India’s continued cooperation with the military junta in Myanmar, a partner that India cultivates as part of its competitive relationship with China.**

If European diplomats have started to mention human rights as an issue in their relations to India, they may very well continue to downplay these questions in order not to interfere with domestic subjects – knowing fully well that Indian officials are very sensitive to such interferences. A keen observer of the relationship considers that human rights will continue “to be ranked rather low in New Delhi’s policy agenda and interaction with the EU” simply because the European side has not developed the right approach by being “confrontational”. India, it seems, will continue to tell Europe that it should leave human rights implementation “to Indians themselves”.⁶³

61 Shuriah Niazi, “Over 186,000 Indian students in US, but growth rate drops”, University World News, November 18, 2017. <https://www.universityworldnews.com/post.php?story=20171118065438530>

62 “Global Flow of Tertiary-Level Students”, UNESCO, 2021. <http://uis.unesco.org/en/uis-student-flow>
63 Rajendra K. Jain, “India, the European Union and Human Rights”, *India Quarterly*, 73(4), December 2017, pp. 411-429.

2. Climate Diplomacy: Europe-India Convergence and Divergence

The reference to like-mindedness also applies in official discourses to the new priority that climate change represents for the EU. Though during the 2009 Copenhagen Summit, Europe and India were not on the same side – with the EU sidelined by a coalition of the US and emerging countries including India –, in 2015 during the COP21, India played a very constructive role, along with Europeans and others. Just before the Paris meeting, India presented its Intended Nationally Determined Contributions (INDCs), under which it pledged to improve the emissions intensity of its GDP by 33-35% below 2005 levels by 2030. At the COP26, Prime Minister Modi announced that India has set the target of net zero carbon emissions by 2070. India also updated its Intended Nationally Determined Contributions (INDCs) to be met by the end of the decade (2030), including: (1) increasing its installed renewable capacity to 500 GW; (2) meet 50% of its energy requirements from non-fossil fuel sources of energy; (3) reducing carbon emissions by 1 billion tons; and (4) reducing the carbon emissions intensity of the economy by 45% from 2005 levels. Today, renewable energy accounts for about 90 GW of the total installed capacity – 369 GW. Solar energy remains India’s priority, given India’s huge potential of 300 sunny days a year. In 2015, India’s target was to achieve a 100 GW solar capacity by 2022. Since then, 42 solar parks have been opened to make land available for solar plants – aided by the fact that India has the lowest capital per MW of installing solar plants in the world. In July 2020, the installed capacity reached 35.12 GW.⁶⁴

Close observers of the EU-India relations regard Narendra Modi as “a potential global climate leader that is capable of setting the agenda on climate-related issues, as evidenced by his proclamations in the run-up to the 2015 Paris Summit, even while reminding the developed countries that ‘treating the nature well comes naturally for Indians’...”.⁶⁵ In most of their joint communiqués, European and Indian officials mention their will to cooperate against climate change. When interviewed for this project, prior to COP26, some EU officials and negotiators were however more skeptical in private. One of them considered that “India does not have a long-term goal, does not appear to have an overall plan to decarbonize India’s economy”: “In the difficult balance between economic development and decarbonization, it’s quite clear that the weight is still much greater

64 For more details, see Christophe Jaffrelot, Hemal Thakker, “Emitters in the Spotlight – India: Great Capacities, Lesser Actions?”, Institut Montaigne, August 27, 2020. <https://www.institutmontaigne.org/en/blog/emitters-spotlight-india-great-capacities-lesser-actions>

65 Dhanasree Jayaram, “India’s Climate Diplomacy Towards the EU: From Copenhagen to Paris and Beyond”, in Philipp Gieg, Timo Lowinger, Manuel Pietzko, Anja Zürn, Ummu Salma Bava and Gisela Müller-Brandeck-Bocquet (eds), *EU-India Relations*, 2021, p. 201.

on the economic development side”. As a result, “India remains a difficult partner in the Paris agreement, not because anybody has any doubt about its commitment to the objective, but because of domestic policies”.

There is often a contradiction between discourses and policies. Certainly, **India has invested massively in renewables, and in solar energy in particular, but coal remains very important and continues to be promoted by the government.** In 2019, the last meaningful year before the pandemic disrupted the economy, 55% of the electricity consumed and more than 77% of the electricity generated were produced by coal-fired utilities. And in the name of the economic rebound, the government decided to relax some of the rules protecting the environment and to dilute its attempt at replacing coal with cleaner sources of energy. In June 2020, for instance, the government decided to open 41 coal blocks for commercial mining to the private sector.⁶⁶ This aimed not only at relaunching the economy, but also at addressing India’s energy security issue of excessive reliance on imported coal (India imports 30% of its coal today). The policy will allow foreign investors – non-mining entities and large-scale miners – to mine coal commercially, without any restrictions on end-use or price. Besides, coal subsidies still stand 35% higher than renewable subsidies, and coal-fired power generation receives indirect financial support from the government through an exemption from income tax and land acquisition at a preferential rate.⁶⁷

According to a BP study,⁶⁸ in 2040, coal will still represent 48% of the primary energy consumption of commercial fuels in India, and renewable energy, only 16%. This means, if the growth rate of the economy remains the same, the country’s carbon dioxide emissions will have doubled to 5Gt by 2040. India’s share of global emissions will have increased, then, from 7% today to 14%.

The centrality of coal in the Indian economy and the lack of a strategy to decarbonize was brought into international light at the conclusion of COP26, as was the UK negotiator’s disarray at India’s and China’s watering down of the language on coal in the final communiqué.

66 Chloé Farand, “India eyes private investment to open 41 new coal mines”, *Climate Home News*, June 19, 2020. <https://www.climatechangenews.com/2020/06/19/india-eyes-private-investment-open-41-new-coal-mines/>

67 See Christophe Jaffrelot, Hemal Thakker, “India Between Solar Energy and Coal: From a ‘Green Image’ to a ‘Green Façade?’”, Institut Montaigne, October 29, 2021. <https://www.institutmontaigne.org/en/blog/india-between-solar-energy-and-coal-green-image-green-facade>

68 “BP Energy Outlook 2019: Insights from the Evolving transition scenario – India”, BP, 2019. <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/energy-outlook/bp-energy-outlook-2019-country-insight-india.pdf>

The doubts which had arisen about India’s ecological commitment when New Delhi rejected in a July 2021 G20 meeting the G7 objective on net-zero emissions by 2050 and missed a key meeting aimed at preparing the COP26 in London could now longer be ignored. After the Summit, its President, Alok Sharma, commented that “China and India will have to explain themselves and what they did to the most climate-vulnerable countries in the world”.⁶⁹ In fact, though Narendra Modi made several seemingly significant pledges at COP26 – such as reducing by 2030 the emissions intensity of its economy by 45%, setting a target of net zero greenhouse gas emissions by 2070, increasing its non-fossil fuel energy capacity to 500 gigawatts (GW) by 2030 –, their real impact on global warming will remain limited, according to experts. The very thorough and reliable Climate Action Tracker noted for instance that “India announced updated Nationally Determined Contributions targets during the World Leaders Summit, but provided few details. Its new intensity target is unlikely to have any real-world effect, as it falls above India’s likely 2030 emission level under current policies, while its 500GW non-fossil target will, at most, have a small impact on real-world emissions. Prime Minister Modi promised net zero by 2070, but did not mention any plans to phase out coal.”⁷⁰

In this context, parallel initiatives such as the Solar Alliance – initiated by Narendra Modi and François Hollande just before the COP21 – tend to have more of a “diplomatic value” than of a critical one. One European diplomat commented that it helps “to engage India and facilitate[d] the deal in Paris” but considers that its main objective – to help small countries access financial resources for going solar – misses the point: for this expert, the main challenge is not financial. It is the question of the social acceptance of the solar energy.

In the first part of this policy paper, we have seen that economic relations may not prove to be the expected driving force in the Europe-India rapprochement, not only because they are not as intense as EU-China economic relations, but also because the future is uncertain in terms of markets, attractiveness, and FTA negotiations. In the second part, we have pointed out that the idea that Europeans and Indians are “like-minded” needs to be qualified, according to several European actors and observers who consider that democratic values are under attack in India and that New Delhi is not prepared to fight climate change as decisively as the Europeans would expect. The one domain where there is a consensus in Europe about the need for a rapprochement with India, however, is geopolitics and security – but differences remain regarding the pace and the magnitude of this rapprochement.

69 Malini Cursino and Doug Faulkner, “COP26: China and India must explain themselves, says Sharma”, *BBC News*, November 14, 2021. <https://www.bbc.com/news/uk-59280241>

70 Climate Action Tracker, Glasgow’s 2030 Credibility Gap: Net Zero Lip Service to Climate Action, 9 November 2021. https://climateactiontracker.org/documents/997/CAT_2021-11-09_Briefing_Global-Update_Glasgow2030CredibilityGap.pdf



JOINING HANDS WITH INDIA FOR GEOPOLITICAL AND SECURITY REASONS

If the name of Germany comes first when one thinks about Europe-India economic relations and if EU institutions are key when the question of like-mindedness arises, **France plays a major role when it comes to security and geostrategic concerns.** If many more European countries and the EU itself are now looking at India through a geopolitical lens, none does so to the extent of France.

1. The Franco-Indian Pattern

Few European countries share old strategic interests with India. In the EU, France is the most important one, yet Indo-French relations are probably the most underrated. A French diplomat points out that “for our fellow citizens, in general, even for much of our media, this reality is not commensurate with the value of what it represents”. A senior French diplomat traces this specific relation to the early 1980s, and in particular to the Mirage 2000 deal, signed in 1982. Interestingly, this deal, which resulted in the sale of 40 aircraft, was in the pipeline since 1978 when India decided to diversify its military equipment which was overwhelmingly coming from USSR:⁷¹ “we tried to become strategic partners at that time when Mrs Gandhi diversified; after that we have been nuclear partners since Tarapur”. Indeed, **the Franco-Indian strategic partnership walked for years on two legs, military and nuclear.**⁷² In the nuclear domain, if the first milestone took place in 1982 again, when France and India signed a deal to fuel the US-built nuclear plant of Tarapur,⁷³ the second turning point came in 1998 with the signing of the official strategic partnership

71 Jacques Isnard, “La France s’est engagée à livrer quarante Mirage-2000 à l’Inde”, *Le Monde*, April 17, 1982. https://www.lemonde.fr/archives/article/1982/04/17/la-france-s-est-engagee-a-livrer-quarante-mirage-2000-a-l-inde_2902791_1819218.html

72 Other dimensions may be added, besides the Solar Alliance, including the cooperation in the domain of space, where CNES and ISRO have worked together for decades.

73 Washington was obliged to suspend deliveries of enriched uranium due to a legislation passed by Congress to ban provision of nuclear material to countries that have not placed their nuclear installations under the IAEA.

during Jacques Chirac’s official visit. The visit was marked by a **major upgrading of Franco-Indian nuclear cooperation as France helped India in the process of separating civil nuclear energy from the military use of the atom.** France had been in India’s place when it developed its indigenous civil nuclear energy sector: it had not signed the NPT, and India was keen to learn from its experience. France, subsequently, did not sanction India after its May 1998 nuclear test – in stark contrast to the US, Japan and other European countries. According to a senior French diplomat, Jacques Chirac then approached the Bush administration and argued in favor of what was to become the 123 Agreement, making it possible for the US (and others) to transfer civil nuclear technology to India, in spite of the fact that the country had not signed the NPT. Today still, French and Indian diplomats recognize that this support and the cooperation in the nuclear domain which followed was a major factor of rapprochement. But military cooperation also played an increasingly important role both on the ground (like during the 1999 Kargil war) and via arms sales. The 2005 Scorpene contract included the making of six submarines and major transfers of technology. The Rafale deal (2016) followed a similar pattern for 36 aircraft (see Appendix 4). French and Indian actors of this collaboration highlight what Eric Trapier, the then CEO of Dassault, called “the unique and strong strategic link uniting our two countries” (“*le lien stratégique unique et fort qui unit nos deux pays*”).⁷⁴

This “unique relation” reflects a specific approach to international relations. Both countries have always been eager to retain some strategic autonomy. Certainly, India was “non-aligned on the USSR” for some time and France had joined NATO, but it was not part of the integrated command and both countries rejected – to a certain extent – the logic of blocks. This strategic partnership created with France emancipated India, yesterday, from too great a dependence vis-à-vis the USSR/Russia and today, the US, as the terms of the collaboration with France were more flexible and transfers of technology less conditional. Hence the formula used by a senior former diplomat to describe this relationship as a “*partenariat d’équilibre*”.⁷⁵ For him, **François Mitterrand’s visit in 1982 was the starting point of the Franco-Indian strategic partnership, precisely because “we were not a stakeholder in the hegemonic politics of the United States”,** at a time when the Indian foreign policy could be analyzed as “a policy of Gaullist inspiration” in the context of the Soviet invasion of Afghanistan that arose some suspicion vis-à-vis USSR’s expansionist ambition in India.

74 “L’Inde a pris livraison du premier des 36 Rafales commandés à Dassault”, *L’Express*, October 8, 2019. https://www.lexpress.fr/actualite/monde/proche-moyen-orient/l-inde-a-pris-livraison-du-premier-des-36-rafales-commandes-a-dassault_2102200.html

75 Emmanuel Macron today applies this formula to the role of France in the context of the Indo-Pacific.

Another reason why France and India have developed a strong strategic partnership is directly related to the French presence in the Indian Ocean. In contrast to all the other EU members, France has overseas territories in the Indian Ocean (La Réunion, Mayotte, the Scattered Islands, and the French Southern and Antarctic Territories) where more than 1.1 million French citizens live, and 2,000 permanent military personnel are positioned. Besides, its exclusive economic zone in the region is 2.7 million square km large. France's military presence in the Indian Ocean is very significant, as evident from the role of the French Armed Forces in the Southwest Indian Ocean (FAZSOI) in La Réunion and Mayotte. **France also takes part in three regional networks, the Indian Ocean Commission (since 1986), the Indian Ocean Naval Symposium since its creation in 2008, and the Indian Ocean Rim Association (born in 1995) since 2020.**

France's presence in the Indian Ocean largely explains why, looking at itself as a "sovereign nation of the Indo-Pacific", it was the first European country to adopt an Indo-Pacific strategy.⁷⁶ This approach, indeed, gained momentum under President Macron, whose interest in the region suggests an interesting comparison to personnel of the French Ministry of Defense, for whom the Indo-Pacific is to President Macron what the Euro-Mediterranean partnership was to President Sarkozy. Indeed, his speech at Garden Island naval base in Sydney, on the May 2, 2018, set the tone and the **French Indo-Pacific agenda based on four pillars: "1) the support to peaceful resolution of conflicts through dialogue, 2) French contribution to regional peace and security, 3) French involvement to sustain regional States sovereignty, 4) the need to take actions against climate change".**⁷⁷ To achieve these goals, President Macron aspired to create an "Indo-Pacific Axis", with India and Australia. After Australia denounced the French submarine deal in September 2021, India is even more prominently than before the partner of France in the Indo-Pacific.

In 2018, this partnership found expression in a Joint Strategic Vision of India-France Cooperation in the Indian Ocean Region⁷⁸ and a Logistic Support agreement,⁷⁹ which gave reciprocal access to each other's military facilities. While France and India have initiated joint manoeuvres in the Indian Ocean (and sometimes beyond) in 1983, these exercises have more recently reached a higher intensity level. In 2021, the

76 "France's Defence Strategy in the Indo-Pacific", Government of France, Ministry of the Armed Forces, 2019, p. 7.
77 See *Ibid.*, p. 12.

78 "Joint Strategic Vision of India-France Cooperation in the Indian Ocean Region", Government of India, Ministry of External Affairs, March 10, 2018. <https://www.mea.gov.in/bilateral-documents.htm?dtl/29598>

79 "India France sign strategic pact on use of each other's military bases", The Times of India, March 10, 2018. <https://timesofindia.indiatimes.com/india/india-france-sign-strategic-pact-on-use-of-each-others-military-bases/articleshow/63248889.cms>

19th edition of Varuna included for the first time the French aircraft carrier *Clemenceau*. The year before, joint patrols had taken place from La Réunion for the first time, thanks to the agreements signed during President Macron's 2018. **India was conducting Coordinated Patrols (CORPAT) with a country that did not belong to its neighborhood for the first time, a clear indication of the level of trust in France**, as an expert points out.⁸⁰ "Trust" is also the word French officials use to describe the quality of the Franco-Indian relations, be they based at the Elysée, at the Quai d'Orsay, or in the Ministry of Armed Forces. This proximity is fostered by material considerations (ranging from arms deals to the need to pool resources for controlling huge Exclusive Economic Zones), but also by a similar approach of the Indo-Pacific strategy. Certainly, this strategy is a response to China's expansionism in the region, and in the Indian Ocean in particular, but in contrast to the American perspective, France and India do not designate China explicitly as the Other that needs to be contained. True to their respective tradition, Gaullist on the one hand, Nehruvian on the other hand, they refuse to openly take sides. The French diplomats in charge of India and the Indo-Pacific advocate "a third way", open to all those who are not part of any camp and who are eager to "push back all kinds of hegemony" in the region, to paraphrase a French diplomat. Another one explains that **France tries "to be in a position to propose solutions to all the states of this space, notably, not exclusively, but notably in order not to leave these states facing what would be an exclusive choice of initiatives carried by China within the framework of the Silk Road. What we want is diversity, it is a choice"**. Besides security-related issues, besides nuclear cooperation and the Solar Alliance, the "blue economy" – valorization and protection of maritime resources and ocean governance – play a major role in Franco-Indian relations. Relevant collaborations also include the training of coast guards, the fight against piracy and illegal fishing, natural disaster management, etc.

Yet, France has developed and cultivated with India a relationship mostly based on strategic (and even military) considerations. A Ministry of Armed Forces advisor specializing in South Asia emphasizes the fact that **security is the "engine" of the Franco-Indian relations, and this dimension has gained momentum lately in the context of the French Indo-Pacific strategy**. Prefacing an early-2021 document called *France's Indo-Pacific Strategy*, Emmanuel Macron cited "security and defense" as the first pillar of this strategy, and **India is systematically listed as France's first partner in the region, even when the alphabetical order**

80 Rajeswari Pillai Rajagopalan, "What's behind the rising India-France maritime activity in the Indo-Pacific?", Observer Research Foundation, March 27, 2020. <https://www.orfonline.org/research/whats-behind-the-rising-india-france-maritime-activity-in-the-indo-pacific-63753/>

should suggest otherwise.⁸¹ The chapter on “Strategic Partnerships” begins with India. It mentions bilateral security cooperation and the fact that France joined the Indian Ocean Rim Association in December 2020, nine months after India joined the Indian Ocean Commission.⁸² Partnership with Australia, Japan, and the ASEAN are mentioned after that.

The stress on security that France is putting in this key document explicitly reflects apprehensions vis-à-vis China, which are made clear in the first chapter: “China’s power is increasing, and its territorial claims are expressed with greater and greater strength”.⁸³ This vision derives from President Macron’s Sydney speech itself, where he said that France’s Indo-Pacific strategy resulted from “a new series of game-changers” that included “the evolution of Chinese strategy in the region”. During the 2019 Shangri-La dialogue, Florence Parly similarly argued that cooperation with like-minded partners was “more necessary than ever, given Asia’s evolving security order and its challenges” with the emergence of “the building blocks of a global confrontation”.⁸⁴ This China factor is today responsible also for the rapprochement of other countries with India, but not necessarily in the same perspective.

2. The China factor: Europe between “balancing” and “diversifying”

The rise of China – in economic, geopolitical, and strategic terms – is today the variable that needs to be factored in first to make sense of India’s foreign policy. This is especially true since the China-India confrontation in the Himalayas in 2019.⁸⁵ These attacks from the Chinese military (in which 20 Indian soldiers were killed) and, more generally speaking, **China’s growing presence in the Himalayas have exacerbated India’s sense of vulnerability. It had already gained momentum after the launch of the Belt and Road Initiative, seen in India as an attempt to encircle the country by gaining a foothold in neighboring countries like Sri Lanka and Nepal. India’s apprehensions vis-à-vis China largely explains why New Delhi finally preferred not to become part of a China-dominated RCEP.**

81 “France’s Indo-Pacific Strategy”, French Embassy in Australia, 2021, pp. 3, 10, 55. https://au.ambafrance.org/IMG/pdf/en_indopacificque_web_cle0f44b5.pdf?13678/a892c4f93ab0687400274085650d6d72973af817

82 Ibid., p. 39.

83 Ibid. p. 9.

84 Speech by Florence Parly, IISS Shangri-La Dialogue, June 1, 2019. https://www.defense.gouv.fr/salle-de-presse/discours/discours-de-florence-parly/discours-de-florence-parly-ministre-des-armees_allocation-au-shangri-la-dialogue

85 Mathieu Duchâtel, Christophe Jaffrelot, “Escalation in the Himalayas - the Stakes for China and India”, June 23, 2020. <https://www.institutmontaigne.org/en/blog/escalation-himalayas-stakes-china-and-india>

And this is also why it was more interested than ever in getting closer to Europe, to make up for its relative isolation in terms of trade agreements and to balance US unpredictability under Donald Trump.

European countries were in a similar situation when their rapprochement with India became the order of the day in the course of the last decade. They realized that their old American ally was not as reliable as before and that it may return to a form of isolationism as well as protectionism. Simultaneously, they feared China’s expansionism (in geopolitical terms – see the making of artificial islands in the South China Sea – and economic terms, as evident from China’s huge investments on European soil). Europe’s vulnerability was further exacerbated by Brexit, which monopolized EU’s energy for several years and weakened it as well as the UK. In fact, Europe and India had so much in common that they got closer to each other almost by default. **Experts of European dynamics observe that “India and the European Union alike are under threat of becoming losers within this transformation process”.**⁸⁶ In other words, this partnership of potential “losers” is overdetermined by push factors rather than driven by pull factors. In this context, the European side does not necessarily look at India as a strategic partner like France has done for years. Fully aware that France lacks the adequate resources for a grand Indo-Pacific strategy aimed at “balancing” China, Paris is trying to promote “an ambitious EU strategy” in the Indo-Pacific.⁸⁷ But a senior French diplomat admits that the French “are a bit alone in Europe” when it comes to reinforcing the strategic dimension of the partnership with India.

3. Transforming the EU into India’s Strategic Partner?

The China factor is leading other Europeans to look at India as an important partner. Some countries have distanced themselves from China after they were requested to do so by the US – Poland, for instance. A Polish expert makes no mystery about the rationale of this shift, for which the ground had been already prepared by all kinds of “disappointments” vis-à-vis the Chinese attitude: “then Trump came and put the pressure on its allies and friends to be tough on China. So Polish foreign policy also changed to a large extent” – and turned, also to some extent, to India. Another geopolitical factor explains this – still limited – rapprochement: Poland appreciates

86 Gisela Müller-Brandeck-Bocquet, Philipp Gieg, Timo Lowinger, Manuel Pietzko, Anja Zürn, “India and the European Union: A Growing Responsibility to Cooperate in a Changing World”, in Philipp Gieg, Timo Lowinger, Manuel Pietzko, Anja Zürn, Ummu Salma Bava and Gisela Müller-Brandeck-Bocquet (eds), *EU-India Relations*, 2021, p. 5.

87 “France’s Indo-Pacific Strategy”, pp. 60, 69-71.

the fact that India can “be very tough on Russia” and the country looks for “friends who would put pressure on Russia”. Poland is certainly one of the EU countries whose worldview is largely overdetermined by strategic considerations.⁸⁸ But few other Europeans share this mindset.

Where does India fit in the German view of the Indo-Pacific?

Germany, a country “against arms export as an instrument of foreign policy”,⁸⁹ as pointed out by an expert, does not share the French view of the Indo-Pacific and India’s role in the region. Certainly, Berlin is eager to “diversify” and, as a German think-tanker puts it, “diversification means: do less with China and do more with others”. But this new roadmap does not necessarily mean that Germany will emulate a more strategic approach of India à la French.

First, German companies are not prepared to move away from China and to invest more in India. The general reluctance of European companies to “decouple” from China is particularly evident here.⁹⁰

Second, **German diplomats are skeptical as far as India’s geostrategic commitment is concerned: when France appreciates the Indian sense of strategic autonomy, Germany, which has always been closer to the US since WWII, sees it as a handicap.** One diplomat confides: “it is always a little bit difficult to follow their strategic autonomy, you know, they are very, very careful not to take sides, not to draw any alliances”.

Third, doubts about the possibility of relying on India to balance China and Russia are raised. On the one hand, **“India is very careful not to alienate China and Russia” because of border disputes with (and economic dependence from) China and because of Russian arms supply. On the other hand, India is not in a position to balance China,** “not in the next 30 years”, especially because “the gap between India and China is still widening” in economic as well as in scientific terms. The Indian state’s capability is also a concern. A German expert notes that the MEA is overstretched. India lacks diplomats and manpower at large, to engage

88 The country used to supply arms to India till the 1990s.

89 Germany is also the fifth largest arms exporter in the world: “Germany approves over €1 billion in arms deals to Middle East”, *DW*, January 3, 2021.

<https://www.dw.com/en/germany-approves-over-1-billion-in-arms-deals-to-middle-east/a-56118758>

90 Annabelle Timsit, “European companies have no intention of decoupling from China”, *Quartz*, June 10, 2021. <https://qz.com/2019470/european-companies-double-down-on-china-amid-tensions-and-covid/>

with Europeans and in particular for finalizing an FTA.⁹¹ This point is emphasized by another India-based European think-tanker: “The Indian state has a limited capacity [...] it may have the will, but it does not have the capacity, the basic capacity to negotiate things, manpower, womanpower to translate promises into practice”.

Fourth, according to the same think-tanker, **“India is still not so high on the foreign policy agenda in Germany” and, indeed, the German Indo-Pacific strategy relies more on ASEAN than on India for regional partnerships.**⁹²

The *Policy guidelines for the Indo-Pacific region* released by the German government in 2020 – avoiding the word “strategy” – emphasized the need for Berlin to pay more attention to Asia for geopolitical reasons, including China’s growing importance: “Hegemony, and also the consolidation of bipolar structures, would endanger an approach comprising deepened and diversified partnerships in the region. No country should – as in the time of the Cold War – be forced to choose between two sides or fall into a state of unilateral dependency”.⁹³ Certainly, this approach, where the fear of a new cold war is palpable, calls to mind the French notion of a “third way”. But the German view of the Indo-Pacific is less security-oriented. Germany is interested in developing an Indo-Pacific agenda for other reasons: “As an internationally active trading nation and proponent of a rules-based international order, **Germany – embedded in the European Union – has a great interest in participating in Asia’s growth dynamics and in being involved in shaping the Indo-Pacific region, as well as in upholding global norms in regional structures**”.⁹⁴ The need to “diversify”, therefore, is primarily related to the supply chains, in order to avoid “unilateral dependencies” and the need to save the “millions of jobs of Germany [which] depend on trade and investment relations”.⁹⁵ Instead of highlighting the security dimension like France does, Germany also wants to “engage in bilateral projects and with civil society to combat violent extremism and promote social cohesion” and to “work on the root causes of violent conflicts in the context of development policy”. Germany also intends to promote freedom of the press and “freedom of religion and belief, religious tolerance and the responsibility of the religions for peace in the Indo-Pacific region through regular dialogue formats”.⁹⁶

91 Something Indian analysts recognize more and more. Shashi Tharoor was one of the first Indian public figures to make that point.

92 A German diplomat spontaneously established this hierarchy: the German Indo-Pacific strategy “very much focuses on south-southeast Asia, the ASEAN countries, but also India, of course”.

93 “Policy guidelines for the Indo-Pacific region Germany – Europe – Asia: shaping the 21st century together”, German Federal Government, 2020, p. 3. <https://rangun.diplo.de/blob/2380824/a27b62057f2d2675ce2bbfc5be01099a/policy-guidelines-summary-data.pdf>

94 *Ibid.*, p. 2.

95 *Ibid.*, p. 3.

96 *Ibid.*, p. 9.

To achieve these objectives, the number one partner in the region for Germany is not India but ASEAN: the “policy guidelines” under review make it clear that the “Federal Government will strategically position and step up its engagement vis-à-vis ASEAN” and that it will also “strengthen the role of the EU as a partner of ASEAN” – as well as vis-à-vis a long list of regional institutions. This multilateral trope includes NATO which ought to develop some interest in the Indo-Pacific according to Berlin. ASEAN and East Asian countries (Japan, South Korea) are mentioned as Germany’s main partners for connectivity and “key technologies” – India is named only with regard to the “digital transformation”.⁹⁷

The German view of the Indo-Pacific is so “inclusive” (the word is used repeatedly) that China is referred to more than once in the German “guidelines” as a dialogue partner. Berlin, for instance, intends to “work in dialogue with China – a nuclear power and a party to the Non-Proliferation Treaty – to promote its willingness to engage in verifiable arms control and confidence building”.⁹⁸ The German government also wants to “support the EU’s negotiations on a comprehensive and ambitious investment agreement with China in order to eliminate existing market access asymmetries and to create fair and non-discriminatory conditions for competition”.⁹⁹

It appears then that **Germany is interested in a rapprochement with India not primarily to balance China but to “diversify”**. Asked about India’s role in this process of diversification, a German diplomat answers that “to diversify, we have India, we have our traditional allies, like, in East Asia, Japan and South Korea; and Southeast Asia is growing important for us”. This approach of the region may change if the German perception of China evolves. In a recent interview, Garima Mohan admitted that Germany was “the only European country” where the relation with India was “lagging”, but she thought that China was “forcing the hand of German politicians” by refusing their inclusive approach of the Indo-Pacific: when Berlin sent a frigate through the South China Sea in 2021, it wanted to show its good will to Beijing by making a port call in China, but the Chinese refused.¹⁰⁰

This episode has been seen by some observers as highly significant from two points of view: first, **Germany, “twenty years after its last naval presence in the region ended”, had sent a frigate in the Indo-Pacific for a six-month mission “to**

demonstrate that Germany actively stands up for the freedom of navigation in international waters and compliance with international law”.¹⁰¹ Second, the way things unfolded was symptomatic of the “recalibration of Germany’s previously Sino-centric Asia policy, which can be largely attributed to acknowledgement of the failure of the long-propagated approach of ‘change through trade’ to China”.¹⁰² Barbara Völkl makes this comment in the larger context of Defense Minister Annegret Kramp-Karrenbauer’s address on security policy in November 2019, when she pointed out that “There is general consensus that Germany must become more active to face its strategic challenges, that we must do more in order to protect our values and interest”. Whether the next German government continues to move in this direction remains to be seen.

Where does India fit in the EU strategy for the Indo-Pacific?

If Germany, France’s number one partner in Europe, is not as interested as Paris in developing a strategic relationship with India, where does the EU itself stand? France is not the only one in the EU to favor a more security-oriented EU strategy for the Indo-Pacific. In its official document released in November 2020 (a couple of months after the German guidelines), “Indo-Pacific: Guidelines for strengthening Dutch and EU cooperation with partners in Asia”, the Dutch government writes: “the EU must work more strategically in view of geopolitical developments”, including “China’s Belt and Road Initiative”.¹⁰³ The document even goes further:

“This means that **the EU must become more active in areas including security, as the EU acknowledges itself in the document on security cooperation in and with Asia. The EU must also not be afraid of realpolitik**. It should actively pursue its strategic interests, an endeavour in which power politics and principles can go hand in hand”.¹⁰⁴

This stand found expression in May 2021 when the Netherlands sent a frigate to accompany a UK Carrier Strike on its mission to Japan. Along the way, it also made a diplomatic stop to Indonesia,¹⁰⁵ a former Dutch colony – not to India. **The Dutch**

101 Barbara Völkl, “Germany: the inclusive Indo-Pacific power”, in James Bowen (ed.), *Europe’s Indo-Pacific Embrace: Global Partnership for Regional Resilience*, Perth USAsia Centre and the Konrad Adenauer Stiftung, 2021, p. 14.

102 Ibid., p. 15.

103 “Indo-Pacific: Guidelines for strengthening Dutch and EU cooperation with partners in Asia”, Government of the Netherlands, 2020, p. 3. <https://www.government.nl/documents/publications/2020/11/13/indo-pacific-guidelines>

104 Ibidem.

105 Maaïke Okano-Heijmans, “The Dutch approach to the Indo-Pacific: protecting core interest, advancing European common cause”, in James Bowen (ed.), *Europe’s Indo-Pacific Embrace: Global Partnership for Regional Resilience*, Perth USAsia Centre and the Konrad Adenauer Stiftung, 2021, p. 20.

97 Ibid., p. 11.

98 Ibid., p. 9.

99 Ibid., p. 10.

100 Rohan Venkataramakrishnan, “Interview: Garima Mohan on why AUKUS should only sharpen Europe’s focus on the Indo-Pacific”, Scroll.in, September 25, 2021. <https://scroll.in/article/1006146/interview-garima-mohan-on-why-aucus-should-only-sharpen-europes-focus-on-the-indo-pacific>

do not consider India as a key partner in the Indo-Pacific. The country is often listed last of potential partners:

“It is also in our geopolitical interests to collaborate more closely with like-minded countries such as Australia, Japan, New Zealand and South Korea, and with ASEAN countries that share our vision of an open, rules-based trading system and our commitment to an open, free and secure internet based on the principle that international law is applicable to the digital domain. We need to work more closely with these and other countries in the region, such as India, to promote effective multilateralism and to strengthen the international legal order.”¹⁰⁶

This is also true when the Dutch government calls on the EU to “promote democratic values and norms and continue to engage in dialogue about them with all countries in the region. To do so it can work jointly with like-minded partners, making use of its existing strategic and other partnerships with Australia, Japan, New Zealand, South Korea and India, as well as the Strategic Partnership with ASEAN that we hope will enter into force soon”.¹⁰⁷

For the Dutch, the EU is seen as the necessary architect of an Indo-Pacific strategy: most of the needed actions listed by the Guidelines begin by “the EU should...”. Many other European countries – small or big – lobbied the EU on the need for a European Indo-Pacific strategy, including France, which realized that its ambitions in the region needed the support of a stronger player.

Yet the EU seems to be more aligned with Germany and prioritizing a “civilian approach” in terms of capacity-building. Its emphasis on connectivity, for instance, echoes the German focus on development whereas France, because of its emphasis on a military-strategic approach, is “in the other extreme”, according to a Delhi-based European think-tanker. Indeed, EU’s DNA – and, by extension, that of its diplomacy – lies in its normative activity. Art. 3(5) of the Treaty of Lisbon, mentions, for instance:

“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, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and the protection of human rights [...] as well as to the strict observance and the development of international law, including respect of the principles of the United Nation charter”.

¹⁰⁶ Ibidem.

¹⁰⁷ Ibid., p. 6.

While values occupy most of the space in this paragraph, the first sentence brackets together “values and interests”. And if for some experts of the EU, “Norms are the basis of every strategic partnership of the EU”,¹⁰⁸ this approach sounded too idealistic to others and had somewhat been corrected. For Neil Winn, for instance, “The European Union Global Strategy (EUGS) of 2016 has responded to criticisms of the Union by abandoning the EU’s self-centric approach to external action purely based on normative values. Instead, the EU seeks to blend its traditional approach to policy with pragmatism. **Democracy promotion, good governance and human rights are still important in EU external policies, but they exist within a more pragmatic way of making policy in the EU governance structures.**”¹⁰⁹

The EUGS reflects a certain shift from values to interest and in particular security interests as one of its central focuses “is how international actors impact on European security”.¹¹⁰ This concern may potentially transform the EU into a geopolitical actor, a trend manifested in several initiatives lately.¹¹¹ If the EUGS reflects a new European sensitivity to security issues, it is because of a growing concern vis-à-vis the threat posed by China and the declining interest of the US in extending protection to Europeans. Hence a shift towards the language of power relations that is conducive to some rapprochement with India. Stefania Benaglia sets the terms of this debate very clearly: “if middle powers such as the EU and India join forces, they have a higher degree of success when dealing with larger powers such as the US and China”.¹¹² This is not the traditional language of the EU but the Union may increasingly go in this direction. A senior EU official confides: “with India, I see more difficulties for the EU on security and the military [...]. Because the EU votes as a block on security and also on defense, we are still evolving. We are not yet there. We do not yet have a European army; we do some joint operations”. But the same **senior EU diplomat is confident that the EU will change and he anticipates more “joint and naval exercises with the Operation Atalanta” and considers that “we can do much better on terrorism”.** This is what India is expecting from the EU, he says, before adding: “India is extremely satisfied and happy that the European Union is about [the interview took place in the spring of 2021] to announce

¹⁰⁸ “Norm Contestation in EU Strategic Partnerships”, p. 33.

¹⁰⁹ Neil Winn, “Between Competition and Cooperation: The EU Global Strategy as Means to Reinvigorate EU-Indian Cooperation?”, in Philipp Gieg, Timo Lowinger, Manuel Pietzko, Anja Zürn, Ummu Salma Bava and Gisela Müller-Brandeck-Bocquet (eds), *EU-India Relations*, 2021, p. 291.

¹¹⁰ Ibid., p. 293.

¹¹¹ Sébastien Lumet, Elie Perot, Clémence Pèlerin, “Une Union toujours plus géopolitique?”, *Le Grand Continent*, September 18, 2020. <https://legrandcontinent.eu/fr/2020/09/18/une-union-toujours-plus-geopolitique/>

¹¹² Stefania Benaglia, “Global Trends to 2030: A European Perspective on Challenges and Choices for the EU-India Strategic Partnership”, in Philipp Gieg, Timo Lowinger, Manuel Pietzko, Anja Zürn, Ummu Salma Bava and Gisela Müller-Brandeck-Bocquet (eds), *EU-India Relations*, 2021, p. 313.

a new strategy on the Indo-Pacific". Not only because "symbolically", India's *mare nostrum* is now on the map of the EU but also because its Indo-Pacific strategy is implicitly directed against China.

This strategy, released in September 2021, mentions China-oriented geopolitical concerns on page 2:

"In recent years, geopolitical dynamics in the Indo-Pacific have given rise to intense competition, including tensions around contested territories and maritime zones. There has been a significant military build-up, including by China, with the Indo-Pacific's share of global military spending increasing from 20% of the world total in 2009 to 28% in 2019. The display of force and increasing tensions in regional hotspots such as in the South and East China Sea and in the Taiwan Strait may have a direct impact on European security and prosperity. There is also an increase in hybrid threats, including on cyber security".¹¹³

If security interests are highlighted, they are rather low in the list of the objectives of the EU Indo-Pacific strategy:

"Sustainable and inclusive prosperity; Green transition; Ocean governance; Digital governance and partnerships; Connectivity; Security and defense; Human security".¹¹⁴

Many paragraphs of the document are dedicated to values, including human rights. One of them specifies that:

"The EU will remain a consistent defender of human rights and democracy and continue to use all tools at its disposal: political and human rights dialogues and consultations, trade preferences, and the mainstreaming of human rights considerations in all EU policies and programs. The EU will continue to use its restrictive measures (sanctions) regime against individuals, entities and bodies responsible for, involved in, or associated with serious human rights violations and abuses worldwide. In international fora, the EU will work with like-minded Indo-Pacific partners to push back any initiative that undermines the human rights enshrined in customary international law and in international human rights instruments".¹¹⁵

113 Josep Borrell (High representative of the Union for Foreign Affairs and Security Policy), "Joint Communication to the European Parliament and the Council - The EU strategy for cooperation in the Indo-Pacific", European Commission, September 16, 2021, p. 2.

114 *Ibid.*, p. 5.

115 *Ibid.*, p. 3.

In terms of partnerships, India does not figure very prominently. By contrast, ASEAN is presented as "an increasingly important partner for the EU".¹¹⁶

One full section entitled "the centrality of ASEAN" is dedicated to the "strategic partnership" that the EU and ASEAN have developed over the last 40 years and which "covers political, security, economic, environmental, climate and socio-cultural issues as well as connectivity".¹¹⁷ New Partnership and Cooperation Agreements (PCAs) are announced with Thailand and Malaysia. India appears in the list of the countries which already have an Indo-Pacific strategy and with which the EU is interested in a deeper "engagement", a list made of ASEAN, Australia, India, Japan, New Zealand, the Republic of Korea, the United Kingdom and the United States. At the same time, the document points out that **the EU, "while pushing back where fundamental disagreements exist with China, such as on human rights", will also "pursue its multifaceted engagement with China": "engaging bilaterally to promote solutions to common challenges, cooperating on issues of common interest and encouraging China to play its part in a peaceful and thriving Indo-Pacific region".¹¹⁸**

Interestingly, the document does not mention the role India could play in value chain diversification, a top priority of the EU, in particular since the Covid-19 pandemic. **India, the so-called "pharmacy of the world", should have been an obvious partner for the EU to free itself from its dependence vis-à-vis China in that field.** However, due to India's failure in fulfilling its commitments on the COVAX program in 2021 and some "loss of credibility", such incentive is lacking.¹¹⁹ Other European experts and diplomats emphasize the fact that India asked for help at the core of the pandemic, something the country, which had decided to refuse foreign aid two decades ago, had not done for years, therefore conceding vulnerability. The only example of diversification that the document gives pertains to semiconductors. In this domain, the EU intends to diversify "with partners such as Japan, the Republic of Korea and Taiwan".¹²⁰ Yet, India is mentioned a few pages later in a similar perspective: the EU will help "low and middle-income Indo-Pacific partners to secure access to the Covid-19 vaccine through the COVAX facility and through other means".

116 *Ibid.*, p. 1.

117 *Ibid.*, p. 5.

118 *Ibid.*, p. 4.

119 India is supposed to provide the UN with 2 billion doses in the framework of the COVAX scheme, but it has stopped exporting its version of the AstraZeneca vaccine, Covishield and Covaxin in March 2021 when it was badly affected by the second wave of the pandemic. See Tulip Mazumdar, "India's Covid crisis hits Covax vaccine-sharing scheme", *BBC*, May 17, 2021. <https://www.bbc.com/news/world-57135368>, and Nikhil Inamdar, Aparna Alluri, "How India's vaccine drive went horribly wrong", *BBC*, May 14, 2021. <https://www.bbc.com/news/world-asia-india-57007004>

120 "Joint Communication to the European Parliament and the Council – The EU strategy for cooperation in the Indo-Pacific", p. 6.

In this context, “India will be a focus for cooperation, including on the quality of active pharmaceutical ingredients”.¹²¹

By and large, despite the recognition of the geopolitical dimension, the EU Indo-Pacific strategy remains driven by economic considerations. India, whose main asset is geopolitical, does not figure prominently in it. The document emphasizes, for instance, that “Particular attention will be paid to implementing and enforcing the comprehensive trade agreements with Japan, the Republic of Korea, Singapore and Vietnam, and the Economic Partnership Agreement (EPA) with the Pacific States, as well as the EU investment protection agreements with Singapore and Vietnam that are expected to enter into force in the coming years”.¹²² While the launch of trade negotiations with India is hardly mentioned,¹²³ India appears as a partner for the EU in the realm of digital technologies.¹²⁴

Rather surprisingly, what the French see as India’s main asset, the strategic dimension, is not central in the EU document. Recent Europe-India military cooperation is out on par with their cooperation with Pakistan: “Over the past year, EU Naval Force Somalia (EU NAVFOR) – Operation Atalanta conducted successful joint naval activities with Indo-Pacific partners, including Japan, Pakistan, India and Djibouti”.¹²⁵ ASEAN also remains the main partner of the EU even from the military point of view: “The EU will seek to play a stronger role in the ASEAN security architecture and participate in the ASEAN Defence Ministers Meeting Plus (ADMM+) structures and the East Asia Summit”.¹²⁶ **India is listed as the EU’s first partner only in one area: “under the project Enhancing Security Cooperation in and with Asia (ESIWA), which covers counter-terrorism, cybersecurity, maritime security and crisis management.** The pilot partners are India, Indonesia, Japan, the Republic of Korea, Singapore, and Vietnam, with EU military experts already operating in Indonesia and in Vietnam.”¹²⁷

In conclusion, many European countries, and the EU as a multilateral entity, look at the Indo-Pacific today as a region where they need to invest to defend their

121 Ibid., p. 15.

122 Ibid., p. 7.

123 It is only said in the list of “highlights” that the EU is “resuming trade negotiations and starting investment negotiations with India”, a clear sign that this dimension of the collaboration is still at its initial phase.

124 “The digital partnership between the EU and India was strengthened in May 2021 with an agreement to deepen cooperation on emerging technologies, ranging from Artificial Intelligence to High Performance Computing and from Quantum Technologies to secure 5G technology and public sector digitalization”, Ibid., p. 10.

125 Ibid., p. 13.

126 Ibid., p. 14.

127 Ibidem.

interests (and their values) and balance China. For the moment, only France, which prioritizes a security-based approach, sees India as its main partner in the region. **But a consensus is emerging on a “third way” that has affinities with the Indian approach,** and others may join. In their Indo-Pacific strategy, like the EU, “France, Germany, and the Netherlands seek to avoid difficult positioning on the China question by insisting on ‘inclusivity’”,¹²⁸ a stand very similar to the care taken by India not to antagonize China.

But the trajectory of the Europe-India relations will probably depend on China’s policy more than anything else. Grare and Reuter convincingly argue that there are “two opposing approaches to inclusivity [in Europe]. The first approach reflects nothing more than a desire to avoid the China question by insisting on the need for cooperation with all, and by glossing over the potentially problematic aspects of the relationship. The second approach acknowledges conflicts of interest and differences in values with Beijing, but nevertheless calls for continued cooperation with China, as a way to push Beijing to adhere to internationally accepted standards and forms of behavior.”¹²⁹

India will probably not be comfortable with the European approach if the first version of “inclusivity” prevails and remains the order of the day *even if* China becomes more aggressive. In that case, New Delhi may move closer to the US – like Australia. In a way, the ball is in the court of Europe who, according to Grare and Reuter, does not have a clear vision: when asked which partners in the Indo-Pacific the EU should work with to ensure the success of its strategy in the region, only 5 countries name India (the same number as those selecting the US), against 7 which name post-Brexit UK and 21 ASEAN – and 12 countries name China among their top three partners in the region...¹³⁰ Correlatively, EU countries are divided on the question of whether China should be included in a free trade agreement with Indo-Pacific countries.¹³¹

Outside the EU but **at the center of the circle of European players who invest heavy political capital in the relationship with India, one must assess the position of the UK.** It is a position marked by echoes of the EU policy (on strategy in particular) and by singularity (people to people, migration) – and it is now an explicit competitor for EU countries and the EU itself.

128 Frédéric Grare, Manisha Reuter, “Moving closer: European views of the Indo-Pacific”, European Council on Foreign Relations, September 13, 2021, pp. 4-5, <https://ecfr.eu/special/moving-closer-european-views-of-the-indo-pacific/>

129 Ibid., p. 5.

130 Ibid., p. 8.

131 Ibid., p. 15.

IV

THE UK AND INDIA

While this report focuses on the EU and EU countries, it is important to pay attention to the UK, a country with the oldest bilateral relations with India. On the one hand, post-Brexit UK is keen on upgrading its economic relations with India and appears as a competitor of EU countries. On the other, the British approach to the Indo-Pacific has clear affinities with the perspective of some European countries, particularly the French one.

This focus on UK-India bilateral relations is authored by Jasmine Zérinini.

Until the UK-India Virtual Summit held in May 2021, the general perception of the relationship with India within the UK's business, academic and some political circles was one of missed opportunities, misunderstanding and overbearing historical grievances. Requests on the UK side for a widening entry on Indian markets were countered, on the Indian side, by demands for an increase in human migration. **Long-standing irritants, from Kashmir to Britain's close relationship to Pakistan, were all too often allowed to lock progress in other areas.**

This was best summed up in the UK House of Commons Foreign Affairs Committee Report *Building Bridges: Reawakening UK-India ties* published in 2019.¹³² While recognizing that India was an essential and an increasingly important partner of the UK, the report concluded that the UK was "falling behind other countries in its share of the country's global trade, international students, tourism, and as a defense partner."¹³³

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132 "Building Bridges: Reawakening UK-India Ties", UK House of Commons Foreign Affairs Committee, Eighteenth Report of Session 2017–19, June 11, 2019. <https://publications.parliament.uk/pa/cm201719/cmselect/cmfa/1465/1465.pdf>

133 *Ibidem*.

Part of this frustration emerged because of the unique situation of the United Kingdom: **a 1.5 million strong diaspora of Indian origins creating a "bridge of people" between both countries**, built from migration going back to the colonial period and strengthened today by the strong international reputation of UK universities and the economic dynamism of the Indian community.

Though this aspect of the relationship was no doubt giving it a particular flavor and making the people-to-people aspect more intricate and deeper compared to other European countries, it could not prevent noticeable mismatches between India's and the UK's interests.

In that context, the recent Prime Ministerial Summit has been hailed as ground-breaking, a significant step forward designed to move beyond the current stagnation, act upon the recognized strategic character of the relationship, and catch up with other European states.

It is too early to pass definitive judgment on the achievements and progress but not to assess whether the "relaunched" UK-India partnership is seen to deliver on the fronts which business and civil society hold to be the most important.

In order to do this, it is important to first look at the recent past and establish a picture of the UK-India relationship in the European context.

1. The State of Play before 2021 – the UK as a Partner among Others

The UK has consistently strengthened its diplomatic and commercial presence in India over the past 20 years. It now has 11 posts in the country and over 800 staff, more than any other government. Since the mid-2010s, trade has seen a growing focus from these missions, with growing success.

.../...

Between 2001 and 2017, the trade between the UK and India doubled from USD 5 billion to USD 10.1 billion.¹³⁴ Yet, as a comparison, trade between France and India in 2017 stood at nearly the same level, with 10.68 billion euros¹³⁵ and trade between Germany and India at nearly USD 22 billion.¹³⁶

As far as **India's imports to the UK** over the same period are concerned, the flows were **largely oriented towards agricultural and food products as well as manufactured goods requiring low technicity.** From the mid-2010s onwards, those flows have tended to diversify and include more technical goods but they remained dominated by primary-based manufacturing products, such as “furnishing articles of cotton, footwear leather products” and food exports.¹³⁷

With regards to industry, ArcelorMittal, Hinduja and Tata¹³⁸ have become household names in the UK. They are famous for their huge investments and takeovers. But beyond the eye-catchers also lies a very dynamic and diverse Indian economic community. In 2020, the 65,000 businesses run by members of the Indian diaspora “had a combined turnover of more than £36.84 billion and paid over £1 billion in tax”. They employed 110,793 people.¹³⁹

Still, as the UK House of Commons Foreign Affairs Committee Report noted:

“But while India is among the top four investors in the UK, and the third-largest creator of jobs, trade is lagging behind its potential.

.../...

While it is true that UK-India trade has ‘grown rapidly’ in the last two decades, India’s global trade has grown three times faster. As a result, the UK has gone from being India’s second-biggest trade partner in 1998–99 to 17th in 2018–19.”¹⁴⁰

In the defense and security sectors as well, that same report commented that the UK had “largely missed” the opportunity to accompany the development of India’s defense industry¹⁴¹ and lagged behind the US and France, which had more successfully managed to reorient their defense and security cooperation away from Pakistan.

Finally, in the fields of human exchanges and migration, the promises held by the societal, cultural and historical bonds between the two countries did not seem to translate into particular advantages.

As its place in the UK economy was growing, the Indian diaspora has desired a more visible and active role in domestic politics. Champions, such as Alok Sharma and Priti Patel, both ministers in one or the other of Boris Johnson’s governments, largely owe their breakthrough on the UK political scene to their relentless advocacy of a closer relationship with India. The decline of the Indian vote for the Labour party over the last 10 years can also be seen as a consequence of the emergence of those new politicians, close to the BJP, promoting a relationship reflecting the economic dynamism of the Indian diaspora and less representative of its Muslim component. In its internal report on the December 2019 defeat, the Labour party noted that “Hindu voters who had supported Labour in 2017 were 42 percent likely to withdraw their support in 2019 – compared to Muslim voters who were 80 percent likely to stick with Labour”.¹⁴²

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134 S.P. Sharma, “India – UK Trade Relations and Societal Links: Way Forward”, PHD Chamber of Commerce and Industry, December 2018. <https://www.phdcci.in/wp-content/uploads/2018/12/Paper-presented-at-University-of-Portsmouth-on-India-UK-Trade-Relations-and-Societal-Links-Way-Forward.pdf>

135 “India-France Bilateral relations Bilateral Brief”, Embassy of India, April 2018. http://mea.gov.in/Portal/ForeignRelation/Bilateral_Brief_Paris_Apr_2018.pdf

136 See Appendix 3.

137 Sandeep Kaur Bhatia, Mandeep Bhardwaj, Parmjeet Kaur, “An Empirical Analysis of UK-India Bilateral Trade”, in Sandeep Kaur Bhatia (ed), *BREXIT and India: Analyzing the implications*, 2018, pp. 3-33.

138 Tata Motors is particularly famous for its acquisition of Jaguar Land Rover in 2008. The company is one of the UK’s biggest with nearly 45,000 employees in 2019.

139 “India in the UK: The Diaspora Effect”, Grant Thornton, High Commission of India, FICCI, February 2020. <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/documents/india-in-the-uk-the-diaspora-effect.pdf>

140 “Building Bridges: Reawakening UK-India Ties”, UK House of Commons Foreign Affairs Committee, Eighteenth Report of Session 2017–19, June 11, 2019, p. 8. <https://publications.parliament.uk/pa/cm201719/cmselect/cmfaff/1465/1465.pdf>

141 *Ibid.*, p. 18.

142 UK domestic politics have borne the consequences of the increasingly polarised political landscape in India since Modi: “Election Review 2019”, *Labour Together*, 2019. <https://electionreview.labourtogether.uk>

But in spite of the aspirations, **the people-to-people rapprochement was constrained by stringent migration control policies**, which peaked in the Theresa May pre-Brexit government, and incoherent policies promoting, on the one hand, the expansion of global commercial ties while on the other, drastically reducing migration. As a consequence, the UK's attractiveness for Indian students, skilled workers and tourists, was hurt, leading key diaspora representatives like Lord Karan Bilimoria threatening that the bridge between the two countries was about to be broken.¹⁴³

Four years later, in 2021, the UK-India Strategic Partnership document in the shadow of which the Johnson-Modi Virtual Summit was held, was claiming to reset the relationship. It seemed to finally recognize its strategic character, and in a post-Brexit United Kingdom, act upon the growing influence India plays on the global stage and the centrality of the India-UK relationship from business to defense via migration.

2. A Reset? Brexit, the Indo-Pacific tilt and 2050 Roadmap for the Future

The lack of strategic perspective which characterized the UK's sleepwalk into Brexit has benefited India. The need to redefine the UK's place and role on the international scene after Brexit has led to a bold search for new partners, pioneering economic arrangements and reinforced security cooperation outside of Europe, making it the ex-post "purpose of Brexit", according to a prominent UK MP. According to another interlocutor in the UK administration, the country's message on greater policy flexibility and more creative arrangements as well as its reaffirmation of a global role (at times controversially linked to the colonial past) resonates with India, itself still in search of full recognition as a key global player. In addition, both countries found common strategic ground in their ambivalence towards China.

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¹⁴³ Lord Bilimoria is the founder of Cobra Beer, a life peer in the UK House of Lords, and the current chair of the Confederation of British Industries. See his interview with Shaun Ley on *The World This Weekend*, BBC, November 13, 2016. <https://www.bbc.com/news/uk-politics-37950198>

The Integrated Review (IR), "Global Britain in a Competitive Age", was published by the UK government in March 2021. It places Britain, revitalized by its escape from the EU, at the center of international policy-making. It also makes a compelling case for the search for trade deals, the exploration of new partnerships in innovative industries and makes much of India as a key component of success to the UK's Indo-Pacific tilt.

On the trade and business sides, there is patent energy presiding over the current discussions over the launch of a bilateral trade deal. The negotiation itself, to be launched in the autumn, follows the signature of an Enhanced Trade Partnership by the UK Trade Secretary and the Indian Commerce Minister in May 2021. **The future agreement, presented as aiming to double trade between the two countries by 2030 and reducing market barriers, has strong appeal for India as well, a year after signing out of the China-led Regional Comprehensive Economic Partnership (RCEP) and as the EU-India trade talks are due to resume later in 2021 after an 8-year gap.** It would, in addition, enable India to boost trade with one of the few countries with which it has a trade surplus and where the overall bilateral trading patterns show a high complementarity.¹⁴⁴

The IR also emphasizes Science and Technology diplomacy, through flagship projects like the vaccine partnership through Oxford University, AstraZeneca and the Serum Institute. According to one interlocutor involved in policy-making with India, the expectation on both sides appears to be that such projects will take the relationship forward and act as symbols of a new, future-looking Indo-UK cooperation, a positive joint contribution to resolving global challenges.

India's influence as a game-changer on climate change is also recognized by the UK, with one of our interlocutors considering it "vital to the success of COP26".¹⁴⁵ Similarly ambitious projects at the bilateral or multilateral level are being designed as part of the new UK-India partnership. A USD 1.2 billion package was announced in September 2021 to help drive India's green growth.¹⁴⁶

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¹⁴⁴ Puneet Kumar Arora, "Why India is Warming up to a Trade Deal with the UK", Mint, July 27, 2021. <https://www.livemint.com/economy/why-india-is-warming-up-to-a-trade-deal-with-the-uk-11627281554442.html>

¹⁴⁵ Interview, June 18, 2021.

¹⁴⁶ Zaini Majeed, "India, UK Announce Climate Change Agreement, Investments At Economic & Financial Dialogue", Republic World, September 2, 2021. <https://www.republicworld.com/world-news/rest-of-the-world-news/india-uk-announce-climate-change-agreement-investments-at-economic-and-financial-dialogue.html>

At the multilateral level, both countries are driving discussions around a still vague “World Bank for green energy”.¹⁴⁷

However, while industrial cooperation is likely to develop in India’s own interest, the limits to India’s alignment with the UK on climate change are clearer than the UK is willing to admit publicly. As mentioned before, the country was the only one to miss the preparatory meeting to the COP26 in July 2021, having rejected the week before the language agreed by the G7 on net-zero emissions.¹⁴⁸

The IR builds upon a real convergence of interests and ambitions in the Indo-Pacific, a new politico-strategic concept which has imposed itself rapidly in the UK.¹⁴⁹ For one, India claims to become the new “net security provider” in the region.¹⁵⁰ **The UK, calling on its past as a “maritime nation” sees itself increasingly drawn to global prosperity-driving Asia, a part for which it will require not just new trade but new security cooperation.**¹⁵¹

In diplomatic and security terms, the impending shift has a series of consequences on the relationship with India.

First, it presupposes a reinforced security and defense cooperation. Second, it must adjust and develop in the context but not directly against a more assertive China. Despite the enthusiasm the Indo-Pacific concept has generated in the UK, the role Britain wants to assign India seems over-ambitious and numerous questions remain unanswered.

Defense procurement and cooperation, for one, remain mired in difficulties. Even as India was becoming in the period 2000-2020

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one of the world’s two biggest importers of weapons, the UK’s share was sharply declining. The inability on the UK side to conclude Government-to-Government (G2G) deals, which India prefers, means the big contracts of the period eluded the UK but for the USD 737 million Howitzer guns deal struck by BAE Systems in 2017. And while “the UK is also hoping to help the Indian government redesign the way it handles procurement contracts in the future, having overhauled its own defense equipment and supply systems since 2010. This last plan is one some Indians have questioned, pointing out that the UK has botched its own major procurement processes”.¹⁵²

Development cooperation has not been as fruitful as hoped on the UK side, slowed on the Indian side by heavy bureaucratic processes and, at times, optimistic but unqualified partners. The pace and the too often unfulfilled ambitions of Indian partners are sources of frustration.¹⁵³ Patience, resilience and trial and error with Indian partners are seen as necessary components of a relationship.¹⁵⁴ One interviewee voiced frustration at the lack of long-term plan and reactionary nature of Indian demand for procurement, a view which echoes that of defense analysts.¹⁵⁵

With the UK’s relationship with Russia soaring over the past 10 years, India’s close defense cooperation with Russia complicates developments. Russia’s share of Indian imports has decreased but the country remains India’s first source of defense procurement. In fact, parallel to the upgrading of India’s defense relationship with the US and the UK, the country was signing to USD 15 billion of defense procurement deals between 2019 and 2021.

This ambivalence, as a senior executive of one of them points out, sits uneasily with UK firms, which see it bringing risk to intelligence sharing and placing limits on joint projects.¹⁵⁶ Even as the two countries seem ready to

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147 “India, UK Plan World Bank for Green Energy”, Mint, August 17, 2021. <https://www.livemint.com/industry/energy/india-and-uk-to-explore-setting-up-a-global-bank-for-green-energy-11629198835168.html>

148 Jessica Shankleman, Alberto Nardelli, Archada Chaudhary, “India skips key meet on climate change in UK, says made its stand clear at G20”, Mint, July 28, 2021. <https://theprint.in/india/india-skips-key-meet-on-climate-change-in-uk-says-made-its-stand-clear-at-g20/704551/>

149 It has, for instance, led to the reorganisation of the Foreign, Commonwealth and Development Office into three Indo-Pacific geographic directorates, which exclude Pakistan and Afghanistan, under a single Director General.

150 “India can act as net security provider in Indian Ocean Region: Defense minister”, *Hindustan Times*, February 3, 2021. <https://www.hindustantimes.com/india-news/india-can-act-as-net-security-provider-in-indian-ocean-region-one-of-three-Indo-Pacific-geographic-directorates-under-a-single-Director-General-who-does-the-Indo-Pacific-defence-minister-101612365053505.html>

151 Interview, June 9, 2021.

152 Kiran Stacey, “Britain changes strategy on selling arms to India”, *Financial Times*, April 12, 2017. <https://www.ft.com/content/35b0f918-1eab-11e7-a454-ab04428977f9>

153 Interview, May 17, 2021.

154 Ibid.

155 Ibid. See Amit Cowshish, “It Is Time to Accept That India’s Defense Planning Is Crippled by Severe Financial Woes”, *The Wire*, August 24, 2020, <https://thewire.in/security/india-defence-planning-procurement-finance-ministry>, or Pushan Das, “India’s Defense Procurement Policy 2021: Old Wine in a New Bottle”, Observer Research Foundation, April 15, 2020. <https://www.orfonline.org/expert-speak/indias-defence-procurement-policy-2020-old-wine-in-a-new-bottle-64673/>

156 Interview, May 17, 2021.

innovate with a Government-to-Government framework (signed in 2020), and an ambitious 2019 Memorandum of Understanding spanning over co-development and co-production of the next generation of combat aircraft, maritime propulsion system and complex weapons,¹⁵⁷ strategic issues such as this are unlikely to go away.

The same applies to the ambivalence towards China, and the UK's expectation of India's role towards it. Though the UK Prime Minister seems bent on preserving the crucial economic relationship with China, members of his party and the opposition have been leading campaigns to sanction China on Human Rights violations against Uighurs and its policy in Hong Kong. Overall, the UK walks a tight policy line between claims to decouple and even oppose China and claims for pragmatism mainly based on China's economic weight. This antagonism is not reflected in Indian policy which needs a peaceful environment to develop and grow. **Any averted conflict, commercial or worse, with China would adversely affect India's development.**

So it remains to be seen, as one commentator put it, "quite how the Indo-Pacific will work when one of the key potential partners has so many reservations about the idea in the first place."¹⁵⁸

With regards to migration, there is a widespread expectation in India that the tight migration controls the Theresa May government had strived to put in place will be lifted for Indian skilled workers, businesspeople and students.

The Migration and Mobility Partnership Memorandum of Understanding which forms part of the broader Strategic Partnership signed in May 2021 has been presented by the UK authorities as addressing that hope. The MoU contains several provisions, some of which lift the previous requirements for entry into the UK. It also introduces a remodeled program for 18–30-year-olds. Called the Young Professional Scheme (YPS), it is, as has been noted, reminiscent

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of the Erasmus + Route in that it will enable 3,000 skilled young people – therefore post-education – to stay and work in UK companies registered with the scheme for up to two years.¹⁵⁹

While the YPS needs to be recognized as a move forward in addressing India's grievances and expectations on the immigration front, its limits are obvious. Not only does it only apply to the educated youth, but also the places on offer per year are few as such, with respect to the much-praised strategic partnership, and in comparison with other bilateral schemes.¹⁶⁰

Seen as a whole, the underlying direction in the document is one of promoting short-term stays and visits, not migration. In fact, any such openings like the YPS remain shrouded in legality once uncertainty after migrants have stayed for the allowed two-year period. On the opposite, certainty applies with regards to the provisions to remove illegal migrants and return them to their country of origin.

By all accounts, though much progress has been made compared to the days of Theresa May's government, the tension remains between the "Global Britain" motto advocated by the FCDO and the Home Office-led policy of controlled migration.

3. Human Rights – can India's Record Stand in the Way of a Stronger Relationship?

India's democratic credentials are often put forward as one of the pillars of the relationship by UK policy-makers. At the bilateral Virtual Summit, **Boris Johnson claimed that "The UK and India share many fundamental**

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157 Rahul Roy-Chaudhury, "India, UK Have a Roadmap for Defense, Security Ties, but Pursuing It Will Be a Challenge", *The Wire*, May 28, 2021. <https://thewire.in/diplomacy/india-uk-have-a-roadmap-for-defence-security-ties-but-pursuing-it-will-be-a-challenge>

158 Philip A. Berry, "The Review and Anglo-American Relations", in Joe Devanny, John Gearson (eds), *The Integrated Review in Context: A Strategy Fit for the 2020s?*, KCL School for Security Studies, Centre for Defense Studies, July 2021. <https://www.kcl.ac.uk/warstudies/assets/the-integrated-review-in-context.pdf>

159 Liz Barratt, "The New Migration and Mobility Partnership with India - What We Know Now", *Bindmans Insights*, May 17, 2021. <https://www.bindmans.com/insight/updates/the-new-migration-and-mobility-partnership-with-india>
160 Numbers offered to the countries benefiting from the largely similar Youth Mobility Scheme are either higher per se or proportionately: 30,000 places for Australia, 13,000 for New Zealand, 6,000 for Canada, 1,500 for Japan and 1,000 for South Korea. These are partners the UK has been courting post-Brexit and/or with which migration has never been as contentious as with India.

values” and that “The UK is one of the oldest democracies. And India is the world’s largest.”¹⁶¹ Those common values seem even more valued and being compared to the increasingly authoritarian trajectory followed by Xi’s China, which several groups in Parliament, most notably the China Research Group led by eminent Tories, have denounced.

As it contrasts India with China as a long-term partner and invests ever more into the relationship, the UK government seems to be ignoring that India’s very credentials are far from being unchallenged by most international think tanks and in ratings since Narendra Modi’s ascent to power.

The numerous academic publications, often by UK-based scholars or think tanks,¹⁶² or reports such as that of the V-Dem Institute at the University of Gothenburg, which in its 2021 edition documents **India’s descent into “electoral autocracy” under Modi**¹⁶³ have had no impact on policy-makers. The latest FCDO report on *Human Rights and Democracy: 2020*, published in July 2021, at no point expresses concern at the shrinking space of civil liberties documented by academics, NGOs and journalists. It has only a passing reference to the Delhi riots of January 2020 – the worst communal riots targeting Muslims since Partition – and a rather cryptic comment on the 2019 Citizenship Amendment Act laws, noting that the FCDO had “raised concerns with the Indian authorities about the impact of legislative and judicial measures on members of religious minorities.”¹⁶⁴

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“Realpolitik” dominates. The “imperfection” of India’s democracy is accepted, to quote a UK MP.¹⁶⁵ In the Foreign Commonwealth and Development Office, the ambition appears to be a relationship so close “no unpalatable subject is eluded” and comparisons are made with the relationship with the US and issues like the death penalty. Yet India’s sensitivity to comments on its domestic policy, including on Human Rights, is acknowledged and public forms of criticism are avoided.¹⁶⁶

In contrast to the official public apathy on the subject, the UK is unique among European countries to be facing sustained pressure from Human Rights groups and civil society to denounce the Modi government’s record against religious minorities. Sections of the Indian diaspora, often but not exclusively of Muslim origin, are regularly asking questions in Parliament through their MPs and organizing protests.¹⁶⁷ There is, unlike in any of India’s partners in the West, “a consistent level of parliamentary interest in Indian affairs”.¹⁶⁸

Yet, as rivalries and tensions with China deepen and China is seen in the UK more as a problem-maker and competitor than a partner, it seems highly unlikely that those groups, which represent a small minority of the overall pro-Modi Indian community, would be able to change the course or even introduce some restraint to the courting of India by the UK. The desertion of the Labour party by the Indian diaspora will increase the pressure of all UK political parties not to confront Modi on human rights or authoritarianism but instead praise Indian democracy as an unchanging reality.

161 Press Release, “Prime Minister welcomes new era in UK-India relationship”, Government of the United Kingdom, May 4, 2021. <https://www.gov.uk/government/news/prime-minister-welcomes-new-era-in-uk-india-relationship>

162 Two of the most recent ones being *To Kill a Democracy: India’s Passage to Despotism* by Debasish Roy Chowdhury and John Keane, Oxford University Press, 2021 and the July edition of the Economist Intelligence Unit’s Democracy Index. In the latter, India slipped two places to 53 out of 167 and was categorised a “flawed democracy”. “Democracy Index 2020: In sickness and in health?”, Economist Intelligence Unit, 2020. <https://www.eiu.com/n/campaigns/democracy-index-2020/>

163 “Autocratization Turns Viral Democracy Report”, V-Dem Institute, University of Gothenburg, March 2021. https://www.v-dem.net/media/filer_public/74/8c/748c68ad-f224-4cd7-87f9-8794add5c60f/dr_2021_updated.pdf

164 “Human Rights and Democracy: 2020 Foreign, Commonwealth & Development Office Report”, Government of the United Kingdom, Foreign, Commonwealth & Development Office, July 8, 2021. <https://www.gov.uk/government/publications/human-rights-and-democracy-report-2020/human-rights-and-democracy-2020-foreign-commonwealth-development-office-report>

165 Interview, June 9, 2021.

166 Interview, June 18, 2021.

167 The most recent protest took place on Independence Day. Kallol Bhattacharjee, “Diaspora group protests in London, seeks PM Modi’s resignation”, The Hindu, August 15, 2021. <https://www.thehindu.com/news/international/diaspora-group-protests-in-london-seeks-pm-modis-resignation/article35922671.ece#:~:text=The%20protest%20began%20early%20in%20the%20morning%20in,launched%20a%20social%20media%20campaign%20on%20the%20occasion>

168 Interview, June 18, 2021.

CONCLUSION

SIGNALING AND BEYOND

The recent densification of the Europe-India relations is unprecedented in terms of high-profile visits, summits and joint statements. This rapprochement has as much to do with push as with pull factors. Certainly, European countries are India's major trade partners and European companies have invested massively in India over the last few years. **But Europeans are increasingly skeptical vis-à-vis India's economic development and the possibility of any substantial FTA for which negotiations have nonetheless resumed.**

RECOMMENDATIONS

The level of mutual trust would increase if signals were sent by both sides.

RECOMMENDATION #1

The EU should meet India's expectations regarding visas for professionals by opting for a policy of talent-driven migration. India, for its part, could defuse European apprehensions regarding its multifaceted forms of protectionism by revising tariffs on key commodities.

RECOMMENDATION #2

The EU and India could play a major role on the global digital scene if New Delhi passed a Personal Data Protection Bill similar to the European General Data Protection Regulation.

The fulfillment of recommendations 1 and 2 would be more likely to take place if the EU and India invested in human resources specialized in trade negotiations as well as in data laws and regulations: channels of communication and negotiations would then improve, making the political will of leaders translate into something concrete.

There is no consensus in Europe on the idea of like-mindedness between India and the Old Continent: while officials claim that Europe and India have democracy in common, an increasingly large number of dissenting European voices argue that human rights are under attack in "the world's largest democracy". Others – or the same – are not convinced either that India is considering environmental issues as a priority.

RECOMMENDATION #3

To reduce the communication gaps on political and societal values, people-to-people relations should be promoted with a priority placed on more intense student exchanges and cooperation between civil society organizations. NGOs with a presence in both Europe and India, such as Amnesty International, could be invited by the EU and the Indian governments to initiate a dialogue with other representatives of civil society in Europe and India. These interactions could be part of the EU-India Bilateral Human Rights Dialogue or could take place separately.

RECOMMENDATION #4

The common concern regarding climate change that Europe and India are articulating should find expression in joint efforts going beyond transfers of technology or financial aid: environmentalists of both sides could be invited to increase societies' awareness of challenges as well as solutions. Here again, civil society organizations have a role to play.

In spite of Europeans' growing skepticism vis-à-vis the possibility of intensifying economic relations and the so-called notion of "like-mindedness" between India and Europe, **the Europe-India rapprochement is bound to continue to increase because of China.** Both sides feel the need to join hands vis-à-vis this rising power; they also – even in the UK to a lesser extent – share some apprehensions vis-à-vis the American reliability – and **want to avoid the creation of global blocs again.** However, to make this rapprochement meaningful and sustainable more detailed recommendations can be made.

RECOMMENDATION #5

Different forms of partnership need to be explored by the EU and India in order to neutralize rivalries and explore complementarities. While India may become a strategic partner of the EU to balance China, it may also help the EU to diversify its sourcing and contribute to alternative forms of diplomacy. For instance, in the pharmaceutical industry, not only could India and Europe cooperate to reduce their dependence on China in the supply chain,¹⁶⁹ they should also emulate the Quad and introduce a similar division of labor where India would produce the vaccines European countries could distribute throughout the Global South.

RECOMMENDATION #6

If the EU is the best format to address supply chain issues, conduct trade negotiations and engage in vaccine diplomacy, European countries have their own space to cultivate deeper engagement with India in various formats. They may engage countries with which India cultivates good relations in its region like the other members of Quad and the UK, with which most of Europe has affinities. A “Quad+” format where EU countries would be represented could signal to India the convergence of some of its key partners.

The fulfillment of such recommendations presupposes that EU countries value security issues as their priority and converge more in their analysis of China. Some of them are dependent on China, others are willing to engage with the country – and the same are sometimes ambivalent, like India itself. **In fact, the future of the relationship between Europe and India will to some extent be a function of the Chinese strategy: will Beijing force both sides, who would like to invent a third way, to choose their camp, or will they try to be more accommodating?** If the former scenario prevails, the Indo-Pacific may well be the epicenter of a new kind of cold war in which European countries and India will have much in common – by default. But if, in this context, Europe remains non-committal, India may get even closer to a more anti-Chinese power, the US, like Australia and the UK have just made by creating AUKUS.

169 Christophe Jaffrelot, Vihang Jumble and Maitreyee Kishor, “Indian Pharma: A Global Leader Under Pressure”, Institut Montaigne, November 6, 2020. <https://www.institutmontaigne.org/en/blog/indian-pharma-globalLeader-under-pressure>

APPENDIX 1

INDIAN HIGH-LEVEL OFFICIAL VISITS TO EUROPE

Visits by Prime Minister Manmohan Singh and Prime Minister Narendra Modi

Country / EU	Manmohan Singh (2004-2014)	Narendra Modi (2014...)
France	4 visits (2005, 2008, 2009, and 2011)	5 visits (2 visits in 2015, 1 visit in 2017, 2 visits in 2019)
Germany	4 visit (2006, 2007, 2010 and 2013)	4 visits (1 visit in 2015, 2 visits in 2017, 1 visit in 2018)
Italy	1 visit (2009)	0 visits
Netherlands	0 visits	1 visit (2017)
Poland	0 visits	0 visits
Portugal	0 visits	1 visit (2017)
United Kingdom	4 visits (2004, 2005, 2006 and 2009)	2 visits (2015 and 2018)
European Union	2 visits (2004 and 2010)	1 visit (2016)
Total	15 visits	14 visits

Visits by Indian Ministers of External Affairs under NDA governments

Country / EU	Sushma Swaraj (2014-2019)	Subrahmanyam Jaishankar (2019...)
France	1 visit (2018)	1 visit (2019)
Germany	1 visit (2015)	1 visit (2020)
Italy	1 visit (2018)	1 visit (2019)
Netherlands	0 visits	1 visit (2019)
Poland	0 visits	0 visits
Portugal	0 visits	0 visits
United Kingdom	2 visits (2014 and 2016)	2 visits (2019 and 2021)
European Union	1 visit (2018)	1 visit (2020)
Total	6 visits	7 visits

Visits by Prime Minister Narendra Modi

Country / EU	Year	Type of visit
France	2019	Bilateral visit
France	2019	G7 summit
United-Kingdom	2018	Commonwealth meeting
Germany	2018	Bilateral visit
Germany	2017	G20 summit
Netherlands	2017	Bilateral visit
Portugal	2017	Bilateral visit
Germany	2017	Bilateral visit
France	2017	Bilateral visit
European Union	2016	EU-India summit
France	2015	COP21 meeting
United-Kingdom	2015	Bilateral visit
France	2015	Bilateral visit
Germany	2015	Bilateral visit

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Visits by Indian Ministers of External Affairs under UPA governments

Country / EU	Pranab Mukherjee (2006-2009)	Salman Khurshid (2012-2014)
France	0 visits	1 visit (2013)
Germany	1 visit (2007)	1 visit (2013)
Italy	0 visits	0 visits
Netherlands	0 visits	1 visit (2014)
Poland	0 visits	0 visits
Portugal	0 visits	0 visits
United Kingdom	0 visits	1 visit (2014)
European Union	1 visit (2007)	1 visit (2013)
Total	2 visits	5 visits

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Visits by Minister of External Affairs Subrahmanyam Jaishankar

Country / EU	Year	Type of visit
United-Kingdom	2021	Bilateral visit
European Union	2020	Foreign Affairs Council
Germany	2020	Munich Security Conference
Italy	2019	Bilateral visit
France	2019	Paris Peace Forum
Netherlands	2019	Bilateral visit
United-Kingdom	2019	Commonwealth Foreign Affairs Ministers' Meeting

Visits by former Minister of External Affairs Sushma Swaraj

Country / EU	Year	Type of visit
France	2018	Bilateral visit
Italy	2018	Bilateral visit
European Union	2018	Bilateral visit
Italy	2016	Meeting with Foreign Minister Paolo Gentiloni
Germany	2015	Bilateral visit
United-Kingdom	2014	Bilateral visit

Visits by former Prime Minister Manmohan Singh

Country / EU	Year	Type of visit
Germany	2013	Bilateral visit
France	2011	G20 summit
European Union	2010	EU-India summit
Germany	2010	Bilateral visit
United-Kingdom	2009	G20 summit
Italy	2009	G8-G5 visit
France	2009	Bilateral visit
France	2008	Bilateral visit
Germany	2007	G8 summit
United-Kingdom	2006	Bilateral visit
Germany	2006	Bilateral visit
France	2005	Bilateral visit
United-Kingdom	2005	G8 summit
European Union	2004	EU-India Summit
United-Kingdom	2004	Bilateral visit

Visits by former Minister of External Affairs Salman Khurshid

Country / EU	Year	Type of visit
Netherlands	2014	Nuclear Security Summit
United Kingdom	2014	Bilateral visit
Germany	2014	Bilateral visit
European Union	2013	Bilateral visit
France	2013	Bilateral visit

Visits by former Minister of External Affairs Pranab Mukherjee

Country / EU	Year	Type of visit
Germany	2007	Bilateral visit
European Union	2007	Bilateral visit

NOTABLE EXCHANGES BETWEEN A SELECT NUMBER OF EUROPEAN COUNTRIES AND INDIA

France**Bilateral exchanges**

- Prime Minister Modi visited Paris in June 2017 and met the newly-elected French President.
- President Emmanuel Macron visited India in March 2018.
- In 2019, at the invitation of Emmanuel Macron, Narendra Modi traveled to France for a bilateral visit (August 22-23 in Chantilly/Paris) and as part of a G7-related visit in Biarritz (August 25-26).
- Narendra Modi held a phone conversation with President Emmanuel Macron on January 10, 2020 to exchange New Years' greetings. They discussed possible joint efforts to fight the Covid-19 pandemic on March 31, 2020. On December 7, 2020, in another phone conversation, the Indian Prime Minister conveyed his condolences to President Macron for the terrorist attacks in France. During a phone call on September 21, 2021, the two leaders discussed "closer collaboration", in the Indo-Pacific in particular.
- Florence Parly, French Minister for the Armed Forces, visited India on October 27-28, 2017. The French Minister for Europe and Foreign Affairs Jean-Yves Le Drian visited India on November 17-19, 2017.
- Sushma Swaraj visited Paris in June 2018 and held talks with her counterpart, Jean-Yves Le Drian.
- Subrahmanyam Jaishankar visited Paris on November 11-12, 2019 and held talks with Jean-Yves Le Drian.
- In 2020, Minister of External Affairs Subrahmanyam Jaishankar participated in the virtual meetings of the Alliance for Multilateralism (June 26 and September 26), jointly organized by France and Germany. He also had a phone conversation with his French counterpart, Jean-Yves Le Drian, on June 30, 2020.

- Minister of State attached to the Minister for Europe and Foreign Affairs, Jean-Baptiste Lemoyne, traveled to India for a Ministerial visit on June 10, 2019.

Multilateral cooperation

France has continued to support India's claim for permanent membership in the United Nations Security Council. France's support was vital in India's accession to the Missile Technology Control Regime (MTCR), the Wassenaar Arrangement (WA) and the Australia Group (AG). France continues to support India's bid for accession to the Nuclear Suppliers Group (NSG).

Germany

Bilateral exchanges

- Prime Minister Modi visited Germany on May 29-30, 2017, on the sidelines of the G20 summit on July 7-8, 2017, and in April 2018.
- Chancellor Merkel was on a State Visit to India from October 31 to November 2, 2019. Narendra Modi and Angela Merkel co-chaired the 5th Inter-Governmental consultations in Delhi on November 1, 2019.
- The two leaders had also met on the sidelines of the G20 summit in Japan on June 28, 2019, of the G7 in Biarritz and during the Climate Action Summit on the sidelines of the UN General Assembly meeting in New York.
- In the wake of the Covid-19 pandemic, Prime Minister Modi and Chancellor Merkel held a phone conversation on April 2, 2020.
- The two leaders also held a video conference on January 6, 2021 where they discussed key issues of mutual importance including the response to the pandemic, bilateral ties, regional and global issues, and EU-India relations in particular.
- In 2020, Minister of External Affairs Subrahmanyam Jaishankar participated in the virtual meetings of the Alliance for Multilateralism (June 26 and September 26) jointly organized by France and Germany.
- Federal President Frank-Walter Steinmeier traveled to India for a five-day state visit on March, 22-27, 2018, along with a business delegation.
- German Minister of State for Foreign Affairs Neils Annen visited New Delhi on July 17-18, 2018.

- German Federal Commissioner for Human Rights Policy and Humanitarian Aid Baerbel Kofler travelled to Delhi, Mumbai, Jharkhand and Gujarat on October 21-26, 2018.

Italy

Bilateral exchanges

- In October 2018, Italy's Prime Minister Giuseppe Conte traveled to India for an official visit, one year after Prime Minister Paolo Gentiloni (October 29-30, 2017).
- Narendra Modi met Giuseppe Conte on the sidelines of the G20 meeting in Japan in June 2019 and during the 74th session of the United Nations General Assembly in September 2019.
- Italy-India relations received a fresh impetus with a phone conversation between Prime Minister Narendra Modi and Prime Minister Giuseppe Conte on May 8, 2020.
- This momentum was carried forward with the virtual Bilateral Summit held on November 6, 2020.
- Then Minister of External Affairs Sushma Swaraj visited Italy on June 17, 2018.
- Subrahmanyam Jaishankar met his Italian counterpart, Luigi Di Maio, on the sidelines of UNGA in September 2019.
- Subrahmanyam Jaishankar had a virtual meeting with him on December 11, 2020.

The Netherlands

Bilateral exchanges

- King Willem-Alexander and Queen Máxima of the Netherlands visited India on October 13-18, 2019. The delegation included Sigrid Kaag, then Minister for Foreign Trade and Development Cooperation, Bruno Bruins, then Minister for Medical Care and Mona Keijzer, State Secretary for Economic Affairs & Climate Policy.
- The Prime Minister of the Netherlands Mark Rutte led a trade mission to India on May 24-25, 2018. The delegation included the Deputy Prime Minister and Minister

of Agriculture, Nature and Food Quality, the Minister of Infrastructure and Water Management, the Minister for Foreign Trade and Development Cooperation, the Minister for Medical Care and the Mayor of The Hague.

- Subrahmanyam Jaishankar visited the Netherlands on November 9-11, 2019 and met his Dutch counterpart Stef Blok. The two ministers also had phone conversations in June and November 2020.

Multilateral cooperation

In May 2020, the Netherlands ratified the revised Framework Agreement of the International Solar Alliance (ISA). The Netherlands extended support for India's candidature for the non-permanent seat in the United Nations Security Council.

The Netherlands has also agreed to join the Coalition for Disaster Resilient Infrastructure (CDRI). At the invitation of the Dutch Prime Minister, Prime Minister Modi addressed the Climate Adaptation Summit hosted by the Netherlands on January 25, 2021.

Poland

Bilateral exchanges

- Michał Kurtyka, then Secretary of State in the Polish Environment Ministry and COP24 President, visited India in September 2018.
- Subrahmanyam Jaishankar visited Poland in August 2019 and held delegation-level talks with his Polish counterpart, Jacek Czaputowicz.

Multilateral cooperation

Poland extended support to India's candidatures as a non-permanent member of the UNSC for the period 2021-22 and to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for the term 2021-2023.

Portugal

Bilateral exchanges

- The President of Portugal, Marcelo Rebelo de Sousa, was on a State visit to India in February 2020.
- On May 5, 2020, Prime Minister Modi spoke over the phone with Prime Minister António Costa, to discuss the Covid-19 pandemic.
- In a virtual meeting held on October 14, 2020, Subrahmanyam Jaishankar and his Portuguese counterpart Augusto Santos Silva undertook a detailed review of bilateral ties, including a follow-up on the outcomes and agreements of the State Visit of the President of Portugal in February 2020 to India and on cooperation related to the pandemic.
- The Portuguese Minister of Environment, João Pedro Matos Fernandes, visited Goa in September 2018 with a five-member Portuguese delegation.

United Kingdom

Bilateral exchanges

- Dominic Raab, then Secretary of State for Foreign, Commonwealth and Development Affairs, visited India in December 2020 and held discussions with Subrahmanyam Jaishankar.
- Mark Field, then Minister of State for Asia and the Pacific in the Foreign, Commonwealth and Development Office, visited India in May 2018. Baroness Williams, then Minister for Countering Extremism, traveled to India on June 11, 2018.

The European Union

Bilateral exchanges

- On May 28, 2020, Subrahmanyam Jaishankar held a phone conversation with Josep Borrell, High Representative of the Union for Foreign Affairs and Security Policy.
- The 15th EU-India summit (July 2020) was held in a virtual format due to Covid-19 pandemic.
- On January 13, 2021, a virtual meeting was held between the Speaker of the Lok Sabha (highest authority of the lower house of the Parliament of India) and the President of the European Parliament David Sassoli.
- Then Minister of External Affairs Sushma Swaraj visited Belgium in June 2018 and held several talks with EU representatives on this occasion.
- On August 30, 2019, Subrahmanyam Jaishankar visited Brussels and met the President of the European Parliament David Sassoli, Federica Mogherini (High Representative of the EU for Foreign Affairs and Security Policy) and Christos Stylianides (EU Commissioner for Humanitarian Aid and Crisis Management). The discussion covered bilateral, regional, global and multilateral issues. Subrahmanyam Jaishankar and Federica Mogherini had also met on August 1, 2019 on the sidelines of the East Asia Summit in Bangkok, and again on September 27, 2019 on the sidelines of the United Nations General Assembly.
- Subrahmanyam Jaishankar met Joseph Borrell on November 23, 2019, on the sidelines of the G20 Foreign Ministers' meeting in Nagoya.
- EU Commissioner for Environment, Maritime Affairs and Fisheries, Karmenu Vella, led a "Circular Economy Mission" to India in September 2018.

APPENDIX 3

ECONOMIC RELATIONS BETWEEN EUROPE AND INDIA: TRADE AND INVESTMENT

FDI inflows into India from the EU, the US, the UK and China
(in billion USD)

Year	European Union	United States	United Kingdom	China
2019	7.7	3.5	1.4	0.229
2018	5.4	2.7	1.8	0.350
2017	6.9	2.1	0.936	0.198
2016	6.7	2.6	1.6	0.461
2015	6.5	3.8	0.920	0.505
2014	7.2	1.6	1.1	0.121
2013	5	0.771	3.6	0.148
2012	5.5	0.639	0.829	0.072
2011	5.3	1	9.9	0.001
2010	3.8	1.4	0.748	0.041

Source: Indian Department for Promotion of Industry and Internal Trade.

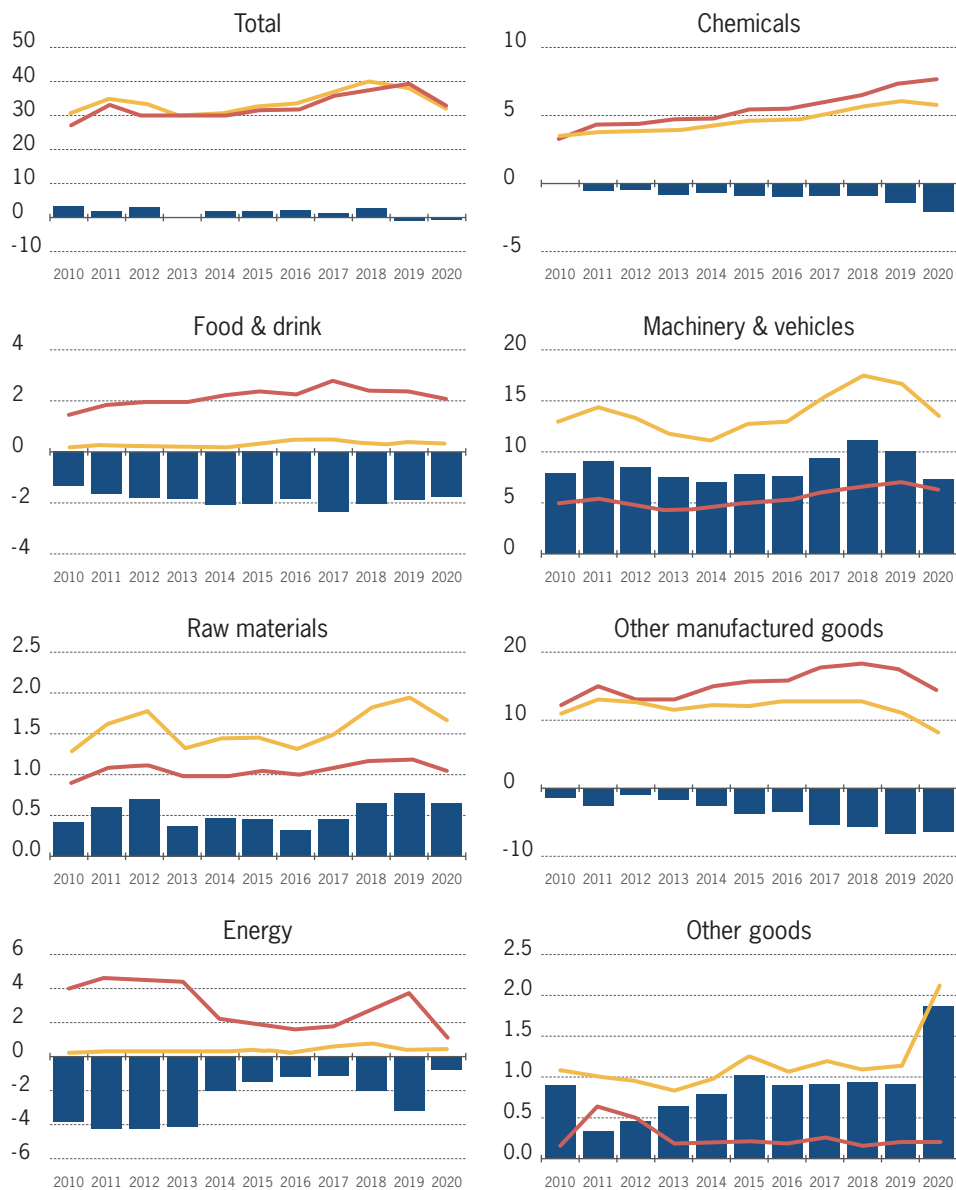
The annual FDI inflows from India's most crucial partners, namely the European Union, the United Kingdom and the United States, have showcased a dynamic track record over the past decade.

FDI inflows from the UK to India have paled in comparison with the EU and the United States. While there was a massive capital infusion in 2011, the numbers have rarely topped USD 2 billion, except in 2013 (over USD 3.6 billion).

On the contrary, FDI inflows from the EU increased rather steadily over 2010-2019.

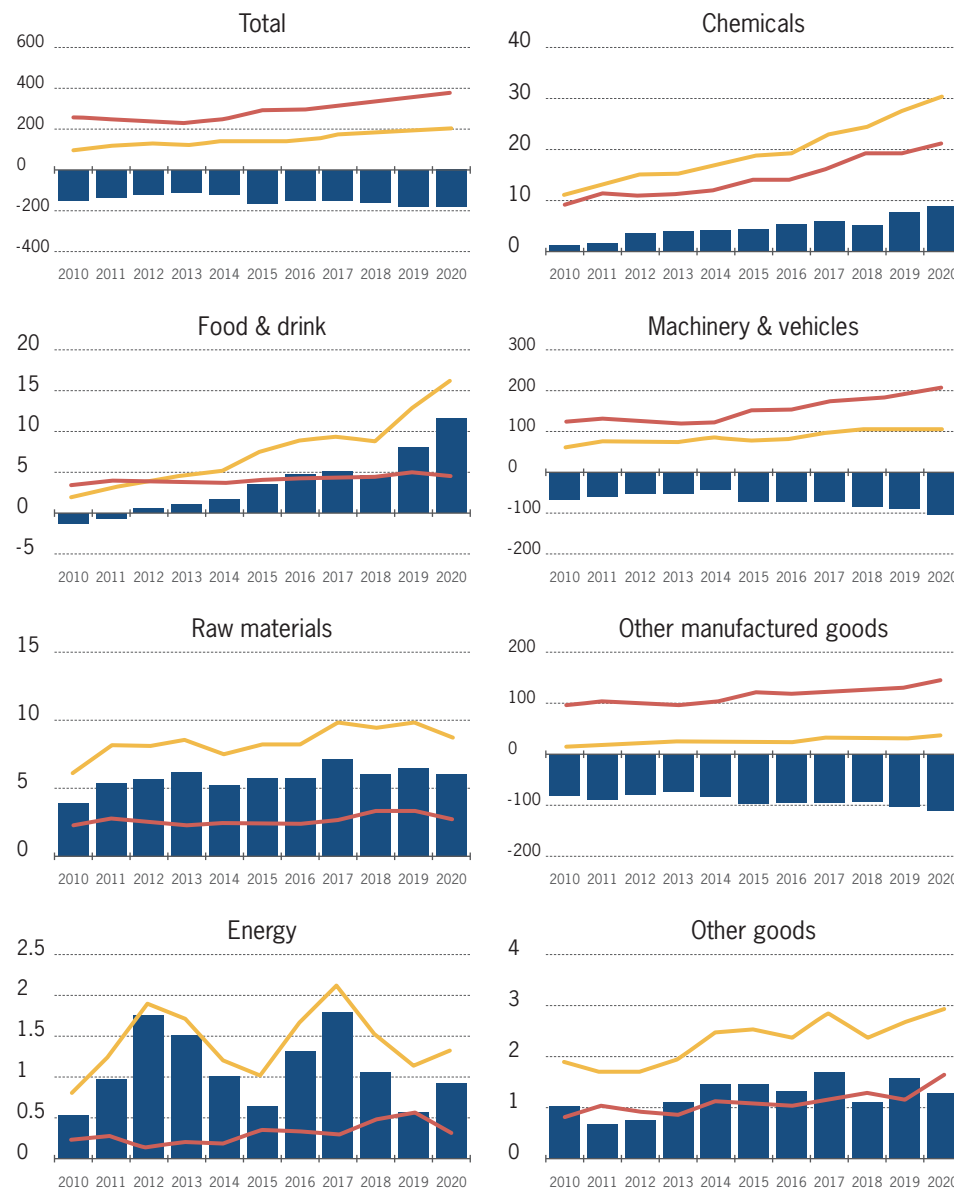
Over the past decade, bilateral trade between the UK and India has underperformed, with limited momentum and marginal increases, followed by reductions. The bilateral trade has lingered in the USD 20 billion-30 billion for a vast majority of the last decade. The resistance was broken in 2019, when the annual bilateral trade increased to USD 32.4 billion before declining to USD 25.4 billion in 2020.

EU trade with India by group (2010-2020)



Source: Eurostat (online data code: ext_st_eu27_2020sitc and DS-018995).

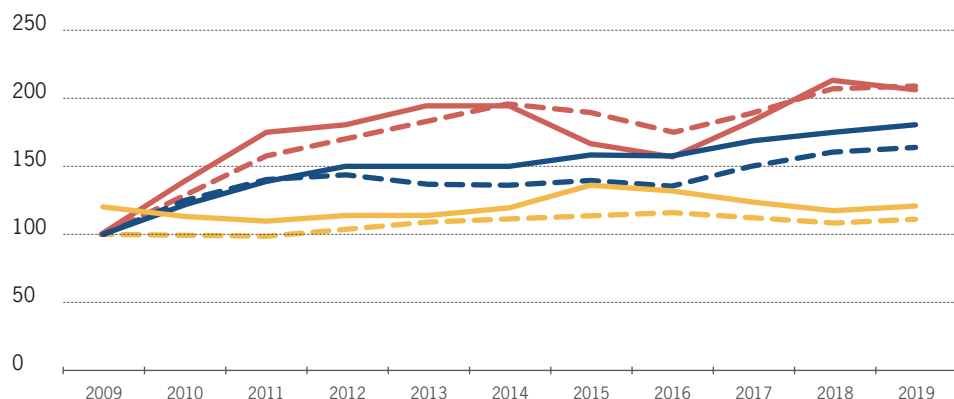
EU trade with China by group (2010-2020)



Source: Eurostat (online data code: ext_st_eu27_2020sitc and DS-018995).

Trade in goods of the EU and China, 2009 to 2019

(exports and imports indexed at 100 in 2009, cover ratio in %)



— China imports - - - China exports
— EU imports - - - EU exports
— China cover ratio - - - EU cover ratio

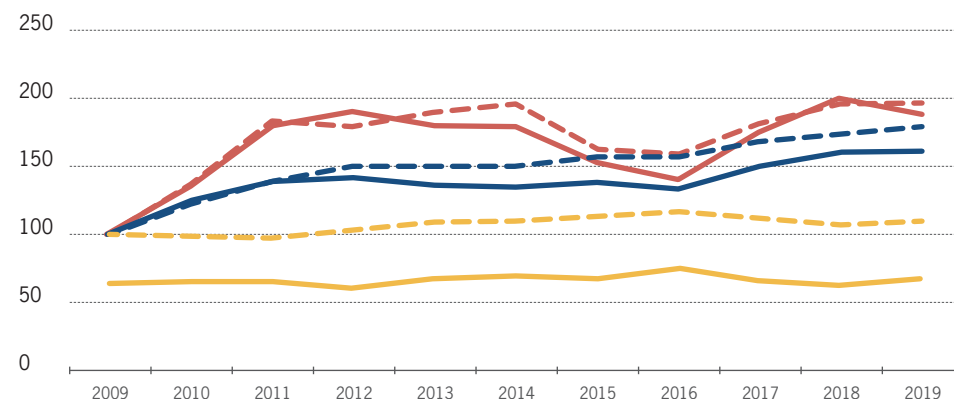
Notes:

- While the trade balance provides information on the absolute value of trading positions, the cover ratio provides a relative measure that is based on the ratio (expressed in percentage terms) between the value of exports and the value of imports; if exports are higher than imports then the cover ratio will be above 100.
- Exports and imports are indexed at 100 in 2020.

Source: Eurostat (online data code: ext_it_introeu27_2020c and UNCTAD).

Trade in goods of the EU and India, 2009 to 2019

(exports and imports indexed at 100 in 2009, cover ratio in %)



— India imports - - - India exports
— EU imports - - - EU exports
— India cover ratio - - - EU cover ratio

Notes:

- While the trade balance provides information on the absolute value of trading positions, the cover ratio provides a relative measure that is based on the ratio (expressed in percentage terms) between the value of exports and the value of imports; if exports are higher than imports then the cover ratio will be above 100.
- Exports and imports are indexed at 100 in 2020.

Source: Eurostat (online data code: ext_it_introeu27_2020c and UNCTAD).

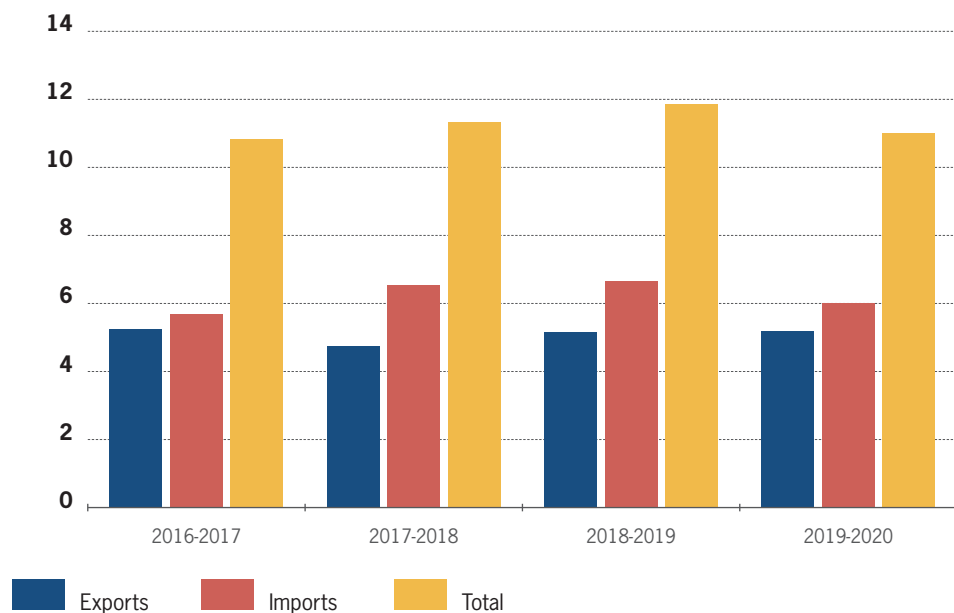
France-India economic bilateral ties

Trade relations

Over the past decade, bilateral trade between France and India had steadily increased, until the marginal decline of the 2019-20 period. France ranks 25th among countries supplying India, with a 1% market share, and is its 15th largest customer. In 2020, the France-India bilateral trade stood at EUR 9.04 billion, with a 21.99% decrease as compared with the corresponding period of 2019.

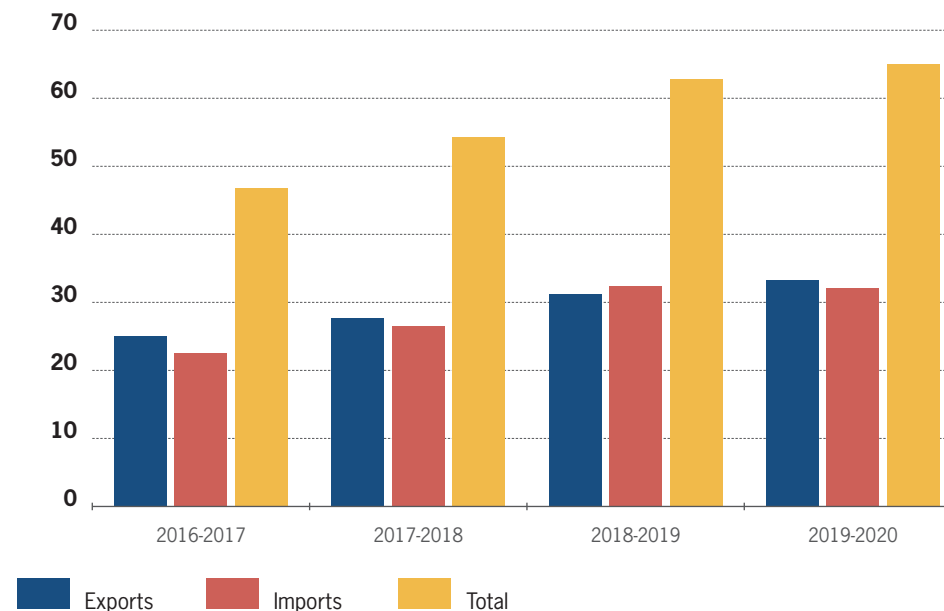
India's exports to France were valued at EUR 4.80 billion, down by 22.9% during this period. Indian imports from France also decreased by 20.95% to EUR 4.23 billion¹⁷⁰. On the contrary, trade between China and France has seen a more pronounced increase over the last decade, rising over 23% between 2016 and 2020.

India-France bilateral trade
(in billion euros)



Source: Indian Ministry of Commerce and Industry and the World Bank.

China-France bilateral trade
(in billion euros)



Source: Indian Ministry of Commerce and Industry and the World Bank.

Foreign direct investments

On the investment front, both France and India have made significant investments in each other's economies. For instance, the total share of France in foreign direct investment (FDI) equity inflows into India stood at USD 9.8 billion between 2012-2020, which represents 1.86% of the total FDI inflows into India.

Most all (39) 40 CAC 40 companies and around 50-70 French SMEs are present in India. Some of these companies operate through their local subsidiaries.¹⁷¹

In the recent past, various Indian firms have also been increasing their investments in France through the FDI route. According to the Business France's 2019 Annual Report on foreign investment in France, 18 investment decisions from India were recorded in France that year, across various domains such as production and

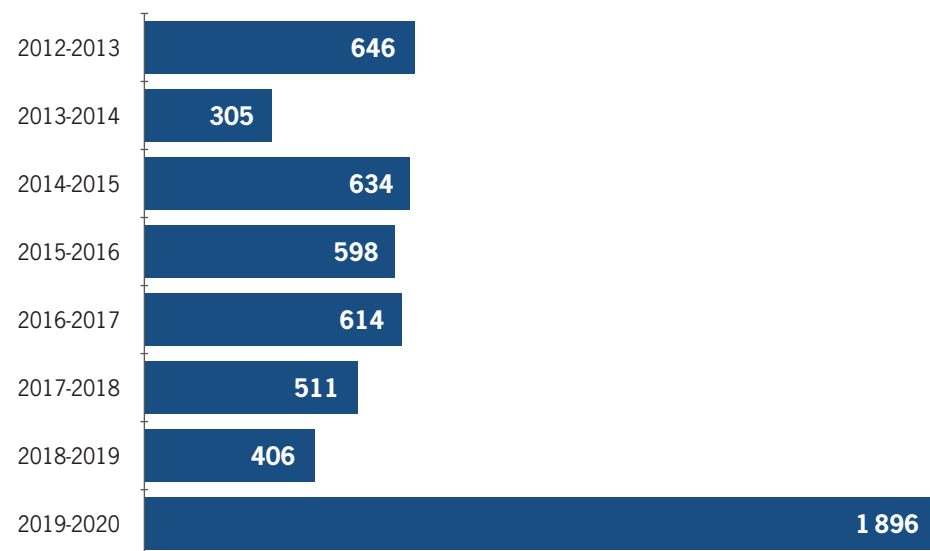
170 "India", Government of France, Ministry for Europe and Foreign Affairs of France. <https://www.diplomatie.gouv.fr/en/country-files/india/>

171 "India-France Economic and Commercial Brief", Embassy of India to France. <https://www.eoiparis.gov.in/page/india-france-economic-and-commercial-relations-brief/>

manufacturing, logistics and decision-making centres.¹⁷² Companies controlled by an Indian investor employ more than 8,000 people in France.

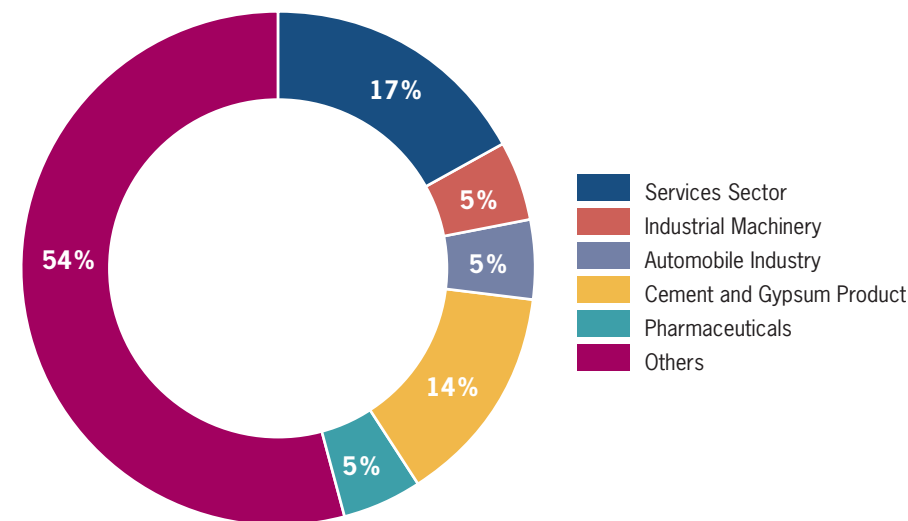
As of 2019, Indian FDI inflow into France stood at EUR 174 million. For the same period, France has received the highest FDI inflow from the United States, which amounts to a mammoth EUR 140 billion (20% of the total investments) followed by Switzerland, Germany and the United Kingdom, at EUR 80 billion each (approximately 10% of the total investments). But France has become one of the “big 3” destinations for Chinese FDI in Europe. This is particularly evident in the energy sector, which represents about 27% of the total investment (2000-2016).

FDI inflows from France to India
(in million USD)



Source: Reserve Bank of India.

Sector-wise distribution of FDI inflows from France
(2000-2019)



Source: Reserve Bank of India.

Germany-India economic bilateral ties

Trade relations

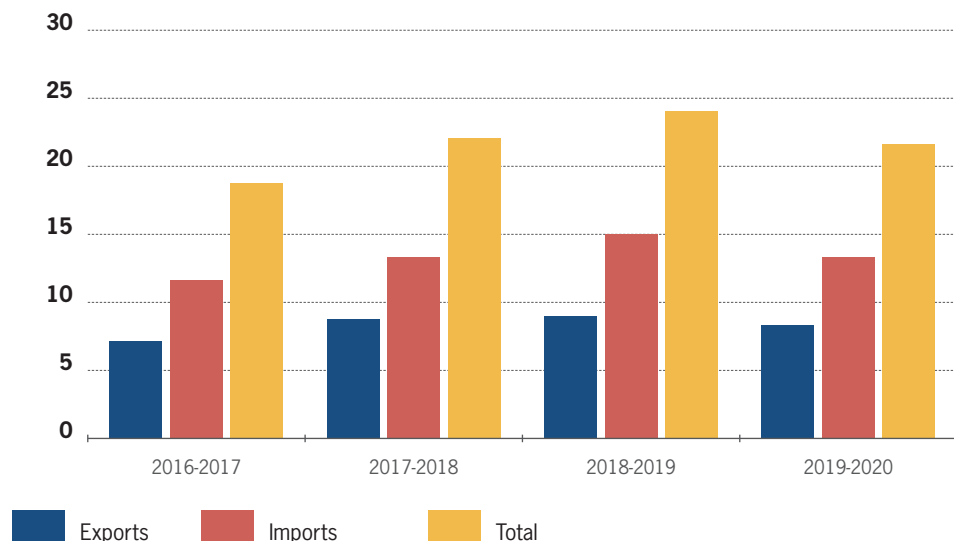
Germany is India’s largest trading partner in Europe. Bilateral trade grew from EUR 15.96 billion to EUR 20.41 billion in 2018. In the period January to November 2019, total bilateral trade stood at EUR 19.35 billion. Today, more than 1,700 German companies are active in India, providing around 400,000 direct and indirect jobs.

China remains the biggest trade partner of Germany for the fifth consecutive year, surpassing the Netherlands and the US. In 2020, goods worth EUR 212.1 billion were traded between Germany and China. China is the country that Germany imported the most products from since 2015.¹⁷³

172 “Foreign Investment in France: Annual Report 2019”, *Business France: Invest in France*, 2019. https://investinfrance.fr/wp-content/uploads/2017/08/Bilan_des-IDE-2019_UK.pdf

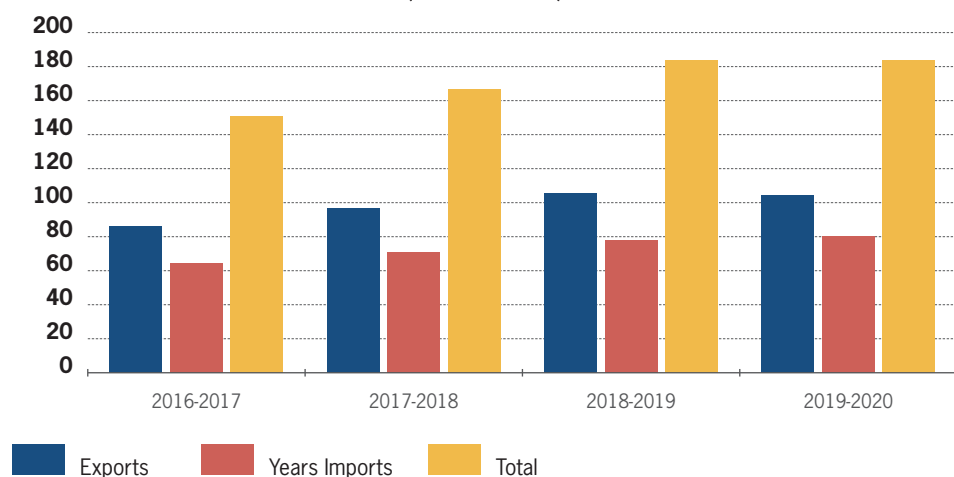
173 “China remains Germany’s biggest trade partner for the 5th year: report”, *Global Times*, February 23, 2021. <https://www.globaltimes.cn/page/202102/1216263.shtml>

India-Germany bilateral trade (in billion euros)



Source: Indian Ministry of Commerce and Industry and the World Bank.

China-Germany bilateral trade (in billion euros)



Source: Indian Ministry of Commerce and Industry and the World Bank.

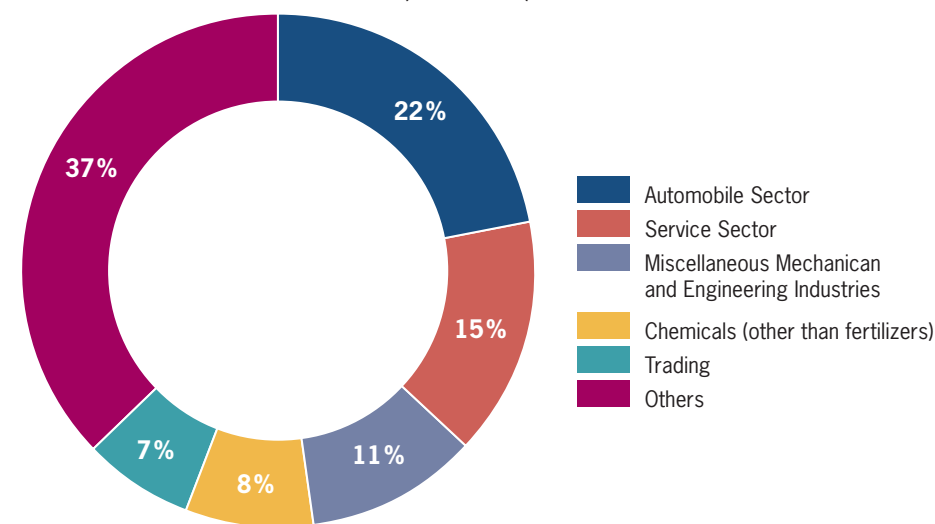
Foreign direct investments

Germany is the 7th largest foreign direct investor in India since 2000. From 2000 to 2017, Germany's total FDI in India amounted to approximately EUR 9 billion. There are more than 1,600 German-India collaborations and over 600 German-India joint ventures in operation.

An increasing number of Indian companies invest in Germany. The country is home to more than 213 Indian subsidiaries, of which more than 70 Indian companies, each with an annual turnover of more than EUR 10 million, with a generated combined annual revenues of approximately EUR 11 billion. These companies are responsible for a combined workforce of more than 23,300 employees.¹⁷⁴

Beginning in 2011, Chinese FDI levels in Germany stood around EUR 1 to 2 billion per year (USD 1.3 to 2.6 billion). In 2016, FDI shot up to EUR 10.9 billion (USD 21.3 billion). This essentially represented a catch-up for Germany as a target for Chinese investments.

Sector-wise distribution of FDI inflows from Germany (2000-2019)



Source: Reserve Bank of India.

¹⁷⁴ "India and Germany: A Strong Strategic Partnership", Confederation of Indian Industry, March 3, 2020. <https://www.ciiblog.in/india-and-germany-a-strong-strategic-partnership/>

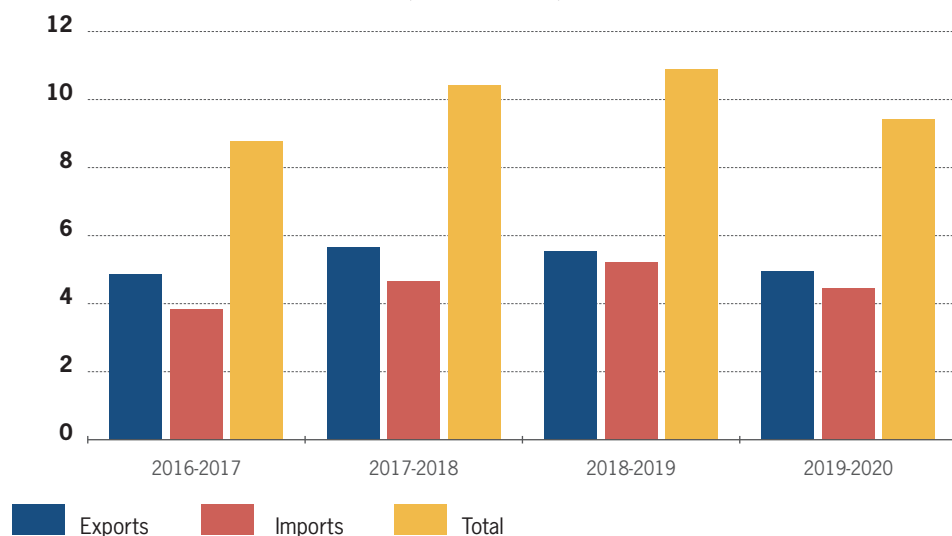
Italy-India economic bilateral ties

Trade relations

Italy and India are important trading partners in key sectors (finance, railway development, fashion industry and automobile manufacturing...). In 2019, the trade volume between the two countries reached EUR 9.52 billion. Italy is India's fifth largest trading partner in the EU. Italian FDI to India reached USD 2 billion euros in 2020. The balance of trade between is in India's favor for the most part since the 1980s, except in 2018-19 and 2019-20.¹⁷⁵

Italy-China trade relations have seen a consistent increase in trade volume for the same time period. Italy was among the first European countries to sign up to China's Belt and Road Initiative. Unlike the closing gap in the trade balance between Italy and India, China has been consistently increasing its exports to Italy.

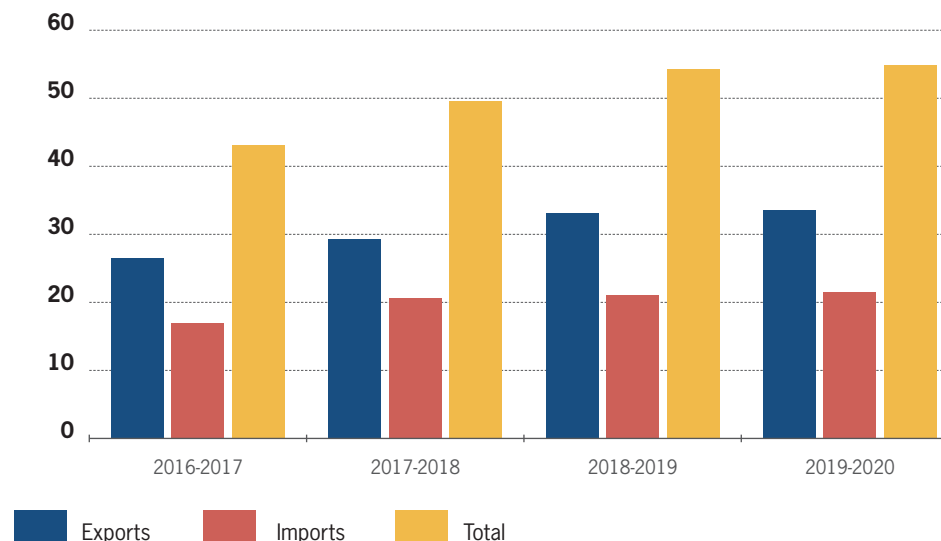
India-Italy bilateral trade
(in billion euros)



Source: Indian Ministry of Commerce and Industry and the World Bank.

175 Naina Bhardwaj, "India-Italy Trade and Investment: What Should Foreign Investors Note", *India Briefing*, May 20, 2021. <https://www.india-briefing.com/news/india-italy-trade-and-investment-what-should-foreign-investors-note-22303.html/>

China-Italy bilateral trade
(in billion euros)



Source: Indian Ministry of Commerce and Industry and the World Bank.

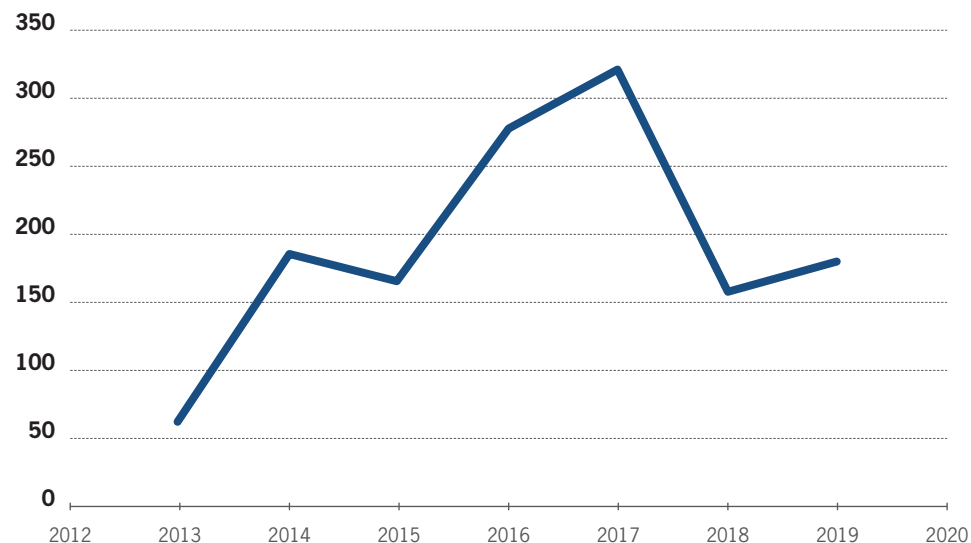
Foreign direct investments

Italy is the 18th largest FDI contributor to India. According to the Italian embassy data, there are over 600 Italian companies present in India. The highest FDI inflow from Italy was directed at the automobile sector (54%) followed by the services sector (6%) and railways (4%).¹⁷⁶

When it comes to Chinese FDI, Italy has been among the top three recipients in Europe. In 2019, the cumulative Chinese FDI in Italy reached USD 17.4 billion since 2000. If investments and construction contracts are considered, including loans, the amount of investment reaches USD 25.5 billion, focusing mainly on energy (USD 6.5 billion), transport (USD 8.75 billion), technology (USD 4 billion), and finance (USD 2.8 billion).¹⁷⁷

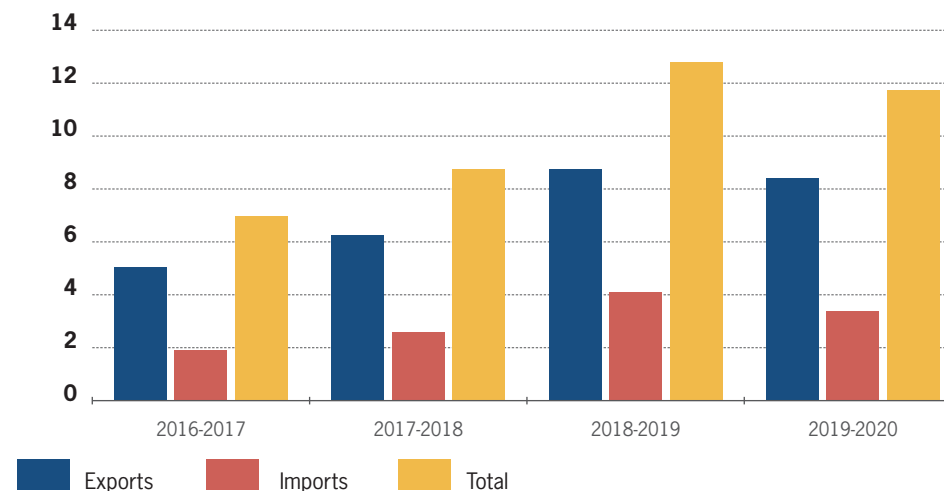
176 Ibid.
177 Valbona Zeneli, Michele Capriati, "Is Italy's Economic Crisis an Opportunity for China?", *The Diplomat*, April 18, 2020. <https://thediplomat.com/2020/04/is-italys-economic-crisis-an-opportunity-for-china/>

FDI inflow from Italy to India
(in million USD)



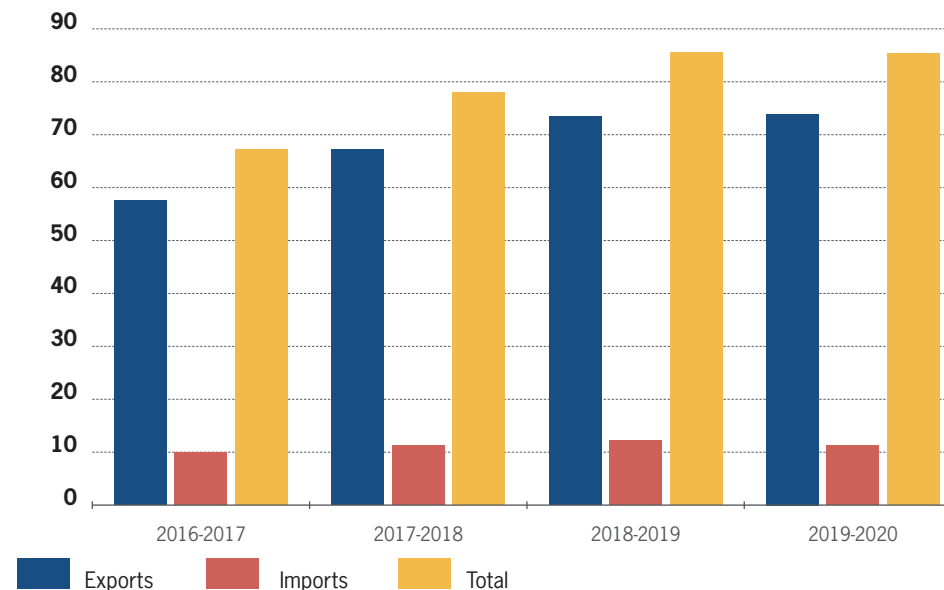
Source: Reserve Bank of India.

India-Netherlands bilateral trade
(in billion euros)



Source: Indian Ministry of Commerce and Industry and the World Bank.

China-Netherlands bilateral trade
(in billion euros)



Source: Indian Ministry of Commerce and Industry and the World Bank.

Netherlands-India economic bilateral ties

Trade relations

Trade and commercial relations are the foundations of the Netherlands-India bilateral ties. For the 2018-2019 period, the Netherlands was India's 5th largest trading partner in Europe. During this tenure, the annual trade between the two nations stood at USD 12.87 billion, with exports from India amounting to USD 8.81 billion and imports from the Netherlands to USD 4.06 billion.¹⁷⁸

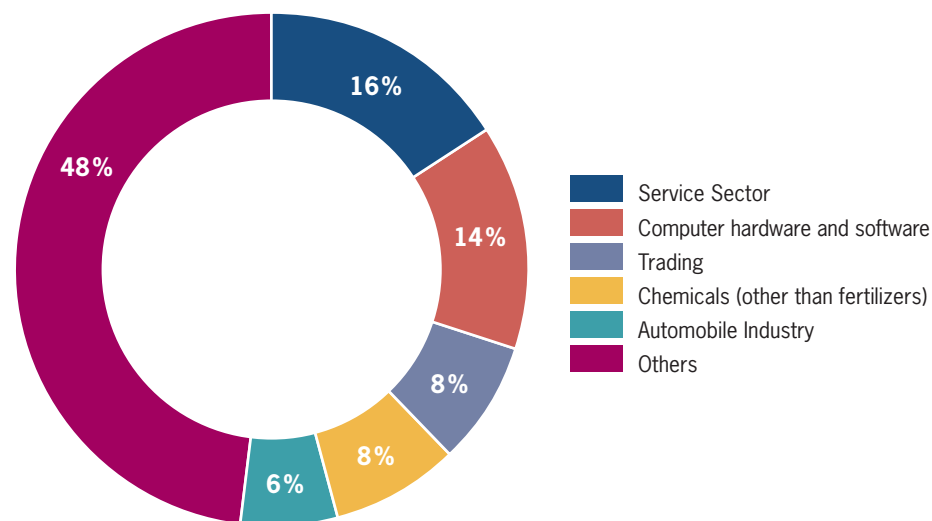
Meanwhile, the Netherlands' trade relations with China have steadily increased from USD 68 billion to well over USD 80 billion (2019). The Netherlands is among China's top 3 trade partners in the EU.

¹⁷⁸ "India Netherlands Dialogue July 2020", CIMSME, July 28, 2020. <https://cimsme.in/india-netherlands-bilateral-relations>

Foreign direct investments

The Netherlands was the 3rd largest FDI investor in India and India the 4th largest FDI investor in the Netherlands (2019-20).¹⁷⁹ The Netherlands' share of FDI equity inflows (2012-2019) into India stood at USD 24 billion. There are over 200 Dutch companies present in India, including Royal Dutch Shell, Unilever, Philips, KLM and Rabobank. Over 200 Indian companies are present in the Netherlands, including all the major IT companies such as TCS, HCL, Wipro, Infosys, Tata Steel, etc.

Sector-wise distribution of FDI inflows from Netherlands
(2000-2019)

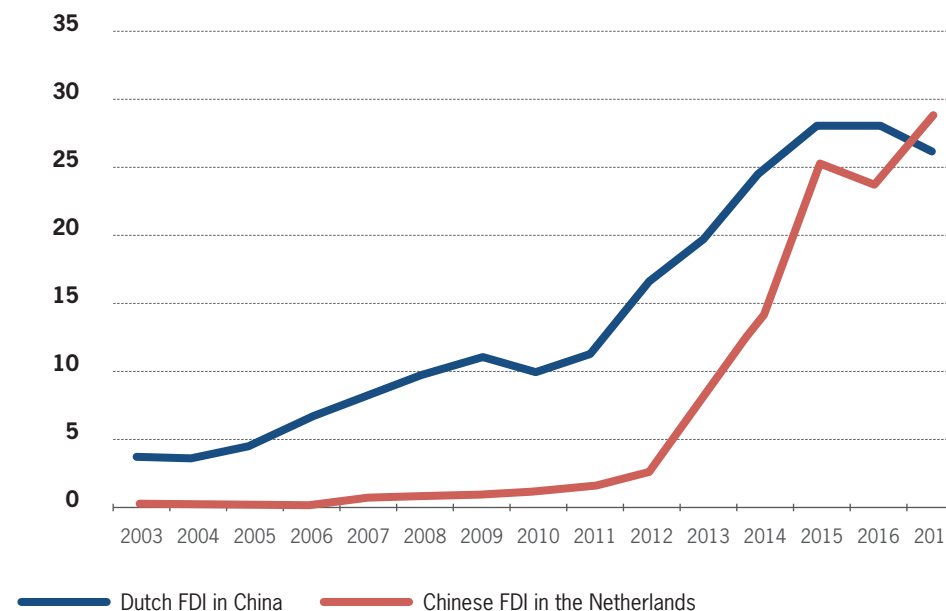


Source: Reserve Bank of India.

Between 2012 and 2017, Dutch FDI in China grew by EUR 10 billion, to nearly EUR 27 billion. Over the same period, Chinese direct investment in the Netherlands grew from EUR 3 billion to EUR 29 billion in 2017. Despite the increase, the Chinese share of total investment in the Netherlands still accounts for 0.7% of total FDI inflows.

179 "Joint Statement on India-The Netherlands Virtual Summit - Towards a Strategic Partnership on Water", Kingdom of the Netherlands, April 9, 2021. <https://www.netherlandsandyou.nl/latest-news/news/2021/04/09/joint-statement-on-india-the-netherlands-virtual-summit>

Chinese share of total investment in the Netherlands
(in billion euros)



Source: Royal Dutch Ministry of Foreign Affairs.

Poland-India economic bilateral ties

Trade relations

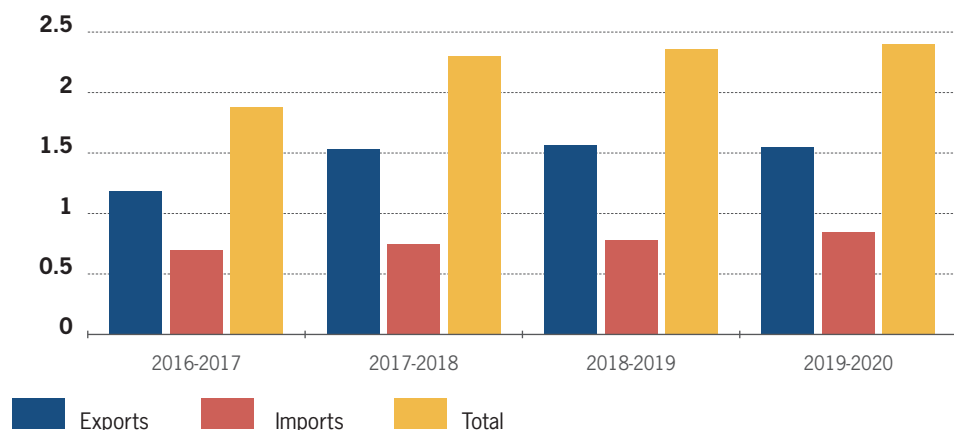
Poland is India's largest trade partner and export destination in Central Europe, with bilateral trade growing almost seven-fold over the last ten years. The overall value of bilateral trade in 2019 was USD 2.36 billion.¹⁸⁰ India's exports to Poland contributed to 0.48% of overall India's exports. However, Polish goods only constituted 0.15% of the total Indian imports in 2019.¹⁸¹

180 Dipanjan Roy Chaudhury, "India-Poland can promote rules-based world order: Polish Institute of International Affairs", The Economic News, January 23, 2020. <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-poland-can-promote-rules-based-world-order-polish-institute-of-international-affairs/articleshow/73555253.cms?from=mdr>

181 Nayanima Basu, "Want India to be more open in trade with Poland, will boost investment – envoy Burakowski", The Print, February 8, 2021, <https://theprint.in/diplomacy/want-india-to-be-more-open-in-trade-with-poland-will-boost-investment-envoy-burakowski/600330/>

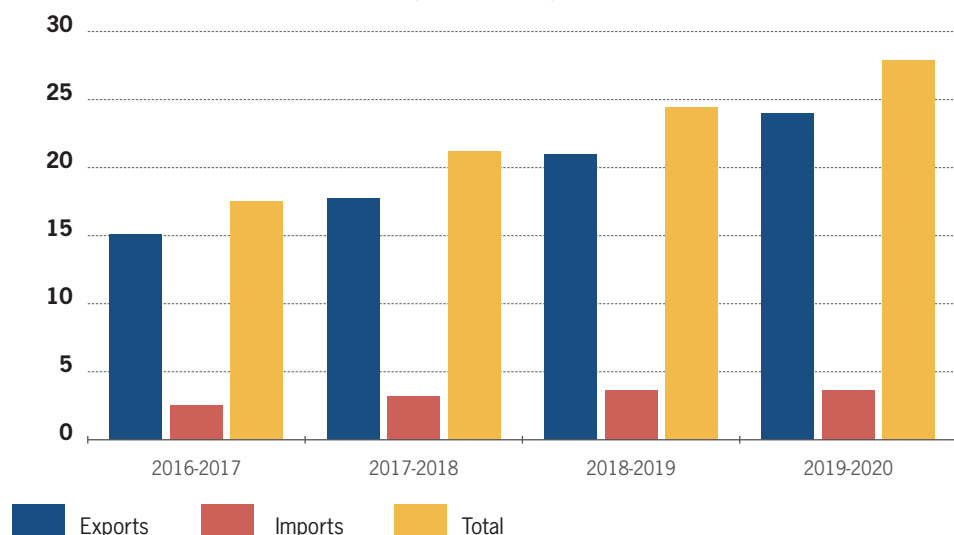
Poland’s relations with China have also increased sporadically over the same period. From USD 17 billion in 2016, the bilateral trade volume has increased to well over USD 25 billion in 2019.

India-Poland bilateral trade
(in billion USD)



Source: Indian Ministry of Commerce and Industry and the World Bank.

China-Poland bilateral trade
(in billion USD)



Source: Indian Ministry of Commerce and Industry and the World Bank.

Foreign direct investments

Indian investments in Poland are valued at over USD 3 billion, with investment coming from companies such as ArcelorMittal, Ranbaxy, Tata Consultancy Services, HCL Technologies, Infosys, Wipro, Jindal Stainless, etc.¹⁸²

Total Polish investment in India is estimated at USD 672 million.¹⁸³ Important Polish companies present in India include TZMO SA, CanPack, FAMUR Group, Geofizyka Toruń, Ekolog, Solaris, BBT, Meble Forte, Maflow, and Inglot.¹⁸⁴

The cumulative value of Chinese FDI into Poland for the period 2000-2020 stands at EUR 2.2 billion. According to a report published by MERICS and Rhodium Group, Poland rose up the rankings as it attracted record EUR 815 million in Chinese investment, much of it due to Poland’s share of GLP’s acquisition of the Goodman Group’s Eastern Europe logistics portfolio.¹⁸⁵

Portugal-India economic bilateral ties

Trade relations

In 2018-19, bilateral trade amounted to USD 876.09 million. Indian exports stood at USD 743.27 million and Portuguese exports at USD 132.83 million. The trade balance has been in India’s favor.¹⁸⁶ Portugal-India bilateral trade in goods grew by 21.06% year-on-year to USD 1,060.83 million (January-December 2019).¹⁸⁷

182 “Investment opportunities for the Business Services Sectors in the City of Lodz, Poland (Webinar)”, The Council of EU Chambers of Commerce in India, January 28, 2021. <https://euindiachambers.com/events/webinar-on-investment-opportunities-for-the-business-services-sectors-in-the-city-of-lodz-poland/>

183 Dipanjan Roy Chaudhury, “India’s key Central European partner Poland keen to increase two-way investments in post-Covid scenario”, *The Economic News*, August 16, 2020. <https://economictimes.indiatimes.com/news/economy/foreign-trade/indias-key-central-european-partner-poland-keen-to-increase-two-way-investments-in-post-covid-scenario/articleshow/77570842.cms>

184 “India-Poland Relations”, Government of India, Ministry of External Affairs, 2019. https://mea.gov.in/Portal/ForeignRelation/Poland_2019.pdf

185 Agatha Kratz, Max J. Zenglein, Gregor Sebastian, “Chinese FDI in Europe: 2020 Update”, MERICS, June 16, 2021. <https://merics.org/en/report/chinese-fdi-europe-2020-update>

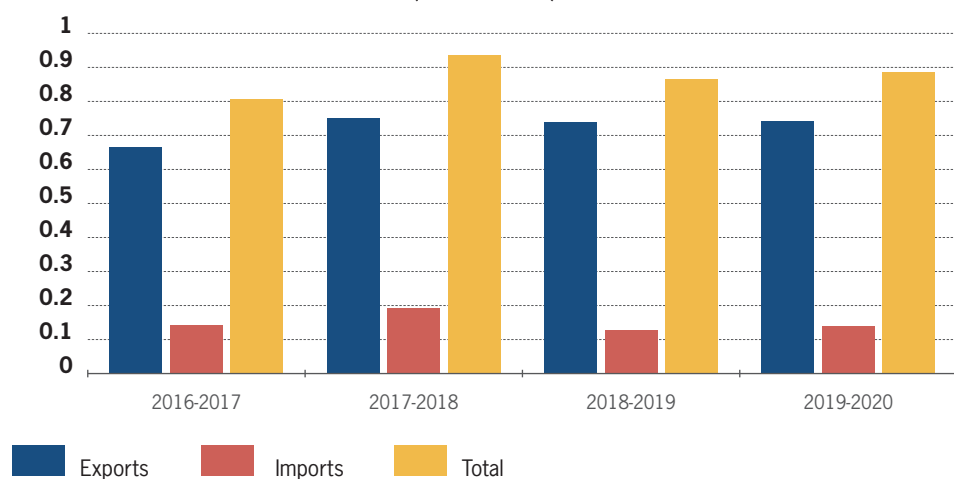
186 “Portugal pitches for enhancing bilateral trade with India”, *Outlook India*, February 15, 2020. <https://www.outlookindia.com/newscroll/portugal-pitches-for-enhancing-bilateral-trade-with-india/1735275>

187 “Portugal – Bilateral Brief”, Government of India, Ministry of External Affairs, 2019. https://mea.gov.in/Portal/ForeignRelation/Brief_portugal_2019.pdf

India was Portugal’s 43rd largest destination of goods and its 16th largest supplier. Portuguese exports to India increased by 4.07% year-on-year to USD 133.04 million.

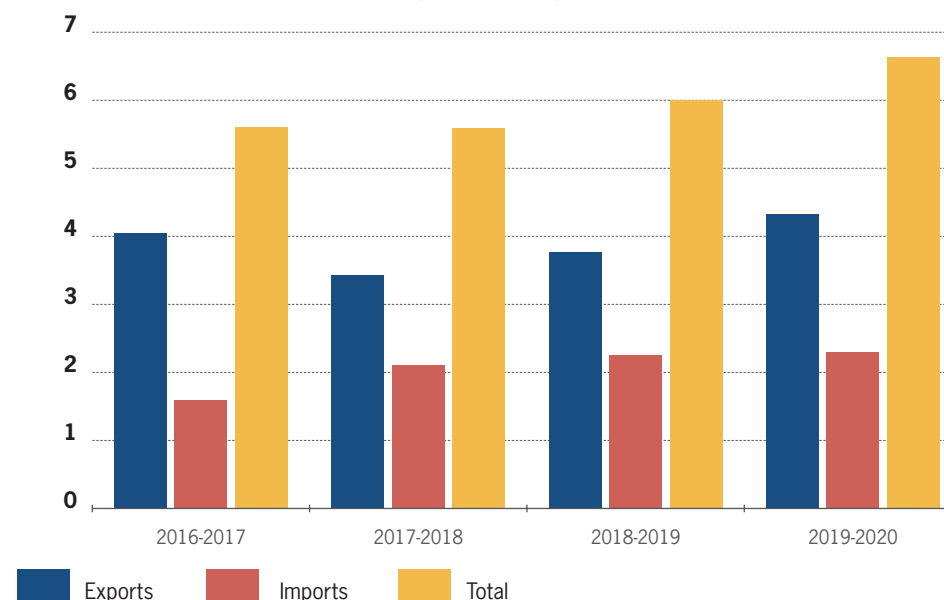
Portugal-India bilateral trade peaked in the 2017-18 period. On the other hand, Portugal-India bilateral trade has seen a steady increase in year-on-year numbers. The annual trade has increased from USD 5.5 billion in 2016-2017 period to USD 6.8 billion for the 2019-20 period. Just like Portugal-India ties, Portugal-China trade balance is also in China’s favor.

India-Portugal bilateral trade
(in billion USD)



Source: Indian Ministry of Commerce and Industry and the World Bank.

China-Portugal bilateral trade
(in billion USD)



Source: Indian Ministry of Commerce and Industry and the World Bank.

Foreign direct investments

While exact figures are not available, it is widely reported that Indian investments in Portugal crossed USD 350 million. Similar figures were also quoted by the Indian Ambassador to Portugal, K. Nandini Singla, during the DST-CII Tech Summit.¹⁸⁸

Some of the notable investments include the USD 150 million acquisition by Aurobindo Pharma of the Portuguese pharmaceutical company Generis in 2017,¹⁸⁹ ongoing investments worth USD 165 million by the Mumbai-based Sugee Group and Sam Pitroda Group’s bid to secure investments (USD 914 million) for a “Knowledge City” project in Setúbal.¹⁹⁰

¹⁸⁸ “DST-CII Tech Summit to bring together experts connected to technology sector from India & Portugal”, Government of India, Ministry of Science and Technology, 2020. <https://dst.gov.in/dst-cii-tech-summit-bring-together-experts-connected-technology-sector-india-portugal>

¹⁸⁹ “Aurobindo Pharma to acquire Portugal’s Generis for €135 million”, *Mint*, January 7, 2017, <https://www.livemint.com/Companies/lv3KqcJ8s1e5hn68BKyfEO/Aurobindo-Pharma-to-acquire-Portugals-Generis-for-135-mill.html>

¹⁹⁰ Ana Martins Ventura, “Sam Pitroda Proposes €700-800 Million Mega-Development in Setúbal”, *AURA News Real Estate*, February 25, 2020, <https://www.auraree.com/portugal/real-estate-news/sam-pitroda-proposes-e700-800-million-mega-development-in-setubal/>

Portugal ranks 51st in FDI into India, with total FDI inflows amounting to USD 103.36 million (December 2020).¹⁹¹ Notable investments include Vision-Box’s USD 8 million contract with Indian airports¹⁹² and the joint venture Inspira Martifer Solar, engaged in solar projects in Mahabaleshwar and Gujarat.¹⁹³

Until the end of 2018, China invested over EUR 12 billion across various sectors (energy, transportation, insurance, health, financial services, real estate, media...).¹⁹⁴ Portugal was also the first eurozone country to issue bonds in Chinese yuan in 2019.¹⁹⁵

UK-India economic bilateral ties

Trade relations

Historical linkages have been at the forefront of the bilateral economic relationship between the UK and India. And yet, the relationship has not fully realized its potential. The UK and India bilateral trade in goods hovered around USD 15.45 billion during the 2019-20 period, remaining in favor of India, but reduced by 11.33% in comparison with the previous year.

Both export to and import from the UK have decreased. Previously, the UK was India’s second largest trading partner. But it ranks 14th in the list of India’s trading partners during the year 2020-2021 (up to April-December quarter).¹⁹⁶

UK-China bilateral relations have shown no signs of slowdown, with trade figures close to reaching USD 90 billion for the 2019-20 period. While the UK has narrowed India’s surplus on trade, the gap between China and the UK has been widening due to overreliance of the British economy on Chinese exports.

191 “India-Portugal Relations”, Embassy of India in Lisbon, Portugal. <https://www.eoilisbon.gov.in/page/india-portugal-relations/>

192 Anil Urs, “Vision-Box signs major deal with BIAL for face-recognition technology”, *The Hindu Business Line*, September 6, 2018. https://www.thehindubusinessline.com/news/vision-box-signs-major-deal-with-bial-for-face-recognition-technology/article24881758.ece?__cf_chl_captcha_tk__=pmd_1745b02bbe9eeab12056d5a3ddd85293921941eb-1627384351-0-gqNtZGzNAyKjcnBszQbO

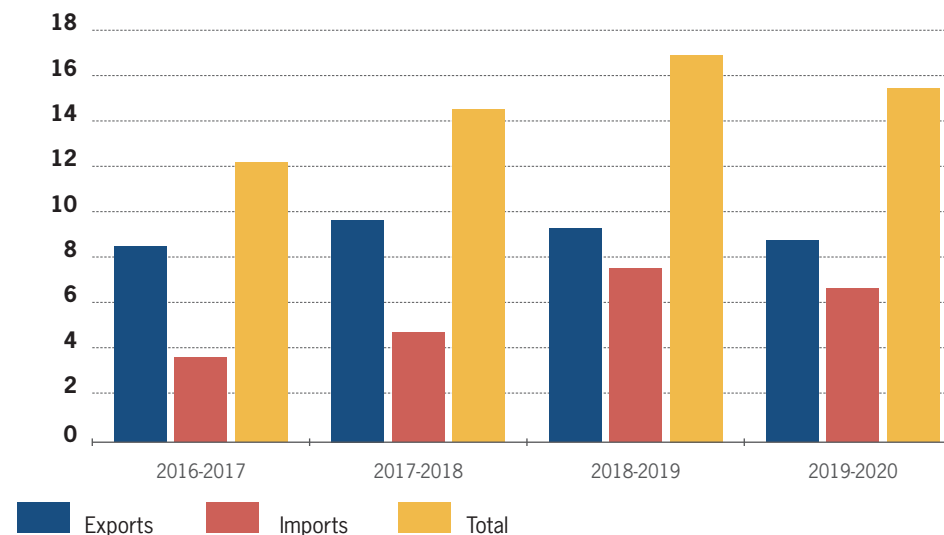
193 Julia Chan, “Inspira Martifer Solar inks deal for its first Indian rooftop PV project”, *PV Tech*, January 8, 2013. https://www.pv-tech.org/inspira_martifer_solar_inks_deal_for_its_first_indian_rooftop_pv_project/

194 Philippe Le Corre, “China’s Golden Era in Portugal”, *The Diplomat*, November 24, 2018. <https://thediplomat.com/2018/11/chinas-golden-era-in-portugal/>

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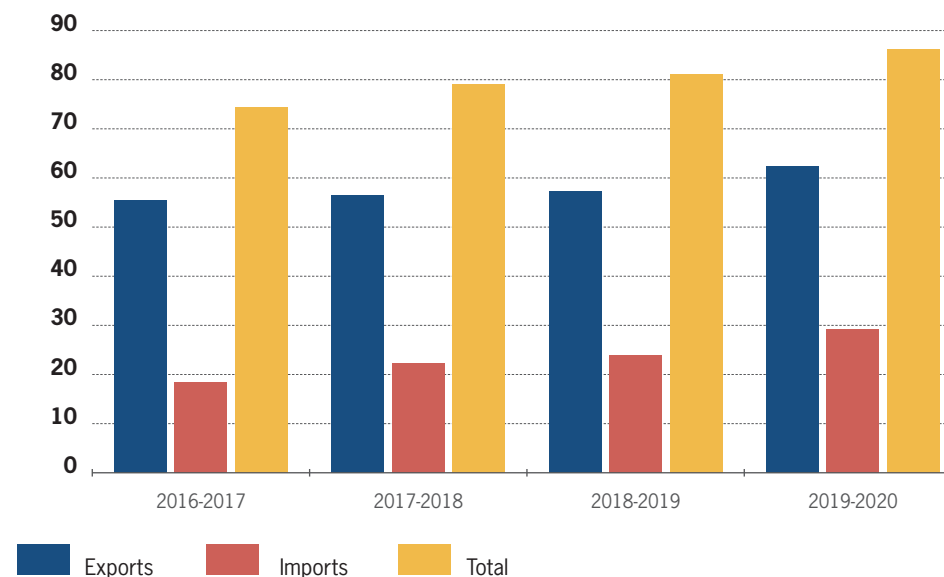
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India-UK bilateral trade
(in billion USD)



Source: Indian Ministry of Commerce and Industry and the World Bank.

China-UK bilateral trade
(in billion USD)



Source: Indian Ministry of Commerce and Industry and the World Bank.

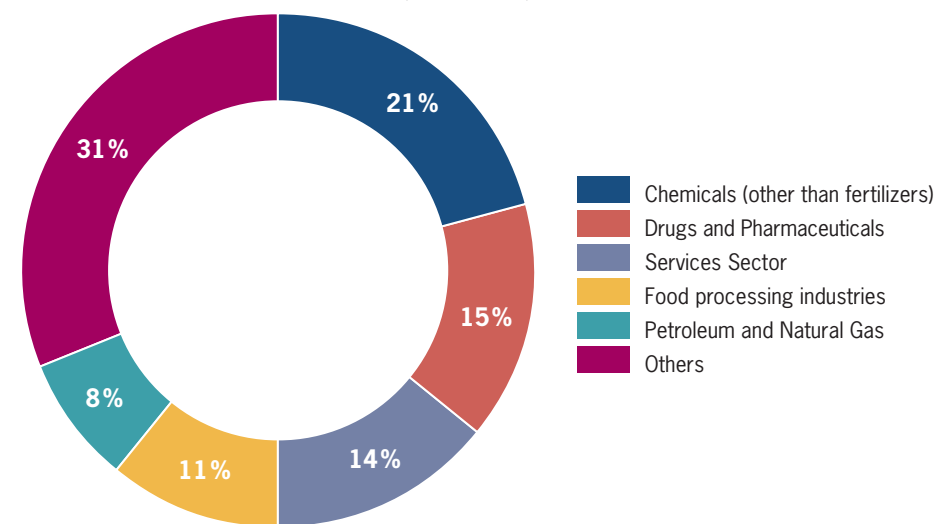
Foreign direct investments

On the investment front, India is trailing behind the US only, as the second highest source of FDI in the UK. In the 2019-20 period, India created over 5,429 new jobs while investing in 120 projects across the UK.¹⁹⁷ According to the CII-Grant Thornton India meets Britain Tracker 2021, there are now a record 850 Indian companies operating in the UK, employing 116,046 people, with combined revenues of almost EUR 59.57 billion.¹⁹⁸

The UK is the 6th largest inward investor in India with a cumulative equity investment of USD 30.043 million accounting for around 6% of all foreign direct investment into India. For the same period, there were over 572 UK companies in India, employing nearly 416,121 people directly in 2019-20.¹⁹⁹

In 2019, the stock of FDI from the UK in China was EUR 12.55 billion, 16.1% or EUR 2.46 billion lower than in 2018. In 2019, China accounted for 0.7% of the total UK outward FDI stock. Whereas, in 2019, the stock of FDI from China in the UK was EUR 3.75 billion, 76.4% or EUR 1.64 billion higher than in 2018. In 2019, China accounted for 0.2% of the total UK inward FDI stock.²⁰⁰

Sector-wise distribution of FDI inflows from UK
(2000-2019)



Source: Reserve Bank of India.

¹⁹⁷ "India moves up a rank to become second-largest source of FDI for UK", *The Economic Times*, July 10, 2020. <https://economictimes.indiatimes.com/news/international/business/india-moves-up-a-rank-to-become-second-largest-source-of-fdi-for-uk/articleshow/76897637.cms>

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APPENDIX 4

FRANCE-INDIA COOPERATION: SPACE, NUCLEAR ENERGY AND ARMS

Space and civil nuclear engagements

France and India have a rich fifty-year-old history of cooperation in the field of space, with ISRO and the French Space Agency (CNES) carrying on various joint research programs and joint satellite missions. In April 2015, during the visit of the Indian Prime Minister to France, a joint stamp was released to commemorate these fifty years of bilateral space cooperation.

An agreement on civil nuclear cooperation was signed between France and India on September 30, 2008, during the visit of the Indian Prime Minister to France. Under that framework, EDF and NPCIL signed a (revised) MoU on March 22, 2016 for the construction of six EPR units at Jaitapur.

During President Macron's visit to India (March 2018), EDF and NPCIL concluded an Industrial Way Forward Agreement. Discussions have been ongoing with the objective of expeditious realization of the project.

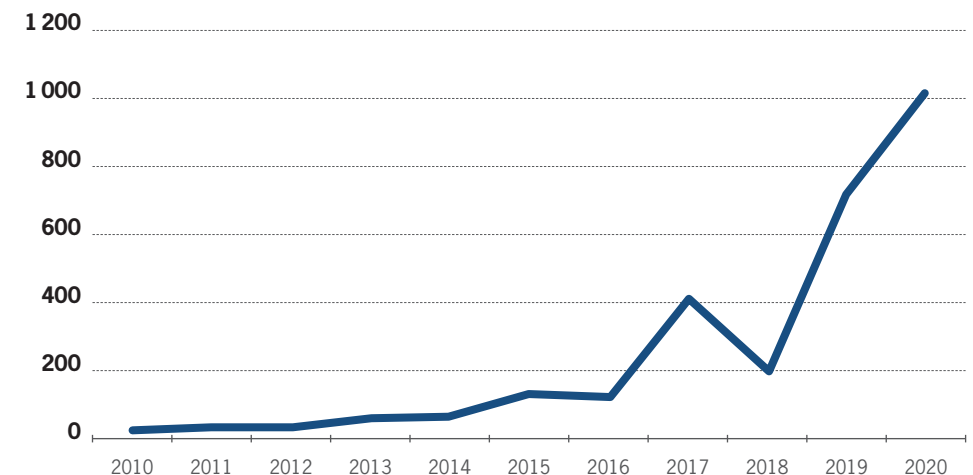
Defense and security cooperation

During that same visit (March 2018), the two countries decided to create an annual defense dialogue at the Ministerial level, the first of which was held in October 2018. Regular working-level meetings as well as exchange of visits at the level of service chiefs also take place.

There are regular defence exercises: Exercise Shakti (Army; the last one took place in November 2018 in India), Exercise Varuna (Navy; May 2019 in Goa/Djibouti) and Exercise Garuda (Air Force; July 2019 in France). The major ongoing defense related projects are the following:

- **Purchase of Rafale aircraft:** The Inter-governmental agreement for purchase of 36 Rafale jets by India in flyaway condition was signed in New Delhi on September 23, 2016. The first of the fighter aircrafts was handed over to the Indian side on October 8, 2019 at Bordeaux. In July this year, India's Defense Minister announced that deliveries were on schedule: 26 aircraft had arrived in India, the 10 remaining ones were expected to be delivered by the end of 2021.
- **P-75 Scorpene Project:** The contract for six Scorpene submarines from DCNS (now Naval Group) was signed in October 2006. The fourth submarine of this class was launched in May 2019. The submarines are built by Mazagon Dock Shipbuilders Limited through technology transfers and partnership with Nagal Group.

French arms export to India
(in million USD)



Source: SIPRI.

FDI inflows into India from the EU, the US, the UK and China (in billion USD)

Name of Weapon	Type of Weapon	Date of order	No. of units ordered	Date of delivery	No. of units delivered	Description
MILAN	Anti-tank missile	1979	22,250	1984-2019	22,250	MILAN-2 and MILAN-2T version; ordered from French-FRG company; most produced under licence in India; incl for BMP-2 IFV
PA6	Diesel engine	1999	6	2010-2012	6	For 3 Shivalik (Projekt-17) frigates produced in India; PA-6-STC version
20FA6	Diesel engine	2004	6	2008-2013	6	For 3 Sankalp OPV produced in India
Scorpene	Submarine	2005	6	2017-2019	2	INR207-237 b (\$3.2-4.5 b) 'Project-75' programme; produced under licence in India as Kalvari; delivery planned 2017-2022/2023 (delayed from 2012-2017)
20FA6	Diesel engine	2006	8	2013-2014	8	For 4 Saryu OPV produced in India
GS-100	Air-search radar	2009	19	2010-2016	19	Including 13 produced in India
SA-315BLama	Light Helicopter	2009	10	2009-2010	10	Cheetal version
Mirage-2000-5	FGA aircraft	2011	49	2015-2020	21	INR109-175 b deal (\$2.3-2.6b; offsets \$593 m); Indian Mirage-2000H rebuilt to Mirage-2000-5; including 2 produced in France and rest in India; delivery planned 2015-2023
SA-315BLama	Light Helicopter	2013	20	2015-2016	20	INR3 b (\$48 m) deal; Cheetal version; produced under licence in India
Rafale	FGA aircraft	2017	36	2019-2020	13	EUR7.8 b deal (incl EUR5.2b for aircraft EUR1.8 b for spare parts and EUR710 m for armament; 50% offsets including 20% as production of components in India); Rafale-EH version (including 8 Rafale-DH trainer/combat version); delivery planned 2019-2022

Name of Weapon	Type of Weapon	Date of order	No. of units ordered	Date of delivery	No. of units delivered	Description
SA-316 BALoutte-3	Light Helicopter	2017	10	2019-2020	8	INR3.2 b deal; produced under licence in India as Chetak
SA-315 BLama	Light Helicopter	2018	8			Cheetal version; produced under licence in India; delivery planned from 2021
PA6	Diesel engine	2003	16	2014-2020	16	For 4 Kamorta (Project-28) frigates produced in India
SM-39 Exocet	Anti-ship missile	2005	36	2017-2020	9	Possibly \$150 m deal; SM-39 Block-2 version; for Scorpene submarines
MICA	BVRAAM	2012	493	2014-2020	493	EUR950 m deal (offsets 30%); MICA-EM and MICA-IR versions; for Mirage-2000-5 combat aircraft
Sherpa	APC/APV	2012	14	2013-2017	14	
Ardiden-1	Turboshaft	2016	358			For LCH combat helicopter produced in India; produced under licence in India as Shakti
Meteor	BVRAAM	2016	200	2020	100	Part of EUR710 m deal; for Rafale combat aircraft
MICA	BVRAAM	2016	350	2020	175	Part of EUR710 m deal; MICA-RF and MICA-IR versions; for Rafale combat aircraft
Storm Shadow/SCALP	ASM	2016	200	2020	100	Part of EUR710 m deal; SCALP version; for Rafale combat aircraft
AASM	ASM	2020				For Rafale combat aircraft

Source: Indian Department for Promotion of Industry and Internal Trade.

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The opinions expressed in this policy paper are not necessarily those of the above-mentioned persons or of the institutions that they represent.

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THERE IS NO DESIRE MORE NATURAL THAN THE DESIRE FOR KNOWLEDGE

The Europe-India Balance Sheet: Trade, Like-Mindedness and Strategic Interests

The recent rapprochement between Europe and India is unprecedented but has as much to do with push as with pull factors. European countries are certainly India's major trade partners and European companies have invested massively in India over the last few years. But Europeans are growing skeptical vis-à-vis India's economic development and the possibility of any substantial FTA, for which negotiations have nonetheless resumed.

There is no consensus in Europe on the idea of like-mindedness between India and the Old Continent: while officials claim that Europe and India have democracy in common, an increasingly large number of European dissenting voices argue that human rights are under attack in "the world's largest democracy". Others – or the same – are not convinced either that India is considering decarbonization of its economy as a priority.

Yet, the relations between Europe and India are bound to become stronger because of China, as both sides feel the need to join hands vis-à-vis this rising power. However, some European countries and the EU are mostly interested in diversifying their economic partnerships, when others look at India as a strategic – and even a military – partner.

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