

Draft paper

Presented at IDSA International Workshop on National Security Strategy,

December 2010

Not to be cited without permission

## **Europe in Indian Strategy**

Dhruva Jaishankar

German Marshall Fund of the United States

December 22, 2010

*Abstract: Despite promising economic and political relations and a litany of common interests and values, Europe appears to be taking a declining role in Indian strategic thinking. In recent years, India and Europe have found themselves on opposing sides of critical international issues such as world trade, climate change, and global governance structures. Yet Europe provides an opportunity to be a source of investment and high technology, a complementary economy, a political partner with shared values, and a source of leverage for India's dealings with other states. Important barriers to warmer ties remain in the form of divergent political evolutions, public apathy, weak people-to-people relations, different attitudes towards the use of force, strategic incoherence within Europe, and disagreements over global governance. These can only be surmounted if India pursues an active engagement with Europe, with a focus on deepening long-term socio-cultural relations. In that sense, Europe represents a crucial litmus test for India's grand strategic acumen.*

### **Introduction**

India is in the midst of recrafting and reinventing its relations with most major states in the international system. While breakthroughs with the United States over the past decade have had perhaps the greatest impact on Indian strategy, the same period has also witnessed attempts at normalizing relations with China and Pakistan, an increasingly close relationship with Israel, promising new partnerships with Japan and Brazil, and a reaffirmation of ties with Russia.

In this light, perhaps the least explored and least developed link India has with a major center of power is with Europe. At the very least, Europe appears to be playing a diminishing role in India's strategic thinking, despite the continuing prominence of certain aspects of relations with individual countries: Britain, France and Germany, in particular. Europe is often conspicuously absent in important discussions of Indian grand strategy.<sup>1</sup> The recent EU-India Summit of December 10 clearly highlighted limits to New Delhi's relationship with Brussels. Unlike other recent summits involving India, the resulting joint statement explicitly called upon Pakistan to bring the perpetrators of the 2008 Mumbai terrorist attacks to justice and promised greater cooperation on terrorism, but contributed little else on the strategic front despite a wide spectrum of

---

<sup>1</sup> See Raja Menon and Rajiv Kumar, *The Long View from New Delhi: To Define the Indian Grand Strategy for Foreign Policy* (New Delhi: Academic Foundation, 2010).

Draft paper

Presented at IDSA International Workshop on National Security Strategy,

December 2010

Not to be cited without permission

shared interests.<sup>2</sup> It is perhaps little surprise that the summit received far less attention in the Indian media than those with the United States, China, Russia and even individual EU member states such as France and Britain.

Europe's low profile in Indian strategic priorities is, at one level, unusual. As a single entity, it mirrors India's federal structure with its culturally- and linguistically-distinct constituent entities. European states also generally share India's commitment to liberal democratic values and multiculturalism. The European Union is India's largest trade partner by some distance. Britain and France are important defense suppliers to India's armed forces. And Europe is collectively home to an Indian diaspora that is over 1.7 million-strong and growing, albeit slowly.

The India-Europe link remains weak for several reasons, which can be grouped in four broad baskets: economic, politico-military, socio-cultural, and existential. There have been disputes on as disparate problems as climate change, human rights, and world trade. At the same time, both India and Europe have a history of rising above such disagreements. While certainly not models of problem-free relationships, Europe's ties with China and India's newfound partnership with the United States demonstrate the ability of both entities to forge fruitful relations with leading powers despite deep-seated disagreement. In fact, the failure of both India and Europe to take advantage of commonalities and surmount their differences only betrays the strategic shortsightedness of policymaking at both ends.

Europe represents an opportunity for India to define a coherent grand strategy, a litmus tests of sorts of India's strategic acumen. As one of the four major concentrations of power in the 21<sup>st</sup> century, Europe has established itself as a single entity in many regards, particularly trade issues. Indeed, beyond counterterrorism and trade – two areas of proven cooperation<sup>3</sup> – India and Europe do make for potential partners. They do not promote rival ideologies and, in fact, share strong commitments to liberalism, democracy, secularism, and pluralism. Nor do they have competing realms of influence. The two economies are in many respects complementary: India's burgeoning market, low costs, service-led growth and demographic dividend dovetail, rather than compete with, Europe's technological aptitude, high standard of living, fiscal inflexibility and aging population. Both wrestle with similar challenges related to sub-national governance, the treatment of minorities, and radical Islamism. Europe also remains a

---

<sup>2</sup> Richard Gowan and Sushant K. Singh, "Atlas of Indo-European Strategy," *Mint*, December 19, 2010.

<sup>3</sup> See B. Raman, "India and China in Europe," Address delivered at Workshop on "European Common Foreign and Security Policy – Implications for India," Pondicherry University, October 11, 2010.

Draft paper

Presented at IDSA International Workshop on National Security Strategy,

December 2010

Not to be cited without permission

source of investment and technology for India (including technology of strategic significance). It provides leverage for India to optimize its dealings with other states, including the United States, China and Russia.

The arguments made by many in the United States in favour of a prominent partnership with India should logically resonate more strongly in Europe: a well-calibrated partnership with India has the potential to sustain European eminence in an era of emerging powers while maintaining a favorable balance of values. In a global environment experiencing a rapid diffusion of power, Europe stands out as a potent target of India's multipolar engagement strategy, a major concentration of power that is not necessarily burdened with the complications often associated with bilateral relations with the United States and China.

### **Incompatible Models?**

India's rise since the end of the Cold War and its concomitant economic development have led to a strategic reawakening, and a renewed engagement with the rest of the world.<sup>4</sup> The rapid growth during this period of other Asian powers (most notably China), an uneven peace brought about by the introduction of nuclear weapons to the subcontinent, and the relative decrease in American power have all shaped Indian thinking in meaningful ways.<sup>5</sup> The end product is a foreign policy marked by characteristics that have included an emphasis on India's economic development, a maintenance of sovereignty, a consideration of balances of power, a distrust of permanent alliances, and an enthusiasm for omni-directional diplomatic and economic engagement.<sup>6</sup>

Since the end of the Cold War, Europe has moved in much the opposite direction. With the fall of the Berlin Wall, the nuclear deterrence that largely defined stability and security on the continent for much of the preceding forty years was rendered irrelevant.

---

<sup>4</sup> See C. Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy* (New Delhi: Penguin India, 2005), particularly pp. 280-282.

<sup>5</sup> For the effects on India of China's growth, nuclear weapons and American decline, see: David Shambaugh, "The Evolving Security Order in Asia: Implications for US-India Relations," in Alyssa Ayres and C. Raja Mohan, *Power Realignment in Asia: China, India and the United States* (New Delhi: Sage, 2009) 137-157; Ashley J. Tellis, C. Christine Fair and Jamison Jo Medby, *Limited Conflicts Under the Nuclear Umbrella: Indian and Pakistani Lessons from the Kargil Crisis* (Santa Monica, CA: RAND, 2001) 77-93; Shyam Saran, "Geopolitical Consequences of Current Financial and Economic Crisis: Implications for India," Speech at the India Habitat Centre, New Delhi, February 28, 2009.

<sup>6</sup> Dhruva Jaishankar, "The Vajpayee-Manmohan Doctrine: The Moorings of Contemporary Indian Foreign Policy," *Pragati*, 19 (October 2008), 10-13.

Draft paper

Presented at IDSA International Workshop on National Security Strategy,

December 2010

Not to be cited without permission

The expansion of Europe that came with the inclusion of former Soviet and Warsaw Pact states into the European Union and NATO dampened security competition, despite conflict in the Balkans and continuing uneasiness with Russia. Instead, Europe renewed its focus on establishing a wider and deeper economic and political union. The advent of the Schengen Area, the European Central Bank, and the Euro facilitated intra-European migration, enabled the centralization of fiscal policy, and established a single European currency. The passage of the Lisbon Treaty in 2009 attempted to provide greater political cohesion through the creation of a President of the European Council and a new office of the High Representative that would oversee Europe's external relations.<sup>7</sup>

However, the complex and overlapping governing structure of the European Council and Commission, and the uncertain implications of the Lisbon Treaty on European cohesion, have only further complicated external perceptions, including New Delhi's. Some external observers, particularly in the United States, see Europe as continuing to play an important unitary role in the 21<sup>st</sup> century and possibly forging a new model of statehood that might enable it to escape from ruinous security competition. Such advocates of the European model see in India a power that is behind the times, hobbled by low-standards of living, developmental challenges, weak military and diplomatic spending, and unruly minorities.<sup>8</sup>

The two very different orientations of Europe and India are not naturally conducive to cooperation. For India, Europe's post-modern supranationalism appears an impractical and romantic vision destined to serve it poorly in an increasingly competitive global order. "We are a nation of Eurosceptics," said one Indian official who deals with Europe. "We will wait to see what the Lisbon Treaty is all about."<sup>9</sup> For Europeans, India has yet to achieve political maturity at home and in its dealings with both smaller neighboring states and larger powers in its region. European diplomats see fatal weaknesses in India's perceived caution, its fractious democracy and its many regional challenges.<sup>10</sup>

Issues of identity have made themselves felt through important differences over tangible outcomes. At the Copenhagen Climate summit in December 2009, India's opposition to the thrust of the climate treaty advanced by European states was due in no small part to concerns over sovereignty, concerns that it shared with China.<sup>11</sup> Another realm of

---

<sup>7</sup> Simon Duke, "The Lisbon Treaty and External Relations," *EIPAScope*, 1, 2008, 13-18.

<sup>8</sup> Andrew Moravcsik, "Europe: The Quiet Superpower," *French Politics*, 7 (2009), 403-422; Parag Khanna, *The Second World: Empires and Influence in the New Global Order* (New York: Random House, 2008), 3-9, 60-61.

<sup>9</sup> Interview with senior Indian diplomat, New Delhi, July 23, 2010.

<sup>10</sup> Interview with senior British diplomat, London, February 20, 2010.

<sup>11</sup> Pantelis Sklias, "India's Position at the Copenhagen Climate Change Conference: Towards a New Era in the Political Economy of International Relations?" *Research Journal of International*

Draft paper

Presented at IDSA International Workshop on National Security Strategy,

December 2010

Not to be cited without permission

conflict stemming from existential concerns is in the matter of upholding human rights, with European activism producing considerable resentment in Indian policymaking circles.<sup>12</sup> According to one former Indian foreign secretary, Europe “is reluctant to get involved in the rivalries and tensions of Asia, except for...humanitarian interventions, as aid-giver or, ironically, for sanctimonious sermonizing on human rights which its traders and rulers had so diligently violated in Asia not so long ago.”<sup>13</sup> Motions introduced in recent years in the European Parliament condemning the activities of Indian security forces in Kashmir proved but one example of an act that unnecessarily annoyed New Delhi for little or no benefit. In fact, the motion and associated report coincided with a period of growing goodwill between India and Pakistan.<sup>14</sup>

### **Public Disdain and Apathy**

The absence of strong socio-cultural relations between Europe and India is, perhaps, primarily responsible for poor overall engagement. Such relations have formed the basis for India’s warming relations with the United States, manifested in the extraordinarily large number of Indian students in American universities and admiration of the United States’ entrepreneurial spirit.

Few data reflect social proximity better than the results of public opinion surveys. A 2010 survey of eleven European states found that 54 percent rated India favorably as compared with 33 percent who rated in unfavorably. While this spread is reflective of about half the states polled (Germany, Belgium, Italy, the Netherlands, Spain and Portugal), India is rated very poorly in France, and – rather peculiarly – in Slovakia.<sup>15</sup> The continental European survey results are particularly revealing when compared to results in both the UK and the United States, where 74-76 percent of respondents rated India favorably, while were 21-22 percent held an unfavorable view of India. The results of a 2010 BBC poll was even more stark, with four out of the six European countries

---

*Studies*, 15 (August 2010) 4-11; “India Prepares Copenhagen Accord with Four Other Countries,” *The Hindustan Times*, December 19, 2009.

<sup>12</sup> Toby King, “Human Rights in European Foreign Policy: Success or Failure for Post-Modern Diplomacy?” *European Journal of International Law*, 10, 2 (1999) 313-337.

<sup>13</sup> Maharajakrishna Rasgotra, “The New Asian Power Dynamic: Introductory Essay,” in Maharajakrishna Rasgotra *ed.*, *The New Asian Power Dynamic* (New Delhi: Sage, 2007) 11.

<sup>14</sup> “Draft Report on Kashmir: Present Situation and Future Prospects,” European Parliament, Committee on Foreign Affairs, November 23, 2006.

<sup>15</sup> Transatlantic Trends, “Transatlantic Trends: Key Findings,” 2010.

Draft paper

Presented at IDSA International Workshop on National Security Strategy,

December 2010

Not to be cited without permission

surveyed – Germany, France, Spain and Portugal – having unfavorable opinions, and only Italy and the United Kingdom registering positive views of Indian influence.<sup>16</sup>

In similar polls, Indians show considerable apathy towards Europe. In the BBC survey, the percentage of Indians with no strong opinions on the influence of France, UK, EU and Germany were 46, 49, 57 and 59 percent respectively. However, those who did respond were on the whole favorably disposed.<sup>17</sup> However, according to a Pew poll also released in 2010, Indians had a negative view of the European Union.<sup>18</sup>

Such surveys do not reveal the reasons for popular European dissatisfaction with India. However, India's low opinion of Europe likely results from unfavorable comparisons with the United States, which is still held in very high regard by the Indian public. Only 10 percent of Indian respondents saw the EU as the leading economic power in 2010 (only 5 percent did in 2008), compared to 60 percent who named the United States.<sup>19</sup> Previous such polls had indicated that a plurality of Indians, unlike others polled, favored the United States as a land of opportunity over individual European countries.<sup>20</sup>

If it is indeed in European interests to take full advantage of Indian entrepreneurial talent, it must begin to compete with the United States as an immigration and educational destination. Europe is well-placed to take advantage of this. The recent financial crisis, and protectionist American legislation, has accelerated a movement of highly-educated and –skilled Indians away from the United States. Indian 'returnees' from the United States, are by and large young (26-35), with professional or masters degrees, and in the United States either to study or on short-term, high-skill work visas. It would be to the advantage of the European economy and to long-term India-Europe relations, if the right environment could be created to attract such entrepreneurial Indian émigrés.<sup>21</sup>

---

<sup>16</sup> "Poll: Global Views of United States Improve While Other Countries Decline," BBC World Service, April 18, 2010.

<sup>17</sup> Ibid.

<sup>18</sup> "Obama More Popular Abroad than at Home, Global Image of U.S. Continues to Benefit," Global Attitudes Project, Pew Research Center, June 17, 2010.

<sup>19</sup> "Obama More Popular Abroad than at Home," 41, 57, 62; "Global Economic Gloom—China and India Notable Exceptions," Global Attitudes Project, Pew Research Center, June 12, 2008, 25.

<sup>20</sup> "U.S. Image Up Slightly, But Still Negative," Global Attitudes Project, Pew Research Center, June 23, 2005, 23.

<sup>21</sup> Vivek Wadhwa, AnnaLee Saxenian, Richard Freeman, Gary Gereffi, and Alex Salkever, "America's Loss is the World's Gain: America's New Immigrant Entrepreneurs, Part IV," Kauffman Foundation, March 2009.

Draft paper

Presented at IDSA International Workshop on National Security Strategy,

December 2010

Not to be cited without permission

While a prosperous and successful Indian community in Europe can benefit India as much as its counterpart in the United States, there are additional benefits to enhanced people-to-people exchanges. India has much to benefit also from cooperation with Europe as it rises and prospers, particularly on matters of regional or local governance and social welfare. Europe, for example, is well-situated to provide useful lessons to India on matters of urban governance, and unleashing the full potential of cities.<sup>22</sup>

### **Moving Beyond Arms Sales?**

The strategic relationship between Europe and India, if considered in narrower terms of politics and security, has been held hostage to other dimensions of the relationship. Many observers have critiqued the inordinate focus of Europeans on short-term commercial and economic gains at the expense of long-term political calculations.<sup>23</sup> Others have noted the absence of strong cultural links between India and Europe, Britain excepted.

In the security realm, India has forged much closer relationships with individual European countries – particularly Britain and France, and to a lesser extent Germany and Italy – than with Europe as a whole. This is especially true in the matter of big-ticket defence sales. Over the past few decades the Indian Air Force has purchased Mirage 2000 fighters from Dassault, SEPECAT Jaguars, BAE Hawk trainers and Aerospatiale helicopters. The Indian navy has ordered submarines from German manufacturer HDW and, more recently, French Scorpenes. Additionally, India's only active aircraft carrier, the *INS Viraat*, is a British import and is serviced by British-built Harrier jets. European defense manufacturers have benefited from notable advantages over their competitors in the Indian market. Most importantly, they have access to leading military technologies and fewer qualms about exporting them, while being free of the unwarranted political baggage associated with American suppliers.

At the same time, competition amongst European suppliers, technological disadvantages vis-à-vis the United States, and the lack of Europe's strategic allure, have also weakened its hand. While the Eurofighter Typhoon, the product of a Europe-wide consortium, is among the candidates to win the lucrative contract for 126 medium multi-role combat aircraft being offered by India, estimated to be worth at least \$10-12 billion, it is facing competition from two other European manufacturers: Dassault and Saab. The political benefits of the granting of such a sale are seen, in India, as minimal, particularly

---

<sup>22</sup> Nigel Harris, "Globalisation and the Management of Indian Cities," *Economic and Political Weekly*, 38: 25 (June 21-27, 2003), 2535-2543.

<sup>23</sup> Joel Sandhu and Oliver Stuenkel, "Resetting Europe's India Strategy," *EUobserver*, May 12, 2010 (<http://euobserver.com/24/30073>).

Draft paper

Presented at IDSA International Workshop on National Security Strategy,

December 2010

Not to be cited without permission

when compared to India's long-cultivated relationship with Russia and the potential of a broad partnership with the United States.

Defense trade has also been hobbled with corruption endemic to the Indian acquisition process. HDW was blacklisted in the 1980s following corruption allegations.<sup>24</sup> The infamous Bofors scandal, which saw over \$20 million paid in kickbacks by the Swedish arms manufacturer and contributes to the defeat of the Congress government in the 1989 elections, still casts a long shadow over arms trade between Europe and India, reinforced by the involvement in that episode of an Italian middleman. Given the relative success of European manufacturers in the Indian market, joint manufacturing and research and development ought to be more prevalent. Unfortunately, these are held hostage to the slow pace of Indian defense industry reforms. The gradual emergence of private-sector defense manufacturers may increase the ease of collaboration in the years to come. In contrast, failures of Indian state suppliers to complete commissions in time and on budget may cause India to revert to manufacturing in Europe to the benefit of both Indian defense preparedness and European manufacturers.<sup>25</sup>

A second aspect of the military relationship constitutes military-to-military dialogue and the interoperability, with an eye on possible joint operations. Cooperation in this regard has been underwhelming, again, with the possible exception of France. The Indo-French relationship was particularly remarkable for France's support for India following its 1998 nuclear tests, when Paris advocated New Delhi's swift return into the nuclear fold and even access to civilian nuclear technology.<sup>26</sup> France and India have also benefited from successful bilateral air exercises, in addition to exercises conducted in the United States with the American and South Korean air forces.<sup>27</sup>

Notwithstanding the minor successes with an autonomously-inclined France, the wider European failure to develop strong military-to-military relations with India can be attributed to two causes, one social, the other structural. The first concern is Europe's

---

<sup>24</sup> "Blacklisted Firm HDW Offers Transfer Of Technology In Submarine Deal," *The Financial Express*, January 3, 2003.

<sup>25</sup> Ajai Shukla, "Project 75I: Unexplained Decision to Sideline L&T," *Business Standard*, September 1, 2010.

<sup>26</sup> Sanjay Gupta, "The changing patterns of Indo-French relations: From Cold War estrangement to strategic partnership in the twenty-first century" *French Politics*, 7:3-4 (2009) 253-256; Strobe Talbott, *Engaging India: Diplomacy, Democracy and the Bomb* (Washington: Brookings, 2004) 143.

<sup>27</sup> "French air force to bring Rafale jets to India for exercise," Press Trust of India, June 24, 2010; "Indian Air Force's first ever Participation in Exercise 'Red Flag'" Press Information Bureau, July 6, 2008.

Draft paper

Presented at IDSA International Workshop on National Security Strategy,

December 2010

Not to be cited without permission

transition to a “post-heroic society.”<sup>28</sup> The reluctance of European states to deploy and maintain large troop presences in Iraq and Afghanistan, the latter despite a commitment to NATO, have reinforced the stereotype of European militaries unwilling to fight, and cast aspersions on their willingness to project military power outside their extended neighborhood. That such an assessment might not be fair, particularly with regards to India’s track record of deploying forces overseas, is almost irrelevant.

The second challenge concerns identification of an appropriate partner. That European militaries could operate under their own national flags, under a NATO rubric, or even possibly as part of a EU rapid reaction force, complicates military partnerships with external actors.<sup>29</sup> In many respects, the nascent EU defense structure, championed by the French, and NATO, which remains U.S.-led, are competitors. So far, in accordance with American wishes, the EU has assumed only small-scale peacekeeping or rule-of-law missions, avoiding direct conflict between the two bodies. Nevertheless, the future of European military leadership remains uncertain.<sup>30</sup> At the same time, the continued presence of bureaucratic walls between the two institutions fails to maximize their effectiveness.<sup>31</sup>

Dialogue should still persevere despite inherent limitations to exercises and operations, but India has expressed little interest in sustained conversation on issues of common concern. The absence of serious engagement on military threats has impaired the identification of areas for natural cooperation. For example, both Europe and India treat Iran as part of their extended neighbourhoods and both have active diplomatic relationships with Tehran. Yet there is little evidence of close consultations between the two on how to deal with Iran’s nuclear weapons program, compounded by India’s absence from the P5+1 negotiations. Both entities are also involved in anti-piracy operations in the Indian Ocean, although not in close conjunction with one another. And there are also shared interests in interdicting illicit cargoes in keeping with both counter-proliferation and counter-narcotic objectives. Most heroin found being produced in and transported through India and the subcontinent is destined for Europe.<sup>32</sup>

In the realm of political relations, Britain and France once again remain exceptions. The atmospherics may appear confidence-inducing. In the past three years alone, India has

---

<sup>28</sup> Edward N. Luttwak, “Toward Post-Heroic Warfare” *Foreign Affairs* 74, 3 (May/June 1995).

<sup>29</sup> Charles Lindborg, “The EU Rapid Reaction Force: Europe Takes on a New Security Challenge,” BASIC Paper No. 37, British American Security Information Council, August 2001.

<sup>30</sup> John R. Schmidt, “Last Alliance Standing? NATO after 9/11” *The Washington Quarterly*, 30:1 (Winter 2006-07) 93-106.

<sup>31</sup> William Drozdiak, “The Brussels Wall,” *Foreign Affairs*, 89:3 (May-June 2010) 7-12.

<sup>32</sup> “International Narcotics Control Strategy Report,” Bureau of International Narcotics and Law Enforcement Affairs, U.S. Department of State, March 1, 2010.

Draft paper

Presented at IDSA International Workshop on National Security Strategy,

December 2010

Not to be cited without permission

hosted German Chancellor Angela Merkel, French President Nicolas Sarkozy, British Prime Minister David Cameron, European Commission President Jose Manuel Barroso and EU High Representative Catherine Ashton. The steady stream of senior European visitors to India appears to have been motivated primarily by its economic potential.

A final strand to the web of strategic relations between Europe and India concerns their places in the key international institutions that both lead global governance and reflect the distribution of power. With India rising, and Europe in relative decline an expectation on the parts of many in India, China, the United States and elsewhere is that Europe must be persuaded to graciously cede some of its privileges to emerging powers such as India.<sup>33</sup> Despite the inclusion of Germany as part of the G-4 aspirants to permanent membership of the UN Security Council, an expectation is that Europe's vote might be consolidated in the event of the body's overhaul. Even the World Trade Organisation Director-General Pascal Lamy, who is French, has suggested that Europe needs to speak with "one mouth" at international summits such as the G-20 meetings even if it cannot with "one voice."<sup>34</sup>

That India's ascension to various high tables of global governance must come at the expense of Europe's makes for a difficult working relationship at international issues, for which they will be no easy compromises. This provides India with an impetus to encourage European unanimity - if not unity - on important issues, be they financial regulation at the G20, foreign policy and security at the UNSC, or climate change policy at the annual UN climate change conferences. Secondly, Europe which has invested considerably in various international institutions and nurtured them over time has an incentive to include India, even if it has to sacrifice its own voice, to maintain the relevance and effectiveness of those very institutions.

### **Untapped Economic Potential**

The most successful area of engagement between India and Europe - by some distance - is in the economic and commercial realm. The European Union accounts for 16 percent of India's trade, worth \$74.4 billion. This compares very favorably with India's \$60 billion worth of trade with China and its \$40 billion in trade with the United States. Indian exports have been in unskilled manufacturing, including textiles and automotive products. European exports to India, meanwhile, are composed primarily of machinery, chemicals and gems and jewelry. Some aspects of this trade - dominated on the European side by Germany and Britain - appear both positive and sustainable. The

---

<sup>33</sup> Daniel W. Drezner, "The New New World Order," *Foreign Affairs*, 86:2 (March-April 2007).

<sup>34</sup> "World to Europe: if you must hog G20 seats, could you at least talk less?" Charlemagne's Notebook, *The Economist*, March 28, 2010 ([http://www.economist.com/blogs/charlemagne/2010/03/too\\_many\\_europeans\\_g20](http://www.economist.com/blogs/charlemagne/2010/03/too_many_europeans_g20)).

Draft paper

Presented at IDSA International Workshop on National Security Strategy,

December 2010

Not to be cited without permission

European Union is a destination for 20 percent of Indian exports, and enjoys a trade surplus in its favor of about €2 billion.<sup>35</sup> Despite the financial crisis leading to a sharp decline in 2008, European exports to India have bounced back almost to 2007 levels, bucking a global trend. India's trade as a percentage of GDP is increasing despite its rapid growth rates, as is its manufacturing sector relative to the rest of the economy.

However, these data belie the overall trade potential of the relationship. In a reflection of its low base, India only ranks ninth among the EU's trade partners, behind South Korea, but ahead of Brazil. Total trade also remains one-sixth that of the European Union's with China.<sup>36</sup> Europe has a smaller share of trade in commercial services (€12.2 billion) with India than it does in goods (11.9 percent), so is taking less advantage of India's primary strength. Perhaps more revealingly, it is, rather unusually, a net *exporter* of services to India.<sup>37</sup> Current trends also suggest a future at odds with the seemingly rosy picture today. Two-way investment, never very high to begin with, dropped almost fifty percent in 2009. And the EU has also seen its share in India's commercial mix decline in favor of China, other Asian economies and the Gulf. Between 1990-91 and 1998-99, for example, the EU accounted for over 25 percent of India's trade.<sup>38</sup>

A relationship that can fully exploit comparative advantages will be hard-pressed to overcome perceptual differences. The outrage often expressed by the Indian government and media over seemingly protectionist measures by the United States is rarely targeted at Europe, despite the presence of stronger unions and occasionally high barriers to immigration, trade and investment.

## Conclusion

To realize the full potential of a partnership with Europe, India needs to embark on a sustained and simultaneous engagement of the major pan-European bodies and individual European governments. The current mechanism of dealing with the office of the High Representative is a base upon which such multipronged engagement can rest, but it must encapsulate the full range of external relations – particularly trade and defense – to be fully effective. A unified and comprehensive approach would help

---

<sup>35</sup> Export Import Data Bank, Department of Commerce, Government of India, August 17, 2010, (<http://commerce.nic.in/eidb/default.asp>).

<sup>36</sup> "India: EU Bilateral Trade and Trade with the World," Directorate-General of Trade, European Commission, July 19, 2010, (<http://trade.ec.europa.eu/doclib/html/113390.htm>)

<sup>37</sup> "EU - India Summit: An EU27 surplus in trade in goods with India of 2.1 bn euro in 2008; Surplus of 1.5 bn in trade in services," Eurostat News Release, November 4, 2009.

<sup>38</sup> Arindam Banik, Pradip K. Bhaumik and Sunday O. Iyare, "Explaining FDI Inflows to India, China and the Caribbean: An Extended Neighbourhood Approach," *Economic and Political Weekly*, Vol. 39, No. 30 (July 24-30, 2004), 3403.

Draft paper

Presented at IDSA International Workshop on National Security Strategy,

December 2010

Not to be cited without permission

overcome prejudices against European post-modernity. As Europe currently does not follow such a blueprint in steering its relations with other powers, it will be incumbent upon New Delhi to formulate an optimal mechanism for high-level engagement.

The top priority of this engagement should be creating the conditions for Europe to replicate the socio-economic fruits of the U.S.-India relationship, as a strong foundation for broader cooperation. This can only be brought about by a liberal immigration regime and the development of higher education institutions that meet the insatiable demands of the growing Indian middle class. The attractiveness of Europe as a destination for highly-skilled and -educated young Indians will be the ultimate litmus test of long-term relations between Europe and India.