

INDIA SHOULD BELIEVE IN THE EU

Relevant for: International Relations | Topic: Europe, European Union (EU) and India

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In today's fragmented world, the power of any aspiring global player depends on the number and quality of its bilateral and multilateral relationships. In which partner should India invest? The European Union (EU) is one.

The EU and India have much in common. Both aim to enhance strategic autonomy and their global standing. Diversifying strategic value chains is also a common interest, as is the urgent need to address climate change. The EU and India can support each other in these endeavours.

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On purely economic terms, the EU is India's first trading partner and the biggest foreign investor, with €67.7 billion worth of investments made in 2018, equal to 22% of total FDI inflows. But there is still room for improvement — especially when compared to EU investments in China which, in the same year, amounted to €175.3 billion. Enhanced business cooperation can help both the EU and India diversify their strategic value chains and reduce economic dependency — notably on China. India could succeed in attracting EU investment that might be moving out of China, but to do so, it must address the mutual trust deficit. Facilitating people's mobility and connectivity is a good way to improve mutual understanding and create opportunities for innovation and growth.

The EU and India must also tackle the elephant in the room: the stagnating Free Trade Agreement (FTA) negotiations. A new study from the European Parliament assesses the potential impact of an EU-India trade agreement at between €8 billion and €8.5 billion gains from increased trade for both sides, with a more significant increase of trade gains likely to flow to India. The study also refers to additional potential gains from enhanced coordination on the provision of global public goods, such as environmental standards.

On climate change, the EU is building on its ambitious target to render the continent carbon-emission neutral by 2050, through its new industrial strategy, the Green Deal. "Investing in fossil fuel-driven recovery is a wasted opportunity, and we only have one chance to make it right", says the Executive Vice President of the European Commission, Frans Timmermans. Should both the EU and India succeed in transforming into carbon-neutral economies by 2050, we all would gain from the investment.

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In geopolitical terms, India finds itself facing increasingly restive, powerful rivals. The Indo-Pacific region is increasingly the focus of attention, so India should capitalise on its geopolitical leverage there. Stronger cooperation with like-minded, democratic powers can support this effort, especially towards assertive competitors like China. Even India's strongest bilateral relations with individual EU member states do not come close to the potential of dealing effectively with the EU as a whole. New Delhi must learn how to maximise benefit from this strategic partnership.

The ruptures caused by COVID-19 have been the occasion for the EU to prove its worth. The measures put in place at supranational level show a strong willingness to buttress the

fundamental pillars on which the EU is built. The “Next generation EU proposal” submitted by the European Commission has surprised many by its bold approach. This is indeed a game-changer, not only in its financial implications — as it allows the EU to take on debt — but because it shows that the ties that bind the EU extend well beyond treaties and individual members’ self-interest.

But the value of the EU reaches far beyond its economic clout. The EU champions the rules-based international order, which is being increasingly challenged by the proliferation of exceptionalism. The EU and India must join forces to promote sustainable reform of multilateral institutions, with the World Trade Organization (WTO) first in line.

Hence, a strong partnership would help both EU and India become global decision-makers.

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