

Navigating a changing world

Cementing bonds: “India and the EU should continue to welcome each other’s leadership roles in the world, primarily because of commonly shared values.” (L-R) European Council President Donald Tusk, Prime Minister Narendra Modi, and European Commission President Jean-Claude Juncker in New Delhi. | Photo Credit: [AP](#)

That the talks to negotiate the India-European Union trade pact, the Broad-based Trade and Investment Agreement (BTIA), have not progressed during the 14th India-EU Summit, held in New Delhi on October 6, is, among other things, a sign that both sides continue to recalibrate their bargaining power and understanding of their relative positions on the international stage. Nevertheless, there are some important positive outcomes of these interactions, which go beyond just trade. The very fact that the two sides are talking and working together in several areas is significant.

Much has changed for the EU since the last summit held in Brussels in 2016: Brexit; several key elections, including in France and Germany; and visible rifts between eastern and western European countries on what core EU values are and should be. The inauguration of Donald Trump as U.S. President and consequent retreat of America from its leadership role in the West has provided a significant external stimulus to the EU’s identity shift.

Interestingly, the EU leadership referred to India and the EU as being the “world’s largest democracies” — a statement usually made with regard to politically sovereign entities. The EU is a single market, the world’s largest, but comprises 28 sovereign democratic countries, i.e., it is not sovereign in itself (Britain has just driven home that point). This projection as one of the world’s largest democracies, which happened at the end of last year’s summit as well, is more notable this time in light of the U.S.’s uncertain position on the international stage and the fact that pro-EU leaders such as French President Emmanuel Macron have been pushing for a stronger union in Europe as Britain leaves the EU.

Also notable is that India and the EU reaffirmed their commitment to a “rules-based” international order and a “multipolar” world. This is significant in the context of the U.S. moving towards reneging on several international deals. Mr. Trump has said he is going to “decertify” the nuclear deal with Iran — a deal that the EU is keen to uphold — and his administration has given notice of intent to withdraw from the Paris Accord. He has shown a willingness to walk away from the game if the rules are not altered as per his taste. The reference to multipolarity is a recognition that there is more than just one chair at the top table, not just with the U.S.’s shifting position but also due to Russia and China’s ascent.

The India-EU joint statement on terrorism this year called for “decisive and concerted actions” against Hafiz Saeed, Dawood Ibrahim, Lashkar-e-Taiba and other purveyors of terror; this will further bolster India’s efforts to call out Pakistan on the issue of sponsoring terror. The EU itself has been no stranger to terrorism these last few years and the two sides have agreed to enhance cooperation at multilateral and bilateral interactions.

The centrepiece of the recent summits, the BTIA, however continues to be conspicuous by its absence. Among the reported causes for the failed talks is a disagreement on whether the protection of foreign investments will be part of the BTIA or dealt with in a stand-alone treaty. (India has allowed tens of bilateral investment treaties to lapse, including those with EU states, so it can bring these in line with a model treaty from 2015.)

Other sticky points in the negotiations have been India wanting a greater ease of movement of

temporary skilled workers to provide services in the EU and the EU wanting greater market access for its automobiles and its wines and spirits.

India is right to strike a hard bargain as far as the temporary movement of skilled workers is concerned. The EU and other developed countries have been historically reluctant about moving forward on this and the issue has become more challenging with the rise of populism and protectionism in Europe. Nevertheless, the liberalisation of services and access to EU markets for those who deliver them go hand in hand with the liberalisation of the goods market; wanting an open market for automobiles and liquor but unduly restricting the movement of natural persons seems to be a case of 'have your cake and eat it too' thinking. It bears repeating that there are winners and losers from globalisation on both sides of the border and it is up to governments to institute policies to redistribute the gains from trade. All too often, the movement of skilled workers from India to developed countries is made onerous with barriers to overcome in terms of salary thresholds, recognition of qualifications, visa fees, social security and so forth.

Another issue holding up the trade talks has been the EU not granting "data secure" certification to India — a condition that facilitates the cross-border transfer of personal data, key to a number of companies' services, especially in the IT industry. India does not have a stand-alone data privacy law yet and the state recently went to great lengths to create a false dichotomy between development and privacy during the right to privacy hearings in the Supreme Court, including, by (unsuccessfully) arguing that privacy was an elitist concern. On the other hand, the EU is, commendably, at the forefront of protecting citizens' rights as regards what happens to their data online. It will be no easy task for the government — whose approach to privacy can be described as casual at best (one got the impression that the government's equivocation on its position on privacy, apparent during the conclusion of the hearings in the case, were face-saving measures undertaken to resonate with the tide of public opinion and then the Supreme Court ruling itself) — to align its laws to a standard required by the EU to get the appropriate certification. It would certainly be a shot in the arm for consumer rights and privacy standards in the digital age if India were to adopt and implement strict standards for handling data, an outcome desirable in itself.

India and the EU should continue to welcome each other's leadership roles in the world, primarily because of commonly shared values. For those who prefer to take a more expedient view of the situation, reasons can perhaps be found in the fact that the EU is India's largest trade partner and it is also, like India, wary of China's political (the summit declaration makes a reference to freedom of navigation principles) and economic dominance. The EU is concerned about China flooding global markets with inexpensive steel and its response to China's Belt and Road Initiative has been lukewarm, but the strength of China's relationship with EU member states themselves is heterogeneous, with China trying to make inroads into Eastern and Central Europe through infrastructure investments. This makes it vital for India to cement its bonds with the EU further.

With around €100 billion in bilateral goods and services trade last year, India and the EU have a lot to gain from a trade deal. It's not just about trade. It is far from clear what presence the EU will have in a decade's time as this is a matter that can only be settled internally by its constituents. But the sands are shifting, both in Europe and the world, and spaces and opportunities for leadership and partnership are opening up. It will certainly pay for both India and the EU to keep each other close as they feel their way around the emerging international order.

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The new U.S. Fed Chairman is unlikely to opt for policies that might upset the President's plan

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