

# **The EU and India: A Geoeconomic Approach towards Establishing a Far-Reaching Partnership in the Indo-Pacific region**

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## *The Indo-Pacific Decade*

India and the European Union (EU) represent two of the world's largest economies and thus will remain significant players in the global economic and trade affairs. For the past decade, the pundits have been propagating the emergence of an Asian multipolar century<sup>1</sup>, with a shift<sup>2</sup> from the Atlantic to the Pacific realm due the rise of China. However, following the COVID-19<sup>3</sup> virus outbreak, this year marks the obvious manifestation of an Indo-Pacific decade<sup>4</sup>, with the USA, China, Russia, the EU, and potentially India being the main protagonists in an emerging competition<sup>5</sup> coupled with new opportunities. Obviously, it is the unfolding of regional centres of power, which create the delusive impression of multipolarity, while in fact a new systemic bipolarity<sup>6</sup> between the USA and China comes to light. Various regional players such as Russia, India, Japan, the key European states such as Great Britain, France, Germany and Italy, and a few other relevant regional powers are facing multiple ad hoc actors' constellations determined by the goal of maximizing their own gains while playing a balancing act<sup>7</sup> between the USA and China without getting caught by the difficult choice of taking sides.

With India being on its path to becoming the third largest-economic power by 2025 and as a natural long-term rival of China, the Indo-Pacific region is slowly but surely becoming the main arena for global power competition in the 21<sup>st</sup> century. The 'bilateralization' of international relations, coupled with traditional South Asian security dilemma triangles between China, India, and Pakistan, provide a fertile soil for a profound tectonic shift in global affairs.<sup>8</sup> Against this background, the EU and India witness a unique situation with newly emerging opportunities to unlock the potential of their strategic partnership by focusing on their cooperation in the Indo-Pacific region. Gurpreet Khurana describes this geopolitical space<sup>9</sup> as stretching from the Indian and western Pacific Ocean to the littorals of West Africa and East Asia. It is beyond any doubt that the Indo-Pacific region will play a crucial role for Europe's future due to its economic and geostrategic importance based on the

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<sup>1</sup> Asian Development Bank: Asia 2050: Realizing the Asian Century (2011).

<sup>2</sup> Tchakarova, V. Global System Outlook (2020), Anti-Fragilista <https://anti-fragilista.com/f/global-system-outlook-2020>.

<sup>3</sup> Our World in Data: Statistics and Research: Coronavirus (COVID-19) Cases (2020), <https://ourworldindata.org/covid-cases>.

<sup>4</sup> Tchakarova, V. Covid-19 and the Indo-Pacific Decade( 2020), ORF Think Tank, <https://www.orfonline.org/expert-speak/covid19-and-the-indo-pacific-decade-69356/>

<sup>5</sup> Tchakarova, V. The Global Covid-19 System Crisis (2020), <https://medium.com/@vtchakarova/the-global-covid-19-system-crisis-d8d803fade50>

<sup>6</sup> Tchakarova, V. See the world from another point of view (2019), Liberarium Insights [https://55fff21f-6fc0-43c6-9bb1-5d5e35245753.filesusr.com/ugd/a9fa18\\_14cd1ae3f0f44121a4f3492d951f9949.pdf](https://55fff21f-6fc0-43c6-9bb1-5d5e35245753.filesusr.com/ugd/a9fa18_14cd1ae3f0f44121a4f3492d951f9949.pdf)

<sup>7</sup> Avdaliani, E. As US-China Competition Unfolds, Russia Watches Closely (2020), BESA Center Perspectives Paper No. 1,616, June 26, 2020

<sup>8</sup> Tchakarova, V. Covid-19 and the Indo-Pacific Decade( 2020), ORF Think Tank, <https://www.orfonline.org/expert-speak/covid19-and-the-indo-pacific-decade-69356/>

<sup>9</sup> Khurana, G. Security of Sea Lines: Prospects for India-Japan Cooperation (2007), Strategic Analysis, 31:1.

direction of the European exports as well as the nature of European trade flows, which are predominantly facilitated along the maritime routes of the Indian and Pacific Oceans.

### *Reconfiguration of global supply chains towards the Indo-Pacific Region*

There are three layers of vicissitude fostering a far-reaching partnership between Europe and India in one of the most geostrategic realms of the global arena. First, the reconfiguration of the global supply chains away from China is expected to create new synergies in terms of business and connectivity opportunities between Europe and the Indo-Pacific region.<sup>10</sup> Repositioning the global supply chains away from China is already becoming a reality following the COVID-19 virus outbreak, and the Indo-Pacific region is about to become a forefront of this geoeconomic reconfiguration, due to the withdrawal of American and international capital from Beijing.<sup>11</sup> Major geoeconomic opportunities and challenges will appear following the diversification of the global supply chains. A global disruption of supply chains, coupled with the imperilled rules-based global order caused by eroding international structures, as well as newly emerging organisations and institutions, will certainly not bypass the Indo-Pacific region. On the contrary, the reconfiguration will be initiated by the USA to bring manufacturing and supply chains back home or to branch out to American allies and partners from the Anglosphere of influence such as UK, Australia, Japan, and increasingly India.<sup>12</sup> Moving production from traditional hubs to new ones will take time and will require trust building, but will also create new geoeconomic advantages, particularly for New Delhi. Regional centres of trade power, such as Japan<sup>13</sup> and the EU, already began considering a shift of manufacturing operations out of China.<sup>14</sup> This is important since any significant breakthrough in this field will bestow global competitiveness and geoeconomic advantages. Thus, the Indo-Pacific region will become a major battlefield for any progress regarding the Fourth Industrial Revolution in the upcoming decade.

### *Europe can be a security actor in the Indo-Pacific region*

Furthermore, Brussels and New Delhi are natural partners in maritime security and should enhance their cooperation in foreign, security and defence matters considering the Indo-Pacific region.<sup>15</sup> Any blockades or tensions along the maritime routes would have a devastating effect on the European trade flows and prosperity, thus it is in the common interest of Europe and India to maintain secure and stable maritime routes in this region.<sup>16</sup> Logically, India is seen as a reliable partner to create a counterweight to China's overwhelming presence in South and South East Asia. Furthermore, the political elites in New Delhi are increasingly

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<sup>10</sup> National Bank of Canada: China-U.S. rivalry equals a reconfigured global supply chain (2018), [https://www.nbc.ca/content/dam/bnc/en/rates-and-analysis/economic-analysis/GeopoliticalBriefing\\_181029.pdf](https://www.nbc.ca/content/dam/bnc/en/rates-and-analysis/economic-analysis/GeopoliticalBriefing_181029.pdf)

<sup>11</sup> Foreign Policy: The United States Needs to Reshape Global Supply Chains (2020), <https://foreignpolicy.com/2020/05/08/united-states-reshape-global-supply-chains-china-reglobalization/>

<sup>12</sup> South China Morning Post: Japan to pay firms to leave China, relocate production elsewhere as part of coronavirus stimulus (2020), <https://www.scmp.com/news/asia/east-asia/article/3079126/japan-pay-firms-leave-china-relocate-production-elsewhere-part>

<sup>13</sup> South China Morning Post: Japan to pay firms to leave China, relocate production elsewhere as part of coronavirus stimulus (2020), <https://www.scmp.com/news/asia/east-asia/article/3079126/japan-pay-firms-leave-china-relocate-production-elsewhere-part>

<sup>14</sup> Politico: Coronavirus forces Europe to confront China dependency (2020), <https://www.politico.eu/article/coronavirus-emboldens-europes-supply-chain-security-hawks/>

<sup>15</sup> Pejsova, E. Europe: A New Player in the Indo-Pacific (2019), The Diplomat, <https://thediplomat.com/2019/01/europe-a-new-player-in-the-indo-pacific/>

<sup>16</sup> Pejsova, E. The Indo-Pacific. A passage to Europe? (2018), EUISS, [https://www.iss.europa.eu/sites/default/files/EUISSFiles/Brief%203%20The%20Indo-Pacific\\_0.pdf](https://www.iss.europa.eu/sites/default/files/EUISSFiles/Brief%203%20The%20Indo-Pacific_0.pdf)

in favour of closer relations with Washington, but also continue to rely on friendly relations with Moscow<sup>17</sup> amid the intensifying tensions with Beijing. Obviously, the EU remains the missing piece in this complex geopolitical puzzle and needs to build up its military presence and active engagement in cooperation towards strengthening the maritime security in the region. In this highly volatile geopolitical context, the EU and its member states will have to develop an Indo-Pacific strategy with a special focus on India in order to identify a common ground for key strategic interests and goals with New Delhi.

### *The geoeconomic importance of Free-Trade Agreement*

Furthermore, concluding a Free Trade Agreement (FTA) will strengthen the global positioning of both actors in the current multilateral architecture with a special focus on common responses to global and regional challenges. Even though India and the EU have a strong convergence in strategic interests<sup>18</sup> — namely combatting an assertive China, there is no getting around the fact that the two sides need an institutionalized FTA to deepen their relations and foster a far-reaching partnership.<sup>19</sup> Both Brussels and New Delhi could adopt a coordinated approach in their external actions to further deepen their partnership on various shared sustainable development goals such as global energy decarbonization and a modern resource efficient economy with smart urbanization and sustainable environment based on clean energy and climate. Although no serious breakthrough was achieved on the matter of a free trade agreement during the last EU-India Summit in July 2020<sup>20</sup>, the outcomes of the meetings reveal that India is strengthening its position as a key strategic partner of the EU. The European Commission President von der Leyen already indicated that she is looking forward to meeting India's president next year to discuss and jointly strengthen the strategic partnership at the next EU-India Summit. Obviously, the “geopolitical” Commission can prove the importance of its role by accelerating the negotiating process.

### *Recommendations for the stake holders and decision makers in the EU and India:*

- 1) Facilitating a process of basic ground rules to foster a successful reorganisation of supply chains within the Indo-Pacific region towards Europe and visa versa is a must. This process requires more flexibility and concessions towards the launch of investment-friendly decisions such as common tax rules, accommodation of new incentives as well as institutionalization of an alternative commercial arbitration framework.
- 2) An active engagement and investments in the maritime security in the Indo-Pacific region are necessary to guarantee the security of the Indo-Pacific supply chains and enable free flows of trade, energy and services within these regional networks. Drafting an Indo-Pacific strategy next to the intensification of national efforts towards a geostrategic recalibration of shared interests, goals and policies towards the Indo-Pacific region. The EU and its member states should not allow to be side-lined in the Indo-Pacific security debate but should actively engage in the process of diversifying

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<sup>17</sup> Avdalani, E. As US-China Competition Unfolds, Russia Watches Closely (2020), BESA Center Perspectives Paper No. 1,616, <https://besacenter.org/perspectives-papers/us-china-russia-competition/>

<sup>18</sup> Friends of Europe: India as the global swing state: implications for Europe (2020),

<https://www.friendsofeurope.org/insights/india-as-the-global-swing-state-implications-for-europe/>

<sup>19</sup> Navarra, C. Assessing the potential impact of an EU-India trade agreement (2019) EP Think Tank, [https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_STU\(2020\)642841](https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2020)642841)

<sup>20</sup> European Council, Council of the European Union: EU-India summit via video conference, 15 July 2020 (2020), <https://www.consilium.europa.eu/en/meetings/international-summit/2020/07/15/>

their partnerships in the region. The EU should clearly start playing the role of a security actor there. The European states should aim to promote the regional rules-based order, for instance through capacity building in key areas such as the rule of law, international maritime law, or dispute settlement, where China does not possess the same level of leverage yet.<sup>21</sup>

- 3) Changing the narrative in Europe on both institutional and national level regarding the need for a Free Trade Agreement, which should be considered as a geoeconomic approach towards establishing a far-reaching partnership<sup>22</sup> in the Indo-Pacific region aimed at balancing the rise of China. The launch of national strategies and guidelines towards the Indo-Pacific region are to be seen as a positive signal in that direction (e.g. Germany, France, UK etc.). However, this process requires the deepening of the political and socio-economic dimension through an intensified dialogue on all levels of the decision-makers in order to generate mutual trust to establish a far-reaching strategic partnership.

To conclude, the EU and India will benefit from the strategic reassessment of their common interests, goals, and priorities in the Indo-Pacific region, thus they should develop a coherent narrative for concrete common actions based on a long-term vision of an engagement by going *a third way* and taking *their own side* instead of having to choose between Washington and Beijing. In summary, it will be increasingly difficult to shape the world of tomorrow without a strong EU-India partnership.

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<sup>21</sup> Mohan, G. A European Approach to the Indo-Pacific? (2019), GPPI, [https://www.gppi.net/media/Mohan\\_2019\\_A\\_European\\_Approach\\_To\\_The\\_Indo\\_Pacific\\_final.pdf](https://www.gppi.net/media/Mohan_2019_A_European_Approach_To_The_Indo_Pacific_final.pdf)

<sup>22</sup> Ibid.

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