

A New Paradigm in India-EU Relations

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Does India regard the EU as a significant actor or prefers the bilateral approach towards individual member countries? Is it a dialectical relationship? How do India's relations with the USA impact India-EU relations? Jean Luc Racine makes a cynical assessment about the EU-India-US triangular relationship. He acknowledges: "Some will deride Europe as a 'bawdy old lady', known for over 400 years, but with 'no excitement, no passion' left. The romance is with America, even if it is 'tough love', because the US was more open to migrants and is more prone to change the world."¹

What adds complexity to this task is that conceptually India, post 1947, is regarded as a 'modern state', with the attributes of sovereignty, territoriality, and *raison d'état* (justification of sovereignty). In contrast, the EU is considered to be a 'post modern intra state entity' which does not emphasise sovereignty, the separation of domestic and foreign affairs, and which, after Schengen, increasingly regards borders as irrelevant. It is generally considered that the EU as a 'post modern actor' does not base its foreign policy on the balance of power and zero sum logic. There is no doubt that its inability to develop and implement a coherent and strong Common Foreign and Security Policy (CFSP) has sent wrong signals to its strategic partners, including India.

These divergent approaches in addressing security issues represent a major challenge. Unlike the EU, India does not believe in promoting its secular, pluralistic, and democratic ideology to other States. India does not favour regime change to promote democracy or the RTP (Responsibility to Protect). India has struggled to engage with an over institutionalised and over bureaucratised establishment in Brussels which often gives conflicting and confusing signals on key issues relevant to the relationship.

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The EU has been described as foreign policy actor, intent on shaping, instilling, diffusing, and normalising rules and values in international affairs through non-coercive means. In doing so, many cite the Lisbon Treaty. This is an approach quite different from how India engages with the world: India does not seek to export the principles enshrined in its Constitution to the outside world.

In this dialectical quest to rediscover each other, the EU needs to assert itself in political, military, cultural, social, and economic terms, to avoid becoming marginalised, and to regain international attention. The paradox is that while Europe as a geopolitical space is losing its centrality, the EU as an institution is getting more attention. Europe was slow to accept that, as a region, it had, with the end of the Cold War, lost its centrality in world politics, its strategic importance for the USA and for post Soviet Russia. Whether European States, leaders and institutions have fully understood the scope of this shift and the risks that it carries is questionable. They should do so urgently.

Challenges Facing the EU and Impact on Relations with India

Post Lisbon, multiple new global challenges started posing a threat to the cherished ideals of European unity and solidarity. India also took time to adjust to the new emerging world order. Hesitant to completely jettison non-alignment, the Indian leadership saw in the breakup of the former USSR and the decline of the newly emerged Russian Federation an opportunity to search for new strategic paradigms. India was hesitant to accept EU's suggestion that it embrace a strategic partnership with the EU and become a new pole in a multi-polar world. The Indian leadership was of the view that the European definition of multi-polarity was a challenge to the cherished principles of non-alignment.

When the India-EU Strategic Partnership came through in 2004, India was careful to ensure that it did not carry the wrong message to its non-aligned partners. Nor did India pronounce itself strongly and publicly in favour of multi-polarity and the emerging new world order. With the economic meltdown in the USA and the sovereign debt crisis, policymakers worldwide referred to the decline of the West, the rise of Japan, and the shift of economic power to the East. The time was not opportune for the Indian leadership to ally itself with the West.

Brexit: Beginning of the Collapse or a new Dawn?

There has been much speculation about whether Europe is going into reverse gear with the impending divorce from the UK under the new British Prime Minister Theresa May whenever UK invokes article 50 of the Lisbon Treaty. Five centuries ago, King Henry VIII, impatient with the demands of the papacy and refusal to annul his first marriage, broke with Rome and established the Church of England. That step changed Rome forever, and established today's roughly 85 million Anglicans. That was England's first divorce from Europe and the European empire.

This divorce is more complicated and deeply rooted in conservative, middle class, English euro-scepticism. In the larger context, Brexit represents the rejection of globalisation and migration and the natural opposition of the English to a bigger outside power – in this instance the European Union, the Commission, and the Brussels 'bureaucracy'. Analysts point out that "it is also caused by the most pernicious and debilitating Little English drug called nostalgia"². Nostalgia for empire and the past remains the ideological heart of the passionate debate for separation from Europe. It is ironical that, on the European side too, there is little or no recognition of UK's past glory.

The result of Brexit was akin to a seismic upheaval. It split the United Kingdom between England and Wales on the one hand, and Scotland and Northern Ireland on the other. It highlighted the divide between the upwardly mobile, well educated, multicultural English youth who voted to remain, especially in the city of London, as opposed to the conservative, white, sometimes racist, older and aging sections of English society who equated all of UK's ills with its EU membership. It impacted world markets and brought the Pound to a new low.

It brought to an end Prime Minister Cameron's political career, and now threatens the future of his successor, the uncharismatic and reserved Theresa May. Cameron staked his Prime Minister-ship on Brexit, and lost the gamble. He was not obliged to seek a referendum at all, since UK's unwritten Constitution has no provision for participative democracy, unlike Switzerland.

With Theresa May, the scenario has become even more complex. Initially, with the Conservatives having a small majority in Parliament, Prime Minister May initially tried to take a hard line on future negotiations. The EU, on the other hand, was determined to ensure that negotiations on future trade and financial arrangements would be made with Britain as a non-member.

Brexit has decisively impacted the UK's international image, making it inward looking, less prosperous, and isolated from Europe. Unless wisely handled, it could lead, over a period of time, to the slow unravelling of the European Union itself.

How will Brexit happen?

The complex nature of the EU-UK divorce is only now being analysed and understood. It involves not only separation of the UK from the EU and the single market it represents but also separation from the WTO to which it is a party as an EU member. Every free trade agreement that UK enjoys with the other 53 WTO member countries has to be re-negotiated by the UK. These negotiations cannot commence until a final free trade agreement has been worked out between the UK and the EU post Brexit. This would also impact negotiations that are essential to conclude a trade agreement between India and the UK. The UK can only apply to rejoin the WTO as an individual country after this process is complete. Every WTO member would need to agree to the UK's individual membership in the WTO.

The soft Brexiteers and their supporters had been able to impact the shape and scope of Brexit by insisting that Article 50 be invoked through an Act of Parliament. Prime Minister May's Government prepared (24 January 2017) a brief 'EU Notification of Withdrawal Bill' which was presented to Parliament.

On 1 February 2017, Theresa May's Government won a clear majority (498 to 114 votes) to support the EU 'Notification of Withdrawal' Bill. It gave the Government the necessary Parliamentary approval to trigger Article 50 of the Lisbon Treaty. The Bill was supported by both the Conservative and Labour Parties. The Bill faced considerable opposition in the House of Lords. The Lords, however, could not derail Brexit.

On 2 February 2017, the May Government published a 'White Paper' setting out the principles that will govern its negotiations with the EU in preparation for Brexit. The seventy five page document also promised a future 'White Paper' on the 'Great Repeal Bill' that would convert the body of EU law into domestic legislation. The paper outlined plans to forge 'ambitious free trade relationships across the world', including with India. It reiterated plans to leave the EU Customs Union and EU Single Market.

On 7 February 2017, the May Government conceded that Parliament could vote in 2019 on the final Brexit deal reached with Brussels, before it

was sent to the European Parliament for consideration. In a further concession, David Jones, then Minister in the Department for 'Exiting the EU' announced: "We intend that the vote will cover not only the withdrawal arrangements but also the future relationship with the EU". He added: "The Government will bring forward a motion on the final agreement to be approved by both Houses of Parliament before it is concluded and before the European Parliament debates and votes on the final agreement."³ On this basis, the House of Commons gave its final approval (494 for and 192 against) on 8 February 2017 to a Bill authorising the Government to start Brexit talks.

Prime Minister Teresa May formally invoked Article 50 of the Lisbon Treaty on 29 March 2017 through a handwritten letter. The EU had already rejected a joint negotiation of these two issues, insisting that the conditions of withdrawal would need to be agreed upon in the first instance. In the event of a dispute, the UK would have to leave the EU as scheduled in March 2019 without any agreement.

There is also the cost of departure from the EU, which is estimated by the Centre for European Reform, an important think tank, at between US\$26 billion and US\$72 billion. The Bill, ironically defined by *The Economist* (11 February 2017) as "From Brussels with Love" derives from the legal obligations implied from Britain's EU membership. They include the gap between payments made to the EU's annual budget and the larger commitments made by UK under the EU seven year budgetary framework as well as investment commitments and pensions. UK's hard-nosed and undiplomatic Foreign Minister Boris Johnson has publicly stated, EU will have to whistle for its money.⁴ If a compromise is not reached, the UK may be taken to the International Court of Justice (ICJ). Talks may be over before they begin! The only agreement between both sides is that a deadlock is inevitable!

The hard realities of the 2 year deadline are only now being understood by the pro- Brexit camp. The European Parliament, in response to the UK invoking Article 50, voted overwhelmingly to comply with the Bloc's budgetary obligations, the common trade policy, and the jurisdiction of the European Court of Justice. The resolution intended to convey the clear message that while the final deal may not be punitive, it would be inferior to full membership.

Prime Minister May's call for elections on 8 May 2017, two years ahead of schedule, proved to be a costly diplomatic blunder—as catastrophic as Cameroon's decision to call for a referendum. The elections held on 8 June 2017 had been dubbed 'a Brexit election'. The reality came as a rude shock.

In the meantime, a united 'EU 27' set tough 'divorce terms' for the UK on 29 April 2017, at a Brussels Summit marked by unusual harmony. EU leaders unanimously agreed to tough negotiating guidelines for Brexit talks. There was quick agreement to adopt draft guidelines issued by European Council President Donald Tusk March 2017. A senior EU source said the leaders' decision took only one minute of discussion! EU sources have indicated that when the formal negotiations began in end June 2017 after the UK elections, preconditions to a future trade deal that the UK would need to resolve would include issues of citizens' rights and their free movement, the estimated €60bn (£51bn) divorce bill, and the Irish border settlement between Northern Ireland and the Republic, which has been fluid since the Good Friday agreement. These issues have been only glossed over on both sides and not been resolved.

The 27 countries would negotiate with Britain as a unified block, relying on the principle that 'nothing is agreed until everything is agreed'. No individual country would be allowed backchannel chats on future trade deals while the transition was still being talked through. The main priority would be to give certainty to EU citizens about their legal status. Once that is decided, the European Council will give the go ahead to the next phase of withdrawal, which would involve working out a framework for the future relationship. The UK would have to continue budget payments until 2020.

The Economist (February 2017) points out that truly "Brexit is May's paradox". The reason is that the liberal vision of a pro-Brexit future in which the UK embraces free trade and lower taxes would be strongly opposed by those who voted for Brexit, since the pro-Brexit camp also voted against free trade and globalisation. *The Economist* (April 2017) noted the difficulty of reconciling the conflicting demands of a 'hard' versus a 'soft' Brexit.

There is also the issue of Gibraltar and its status after Brexit. Donald Tusk had inserted in the draft Brexit guideline a provision that any future trade deal with the UK would apply to Gibraltar only if Madrid agreed. Spain has objected to British sovereignty over Gibraltar ever since it was conceded in the Treaty of Utrecht in 1713.

Another potential major grievance is the 2003 'Le Touquet' Treaty with France that puts British border controls in Calais, France. This would result in asylum seekers being sent through the Channel Tunnel to set up camp in Dover, UK instead of in Calais.

The Impact of a ‘Topsy-turvy’ Election on Brexit

A political analyst famously pointed out: “Seven days is a long time in politics!” If extended in time, it applies equally to the UK political scene. There was a dramatic drop in popular support for the Conservatives over a six week period prior to the election. The roaring back of Jeremy Corbyn and the Labour Party is one of the most important political narratives in the making in Europe.

Particularly ironical for May and the Conservatives were informal reports emanating from Brussels that European Commission President, Jean-Claude Juncker, had urged May to call the elections before negotiations commenced. He was reportedly concerned that the 17-seat majority which May had inherited from David Cameron would be inadequate on issues such as the UK’s divorce bill, estimated to be about €100 billion. Juncker’s Chief of Staff, Martin Selmayr, on Twitter re-tweeted after the results what one German journalist had commented: “Cameron wanted to secure his power and got the Brexit. May wanted to secure their power, and screwed up the Brexit! Strange”.⁵

While Brexit is in the making, the scenario is becoming increasingly complex. The UK’s Repeal Bill introduced by Theresa May after the disastrous 8th June election, proposes to sever political, financial, and legal ties with the EU. Three position papers underlined that UK would, inter alia, leave the jurisdiction of the European Court of Justice. These proposals have already been sharply criticised by the UK Opposition, including the decision to abandon the EU’s Charter of Fundamental Rights and give future UK Governments sweeping powers to make changes without thorough Parliamentary scrutiny.

The European Parliament’s chief Brexit negotiator and former Belgian Prime Minister, Guy Verhofstadt, published an open and signed letter in the UK’s *Daily Guardian* and other European newspapers, noting: “The European Parliament will reserve its rights to reject any agreement that treats EU citizens less favourably than they are at present. It is a damp squib with the risk of creating second class citizenship.” This was a reaction to the Theresa May Government’s proposal that EU nationals who have been resident in UK for five years would earn permanent residency rights, as is currently the case, but would be treated like non EU immigrants, losing their right to vote in local elections and subject to minimum salary requirements to be able to bring family members into the country.

A Fuzzy Brexit in the Making: Stakes for India

Neither Europe nor India had been prepared for the impact of Brexit, with pollsters confidently predicting a ‘no’ vote! India will have to learn to manage its relations with the EU without the UK. Thus, Brexit represents a huge challenge to India-EU strategic partnership.

Politics in the UK after Teresa May’s self-imposed ‘Brexit General Election’ reveals a stalemated society and politics. Political analysts are now talking of a ‘fuzzy Brexit’, representing a constructive ambiguity where UK tries to “muddle through”, and stay within Europe while leaving the EU! Insiders argue that this would imply a much longer transitional period, with the UK remaining inside the EU Customs Union in a modified form and a compromise agreement on the UK’s contribution to the EU budget. Some form of continuing jurisdiction by the European Court of Justice could also be part of this emerging deal. In a significant power shift headed by Chancellor Philip Hammond, UK Cabinet sources revealed a “broad consensus” on seeking an off-the-shelf transition deal – effectively maintaining the status quo for around three years after Brexit, beyond March 2019.

During the second round of Brexit talks in end July 2017, negotiators failed to produce any substantial breakthrough on key disputes, including the financial settlement, the future rights of citizens, and the Irish border.

The Labour Party has now agreed to keep the UK within the European single market and customs Union for a transitional period after Brexit, offering a clear alternative to the policies of Prime Minister May. Labour would also seek to maintain the free movement of people beyond March 2019, a key demand by EU negotiators. The Labour Party wants to avoid a damaging “cliff edge” for the UK economy resulting from an abrupt separation from the EU.

High Stakes for India

There is no doubt that Brexit is a challenge. Whether it is an opportunity remains to be seen. What are the stakes for India in this backdrop of intense speculation? What will be the impact of Brexit on India-EU business relations as well as on the India-UK partnership? It is generally agreed that, with €72.5 billion worth of India-EU trade and €19.4 billion of India-UK trade at stake, all partners need to think through this issue carefully in the business and commercial context. India currently enjoys a positive trade surplus of around US\$ 3.64 billion with the UK. The depreciation of the British Pound will

affect exporters and importers. Economists have predicted that in the event of a hard Brexit, the UK economy would go into recession. These developments would adversely impact both the EU and India.

If in terms of the final Brexit agreement, Indian business in the UK is denied access to the EU market, the result would be the flight of Indian business from the UK to Europe. Indian Chambers of Commerce and Industry have repeatedly warned that a hard Brexit would inevitably impact more than 800 Indian companies in the UK in crucial sectors of the British economy, reportedly generating more than 110,000 jobs as well as flows of tourism and business from India to the UK. It has been informally ascertained that many major Indian companies are reportedly preparing themselves to move their head offices from London to Amsterdam or Frankfurt in case the Teresa May Government is unable to secure a deal on its own terms with the EU. This is why a soft Brexit remains the most preferred option.

Some have argued that Britain's exit from the EU would be a win-win situation for India. They are of the view that India could fill the gap with regard to manufactured goods. It is possible that, given the present anti-foreigner sentiment in the UK, the negotiations could be lengthy and problematic.

India's largest Diaspora outside mainland Europe who voted overwhelmingly in favour of remaining within the EU fear for their future in an UK cast adrift in the world. Virendra Sharma, MP, London constituency of Ealing Southall since 2007 and a vocal campaigner for the Remain camp, was one of the 47 Labour MP's who rebelled against the party line to oppose Brexit legislation. In a freewheeling interview to *The Hindu*, he noted that if immigration from Europe was stopped, it would be unrealistic to imagine an easier immigration regime for South Asia. He explained that the Asian community feels connected with Europe and voted to remain. They are now apprehensive about their future.⁶

The Indian Ministry of Commerce has confirmed that India and the UK can work on a FTA only after the latter is officially out of the EU. The Commerce Ministry has commenced an internal "audit" and analysis of the trade issues with the UK in anticipation of the negotiations. The content of the India-UK FTA will depend on the kind of deal and terms of exit UK negotiates with the EU.

From India's perspective, Brexit has made Europe appear to be in crisis mode. How will it demonstrate that it continues to be a global political player, capable and willing to use military power when required, or to play the role of a

power broker during a global crisis. The Indian position was best summarised by a leading Indian industrialist, Shishir Bajoria, Chairman of the Bajoria Group, who noted: “We have 800 million young Indians who need jobs. We will trade with the UK, Brexit or no Brexit. And we will trade with the EU, Brexit or no Brexit.”

A Narrative Still in the Making

Clearly, this is a narrative still in the making, with high stakes for all – India, UK and Europe. If responses are based only on national security templates, the global economy risks being seriously impacted. In the event of a harmful deal, harmful to either side, or no deal, the repercussions will be global, not national. Brussels will be blamed as much as London.

Other Challenges for India: Is Europe in Decline?

What are the other challenges? A continent which prided itself on having given democracy, rule of law, human rights, and fundamental freedoms to the world is facing the greatest challenge to its own values, partly due to the impact of waves of migrants and the pressures created on Europe’s cherished institutions as a result of this uncontrolled and badly managed migration. Compounded with multiple terrorist strikes at the heart of Europe, Europe has reluctantly conceded that terrorism had finally come to roost from within. The greatest challenge to Europe and its liberal democratic values are coming from within.

An important factor contributing to the decline is Europe’s refusal to acknowledge that it is going through a serious demographic crisis which can be resolved through migration. Chancellor Angela Merkel did so and almost lost her election! Coalition talks in Germany, like in the Netherlands could continue for months.

The inability amongst EU Member States to accept a multi-cultural identity for their societies has led to either a rigid secularism or repeated exhortations to minorities to assimilate with the mainstream. As a result, most of Europe’s minorities are at the bottom of the social and economic ladder, and have not been able to contribute to the ethos of a productive work force.

During the Cold War, Western Europe had warmly welcomed Eastern European migrants fleeing oppression in the former Soviet bloc. These migrants were all from the same racial stock, and had no difficulty in integrating and embracing the social and political values inherent in a Western democracy. The situation today is fundamentally different.

Possible Solutions: Redefine the Partnership

To redefine the partnership and making it relevant in this millennium is the need of the hour. Both sides should agree on a common strategic paradigm. In addition, negative perceptions from both sides need to be fully addressed. In order to revive interest among Indian public opinion makers about Europe and its potential, the European Union must project itself within India as a major global power whose strategic perceptions coincide with those of India.

The situation is equally complex within the EU. Many EU member states reject any suggestion that the present international situation is not to their advantage, and has negatively impacted global public opinion. They continue to believe that the EU is a major pole in an emerging multi-polar world order. There is a reluctance to accept that India, as a trillion dollar plus economy, is a valuable asset to the EU. In India, the “every Member State for itself” approach is not merely unworkable but also counterproductive. Given India’s size, its burgeoning economy, and its increasing political and military power, the only possible long term European partner for India is the European Union as a whole.

On the political level, the relationship faces complex challenges. As in the economic field, EU diplomacy remains consistently focused on China, the so called Middle Kingdom. Jaffrelot notes that EU’s diplomacy in relation to India vis-à-vis China needs to be rebalanced. The EU does not finger point China’s flaws. Nor is there any significant human rights dialogue with China. Jaffrelot correctly points out, “For Indians, the Sino-centrism of Europeans is paradoxical, given Europeans’ purported concern with promoting democracy and the rule of law, two areas in which China’s record leaves a great deal to be desired. Why should such a country be favoured over India?”⁷ The Indian Government also appears to be of the view that an alliance with the USA is the need of the hour, rather than with the EU which appears divided and in decline.

So far, the EU has avoided a joint endorsement of India’s candidature for permanent membership of the UN Security Council, pleading that this is outside the ambit of ceded sovereignty under the Lisbon Treaty. The reality is that Italy, with its own ambitions of a permanent seat, will never join a common position on India’s candidature. Joint endorsement by a major strategic partner like the EU would be greatly appreciated in India.

Possible Responses

What could be the responses to these multiple challenges to the relationship? It requires political will as well as goodwill, recognition of each other's strengths, and a sustained media campaign on both sides. With a vibrant Indian middle class increasingly travelling to Europe and being often confronted with a negative portrayal of their country, it would be difficult to change Indian perceptions, unless Europe takes a more realistic and less critical approach to India. Otherwise, the partnership is at risk of stagnation and political marginalisation.

Notes :

- ¹ Racine, Jean-Luc "*European Union and South Asia: An Appraisal*", in Institute of Regional Studies, Major Powers and South Asia (Islamabad: Institute of Regional Studies, 2004).
- ² <https://www.thetimes.co.uk/article/aa-gill-argues-the-case-against-brex-it-kmnp83zrt>
- ³ <https://hansard.parliament.uk/Lords/2017-10-26/debates/09BEE94E-F771-4A5E-A525-BE75A64BB8E1/EuropeanUnionFinalWithdrawalAgreement>
- ⁴ <http://www.bbc.com/news/uk-politics-40571123>
- ⁵ <https://www.theguardian.com/politics/2017/jun/10/election-nicky-morgan-theresa-hard-brex-it>
- ⁶ <http://www.thehindu.com/news/international/%E2%80%98India-will-bypass-U.K.-to-deal-with-Europe%E2%80%99/article17264242.ece>
- ⁷ <https://hal-sciencespo.archives-ouvertes.fr/hal-01065630/document>

