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# EU-India Relations: Factoring China In

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## **Abstract**

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India-China relations are souring. The EU is playing a delicate balancing act in advancing its values and interests with both players. The EU-India Summit of July 2020 is indicative of how the EU looks towards India to deliver as a reliable partner in Asia, with similar values of multilateralism and democracy. The Joint Statement cemented this relationship as opposed to the two virtual EU-China Summits of this year, both of which left us with no concluding statement and were overshadowed by the recent implementation of the contentious Hong Kong national security law. Historically, the India-China relationship has been rocky and once could have been assuaged during Prime Minister Indira Gandhi's rule. Now, it is even more strained while the economic interdependence between the economies grows more apparent. Currently, with global governance models in question, both India and China are vying to be associated with multilateralism by becoming more involved with international organisations, including UN agencies. Paying attention to the EU's assertive stance towards China and with Brexit on the horizon, India has recently been fostering relationships with the EU and other Member States, while the UK is speeding up in its journey towards geopolitical irrelevance. In the last few years, the Asia-Pacific region has become increasingly important to the EU, with a surge in land and maritime security challenges. With security, commercial and technology interests, the EU and India must identify their shared goals and work together to sustain an Asia in equilibrium.

The timing, substance and narrative of the EU-India summit of July 2020 is a reminder that their bilateral relations, which had been moving listlessly, have now gained a new impetus. Both the EU's and India's foreign policy are driven by external factors (such as a more assertive China) and the prospect of long-term systemic rivalry between the US and China. Modi's stronger attention to the EU is driven by India's angst about its large Asian neighbour to seek opportunities, hoping to benefit from the diversification of global supply chains away from China. As part of its balancing strategy, India has been relying on the Quad members - an informal diplomatic and military forum created for the 'Asian Arc of Democracy' in 2007 between India, Japan, the US and Australia.

India's attitude to China has been loaded with political distrust and economic cooperation. Little is left from the 'Hindi Chini Bhai Bhai' (India and China are brothers) sentiment from the 1950s, when both were disconnected from the global economy under Mao and Nehru. In the late 2010s, Modi and Xi engaged in charm overtures, including reciprocal visits to Wuhan and Mamallapuram. This is far from today's antagonistic reality of simmering border tensions, demonstrated by the barring of treasured Chinese apps such as TikTok. India is worried about China creating a new world order backed by its credentials of a large population combined with geo-economic strength. Indian pundits recognise the fallout and possible opportunities due to the growing enmity between China and the US. India, fearing Chinese containment through the Belt and Road Initiative (BRI), is looking for allies in a context where power asymmetry is altering the global and regional balance of power. With its growing political interest in India, the EU wants to defend its values and prevent a bipolarised world.

Both the EU and India realise that China's increasingly assertive international stance and a high tolerance for risk (including the South China Sea) with its presence in the Asia Pacific region, requires them to work together to counterbalance this challenge. The EU must pay attention to both of these nuclear powers with patriotic sentiment mixed with military strength. India should be cautious to temper China the ever-growing superpower, given their interdependent economies (albeit heavily unbalanced in China's favour) - [Between April 2019 and February 2020 China accounted for 12% of India's total imports while India's total exports equalled 3%](#). It is telling that there was only one Joint Statement concluded from the EU's most recent summits with India and China, i.e. the EU-India summit. The EU has made its position with Asian counterparts even clearer. With the deadline of Brexit looming, India has been compelled to bolster EU-India relations and other EU member states with trips from PM Modi to the Nordic states, Spain and Portugal. One can argue that the multifaceted EU-China relationship has influenced India's attitude towards the EU in an affirmative manner, which corresponds with the EU's recognition of a much-needed new and like-minded (regional) player in Asia.

## **Joint Statement Reservations**

The virtual EU-China summit with Premier Li Keqiang and President Xi Jinping in June was clouded by the passage of Hong Kong's recent national security law, the debate on re-education camps in Xinjiang, lack of trade-off for EU businesses and slow progress on completing the Comprehensive Agreement on Investment (CAI). The summit ended on a somewhat sour note from Commission President Ursula von der Leyen indicating that Chinese leadership must rise "to match" EU ambition along with the strongly worded "very negative consequences" if China continued to impose the law on Hong Kong. Similar concerns were reiterated at the latest downscaled Leipzig virtual summit EU-China Leader's Meeting in September 2020.

Although Chinese press releases in June concentrated on the potential for further engagement on the economic front, tension with China, the EU's recently proclaimed 'systemic rival' was demonstrated by the lack of a joint statement from both partners. Compared to the rather negative undertone of the EU-China summit, the EU-India summit was held in a somewhat friendlier climate. Consistent with the hashtag #EUIndiaEkSaath

(EU-India together) a Joint Statement was issued, including clearer language on contemporary critical topics such as climate change, maritime security and artificial technology with a China slant. At least in rhetoric, the EU-India summit appeared to be a multilateralist's dream announcing shared interests based on democracy, rule of law and respect for human rights. Although there was an announcement of the EU-India Strategic Agenda to 2025, one of the stumbling blocks in the relationship remains the inconclusive FTA of which negotiations commenced in 2007, adjourned in 2013. However, a high-level trade and investment dialogue was announced at the Summit to energise bilateral trade ties. In contrast, the EU-China Agenda 2025 has not been announced yet.

With von der Leyen and Council President Charles Michel restating their non-negotiable policy area of human rights vis-à-vis China, it is ironic that the same stance adopted by the EU in regard to matters in Hong Kong and Xinjiang has not been applied to India. Although India's Foreign Minister Subrahmanyam Jaishankar has defended the decisions of the Indian government by comparing them to immigration and refugee settlement processes in Europe, the BJP's has a poor track record in removing Jammu and Kashmir's special status (a reference to Article 370 revocation) as well as their recent Citizenship Amendment Act (CAA) which is further marginalising the large Muslim community in India. The track record of the BJP and its links with the RSS (a Hindu nationalist paramilitary organisation), stoking communal tensions, and even riots, with police complicit in attacks on religious minorities, have not attracted the same level of criticism on the EU summit level. Unsurprisingly the West is being accused of applying double standards on human rights and hypocrisy, holding China to seemingly higher standards than India.

## **Hindi Chini Bhai Bye**

Contemporary India-China relations have soured – despite President Xi's and PM Modi's personal capital investment in informal summits. In the current climate, it is difficult to comprehend that there was a time when China took the initiative to resolve India-China border disputes. Attempts were made by the People's Republic of China (PRC) First Premier, Zhou Enlai, on multiple occasions. Former India Prime Minister Indira Gandhi was close to accepting the normalisation of relations with China, but this was hindered by pro-Soviet aides who prompted her to close the Indo-Soviet treaty in 1971 instead which pushed China further away. Although economically India and China were on par in the 1970s, China's economy has grown exponentially and is now five times larger than India's. Since 1979 China has successfully raised 800 million of its people out of poverty, while it boasts military might that supersedes India – as established by China's recent bellicose border stand-off.

India, which championed for the long the non-aligned movement under Nehru and Gandhi, is aware that it should not be overly dependent on external powers such as the US. This would antagonise China, overshadow India's own concerns and delegitimise India's vital pillar of foreign policy, notably strategic autonomy. A new dimension to India-China relations derives comes from India's eternal adversary, Pakistan, due to China's existing geostrategic and economic gains. PM Narendra Modi's decision to revoke Jammu and Kashmir's special status in August 2019 has visibly angered Pakistan. It has also affected China's interests in the region, threatening its BRI (Belt & Road Initiative) connection from Xinjiang in western China to Baluchistan in southern Pakistan through the China-Pakistan Economic Corridor (CPEC).

India's neighbourhood and maritime waters of the Indian Ocean are saturated with BRI-friendly countries like Pakistan, Sri Lanka and Nepal, edging closer to their hedge fund manager, China. India has announced its own connectivity initiatives including Chabahar port in Iran. However, despite its surrounding narrative, there have been little tangible results on the ground so far.

## Multilateralism Masks

China has been shaping its own global governance model – in health, politics and climate terms – placing itself firmly in the camp of the Global South, showing that it can champion the cause of G77 countries, a coalition of developing countries to promote their economic interests. Leading four UN specialised bodies with a Chinese national - the Food and Agriculture Organisation (FAO), the UN Industrial Development Organisation, the International Civil Aviation Organisation (ICAO) and the International Telecommunication Union (ITU) - China is preparing itself to secure a spoke-and-hubs distribution paradigm with Beijing pulsating at the centre. This is demonstrated by China's impressive BRI project that stretches from its immediate neighbourhood to the Balkans, Eastern Europe and large swathes of Central and South Asia. The BRI has now a stronger footprint in Africa and also in Latin America. Against the background of this dualism, one could suspect that China wants to hold the multilateral title without firmly committing to the cause. By contrast, India's multilateral coalitions show its willingness to take up a more global role with accountability as its qualifications – something that the EU can tap into. For instance, India will be taking the world stage with the India G20 Partnership in 2022, as well as a non-permanent seat at the UN Security Council Membership in 2021-22.

The EU sees itself as a proud upholder of multilateralism and the international rules-based order. With the US actively undermining the UN and its agencies, the EU is increasingly a cashier of multilateral institutions. However, its financial support does not translate into leverage. India is unhappy that it is not a member of the UN Security Council and it is trying to become a stronger regional player in the Indian Ocean.

## A Brexit Benefit

Being the first EU-India summit post-Brexit, the former colonial power was no longer the go-to key EU contact for India, who is now eagerly looking towards other partners within the Union. India also has some satisfaction seeking the UK to lose its international reputation with COVID-19 handling and now PM Johnson about to flout international law regarding Brexit. Since the announcement of Brexit, India has been attempting to disentangle itself from what was an almost a privileged India-UK relationship and is reaching out to core EU players including France and Germany.

In this context, it is worth looking at the profile of EU-India trade, foreign direct investment and people-to-people links. [The UK is India's second-largest research partner with joint research totalling GBP 400 million by 2021.](#) The EU will have to entice India with its research and medical résumé with the new shift in EU balancing actors. [The EU is India's largest trading partner \(11.1% of total Indian trade\) while India was the EU's 10th largest trading partner \(1.9% of total EU trade\) in 2019. This is behind the US \(15.2%\), China \(13.8%\) and most importantly, in this case, the UK \(12.6%\)](#) With Britain's poor handling of the pandemic and little developments regarding Brexit, it will likely take some time before UK-India relations kick off again. A major sticking point is India's demand for working visas. With the UK's expected strong stance on immigration, it is unlikely to concede with India's demands. However, Home Secretary Priti Patel's recent points-based immigration system may be favourable for Indians with one of the requirements including English language skills left behind in the commonwealth state.

## **Indo-Pacific Importance**

The era of 'Pax Americana' is coming to an end. However, China is not ready yet to impose its will through a 'Pax Sinica'. Whoever commands both the Indian and Pacific Oceans represents a crucial contemporary geostrategic challenge for the 21<sup>st</sup> century. According to the naval officer and historian, Alfred Thayer Mahan, "whoever controls the Indian Ocean dominates Asia" rings true with international players eager to act. Europe has acquired a greater security role in Asia with an extended focus on maritime and data security, including a more prominent role for maritime security dialogue.

China's strategic maritime behaviour in the Indo-Pacific region has forced alliances to strengthen their base as China aspires to become a global military power, establishing both land and water corridors for strategic purposes. Strengthening of the Sino-Pakistani alliance has unsettled India in feeling surrounded by CPEC and expanding investments in naval bases in particular. China is eager to gain entry points to the Indian Ocean and increase its access to the Middle East's oil supply. New Delhi perceives the Chinese presence in the Indian Ocean as an anti-India initiative, in particular with reference to China's fortified ties along its 'String of Pearls', including Myanmar and Sri Lanka.

The Quad has been dormant until recently, with an uptick of Chinese assertiveness and intensifying naval exercises among its members, including India, Japan and Australia. Due to its volatile and divisive neighbourhood, India's strategic interests have focused on regional continental challenges and have kept India's surrounding waters in the background. Last year's EU-India Joint Declaration mentioned the need to "enhance maritime security cooperation in the Indian Ocean" and this sentiment has been emphasised with the clearer language used and a more detailed EU-India Action Plan 2025. Recently, in September 2020 Germany recently launched a new Indo-Pacific Strategy (now the second country after France to establish a formal strategy in the Indo-Pacific) to focus on diversifying and strengthening its relationship with ASEAN members. Although there are commendable individual endeavours from the EU Member States who are fortifying their strategic relations with India in the Indian Ocean, the EU must design a comprehensive Indo-Pacific policy strategy in order to keep up in the race.

## **Time to Recognise One Another**

Europe can lead the rules-based international world order trajectory to avoid the propagation of exceptionalism and conflict. With deep roots in democratic principles, India should recognise the EU as a major player in its foreign policy as well as in being the world's largest trading bloc. One should bear in mind that the EU is India's largest trading partner with EUR 80 billion worth of goods in 2019. However, until now, India has been disregarding the EU's role in essential projects in government schemes such as smart cities, infrastructure and clean initiatives. By contrast, India is the EU's 10<sup>th</sup> largest trading partner, representing 2% of EU external trade – with ample room for growth. Especially with the EU having been trying to offer BRI alternatives and investing in its own connectivity strategy. Nevertheless, India has been closely observing how the EU has been dealing with China.

Strengthening EU-India investment ties will allow India to diversify its value chains and become less dependent on China. Along with border tensions, Indians favour China less and less. They are willing to buy from other suppliers as demonstrated by the support for banning 50+ Chinese apps, which has also hurt Indian entrepreneurs. India should be ambitious and not hide behind its developing country status. If India is pushing for multilateralism it will have to distance itself from the BJP's protectionist slogan, 'Atmanirbhar Bharat' (self-reliant India) and Hindutva – Hindu nationalism. With economic nationalism on the rise, both India and the EU must find a way to combine trade and global supply chains in an existing Covid-19 world. In 2018 the European Commission adopted a

Joint Communication to strengthen relations with India, citing it as a geopolitical balancing pillar in an ever-changing Asia. It must recognise that economically, geographically and historically India is a particularly unique country that holds the potential to balance China. China's emerging economy, defence position and aggressive posture on border issues have created a certain familiarity in India with this external competitor. On the other hand, the EU needs to export more of what it has a comparative advantage on, its soft power. There is a need to focus on connectivity, specifically people-to-people exchange in think tanks, students, and academia in the realms of science, technology and education – mirroring India's relationship with the US.

In conclusion, both EU-India relations are strengthened because of domestic political, commercial and technological interests in each other but also because of external geopolitical drivers such as China – which is seen as a 'systemic rival' by both. Each side hopes to gain advantages working bilaterally e.g. technology, access to each other's markets, maritime security. This has also been fortified by increased China-India tensions, especially among China's amplified presence in India's land and maritime territory and at the global stage. Beijing's appetite for tactical manoeuvring has been met with India's reluctance to cower in its presence. Military monopoly control in the border regions has caused further friction between the two. The Galwan Valley clashes may have been the reason for a sharp protectionist tone, but the underlying trends were already in place beforehand. The EU will look towards India to be a faithful partner in shared values to rise to the challenge of taming the testing waters in the Indo-Pacific. However, the EU's tunnel vision reserved for the presence of multilateralism and democracy in India has disregarded human rights violations voiced from the same mouthpiece. The EU must take a stronger stand for accountability, as both can benefit from this mutualistic symbiotic relationship. India's proximity to China is useful to the EU to understand how to make China more responsible and to bring it more aligned with the international rules-based order.

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