

CONTEMPORARY INDIAN VIEWS OF EUROPE

Karine Lisbonne-de Vergeron



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Contemporary
Indian Views
of Europe

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29, boulevard Raspail – 75007 Paris, France
Phone: +33 (0)1 53 63 83 00 Fax: +33 (0)1 53 63 83 01
info@robert-schuman.eu

Rond Point Schuman 6 – B.1040 Bruxelles, Belgium
Phone : + 32 (0)2 234 78 26 - Fax : + 32 (0)2 234 77 72
bruxelles@robert-schuman.eu
www.robert-schuman.eu

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ABOUT THE AUTHOR

Karine Lisbonne-de Vergeron is an alumna of the London School of Economics, HEC-Paris and the Bocconi University Milan. She has specialized in international relations and European politics, with a particular interest in issues related to cultural identity. Since completing a thesis on cultural cooperation in Europe, she has worked on a number of reports for the European Commission and is the co-author of a book on the relationship between the arts and business in Europe to be published by Flammarion at the end of 2006. She is currently working on a study on the renewal of the British nuclear deterrent.

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September 2006

Karine Lisbonne-de Vergeron

PREFACE

The European Council held on 15–16 June 2005 confirmed the current consensus that the European Union is in deep crisis. More than a year on, the uncertainty as to the very meaning of Europe that was unleashed by the rejection of the proposed constitution in the French and Dutch referendums seems stronger than ever, and finding a perspective from which to even begin any attempt at reviving the process of integration more opaque and problematical.

In such a sombre situation, clarity can, perhaps, come from considering how significant outsiders view us. If Europe has, indeed, lost momentum and become 'a poor vantage point from which to see the future',¹ might India offer a superior source of insight and inspiration? President Bush's historic visit to Delhi in early March 2006 underlined, if it were necessary, India's rise to the status of a global power. Little seems to threaten its current brisk growth rate of 7–8%, achieved with a fraction of China's foreign direct investment (FDI), which could make India the third largest economy in the world by 2020.

So far, however, no systematic study has been made by Europeans of how India might use its new eminence. The 'strategic partnership' signed between India and the European Union on 7 September 2005 was shallow by

any standards. The review of its progress is scheduled for the 7th India–EU Summit on 13 October 2006. Might the Finnish presidency of the EU choose to use that opportunity to engage in some deeper thought on the future of Europe in general? This report aims to encourage such an outcome by highlighting that:

- Indians make no distinction between the European Union and Europe as a whole. For them, the EU is the only collective sense in which they view Europe and Europe has no collective identity other than as the EU. This extends, for example, to their not considering either Russia or Turkey to be European countries.
- The economic and political relationships between Europe and India are currently essentially best defined in a bilateral framework with individual member states, rather than with the EU as an entity, to the overall detriment of both India and the EU.
- Europe lacks a strategic vision and ranks at the bottom of the list of partners in India's multipolar understanding of the future geometry of world affairs.
- India perceives the European example as a source of inspiration for enhanced regional economic cooperation in Asia, and, in particular, the euro as a constructive and impressive achievement. However, India believes that Europe's position in the next twenty years will depend, above all, on its ability to build a common defence identity, starting with cooperation between Britain and France; to strengthen the euro zone, especially by including the United

Kingdom; and to make a success of its enlargement, especially by a greater rapprochement with Russia.

- Europe is simply unattractive to India, especially by comparison with the United States. Many Indians regard it as 'socially and culturally protectionist', and as offering interest only on account of its 'exotic tourist appeal'.

1 INDIAN POLITICAL VIEWS OF EUROPE

1. The India–European Union partnership

India was one of the first countries to establish a diplomatic relationship with the European Union (EU), with a visit of several European-based Indian diplomats to the then EEC in 1961. However, the first summit between India and the EU – held in Lisbon in June 2000 – marks the true start of serious bilateral relations. Until then, exchanges had been primarily defined by the accord signed in 1994, which barely took matters beyond general trade points. Lisbon saw the issuance of a Joint Declaration and the signature of the EU–India Civil Aviation Cooperation Agreement, extended until the end of 2006. This wider agenda has expanded over the past five years. Particular progress was made on mutual recognition of regulations at the Hague Summit on 8 November 2004, culminating in the approval of a plan mapping out the so-called ‘strategic partnership’ in the course of the summit under the British presidency, in Delhi, on 7 September 2005. This consisted of a political declaration and a joint action strategy, advocating reinforced collaboration in a number of fields, including a ‘dialogue on democracy’, a commitment to ‘multilateralism’, security issues, cultural exchanges, enhanced cooperation in education within the framework of the Erasmus Mundus programme for higher education, an

'economic policy dialogue', and the encouragement of business-to-business relations. The EU further acknowledged India's role since 2004 in addressing crisis situations in its neighbourhood, especially in Pakistan and Sri Lanka.

The following specific elements in this developing relationship seem of special interest:

- The setting up of a High Level Trade Group to explore ways to deepen bilateral commerce and investment.
- The statement (in the EU–India joint declaration on cultural relations of 8 November 2004) that: 'Both sides share the objective of contributing to the promotion of cultural diversity' at an international level.
- The establishment of a Security Dialogue on global and regional security issues, disarmament and non-proliferation based on the shared interest to foster multilateralism, with regular meetings scheduled (although the first such was only held on 22 May 2006, involving the Troika of Germany, France and the UK, as well as the incoming Finnish presidency).
- The creation (at the first summit in 2000) of an India–EU Joint Working Group on migration and consular issues to facilitate the speedy delivery of visa services.
- The declaration of the intention to strengthen collaboration in science, especially in biotechnology, nanotechnology and high-energy physics.²
- The convening of a regular India–EU Business Conference on Energy (the first took place at the beginning of April 2006 and gathered high-level representatives

from industry and public administration) to further intensify relations in the field of energy supply, the promotion of renewable energy and also environmental policies.

- The commitment to a comprehensive evaluation of the first results of the strategic partnership, ahead of the next (7th) Summit, to be held in Helsinki on 13 October 2006.

2. The rather limited impact of the partnership

How much real progress does all this represent? Some, certainly. For example, India agreed at the Delhi summit to join the Galileo satellite navigation system programme, which was approved in 2002 by EU transport ministers and is expected to be operational in 2008 (it is the fourth country to take part after China, Israel and Ukraine). India will be allowed to use the system as an alternative to the American GPS network. This should enhance cooperation between Indian and European industrial actors in the high-technology sector.³ It may also have long-term strategic significance. Likewise India's move, on 24 May 2006, to become the latest member of the International Thermonuclear Experimental Reactor (ITER) underlined the extent to which both parties view energy security as a key aspect of their respective foreign policies. India will provide 9.09% of the total cost of the project (which offers the prospect of effectively managing experimental nuclear fusion by 2050), while the EU will finance about 50%.

Nevertheless, the overall effectiveness of India's cooperation with the EU is still patchy. In Indian

diplomatic circles, there is a growing feeling that the European Union has chosen to favour totalitarian China over its democratic Indian counterpart. Visits by EU officials to China have been significantly more numerous than to India (seven EU commissioners visited India between May 2005 and May 2006, whereas three visited China in May 2006 alone). As an Indian expert on Europe notes: 'China will continue to remain far more important in the EU's Asia Strategy because of European perceptions of its superior political clout and economic potential'.⁴ Noting that FDI into India amounts only to 1% of the EU total, less than a tenth of that into China, he went on: 'Europe has taken too little interest in India, either as an economic or as a political actor', adding: 'The US has now clearly decided to favour us over China.'

Various Indian commentators also highlight the lack of strong social links between Europe and India. The Indian diaspora in the United States (2 million in 2005) is seen as more influential, significant and successful than that anywhere else. Despite its numbers (1.5 million) and long-standing roots, its British counterpart 'has nothing to compare with the Indian Caucus in the Senate and in the Congress' – or to the fact that Indians account for a quarter to a third of the employees of Microsoft and NASA. And apart from in Britain, along with Portugal and the Netherlands, there are currently more Indians in the state of New Jersey than in the whole of the rest of the EU. Given this, while a preference for a bilateral rather than an integrated European relationship with India might be understandable for Britain, it is perhaps surprising that such is also the pattern for France and Germany. The French President's visit to Delhi at the

end of February 2006 resulted in the conclusion of an Agreement on Defence Cooperation (as well as a \$270 million deal between India's Kingfisher Airlines and the French company ATR for 15 aircraft). The Indian Prime Minister's visit to Germany on 22 April included the setting up of the high-level Indo-German Energy Forum, intended to enable the two countries to focus on practical collaboration in the fields of science and technology and renewable energy.

Clearly, such a dichotomy between the European Union and some European member states raises questions about the terms in which India looks at Europe. Though Indian officials proclaim that 'Europe matters', the truth is it does not.

3. Europe's lack of political cohesion

For Indians, Europe is not a fully-fledged presence in the world. Though many leading figures have expressed sympathy towards the project of greater European unity and the prospect of Europe as a whole becoming a positive factor in global affairs, overall, to date, the EU stands out as merely a 'vague and divided' entity – one that appears to remain more or less invisible from India. Undoubtedly, such views reflect what is perceived as 'a lack of geopolitical coherence': it is considered that the EU has not yet shown any sign of acting as a credible power or 'even as a credible cultural entity' in the international arena. Though it is acknowledged that the foundations of the EU were primarily designed to lay down the basis for enhanced economic cooperation, there has been an expectation of greater integration in

the foreign policy realm which has been severely dented by a 'persistent failure to deliver concrete results for India' – impressions which have been greatly reinforced by the 'no' results to the referendums in France and the Netherlands on the EU Constitution in 2005.

A majority of those questioned for this study expressed the view that Europe is now suffering from 'external drift and internal discord'. This is primarily, they believe, owing to a 'lack of political leadership', which makes it 'impossible to take any of the European Union's expressed or implied ambitions seriously', so that even 'the idea of Europe does not trigger any sense either of excitement or attraction'. The foreign editor of one of India's leading newspapers, for example, observed recently that 'the European Union is not currently more nor less a greater concern for India than South Africa'. Again, the address of Prime Minister Manmohan Singh, on India's 2005 Independence Day, did not even mention the EU in the list of its key strategic counterparties.⁵ Or again, Rajendra K. Jain, Professor of European Studies at Jawaharlal Nehru University in Delhi, notes: 'the problem is that Europe wants to be loved and is disillusioned when it finds that India is not willing to reciprocate'⁶ because of the evident lack of direction of the European project and its 'failure to match the expectations it has raised of making a meaningful advance in political terms'. Europe's voice in the future composition of the international order is 'muted by its own contradictions and anxieties'.

Indian strategic thinkers consider that Europe's role in international affairs should be first and foremost

driven by a precise distinction between the 'necessary competences of the European Union, and of its individual member states'. They regard the European Union's system of the six-month rotating presidency as 'overtly too complicated'. More specifically, there is a feeling that:

- Europe has failed to express any strategic political vision, especially in military terms.
- Europe's own divisions further push towards favouring bilateral relationships.
- India's leading strategic interests are not currently converging towards those of Europe.

4. The nuclear case

The visit of President Bush to Delhi on 2 March 2006 has undoubtedly paved the way for a reconsideration of India's position in world affairs. For some, India would now stand as the 'new Asian Partner'⁷ of the United States. The so-called strategic accord, concluded during that visit, marked the culmination of a process initiated with the US President's visit to India in 2001 and continued at the summit in Washington on 18 July 2005. Its most significant single aspect is shaking off Delhi's semi-outcast status over its nuclear weapons capabilities by allowing for a separation of nuclear facilities into civilian and military – with India gaining access to US civilian nuclear technology, in return for India's agreement to put 65% of its nuclear power production under international oversight.⁸ While the deal requires the formal approval not just of the US Congress but also

of the 45-nation Nuclear Suppliers Group⁹ – among which are the 25 EU member states – one leading Indian commentator noted: ‘only the United States, as the pre-eminent hegemonic power, proved able to enforce a change of the rules of the international game, sympathetic to Indian interests’.

By contrast, it is striking that the European Union, led by the Austrian presidency, did not issue any declaration in the wake of what has to be considered one of the key geopolitical events of the first half of 2006 (though it was able to condemn the terrorist outrages committed in the Hindu pilgrimage city of Varanasi a week later, on 9 March). While, on an individual basis, the United Kingdom and France (along with Russia) fully welcomed the new nuclear initiative, the comment of a leading official in Paris is revealing: ‘France may have dreamt about such a *rapprochement* with India ever since the bomb test at Pokhra-II in 1998,¹⁰ but interests were diverging amongst other member states in Europe’; it is nonetheless telling that Paris had shown consideration towards India ever since 1998.¹¹ This could be taken together with the Indian comment: ‘It is clear that any primary nuclear recognition of India would have been inconceivable within the framework of the European Union, even though Europe has a major interest in India’s capability to emerge as a more responsible player in world affairs’. All the Indian foreign policy experts interviewed feel that Europe has, thus far, failed to accommodate their country in the international arena.

5. Europe's and India's diverging strategic interests

Moreover, if Europe had attempted to develop a political stance on the nuclear issue, or more generally, this would, for many Indians, only have resulted in a mass of mere 'exotic statements'. Europe is too much hung up on 'woolly notions of soft power' to be anything more than just an 'honorary partner' – as India proclaims its new strategic significance by increasingly favouring 'hard power' geopolitics. Many Indian commentators note that Europe may consider its credentials for a political role in the world 'as being a post-modern state promoting democracy and the protection of human rights', though 'it has not escaped our attention that the more distant a country or a region is, the more the EU tends to lay stress on values and the less on geopolitics'. But such 'moral momentum' does not appeal to India, which is striving to become a 'revisionist power'. As Raja Mohan of the *Indian Express* put it:¹² 'Europe, by contrast, is a satiated power', which tries to define itself 'as being more sophisticated in its understanding of the world' – a conceit that demonstrates only a philosophical incapacity to accommodate any change of the international rules, for fear of admitting its underlying decline. So European 'soft power' simply signifies, in reality, 'supporting the status quo'. For most Indians, it seems, their country's commitment to succeed morally, as the world's largest democracy, has been 'less rewarding than its decision to become a nuclear power'. Only after that was India 'taken seriously by the world'.

6. The conventional defence case

Of course, such perceptions tell us much more about India than about Europe. India has since 1998 entered a new era in its foreign policy, making a decisive break with its tradition of *moralpolitik*, based on the non-alignment doctrine, and seeking quite overtly the status of a great power. Indian sources confirmed that the move to send a squadron of MIG-29s to Tajikistan in late April 2006 – India's potential first military base abroad – is a most significant milestone. The Indian defence budget has doubled in the past 15 years, up to a total of €15 billion in 2005, and is projected to double again by 2015. One question this raises is whether India will move away from its traditional armaments partners, Russia, France and, to a lesser degree, Britain, in favour of the United States. India recently acquired six French Scorpene submarines, which will be manufactured under technology transfer by the state-owned company Mazagon Dicks in Mumbai and delivered between 2010 and 2015. As part of this €1.2 billion deal, they will be armed with thirty-six EADS SM39 Exocet anti-ship missiles. This is one of the largest single defence materiel contracts to date, but may be dwarfed if US offers of F-18s, made during Bush's visit in March, come to be accepted.¹³

7. Human security, human rights and the case of the UN Security Council

Another aspect of Indian *realpolitik* is its at least apparent comparative lack of interest in 'human security' issues: humanitarian aid, the environment, in particular climate change, and the like. In part, this reflects its

status as a developing economy. Indian commentators are adamant that, with time, India's 'unique cultural insights' will give it a leading role in such questions (the same is said about India's perceived reluctance to join EU and US initiatives on human rights – see below, part 3). Nevertheless, it is striking that Indians tend to combine their current, energetic campaign to achieve permanent membership of the Security Council with an extremely limited view of what the United Nations can and should be about. As one leading journalist put it: 'A permanent seat on the Security Council validates our arrival as a great power. But we know better than most, with regard to Kashmir for example, how little can be expected of the UN. More than the Europeans, we do not put our trust in international institutions, but rather in a global balance of power between several great states, of which India will be one of the greatest.'

8. India's expectations of the future world order

Like their EU counterparts, Indian strategic thinkers clearly conceive future international relations as a multi-polar constellation of six leading powers. Apart from India, they see these, in descending order of importance to themselves, as the United States, China, Japan, Russia and Europe.

India and the United States

According to the 2005 Pew Global Attitudes survey,¹⁴ 71% of Indians hold a favourable view of the United States, despite the war on Iraq. Of the 17 countries

polled in this survey, only Americans themselves have a more favourable opinion of their own country. If some American foreign policy analysts have thought that a democratic India could be influential as a counterweight to China, in return, the United States is perceived by Indians as the 'leading power'. Indeed, India seems to espouse a foreign policy '*à tous azimuts*'.¹⁵ Though many intellectuals still claim that 'India maintains its historical commitment to non-alignment' and that 'there is wariness in defining ourselves as too overt supporters of US policy (particularly in the Middle East)', there is little doubt that the overriding priority of Indian foreign policy is establishing a 'special relationship with the United States', which goes well beyond the realm of nuclear cooperation, and one which is likely to conflict with European interests. Hence it is worth recalling a number of facts. First, in 2005 India bought 50 Boeing 787s as opposed to Airbus. Second, India-US joint naval exercises, held in Goa in 2004, excluded Britain despite the use by US forces of their facilities on British territory at Diego Garcia. Third, the prospect exists that Indian bilateral civil nuclear arrangements with the US could compromise its commitment to ITER. Finally, India's urgent need for new energy supplies (it currently imports 70% of its consumption needs, but by 2010 this will rise to 85%, as it must add 100,000 MW of generating capacity to meet the expected rise in demand¹⁶) is making it a direct competitor with European interests in Russia and in Nigeria (as well as an actual, or potential, partner with China in Sudan, Burma and Iran).

India and China, Japan and Russia

After the United States, East Asia stands as the 'second pillar' of India's external strategy, the so-called *Look East* policy. 'The East', in this context, is obviously understood to be primarily, and overwhelmingly, China, but it also includes Japan and, most significantly from the point of view of Europe, Russia. Indian foreign policy experts insist that the old boundary disputes and military tensions, which brought India and China to war in 1963, are 'clearly over'. The Himalaya frontier is now about to be finally set on the basis of the landmark agreements signed in 1993 and 1996. The memorandum of understanding signed by the two countries' defence ministers on 29 May 2006 clearly suggests a will to foster close cooperation since it includes a substantial programme of joint military exercises and training by their armed forces.¹⁷ There is a widespread belief that India and China are 'complementary, not competitors' in the global economy and that for both much of their future prosperity will derive from bilateral trade between them, 'the two new giants', rather than from their exports to 'the old West'. Areas of tension do persist, however. There was some media criticism of Beijing still 'preferring Pakistan to India' when Chinese interests recently undertook to fund part of the new port facilities at Karachi. More seriously, there is some alarm in Delhi over Beijing's longer-term ambitions in Burma and Bangladesh.¹⁸

Japan is seen as 'an adjunct rather than any sort of alternative' to a future close India–China relationship. 'India favours a reconciliation between Japan and

China,¹⁹ as part of its own engagement with China and East Asia generally.' Nevertheless, while visible trade between India and Japan is still quite modest (though growing rapidly over the past three years, amounting to some \$5 billion in 2004–5), Japan is ranked as the fourth largest FDI contributor to India between 1991 and 2004. Over 70 Indian IT companies are expanding their operations to Japan. Delhi official sources remark that cooperation in the realm of defence is also under way, especially between the Japanese and the Indian navies (e.g. over joint policing of the Malacca Straits). Were Delhi's preference for Beijing to suffer any serious setback, Japan could provide a source of support.

The case of Russia is in some ways similar. It remains India's 'traditional partner', a most important provider of weapons and of energy. Recent bilateral transactions include the 2000 military cooperation agreement and the 2004 joint venture in the oilfields on the Sakhalin islands. There are concerns, however, in Moscow over the growth of Indian influence and interests in former Soviet Central Asia. Some Russian commentators appear to regard the possible new Indian base in Tajikistan as 'not helpful'.

So what role for the European Union?

Europe therefore remains of tertiary importance to Indian interests, clearly lagging behind the United States and East Asia. Moreover, some Indian commentators hold the view that, over the coming years, Europe will become even less important. As one leading journalist put it: 'One cannot escape the impression that, in the

long run, as powers such as, most notably, China and India grow, Europe will decline – relatively, certainly and perhaps even absolutely.’ Also in the short run, although Europe has the capacity as a ‘moral power’ to play a greater role in world affairs, ‘this will obviously not prove to be a sufficient counterweight to American geopolitical leadership.’ Such harsh judgments are often expressed with regret. There is sympathy for Europe as a ‘potential alternative’ to the United States. Several officials agreed that ‘India would benefit from a tilt of the balance of power from the US towards the EU’, for this would ensure ‘more stable multipolar geopolitics in the future’. For example, Delhi was very keen to support the European negotiating effort with Iran over the Tehran government’s nuclear policy, and ‘will seek to remain alongside Britain, France and Germany, notwithstanding our new working relationship with Washington’.

9. Are the omissions significant?

Reflecting on Delhi’s *Weltanschauung*, set out above, it is worth noting the absence of any expectation of greater political cohesion in Southeast Asia, or in the Islamic world, or of any attention to the emerging potential of South America, especially, of course, of Brazil,²⁰ or to Africa. The Association of South East Asian Nations (ASEAN) is regarded as being ‘essentially an economic entity’ though one of growing importance (see below, Part 2). Likewise, although India and Brazil are acting more and more together in, for example, the World Trade Organization (WTO), Latin America is regarded as emphatically ‘strategically part of the US sphere’.

India has growing economic interests there, such as the recently concluded oil deal with Venezuela and the strategic dialogue agreed to with Brazil on 13 September 2006,²¹ but has been anxious to point out in this and other cases that it in no way challenges US political leadership. India, like China, also has interest in African resources.²² There are more Muslims in India (over 150 million) than in any other country in the world apart from Indonesia – the legacy of India's having been the seat of perhaps the greatest of all Islamic empires. Indeed, India has 'the most important Muslim population living in a democratic liberal order'. There are evidently sensitivities towards developments in international Islam, which go well beyond the immediate issue of Kashmir. Nevertheless, officials in Delhi do not, it seems, 'believe in political Islam as a long-term factor in world affairs'.

10. The mirage of the Anglosphere

Perhaps the most interesting omission from this Indian *Weltanschauung* is an almost total lack of interest in the so-called *Anglosphere*: the putative emerging community of English-speaking nations, led by America, and including Britain, Australia, Canada, New Zealand, along with India and South Africa, which, acting with ever greater cohesion, is supposed to constitute the dominant power in the world. This is significant, since some non-Indian supporters of such a notion have even looked forward to the possibility of India's eventually succeeding the US in the leadership role, 'just as the United States took over from Britain'. As one Indian official commented: 'There is no comparison between Britain's historic and

continuing relationship with the United States and the United States' past, present and probable future relationship with India.' On the contrary, 'India does not see herself as in any way part of an Anglo-Saxon global agenda. We have our own agenda, which is pre-eminently defined by the fact we are a key player in Asia.' Indeed, advocating such a strategy 'continues an essentially colonial vision of what India can contribute to the world'. Rather than the *Anglosphere*, India would 'prefer to see an *Asiasphere* in which the East regains its historic significance in the world', though how much this goes beyond cultural affinities to replace multipolarism with a 'new East-West bipolarism' may be open to doubt (see below, Part 3).

11. The prospects for Europe: defence and enlargement

To sum up: it would appear that for many Indians, Europe's internal divisions impede its external clout and its ability to emerge as a credible entity in the international arena. They continue to believe, however, that with better leadership and, in particular, a new generation 'which is more used to globalization', the EU 'is a potential centre for political power in the next twenty years or so' and that such a development would be beneficial to India's own interests in strengthening a multi-polar international order.

Greater European cohesion in defence: Britain and France

What do Indians want to see Europe doing in response to the current sense of drift and anxiety over its future? Politically, there is no doubt that the answer is more in the area of a common defence policy, 'particularly in the nuclear field'. Some of the reported discussions surrounding the Indian-UK joint naval exercise, from 17 to 29 May 2006, off India's west coast (which included the participation of a French Lafayette class stealth frigate) are illuminating. Britain's current nuclear deterrent is not regarded by the Indians as 'truly independent'. Britain is 'not seen as fully part of Europe' and its dealings with India 'will always have a particular character', (though this is seen as based far more upon the present success of the 1.5 million members of the Indian diaspora in the United Kingdom, rather than upon 'British myths and misunderstandings arising from the colonial past'). But only if Britain takes cooperation in defence with France much more seriously and builds on the impetus launched by the St Malo Summit in 1998 'can a European defence identity that we could respect and work with' emerge. This would include the prospects for 'meaningful collaboration' between a 'European defence industry' and its Indian counterpart.

Enlargement

The other area of geopolitics where Europe could decisively enhance its status in Indian eyes would be to 'prove the mechanism of enlargement'. Europe's capacity to expand, even though this has been (in Indian eyes)

at the cost of political cohesion, does command respect. 'It could make or break the EU.' Those Indian officials who expressed a view on the issue are sceptical about the likelihood, and also perhaps the desirability, from their point of view (and indeed from the point of view of Europe itself), of EU enlargement extending to include Turkey (or any other Islamic countries). On the one hand, Europe's embracing of Islamic societies would demonstrate decisively its commitment to cultural pluralism that Indians feel to be an essential feature of its mission in the world and one which they consider at present it is signally failing to fulfil. It would prove that Europeans are not 'hypocritical and socially protectionist'. On the other hand, Indians do see Europe as defined essentially by Christian values and the legacy of the enlightenment, and believe that the failure to be true to these 'diminishes Europe's capacity as a global player'.

But much more interesting for Indians are potential European moves in Ukraine and Georgia and, above all, the possibility, eventually, of a much closer relationship between the EU and Russia – one sufficiently serious to force a reassessment by India of the *Look East* policy that sees Russia as 'essentially now an Asian power'. Several Indian defence experts have expressed the view that 'the Europeans missed a major opportunity in the early nineties to pick up much of the former Soviet munitions business'. Behind such assessments loom very much bigger matters: 'For us, one of the crucial questions is: will Russia one day become part of Europe?' If that were to occur, India would certainly welcome it.

2 INDIAN ECONOMIC VIEWS OF EUROPE

1. The European Union is a key economic partner

Europe's cohesion in economic terms remains the cornerstone of India–EU relations. Although most Indians still think of the EU as little more than a 'free-trade zone', or a common market, it is nevertheless *de facto* acknowledged to be an economic superpower.

- In 2005, bilateral trade between India and the EU grew by 20%, whereas the EU countries accounted for 22.47% of Indian total exports from April to December 2005 (see below, Appendix Table 3) – a 30% increase over the same period in 2004.²³ The EU is India's largest trading partner in goods.
- India ranks as the EU's 12th trading partner, accounting for 1.7% of EU exports and imports. In 2004, EU imports from India (mainly textiles, agricultural products and chemicals) totalled €16.3 billion, while EU exports to India (mostly machinery and chemical products) accounted for €17 billion (see below, Appendix Table 1).
- Bilateral trade in services has also grown substantially in recent years; in 2003, EU services exports to India amounted to €2.6 billion compared to €3.3 billion in 2004.
- India has also been the second largest beneficiary of

the EU's Generalized System of Preferences (GSP) scheme, accounting in 2002 for some 11.5% of total import volumes under this scheme.

- FDI inflows from the then EU-15 to India from August 1991 to December 2005 amounted to \$7.5 billion (accounting for 24.5% of the total inflows).

2. Bilateral trade with individual member states

However, Indians do not, in practice, think about doing business with Europe, but rather with individual member states: 'A businessman here does not consider he's dealing with a European company: he's dealing with a British company, a French company, a German company, an Italian company. That is the convenient way to operate.' The same also seems true for the Indian government.²⁴ Among member states of the European Union, the United Kingdom is India's largest export market (5.18% of the total over the period from April to December 2005). Trade has grown by 24% since 2003. There are some 480 Indian companies operating in the UK, more than in France, Germany and the Netherlands combined. Britain is also the largest market in Europe for India's fastest-growing export sector, IT services (12%). By contrast, Germany ranks second in terms of Indian exports (3.4%). Its trade with India has grown by 20% since 2004. France is third in terms of Indian exports (2%) though its total trade is growing the fastest of the three, by 26% between 2004 and 2005.

The EU is the most important exporter of goods to India. In 2004, India bought goods worth \$3.18 billion from Britain, \$2.91 billion from Germany and \$1.05

billion from France. Recent notable successes have included the 42% growth in sales in India achieved by France in 2005, 40% of which was in the aerospace sector. However, continuing bilateralism by member states, in particular, could threaten this. Several Indian commentators contrast the approach to their market of business from the major European nations to that of the Americans. 'The US government seems to push just one company towards any particular large opportunity, such as the ones which are now emerging for modernizing our transport, communications and energy infrastructure, whereas the Europeans are always playing against each other.'

3. The future: Europe, the United States and China

Most economic experts²⁵ agree that the EU will soon lose its position as India's largest trading partner in goods. Overall, the US is already India's foremost commercial partner, and is its principal customer for goods and services (more than 17% of the total in 2005). US investments into India were \$3.1 billion over the period 1991–2003 (accounting for 16% of the total). More than 1,000 US firms are now based in India. In the high-technology sector, Microsoft is currently the most important foreign investor, followed by Oracle and General Electric Company (GEC), this last having more than 22,000 employees in Bangalore alone. By contrast, all the German and French companies operating in India (around 850 enterprises) together have just over 40,000 employees.

There is, however, considerable scepticism as to the ability of the US to retain, let alone improve upon, this position, despite much American optimism on the matter. Rather, the view is widespread in Delhi that, within five years, China will overtake the United States in this area. All the trade and financial commentators interviewed for this study agreed with what Jairam Ramesh, Minister of State for Commerce, calls the 'Chindia'²⁶ phenomenon as the key to comprehending the way forward for their country, namely that twenty years from now it will be 'the deep mutual interaction' of the two Asian giants which will drive world growth. This is the economic version of the *Look East* policy. The last decade was marked by a dramatic increase in economic cooperation between India and China, with trade between them rising by almost 30% per year. The complementarities of their industrial interests are striking. China is already India's third trading partner in goods, after the EU and the US (see below, Appendix Tables 2 and 3). India-China trade for 2005 could cross the \$20 billion mark. From April to December 2005, India's exports to China increased by more than 45% (see below, Appendix Table 3). One thing is certain: if 'Chindia' comes about, the principal losers will be the Europeans.

An important concomitant of the 'Chindia' idea is the growing Indian interest in developing economic relations with the countries of ASEAN. Indian trade with ASEAN members grew from \$12.51 billion in 2003 to \$18 billion in 2004 (from 8.5% of the total to 9.3%). As Kamal Nath, Union Minister for Commerce and Industry,²⁷ put it: 'Southeast Asia will be an important trade bridge between China and India to create

an economic powerhouse.' The implications of this for Indian perceptions of Europe will be examined in section 6 below. While there have been a number of initiatives to encourage overall India–ASEAN trade, such as the Bali Summit in 2003, Delhi has placed more emphasis on smaller-scale accords, such as the Mekong–Ganga Cooperation Grouping, established in 2000 with an emphasis on developing tourism, culture, education and transportation links, or the free trade agreements with Thailand (2003) and Singapore (2005). These reflect very different levels of activity: from April to December 2005, Singapore accounted for 5.7% of Indian exports and 2.25% of its imports (see below, Appendix Table 2), whereas exports and imports to Thailand both accounted for less than 1% of India's trade.

4. Europe is not economically attractive

There is a growing pessimism, tinged sometimes even with contempt, in many Indian views of Europe's economic prospects. Europe is seen as 'in economic decline' and 'too small, divided, and backward-looking' to be more than a 'niche player providing luxury goods and services' in the future – 'the world's boutique' and 'perhaps not even that'. Britain, which is sometimes seen as standing apart from the incapacity to rise to the challenges of globalization that seems to characterize overall Indian assessments of the EU economy, is not really spared. The business successes of the UK Indian diaspora are cited as a proof that 'the British have lost their entrepreneurial capacity and thrive merely because their language and tax regime make Britain a good base for outsiders to operate internationally'. The EU is readily characterized

as 'a protectionist club'. There is much more criticism of Brussels than of Washington for blocking progress towards the more free trade world that Indians generally proclaim best suits their own long-term interests, especially in the WTO arena.²⁸ As in the political field, however, Indians at the same time frequently express the hope that Europe might change, highlighting, for example, the High Level Trade Group set up in the wake of the EU-India strategic partnership as a possible opportunity to try to find closer cooperation, almost regardless of the outcome of the Doha Round negotiations. This Group is scheduled to report to the next EU-India Summit in Helsinki in October 2006, which may include the possible launch of negotiations for a broad-based bilateral trade and investment agreement.

Again, the US is, without question, the 'benchmark economy for India', in contrast to the 'clear lack of dynamism in Europe, which has nothing to teach us in terms of job creation and enterprise'. Europe does not appeal to 'India's leading students or entrepreneurs, eager to take their talents or to set up their own businesses abroad'. Most Indian students seeking to undertake graduate studies at Master's level choose the United States (though for undergraduate studies more go to Europe, principally to Britain). Clearly, language is one of the key reasons for the lack of appeal of continental Europe, but Indians' perceptions that Europeans treat them with 'racism and condescension' are also factors. In 2006 there are more than 80,000 Indian students in the US, compared with under 25,000 in the EU (of which 16,000 are in the UK, 4,200 in Germany, 1,200 in France and 400 in the Netherlands.) This is despite

the EU's attempt to facilitate EU-Indian connections through the Erasmus programme, as formulated in its strategic partnership. Even though it is anticipated that this will mean a doubling of the number of Indian students in France, for instance, by 2008 (with a third in business and management schools), links with the United States continue to grow much more rapidly. The new accreditation of 20,000 H1B visas²⁹ by the American government, in May 2005, was mostly aimed at attracting Indian students.³⁰ Moreover, the fact that the United States remains far ahead of Europe in terms of job opportunities for Indians after they complete their studies further enhances its attractiveness.

For several Indian experts, the key to Europe's failures is to be found in its ageing population. In 2004, there was one elderly inactive person for every four persons of working age in Europe. India currently has more than 500 million people under the age of 35 (47% of the total). By 2050, in Europe, there will be approximately one inactive person for every two of working age. Migration alone will not ensure population growth in the EU: again, by 2050, the working-age population of the EU will have decreased by 52 million.³¹ By contrast, by that date India will be the most populous country in the world, ahead of China – a key asset for India's economy.³² As one Delhi commentator put it: 'ultimately demographics will be decisive in determining India's dominant position and the decline of the West, especially of Europe'. For the 500 million members of India's middle class in 2025, Europe will be 'a huge potential market for India's emerging pharmaceutical industry' and perhaps even 'a great place for us to retire to'.

5. India's view of itself as an emerging economic powerhouse

The Indian economy grew by 7.7% in 2005 and by 8.1% in the first half of 2006. It is at present projected to achieve a 10% rise annually between 2007 and 2009.³³ On this basis, India will have reached the EU's current GDP in purchasing power parity terms by no later than 2012 and have clearly overtaken it by 2015.³⁴ A golden prospect appears to be beckoning. Huge obstacles, of course, remain.³⁵ For several Indian intellectuals, 'the graphs may be right, but there are still two Indian economies, the fast-growing globalized sector and the rest, rural, retarded and ridden with poverty'. India's ability to become a champion of the so-called Asian century³⁶ will, it is said, 'inherently depend' on how it learns to moderate growth with social justice. As an Indian journalist put it: "The next seven years will be crucial; if the issue of poverty is not better dealt with, and growth disappoints, falling back to, say, 5–6%, then we will have the greatest difficulties in meeting the demands of those hitherto excluded from the rewards of the new international economy."³⁷ Commentators focus on the reforms currently under way in the four states of Uttar Pradesh, Bihar, Madhya Pradesh and Orissa, which account for more than 50% of the Union's poor.³⁸

There are good grounds for caution: India's growth will be sustained only if privatization is more widespread and the gross inadequacies of the infrastructure are addressed. India will need to lift its spending on infrastructure from 6% to 9% of its current GDP with a financing gap amounting to \$123 billion for

the next five-year period.³⁹ Currently, India's trade amounts to only 29% of its GDP, as opposed to 57% for China. While India's FDI regime has been substantially simplified in recent years, important sectors still remain restricted, notably retailing (which may undergo a partial liberalization at the end of 2006) and banking (which is anticipated to be opened up in 2009). India's middle class of some 250 million (out of a total of 1.1 billion) does seem poised to bring the economy to the point of real take-off. In 2005, the emblematic IT industry was estimated to have generated nearly 5% of India's GDP; by 2010, this is forecast to amount to over 7%. Despite recent setbacks, Indian stocks have outperformed the overall emerging-market index by nearly 45%. The property market is exploding. Nevertheless, over 60% of India's population remain dependent on agriculture.⁴⁰ India still accounts for only 0.8% of total world exports (compared with 17.5% for the euro area, 12.7% for the US, 6% for Japan and 4.8% for China). In short, if Europe faces problems in coming to terms with globalization, India's difficulties in shifting from protecting its own market to global competitiveness are not negligible either.

6. The European experiment as a source of inspiration

The EU, however, does constitute a 'low-key role model of regional trade integration' for India, the importance of which 'could come to be more and more recognized'. For a start, the Indian Union retains tariff barriers between its own states. Despite being a federal republic, encom-

passing 28 states, it is, in itself, not yet a single market. There is a growing trend towards decentralization and regional institutions, which is going hand in hand with economic liberalization. This makes it less likely that India will take the traditional form of a national state. 'Some of the mechanisms Europeans have used to create their internal economic area and shape the relationship between political and economic government are very relevant for us.' In particular, there is considerable official interest in EU competition law and the management of structural funds. Again, Europe's achievement in using economic integration as the means to overcome political animosities and insecurities (as would be relevant to the dispute with Pakistan over Kashmir or the tensions over the Tamils in Sri Lanka) is much admired and cited. India has mainly approached this sort of model through the South Asia Free Trade Agreement (SAFTA), though it has concluded a Free Trade Agreement with Sri Lanka in April 2000.

Regional cooperation: the SAFTA framework

SAFTA – agreed among the seven South Asian countries which previously formed the South Asian Association for Regional Cooperation (SAARC) – formally came into effect on 1 January 2006, with the aim of reducing tariffs for intraregional trade. Pakistan and India are to complete implementation by 2012, Sri Lanka by 2013 and the other four – Bangladesh, Bhutan, the Maldives and Nepal – by 2015. Yet existing internal trade between the SAARC countries only amounts to 5% of their total trade; by contrast, trade within member countries of

ASEAN and the EU accounts, respectively, for 22.5% and 55%. Nevertheless it is anticipated that SAFTA 'may eventually lead to a full-fledged South Asia Economic Union'. For India, the EU's experience is 'that integration is likely to be most successful when partners streamline border transactions through active trade facilitation policies.'⁴¹ There is particular interest in the EU's experience of enlargement, which is taken as 'a telling example of how dissimilar economies can have better chances of success due to the opportunities to exploit larger markets' and as indicating that 'SAFTA could possibly spur growth and poverty reduction'. There remains great scepticism in Delhi, however, that Pakistan will, in the end, accept the SAFTA structure. Whether that would derail the initiative or 'we would go ahead with the others' is an open question. The EU (which in the last few years accounted for nearly 25% of the SAARC countries' trade) has actively supported the development of SAFTA by providing €5 million for technical assistance. One topic recently raised in EU-SAFTA implementation talks was the possibility of a currency union. While the immediate prospect of this has been dismissed by the Bank of India, several economists see such a development as 'an important factor in considering the future international status of the rupee'.

The Asian single Currency Unit

Of all the potential lessons India can draw from the EU, by far the most intriguing, and revealing of the dilemmas it faces in contemplating regional economic integration, is the notion of participating in some sort of Asian mone-

tary union wider than merely the SAFTA zone. To date, the most considered proposal has come from the Asian Development Bank, which mooted an Asian Currency Unit (ACU)⁴² based on a weighted index of the currencies of ASEAN+3 countries.⁴³ It would function initially as a stabilizing factor for regional currency movements, but could lead to an Asian common currency functioning along the lines of the European Currency Unit (ECU) as a precursor to the euro. India is also mentioned as potentially part of an ASEAN+3+3 secondary grouping along with New Zealand and Australia. Until recently, ideas of this kind have been something of a pipe dream, useful only to highlight, for example, how far India remains behind China in dealings with ASEAN (Chinese trade with ASEAN is likely to reach \$100 billion in 2006). However, the imbalances in global currency markets and the incipient dollar crisis have given these proposals a new seriousness. Some such arrangement might ease a revaluation of the renminbi and provide a way of loosening the ASEAN currencies' close ties to the dollar – both increasingly desirable objectives if stability and growth are to be maintained. The recent shift in US attitudes in favour of the idea – after ten years of sustained opposition⁴⁴ – is highly significant. One Indian response was to repeat the suggestion, first made at the 2003 India–ASEAN Summit, of establishing an Asian Economic Community, to include ASEAN+3 plus India, along the lines of 'the European experiment'.

7. Indian challenges for Europe

Beyond general points about improving economic growth and a more accommodating attitude in the WTO negotiations, what specific measures do Indians believe Europeans could take to enhance their prospects as economic partners? The two most frequently mentioned are, first, improving the restrictive and divided regime on visas and work permits for Indian students and professionals wanting to come to Europe; and, second, 'making the euro work'.

Visas and work permits

Given that nearly 50% of the Indian population are currently under 35, there is clearly an urgent need for greater access into the EU for Indians, both for study and for employment. It seems that the relevant Indian experts believe such an initiative is likely to be especially beneficial for both sides in biotechnology, IT, and the medical industries, where there is 'huge untapped potential for collaboration'. At present, this is a bilateral matter with individual member states⁴⁵ and the resultant unpredictability and inconsistency are seen as 'severely damaging the commercial opportunities between India and Europe'.

The euro

For several commentators, the launch of the single currency in 1999 was 'an astonishing European achievement' – proof of a 'buoyant political momentum' and an 'awesome economic promise'. But now it is seen not

to have lived up to expectations. 'The euro, *per se*, is not fully taken seriously since there is no denying that it does not yet represent a credible alternative to the dollar.' Further enlargement of the euro zone, however, might change this. Some Indian officials highlight that 'the euro has enabled the European Union to define for itself a distinct characteristic which, through expansion over the next twenty years or so, should mean we will be dealing with a unified bloc'. Critical, to this, however, would be the UK's joining in. 'Only then, a stronger euro zone, reinforced by Britain's participation, will appear truly internationally credible.'

3 INDIAN CULTURAL VIEWS OF EUROPE

1. India and the European Union: growing apart?

India's attitudes towards Europe outlined above seem to suggest an underlying cultural estrangement between the two. As one Delhi media executive put it: 'Indians are not interested any more in European history, or art, or society. We want our own history and our own art and to develop our own social models.' In particular, there is a sense that Europe is 'outdated and inward-looking'. Emblematic of this, for many Indian journalists, has been the opposition, especially in France and Luxembourg, but also, it must be admitted, right across the EU, to the Mittal Steel bid for Arcelor. It has been taken as 'the manifestation of the deep insecurity of modern Europeans', suggesting 'a cultural deficit which makes Europe not accepting of India' – a deficiency derived from the fact that 'India's success increasingly symbolizes the modern world in which Europe cannot compete'. Not just politically and economically, but culturally too, Europe is seen as hanging on to the status quo, and thus regarding 'all change as threatening'. Though most Indian media coverage of Europe comes through journalists who are overwhelmingly London-based, and reporting of the EU as an institutional process, even in matters such as disputes in the WTO, is minimal, Indians

routinely accuse the European media of 'not making the effort to study India properly' and of only thinking of their country simply 'in tourist terms'. As the legacies of the colonial period fade, or are reinterpreted,⁴⁶ 'the cultural ties, the shared values and terms of reference linking Britain and India, and thus more broadly Europe and India, have come undone'.

2. Or growing together?

There are, however, strong opponents of this negative assessment. Just to take the Arcelor case, other commentators have seen Mittal's triumph as reintroducing into Europe the 'tradition of family capitalism' which was once so typical, but has faded over the past few decades, to the detriment of European performance.⁴⁷

'Europe and India are both rooted societies with greater continuity of family and place than either the US or, reflecting its tempestuous recent history, China.' Might this indicate a broader affinity of values? Indians are proud to be the world's largest democracy.⁴⁸ Some see the EU as 'the world's second largest democracy', with particular 'natural complementarities' of shared beliefs in freedom, pluralism and secularism, 'a common commitment to civil society'.⁴⁹ There is a growing dialogue between the EU and India on institutional development, comparing interactions between the states and the centre in both cases, most recently the parliamentary conference in Mumbai in November 2005, or earlier discussions in the course of the visit by a delegation of the French Senate to India in September 2002.⁵⁰ As a leading Indian intellectual emphasized: 'the

European and Indian Unions are alike defined by the values inherited from the enlightenment period' which 'provides the basis for greater partnership' between them. The enlargement of the EU is seen as making 'Europe almost as diverse as India'. The EU has 25 member states, with 20 official languages for a population of 457 million. India has 28 states, with 22 official languages, for a population of 1.1 billion. Nearly 5% of Europe's citizens are Muslim, with France accounting for 18%, Germany 13%, Britain 7% and the Netherlands 4%. At least 13% of India's citizens⁵¹ are Muslim, with Uttar Pradesh accounting for 22% and West Bengal 15%.⁵² And 'unity in diversity' is perceived by all the participants in this study as the 'common dream' Europe and India should seek to project to the world. The Secretary for Europe at the Ministry for External Affairs in Delhi recently noted that 'India and the EU are the two foremost examples we have in the world today of multiculturalism, something that countries elsewhere must learn to embrace as an inevitable aspect of globalization.'⁵³

3. Is there an Indian dream?

Thus questioning what holds India together, and in particular how political and cultural factors interplay – 'the counterpoint of nation state and state of civilization' – may prove to offer a valuable insight for comprehending Indian perceptions of Europe. Of course, India's sense of unity is not transposable to Europe. Nevertheless, the detour through India will allow a fresh look at Europe.

The foremost civilization in understanding 'secular freedom' and pluralism

Indians feel they are an old civilization, which, throughout its long history, has 'always accommodated a multiplicity of cultural, religious, linguistic and ethnic identities'. It has 'a superior record of political unity to that of Europe' and 'a superior record of internal diversity to that of China.' In contrast to the US, it has 'all the strengths of a long, continuous heritage' that gives it 'the deepest understanding of what culture is and what the idea of difference in cultural terms entails'. Indians are not slow to remind Europeans that the principles of 'secular freedom', i.e. the essential religious neutrality of the state,⁵⁴ were the defining qualities of the regime of the Mughal emperor Akbar, in the 1590s, a time when Europe was still plagued by religious wars and claims of the necessarily divine foundations of government. Nor are Indians backward in recognizing, despite all their undoubted fascination with contemporary America, that their society 'is not a melting pot, but a common culture of preserving diversity and enabling it to flourish'. It is this tradition which has allowed India to emerge from colonialism and embrace democracy; almost a unique achievement, and one of 'world historical significance'. And it is this tradition which offers a model to the world, above all, of course, to the developing world.⁵⁵ As Prime Minister Manmohan Singh has put it: 'India has an obligation to mankind to show that pluralism works and that democracy can deliver development'.⁵⁶

The mother civilization of Asia: the cultural roots of Chindia

Perhaps a more emotional, less rational assessment of themselves leads Indians to the conviction that they are one of the pillars, indeed the key pillar, of the civilization of Asia, 'just as Europe is the key pillar of Western civilization'. Indian historians take great pride in the fact that the only non-indigenous component of China's essential cultural identity is Buddhism, which the Chinese acquired from India in the second century AD. Inasmuch there is an 'Asian vision' for mankind, one that, for example, might stress 'stability and social harmony over unbridled individualism' or 'philosophy over faith', or again a 'cyclical over a progressive analysis of history', it finds 'its moral and ethical foundations' in India. Such points tend to emerge in connection with European criticism of India's apparent relative indifference, in current political debates, to questions such as the environmental sustainability of the global economy. As one Indian intellectual commented: 'Maybe the world will have to radically change its values in the coming years because of global warming and other ecological pressures, but if so, it will be to our traditions that it will have to turn.' How this fits in with India promoting democracy and pluralism in the world, let alone with its own economic ambitions, is not clear. But it would be wrong to dismiss the intensity of feeling behind such notions. 'Indian identification with Asia does not mean turning aside from supposed Western ideas of freedom or progress. Only Indian influence can liberalize China; the West never will.'

India as a moral power

The redefinition of India's external grand strategy – based on its growing sense of national confidence engendered by its economic growth, though superficially indicative of the triumph of pragmatic *realpolitik* over the idealistic understanding of world affairs inherited from the Nehru era – is underpinned, on closer examination, by a powerful moral imperative. As the editor of a leading newspaper explained: 'one has to find articles which attract readers, and at the moment what especially younger people are looking for are stories which put forward India's sense of being a great power, that will be able to influence positively the way the world goes.' They want to hear about 'the Glory of Mother India' and the 'message Indians have for the future.'

4. Is the Indian dream soundly based?

Few can doubt the imperfections still clouding the notion of India as a model for the new Asian era. There are the millions as yet largely untouched by the benefits of faster economic growth. The distortions to democracy caused by strong regional loyalties and the continuing, baleful, influence of the caste system. The low status accorded to women. The ease with which Hindu nationalism (*hindutva*) can put at risk the values of secularism, pluralism and tolerance. The particular pressures facing Muslim minorities. The difficulties of retaining a clear purpose of any kind in a world increasingly dominated by competition for scarce resources and in the face of major powers with, perhaps, very different priorities. But there is also no doubting the determination of the new

Indian elite to 'follow India's unique destiny'. And from the point of view of the present discussion, it is significant that one, and possibly the leading, touchstone of India's resolve could be the depth of its cooperation with Europe on a shared agenda of democracy and diversity. 'There must be some corrective to the present polarization of the world between the US and Islam, or to the prospective polarization between the US and China. Europe and India working together could provide that, and thereby enhance the progressive, democratic agenda.' Also, 'Both India's, and Europe's, influence with the US would be greater if they worked together on Washington.'

5. Can Europe be an adequate cultural partner for India?

Indian commentators, however, have doubts about Europe's capacity to operate effectively with India in this way. Europe is perceived as 'no longer a creative or a visionary culture'. It faces an urgent need to find new sources of inspiration so as to revitalize itself, a process 'which could come through sharing the burden of promoting the ideas of unity in diversity that Europe and India have in common'. But while 'European diversity is very obvious, its unity is not'. Europe projects too much an image of 'social and cultural protectionism,' especially in terms of how it is dealing with its minorities. As one leading Indian intellectual argues: 'One of the problems is that the Christian values of Europe have been eroded', so that 'rather than mutual tolerance of different strong faith identities', which is the case in India, there is a 'vacuum of values'. This puts the whole

burden of integrating minorities onto a 'vulgar secularism and materialism'. Only really in the area of gender rights, and its (relative) resistance to the sharp growth of economic inequality which globalization brings, is European society regarded as admirable and 'still genuinely progressive'. Otherwise, Europe's incapacity to be enthusiastic about its own dreams prevents it from reaching out and inspiring the world. For Indians, 'Europe would be better off with more joy about what it stands for'. It must not be content 'to conform to its image for us of a decadent civilization' offering little more than an 'exotic theme park,' praised for 'easy life style' and 'old castles' and 'fine wine'.⁵⁷ A bizarre mirror image of some European attitudes towards India in the 1960s and 1970s.

4 CONCLUSIONS

Europe's image externally will inevitably be influenced by its capacity, internally, to respond to its current sense of anxiety. But many Indians anticipate that 'the huge deficit on European foreign policy' will continue. For them, it is axiomatic that, individually, none of the member states of the EU will be able to make a difference on their own in the future international order'. Only if it is able to unite – both in the economy and in international relations and defence – will Europe be able to remain a pole for power'. This is provided that it is able to mobilize and implement the necessary economic reforms to ensure its competitiveness in the face of emerging Asian economic dynamism. Crucial to this will be the success of the euro and a closer relationship with Russia. Also of great importance will be Europe's ability to integrate its minorities, especially its Asian minorities, without eroding its core values. On this basis, there will be further prospects of 'a natural partnership' with India. And only on this basis will Europe itself be able to escape 'relative decadence' and eventual eclipse. 'Whether Europe becomes a world power will determine whether European civilization continues ultimately to have any distinct meaning.'

APPENDIX

Table 1: India–EU trade

Year	Imports (million €)	% change	Exports (million €)	% change
2000	12,802		13,626	
2001	13,405	4.7	12,894	-5.4
2002	13,594	1.4	14,271	10.7
2003	13,976	2.8	14,516	1.7
2004	16,223	16.1	17,013	17.2

Source: Eurostat.

Table 2: India's imports with major trading partners

Largest trading partners	April–Dec. 2004 (million \$)	April–Dec. 2005 (million \$)	Growth	% of total
EU-25	12,716	17,100	34.4	16.4
China	4,834	7,725	59.8	7.4
USA	4,533	5,806	28.0	5.6
Australia	2,628	3,433	30.6	3.3
United Arab Emirates	2,985	3,330	11.6	3.2
Singapore	1,846	2,350	27.2	2.2

Source: Indian Ministry of Commerce and Industry.

Table 3: India's exports with major trading partners

Largest trading partners	April-Dec. 2004 (million \$)	April-Dec. 2005 (million \$)	Growth	% of total
EU 25	12,176	16,230	33.3	22.4
USA	9,863	12,408	25.8	17.2
United Arab Emirates	4,915	5,917	20.4	8.2
China	2,972	4,337	45.9	6.0
Singapore	2,652	4,122	55.4	5.7
Hong Kong	2,508	3,213	28.1	4.5

Source: Indian Ministry of Commerce and Industry

NOTES

- 1 Martin Jacques, 'If the 20th century ended in 1989, the 21st began in 1978', *The Guardian*, 25 May 2006.
- 2 An India–Europe Science and Technology Cooperation Agreement entered into force on 14 October 2002. It allowed Indian scientists to participate in European research activities and gives European scientists access to similar programmes in India.
- 3 Galileo has been developed jointly with the European Space Agency. As opposed to the current American GPS, it will be administered and controlled by civilians. Discussions are also currently under way with a number of third countries including Brazil, South Korea and Morocco. The GNSS (Global Navigation Satellite System) market is potentially composed of 3 billion receivers generating revenues of 275 billion per year by 2020 worldwide. <http://www.delind.cec.eu.int>.
- 4 Rajendra K. Jain, 'In India, the European Union and Asian Regionalism', *Asia-Pacific Journal of EU Studies*, Winter 2005, p. 35.
- 5 Indian Prime Minister Independence Day address, <http://pmindia.nic.in/speeches.htm>.
- 6 Jain, op. cit., p. 34.
- 7 Christophe Jaffrelot, 'L'Inde, nouvel allié asiatique des Etats-Unis', *Etudes*, October 2005.
- 8 To date there are fifteen Indian nuclear power plants. The plan for separation between civil and military functions should be operative by 2014. The proposed cooperation with the US further includes the supply of enriched uranium fuel to the reactors at Tarapur as well as the development of the generator there currently under construction, which

- should remain outside the inspection of the International Atomic Energy Agency.
- 9 'L'Inde nucléaire', *Le Monde*, 4 March 2006.
 - 10 India's nuclear tests, launched under the last BJP-led government, were condemned in May 1998 by the international community and in the following June Resolution 1172 of the UN Security Council demanded that India comply with the Comprehensive Test Ban Treaty, along with Pakistan. India exploded its first nuclear device in 1974.
 - 11 Valérie Niquet, *L'Inde courtisée*, Asia Centre IFRI, March 2006.
 - 12 Raja Mohan, in *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, Penguin, London, 2005.
 - 13 Nonetheless, it must be remembered that Indian defence expenditure still remains quite modest, at around a third of that of the UK. Nevertheless, after China and Japan, it is growing faster than that of any other major country.
 - 14 Pew Global Attitudes, <http://pewglobal.org/>.
 - 15 Jean-Luc Racine, 'L'Inde émergente: horizon élargi', *Cahiers de Mars* 187, March–April 2006.
 - 16 *Financial Times*, 24 April 2006.
 - 17 'Sino-Indian ties', *The Tribune*, 31 May 2006.
 - 18 There remains the intriguing question of India's increasing the range of its missiles, which are now capable of reaching Beijing. However, this should probably not be seen as specifically anti-Chinese, but merely as a step on the path to acquiring a global strategic reach.
 - 19 And, incidentally, between Korea, Japan and China.
 - 20 Except with regard to enlisting the support of Brazil (along with South Africa and Japan) for an enlargement of the permanent membership of the UN Security Council that would include India.
 - 21 Statement by Indian Prime Minister, 13 September 2006, <http://pmindia.nic.in/speech.asp?id=389>.
 - 22 South Africa was associated to the first India–Brazil–South Africa (IBSA) Summit held in Brazil on 12–14 September 2006.

- 23 Indian Ministry of Commerce and Industry, http://commerce.nic.in/india_trade.htm.
- 24 For example, in dealing with the current question of the EU non-tariff barriers faced by Indian exporters, the Indian Prime Minister concentrated on making representations to the German government at the Hanover Messe, in April 2006, rather than to the Commission in Brussels.
- 25 For example Goldman Sachs, Morgan Stanley and HSBC.
- 26 Jairam Ramesh, *Making Sense of Chindia*, India Research Press, New Delhi, 2005.
- 27 Statement to the East Asia Summit of the World Economic Forum in Tokyo on 15 June 2006. Press Information Bureau, Government of India, http://commerce.nic.in/jun06_release.htm#h26.
- 28 It should be noted, however, that India remains, at the moment, one of the most dedicated adherents of Listian protectionism with the highest tariffs of any major economy.
- 29 The H1B Visa program is the primary American work visa and work permit, which enables highly skilled international professionals or international students to work in the United States.
- 30 Christophe Jaffrelot, 'L'Inde, nouvel allié asiatique des Etats-Unis', *Etudes*, October 2005.
- 31 Projections by Eurostat, population 2006 (the UN projections are even more extreme) <http://epp.eurostat.cec.eu.int>.
- 32 Christophe Jaffrelot, 'L'Inde, l'autre géant asiatique', *Le Monde*, 18 January 2006.
- 33 According to brokers' estimate: Goldman Sachs, Morgan Stanley, HSBC.
- 34 Based on the IMF 2005 respective growth rate for India at 7.7%, for the EU-25 at 1.6%.
- 35 'Now for the hard part, A survey of business in India', *The Economist*, 3 June 2006.
- 36 Jean-Luc Racine, 'Le bouleversement indien nous concerne directement', *Le Monde*, 13 September 2005.
- 37 Some commentators explain the Congress victory at the last election in 2004 as having been due to the 'rural losers'

- in contrast to the support given to the BJP by the 'urban middle-class winners' of globalization.
- 38 Jackie Assayag, in *La mondialisation vue d'ailleurs, l'Inde désorientée*, Seuil, Paris, 2005.
- 39 'Indian infrastructure', *Financial Times*, 24 April 2006.
- 40 However, multinational companies such as Wal-Mart apparently now regard the Indian farm sector as the next outsourcing story after IT.
- 41 'The EU perspective', SAARC Economic Cooperation Conference, 20 August 2004, Delegation of the European Commission in India.
- 42 'Common currency move excludes India from Round 1', *Indian Express*, 26 March 2006.
- 43 The ASEAN+3 group comprises Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, Vietnam + Japan, South Korea and China.
- 44 'US relaxes stance on Single Asian Currency', *Financial Times*, 16 June 2006.
- 45 Such as the new dispositions recently suggested within the framework of the 14th Franco-Indian Session of Joint Committee held on 31 May 2006: legislation to try to facilitate access on immigration is under examination by the French parliament.
- 46 English is now presented in schools as the world language, almost without reference to how it became to be one of the official languages of the Union.
- 47 Harold James, 'Family capitalism', *Financial Times*, 4 July 2006.
- 48 In August 2004, the general parliamentary elections for the 14th Lok Sabha were the largest in the world, with 675 million eligible and some 400 million actual voters.
- 49 Address by Prime Minister Dr Manmohan Singh in acceptance of Honorary Degree from Oxford University, 8 July 2005, <http://www.hinduonnet.com/thehindu/nc/0046/pmspeech.html>.
- 50 *L'Inde au vingt et unième siècle: entre tradition et modernité*, Franco-Indian Interparliamentary Group, <http://www.senat.fr/ga/inde/inde.html>.

- 51 http://www.censusindia.net/results/religion_main.html.
- 52 By contrast, the Christian population accounts for nearly 2% of the total or 24 million, while the Sikh minority accounts for 19 million, the Buddhist for 8 million and the Janaist for nearly 4 million.
- 53 Address to the seminar on 'The European Union – Why it matters to India?', 6 December 2005.
- 54 Amartya Sen, *The Argumentative Indian*, Penguin, London, 2005, p. 18.
- 55 There is some irritation in Indian circles at European criticisms that India does not take human rights in other developing countries, notably China and the Middle East, particularly seriously. Indians feel Europe is hypocritical in claiming that it is any more prepared to risk its economic interests than India is on such matters.
- 56 Speech by Prime Minister Dr Manmohan Singh, <http://pmindia.nic.in/speeches.htm>, 25 February 2005.
- 57 The emerging Indian middle class is becoming a discerning consumer especially of top French vintages, while the total annual Indian consumption of wine has been growing at 20% per annum over the past five years.

