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## Bridging the gap: Sustainable connectivity in EU–India relations

There has been an impetus to take EU-India cooperation to a next level amidst concerns stemming from Brexit, the trade war initiated by President Trump and China's Belt and Road Initiative. As geo-economics is increasingly becoming the norm, EU-Indian relations should go beyond traditional government-to-government and business-to-business relationships to that of strategic economic cooperation. A focus on sustainable connectivity can provide a framework for such cooperation between Europe and India. It is considered a priority by both, and is a field where the two sides share interests and approaches.

Taking relations between the Netherlands as an example, this Clingendael policy brief details opportunities for sustainable connectivity on the ground. Three cases are highlighted: the bottom-up approach of the INDUS Forum, the potential for Indo-Dutch collaborations under the International Solar Alliance Framework, and the long-term vision of realizing the Bangladesh, Bhutan, India and Nepal (BBIN) waterways' connectivity. Separately, a change in approach of European engagement with India can assist in bringing relations to the next stage. Enhanced sub-national diplomacy is in place, and the Japanese approach of engaging with India can provide a roadmap for European countries. Moreover, greater efforts should be made to develop a coordinated EU approach with certain member states taking the lead based on comparative advantage, while engaging with India to cater to the needs and scale of operations in India.

A unique window of opportunity presents itself in European Union (EU) and Dutch policy towards India. As the EU and its member states seek to deepen relations with so-called 'like-minded countries', so too India, under Prime Minister Modi, wishes to step up engagement with Europe.

Uncertainties stemming from Brexit, the trade war initiated by US President Trump, and the connectivity conflict emerging from China's Belt and Road Initiative (BRI) suggest that a focus on geo-economics is in place. This means moving beyond past and present reality, where most attention in EU–Indian

relations has been focused on day-to-day economic ties – which run deep already – and ongoing initiatives in the security field – including cyber and maritime security. Greater efforts should now be made to develop a shared vision and activities at the intersection of politics and economics, with a view to strengthening mutual prosperity and stability.

Only recently have Track 1.5 dialogues revealed growing convergence between the European and Indian stakeholders on issues of promoting a rules-based international order, strengthening a multipolar Asia,

and connectivity.<sup>1</sup> All agree that much potential remains untapped, even if official summit declarations and memorandums of understanding signed between India and the EU – and the Netherlands (NL) – for years already have listed a wide variety of fields for (potential) cooperation. Building on the normative convergence and shared perception of challenges to the multilateral system, can the EU and its member states galvanize stakeholders to act on the vision of sustainable connectivity as a way of furthering their economic and geo-strategic interests?

This Clingendael Policy Brief addresses this question, taking the case of the Netherlands as an example and focusing on the political-economic field. It finds that the Indo-Dutch Sustainability (INDUS) Forum, Dutch membership of the International Solar Alliance (ISA), and waterways' connectivity are positive examples of practical projects where rhetoric can be matched by substance. Greater investments in subnational diplomacy, complementing the state-to-state level, are a crucial step in *how* to realise this. Also, the EU and its member states should ensure that the bilateral and EU-India tracks reinforce one another. Framing all efforts in a new narrative of sustainable connectivity can help deliver the strategic vision and framework that is needed in EU-India relations.

## Strong ties on trade, services and investment...

The EU is India's largest trading partner and its second largest investor, accounting for more than 13 per cent of India's overall trade and almost one-quarter of all investment

flows into India. The Netherlands is India's sixth largest trading partner in the EU and 28<sup>th</sup> largest globally, and its fifth largest investor. Conversely, India in 2016–2017 was the EU's ninth largest trading partner and the third destination for Indian foreign investments, after Mauritius and Singapore. Bilateral trade in commercial services – business services, information and communication technologies (ICT), transport and travel – has almost tripled over the past decade, increasing from €10.5 billion in 2005 to €28.8 billion in 2016. Contrary to the balance of trade for goods, the services' trade balance is tilted in India's favour, with Indian exports to the EU accounting for just over half of the total.<sup>2</sup>

Even if trade figures feature prominently for many a politician talking about EU or a particular EU member state's relations with India, trade – and the geopolitics of trade – has not featured high in the politics of the bilateral relationship. The Joint Statement that followed the EU-India Summit in New Delhi in October 2017 illustrates this. Trade and economic cooperation appear only after sections on the strategic partnership, foreign policy and security, and global challenges. Leaders express their 'shared commitment to strengthening the economic partnership between India and the EU' and note 'the ongoing efforts of both sides to re-engage towards relaunching negotiations for an India-EU Bilateral Trade and Investment Agreement (BTIA)', which have now been stalled for years. Then, a variety of bilateral cooperative mechanisms on specific sectors/ issues are introduced.<sup>3</sup> Separately, only five of the declaration's total of 53 paragraphs address global challenges and multilateral cooperation. This includes one paragraph in which leaders reaffirm 'the crucial role of the rules-based multilateral trading system'.

## ...But trade is not just for businessmen and trade negotiators

What the figures and statements hide is that trade today is about much more than just trade. Economic insecurities stemming from

1 Connectivity is about forging stronger economic, institutional, and people-to-people connections between countries and regions. While China's BRI is clearly the most well-known and well-financed initiative of this kind, many countries and regions – including Japan, the Association of South-East Asian Nations (ASEAN), and most recently the EU – have come up with connectivity initiatives of their own, both in unilateral and multilateral settings. More on this below.

2 *EU-India relations, Fact Sheet*, Brussels, 20 June 2018. Available [online](#).

3 *India-EU Joint Statement, 14th India-EU Summit*, New Delhi, 6 October 2017. Available [online](#).

Brexit, Trump's trade war, and competing value propositions on connectivity are clear evidence of this. Unfortunately, this fact is little accounted for in bilateral relations between the EU/NL and India, judging from the scant investment in strategic-economic cooperation. Formal processes like negotiations on the BTIA are important, but have been stalled since 2013. Few expect the EU and India to move past this deadlock in the foreseeable future.

In today's volatile world, more attention should now go to (in)formal processes addressing economic integration and bilateral/multilateral cooperation in the system of global economic governance. EU-India cooperation in these fields has been scant, thus hampering more profound discussion on whether the European countries and India want the same thing when they say they want a 'rules-based order'. This is important as, clearly, they do not: the current rules benefit the EU and EU member states more than they benefit India, and New Delhi wants to rewrite some of those rules more than the EU does.

Admittedly, the EU and India have met in annual macro-economic dialogues and World Trade Organisation (WTO) mini-ministerials to discuss issues such as the global economic outlook and the WTO deadlock. Still, there is a need – and scope – for the EU and India to deepen cooperation. Geo-economic issues, including connectivity and global value chains, economic and financial governance and trade diplomacy, have rapidly risen in importance. Discussions should also be held on mini- or multilateral efforts to protect and maintain the rules-based order; transparency and (financial) standards related to government procurement, state-owned enterprises and state subsidies; climate and environmental cooperation; and security challenges linked to connectivity, such as the digital economy and cyber-attacks. More institutionalised cooperation on these matters is a necessity, not a luxury.

Although the EU is a key trade and investment partner of India, strategic economic cooperation is still not on

the agenda in a structured setting.<sup>4</sup> With this in mind, European Commission Vice-President for Jobs, Growth, Investment, and Competitiveness Jyrki Katainen proposed a High-Level Strategic and Economic Dialogue in Delhi in November 2016. The Indian response was muted, however, and the initiative was not pursued. Hearing of the proposal, one Indian official lamented that the EU and India today already have some 32 ongoing dialogues, which are currently being reviewed.<sup>5</sup> To others, however, this only confirms the need to rationalise and upgrade these dialogues, while adding strategic perspective.

For their part, the EU and its member states need to turn abstract rhetoric into an appealing framework for cooperation that incorporates a long-term vision for cooperation with India, with concrete action points for on-the-ground cooperation. After all, pragmatic cooperation that brings local, visible, and quick(er) solutions to practical challenges will have greater effect if they are part of a shared narrative on dealing with bigger issues such as regional power shifts and the acceptable (financial and political) costs of reaching this objective.

## Towards a shared vision for Europe and India

A focus on sustainable connectivity can add that frame or vision to EU-India relations. Within this comprehensive framework, the two sides can cooperate on pressing domestic issues, and at the same time address broader regional and global challenges.

In recent years, the EU, its member states, and India have made significant investments in furthering connectivity and sustainability as a strategy and a practice. Unfortunately, initiatives now work in parallel, rather than in tandem. In September-October 2018,

<sup>4</sup> The same can be said of the EU's relations with other countries in Asia.

<sup>5</sup> Indian official at the India Strategy Group, Lisbon, 6 June 2018.

the EU presented its strategy for improving connectivity between Europe and Asia, focusing on connectivity that is sustainable, comprehensive and rules-based.<sup>6</sup> A few months earlier in May 2018, the Netherlands' Foreign Ministry published the policy document *Investing in Global Prospects*, detailing the Dutch Cabinet's focus on the 17 Sustainable Development Goals (SDGs) as the international guiding principles for its policy on foreign trade and development cooperation.<sup>7</sup> For its part, India – with Japan – had announced in September 2017 an Asia–Africa Growth Corridor for quality infrastructure.

While the Indian, EU, and Dutch documents display striking similarities in spirit, they are in no way aligned. The risk of competition rather than coordination among the various initiatives is thereby real. This is likely to be at the expense of achieving an (often unspoken) objective: offering a realistic counter-proposition to Chinese BRI projects for countries in Europe, Asia, and Africa.

### Connectivity conflict?

Drawing on ASEAN's Master Plan on Connectivity of 2016, connectivity is often understood as consisting of three broad elements – namely physical or economic, institutional, and people-to-people connections. Economic connectivity concerns 'hard' connections in diverse fields – from transport, energy, and digital – to trade services – including in the transport and agro-food sectors. For its part, institutional or 'soft' infrastructure is about facilitating cross-border connections by lowering trade barriers – such as easing customs' procedures and furthering market integration. Third, connectivity comprises a people-to-people dimension – enhancing

contact between individuals through tourism, cultural centres, and capacity-building initiatives.

Launched in 2013, China's Belt and Road Initiative (BRI) is clearly the grandest connectivity proposition in the world today – backed by huge funds to implement projects that are designed to serve specific Chinese interests.<sup>8</sup> Less well known is the fact that Tokyo – in an overt attempt to offer an alternative to China's BRI – from 2015 started offering (Expanded) Partnerships for Quality Infrastructure ((E)PQI), mainly to countries in South-East Asia.<sup>9</sup> In 2017, Tokyo then introduced its Free and Open Indo-Pacific Strategy (FIOPS), emphasising rule of law in the maritime field alongside high-quality infrastructure partnerships that provide development assistance to bolster naval military strength of countries in this region. For its part, India's approach to connectivity primarily emphasises regional cooperation in South Asia, building on its Neighbourhood First and Act East policies. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is Delhi's preferred platform.<sup>10</sup> A major part of Delhi's Ministry of External Affairs budget is directed to this region, but still its financial firepower remains small.

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6 The Joint Communication on Elements for an EU Strategy on Connecting Europe and Asia of 19 September 2018 is to be adopted by the European Council in October 2018. Details available [here](#).

7 Government of the Netherlands, *Investing in Global Prospects*, 18 May 2018. Available online in [English](#) and in [Dutch](#).

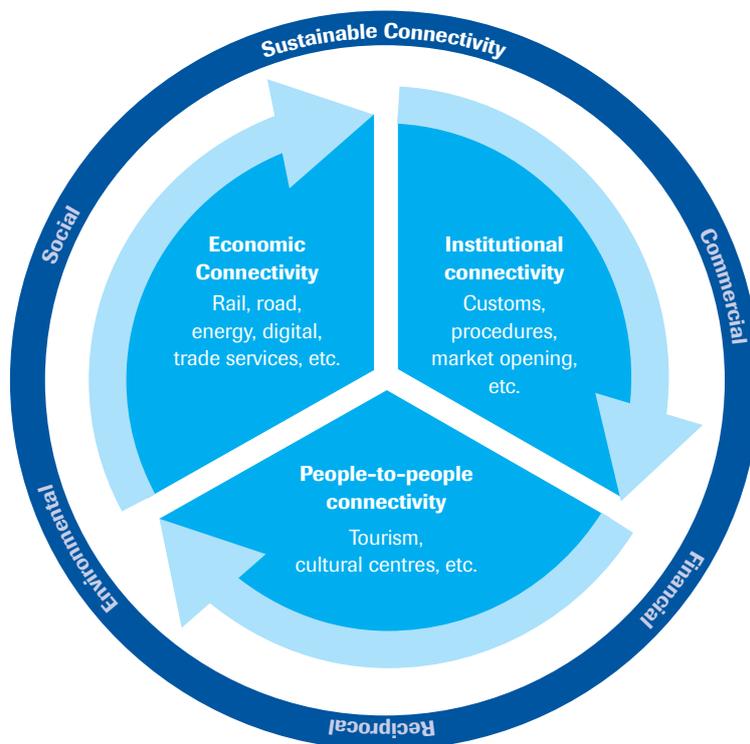
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8 A domestically driven foreign policy strategy, BRI is aimed at fostering change in the increasingly unsustainable Chinese economic and social model – as Chinese leaders and academics themselves admit, the current Chinese model is marred by production overcapacity, environmental degradation, and soaring inequalities. Maaïke Okano-Heijmans and Francesco Montesano, *Economic diplomacy in EU–China relations: Why Europe needs its own OBOR*, Clingendael Policy Brief, The Hague: Clingendael Institute, June 2016. Available [online](#).

9 Japan's approach emphasises standards such as social and environmental considerations, high-technology assistance, local job creation, and consideration for the financial situation of recipients. For more details on Japan's high-quality infrastructure and connectivity strategies, see for example [here](#).

10 Garima Mohan at the 5th #APRAN Roundtable on Connectivity, 28 September 2018, Brussels.

**Figure 1** Connectivity's three pillars



Source: authors' adaptation of the *ASEAN Master Plan on Connectivity* ([link](#)).

In September 2017, Japan and India launched the Asia–Africa Growth Corridor (AAGC)<sup>11</sup> – a collaborative vision to promote development, connectivity, and cooperation between Africa and Asia as part of a ‘liberal and value-based order’. While the two Asian powers converge on norms and the objective of countering China’s BRI, the AAGC appears for now to be an unequal partnership, with India strained on funds and manpower, and Japan largely providing financing and research for projects.

Partly building on their cooperation in the AAGC, India and Japan, together with the United States and Australia, in late 2017 reinvigorated the informal strategic partnership of the so-called ‘Quad’ (Quadrilateral Security Dialogue) – long after its first short-lived manifestation in

2007–2008. In an apparent shift to move from mere rhetoric to more concrete action, Australia, the United States, and Japan in July 2018 announced a trilateral partnership for infrastructure investment in the Indo-Pacific.<sup>12</sup> So far it remains unclear whether any substantial budget will give this plan firepower.

Against this context, the EU had started to invest in a strategy of its own, seen by many as a response to China’s BRI. Its Europe–Asia connectivity strategy of October 2018 aims to further EU values, interests, principles, and objectives in Europe and Asia, but with implications for the wider world. Partnerships to promote sustainable connectivity feature prominently in the EU’s approach.

11 Jagannath P. Panda, ‘Asia–Africa Growth Corridor (AAGC): An India–Japan arch in the making?’, *Focus Asia*, no. 21, August 2017. Available [online](#).

12 More specifically, the cooperation is between Australia’s Department of Foreign Affairs and Trade (DFAT), the United States Overseas Private Investment Corporation (OPIC), and the Japanese Bank for International Cooperation. Available [online](#).

As the EU moves towards implementing its strategy, an important consideration for the EU will be how to position itself in the hardening competition for connectivity value propositions. Indian expert Jagannath Panda has made the case for the EU to join the AAGC, pointing out that the longstanding experience and presence of EU member states in Africa makes them an attractive partner for Japan and India.<sup>13</sup> On their part, reasons for EU member states to partner with India in relations with Africa include the presence of a large Indian diaspora in Africa (3 million people of Indian origin), plus the fact that India has no historical burden of colonialism. Furthermore, the AAGC is at the nexus of infrastructure development, sustainability, and Asia–Africa relations – as discussed during French President Macron’s visit to India in March 2018.

### Sustainable connectivity

The EU seems to be following a path of its own, however, pushing for sustainable connectivity in the context of the Asia–Europe Meeting (ASEM), with the October 2018 Summit featuring its formal launch to the wider public. But what is sustainable connectivity? Can it address the ‘why’ question in NL/EU–India relations – that is, provide a frame, a story for why political momentum and investments from businessmen and citizens alike are worth making? And how can sustainable connectivity deliver on its promise to ‘contribute to enhance prosperity, safety, and resilience of people and societies in Europe and Asia’?<sup>14</sup>

As depicted in Figure 1 above, sustainable connectivity is about investments in connectivity’s three pillars – comprising economic, institutional, and people-to-people connections. At the same time, it takes into account five features of sustainable development – namely, commercial, financial, social, environmental, and reciprocal elements. More specifically:

(1) commercial sustainability is about investing in projects that respond to a real public need and are economically viable; (2) financial sustainability means ensuring that countries do not fall into a debt trap and that infrastructure projects also include long-term financial planning (e.g. the availability of funds for repair work or skills training that is needed to ensure the operation of works, such as ports and nuclear power plants); (3) social sustainability refers to infrastructure that contributes also to the quality of institutions and conforms to transparency and labour standards; (4) environmental sustainability recognises that connectivity should be considerate of its impact on the environment –that is, that development meets the needs of the present without compromising the ability of future generations to meet their own needs;<sup>15</sup> and finally (5) reciprocal connectivity is about maintaining a level playing field among countries, as well as governments upholding international rules and regulations on government procurement and state aid.

Clearly, achieving sustainable connectivity depends on the realisation of on-the-ground projects. Additionally, (inter-)regional cooperation between governments and the involvement of the private sector are crucial. This is moving from the *why* question – the narrative – to *what* can be done and *how* to achieve it?

### Opportunities on the ground: what and how?

On the ‘what’ question, several opportunities that further cooperation between the EU/NL and India in the various pillars of sustainable connectivity are worthy of further attention. These contribute directly to several key economic and political interests of the EU and EU member states’ businesses and governments: benefiting economically from the huge potential of the world’s fastest growing economy; contributing to sustainable development

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13 Jagannath Panda, ‘Is there space for Europe in the Asia–Africa Growth Corridor?’, *AsiaGlobal Online*, 7 June 2018. Available [online](#).

14 [Fact sheet](#) – the Europe–Asia connectivity.

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15 UN definition, available [online](#).

and people's resilience, including in India; and multilateralising shared concerns about China's BRI.

Some initiatives are already under way and can be improved – such as the INDUS Forum and the International Solar Alliance. Others appear more for the future and depend on the willingness and ability of India and the EU to 'think big'. An interesting opportunity in this regard is the Bangladesh, Bhutan, India, and Nepal (BBIN) waterways' connectivity.

### The INDUS Forum

In January 2018, CSR Netherlands (*MVO Nederland*, in Dutch) and the Netherlands' Embassy in New Delhi, India, in close collaboration with the Centre for Responsible Business in New Delhi, launched the Indo-Dutch Sustainability (INDUS) Forum. Moving away from an emphasis on preventing negative impact by lecturing Dutch companies and local stakeholders on corporate social responsibility (CSR), this Forum aspires to create positive impact to sustainable development through cooperation from below. With a helping hand from government and (more recently) financial institutions, the Forum thus furthers business-to-business cooperation between Dutch and Indian companies that improves sustainable and inclusive innovations and thereby addresses societal and environmental challenges on the ground. As such, the INDUS Forum is an excellent example of efforts to strengthen the economic connectivity pillar in EU-India relations. Moreover, it scores high on four elements of sustainable connectivity, namely commercial, social, environmental, and even financial fronts.

This positive approach to CSR by Dutch stakeholders is a relatively new development, evolving in parallel with efforts to promote and implement the OECD guidelines in the field that were common practice in the early 2000s as well as the definition of CSR promoted by the Dutch Social Economic Council (SER). These focus on preventive negative impact through a focus on compliance, due diligence, and covenants – for example, addressing dangerous working conditions and

environmental pollution in the garment and textile industry.<sup>16</sup>

Now, CSR Netherlands and the Dutch Embassy prefer to think beyond the philosophy of social engineering and the idea that CSR is philanthropy – acknowledging, instead, that a focus on global issues in business can be a way to make profit. Together, they aim to create positive impact in the field of CSR by calling to the attention of small and medium-sized Dutch enterprises of business opportunities in India that also address social issues in the country, and by facilitating contact with local business partners that are interested in joining forces towards this end. More than CSR, this is a focus on sustainable development, (socially) inclusive growth, and a circular economy. The Circular Yarn initiative is one such example, where Indian and Dutch companies collaborate in turning textile waste into high-quality materials for the European market.<sup>17</sup>

Today, the Netherlands prides itself in being a frontrunner in this field within Europe.<sup>18</sup> It has come a long way, however, also in its relations with India. In 2011, the Netherlands and India reportedly still spoke at cross-purposes when they signed a memorandum of understanding (MoU) to formalise collaboration agreements in the field of CSR and corporate governance. Even then, the two sides held rather different interpretations of the concept. The Indian side was particularly proud of its CSR legislation, which obliges companies with annual revenues of more than 10 billion rupees to reinvest 2 per cent of their net profits in society.<sup>19</sup> Today, both sides speak more of

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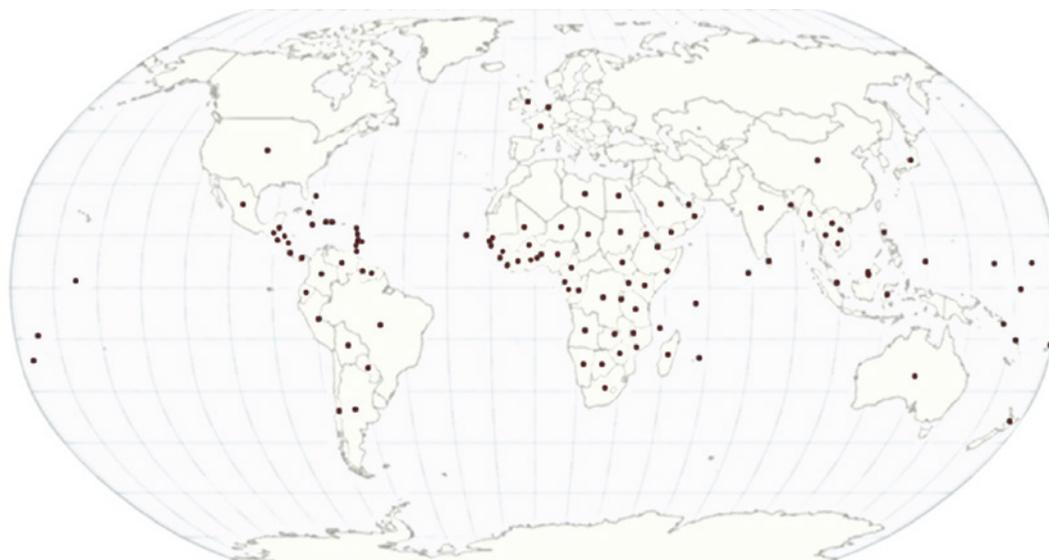
16 Liliene Ploumen propagated this approach during her tenure as Minister for International Trade and Development from 2012–2017. See, for example, [here](#).

17 More details available [online](#).

18 These paragraphs build on an interview with Bernedine Bos, (then) MVO Netherlands, Utrecht, February 2018.

19 Oliver Balch, 'Indian law requires companies to give 2% of profits to charity. Is it working?', *The Guardian*, 5 April 2016. Available [online](#). To critics, this legislation resembles taxation that encourages inefficiency and corruption.

**Figure 2 International Solar Alliance countries**



Source: EXIM Bank of India Research, 2016, available [online](#).

the same language – focusing on results-oriented and positive, enabling approaches.

Building on this momentum, the INDUS Forum was created with the aim to facilitate contact between Dutch and Indian companies (at company and project levels) around social challenges linked to the SDGs, such as responsible production and consumption, and sustainable cities and communities. Initiatives like INDUS, focusing on creating joint impact on the SDGs as well as economic benefit, have not yet been developed by other European countries. Various countries do have projects on CSR, but not in this more innovative way of business development. Also, unfortunately, however, most European delegations in India, and even parts of the Dutch policy establishment, are still lagging, to the regret of CSR Europe and the Directorate-General for the Internal Market, Industry, Entrepreneurship, and SMEs (DG GROW) in Brussels.

The INDUS Forum is presently entering its second phase, wherein greater investments are being made to ensure availability of funds to provide the oft-required initial investment to help develop a business opportunity. The Dutch Entrepreneurial Development Bank (FMO), Rabobank, and development banks in

India are holding talks. Further opportunities may be created by the creation of synergies with the trade policy agenda of the European Commission's Directorate-General for TRADE – specifically, its 15-point plan of February 2018 to enhance the effectiveness of trade and sustainable development chapters in free-trade agreements.<sup>20</sup>

### **The International Solar Alliance**

The ISA constitutes a way to add substance to the institutional pillar of sustainable connectivity at inter-regional and local levels. A government-to-government initiative at its core, the ISA is very much a way to promote science and technology cooperation and business-to-business activities. The initiative thereby aims to contribute not only towards environmental sustainability, but towards social and commercial sustainability too. And as a multilateral initiative with transparent and rules-based procedures, it also professes the reciprocal element of sustainable connectivity.

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<sup>20</sup> Commissioner Malmström unveils 15-point plan to make EU trade and sustainable development chapters more effective, Sofia, 27 February 2018. Available [online](#).

The ISA is a treaty-based international institution with 121 prospective member countries (see Figure 2). The organisation's objective is to assist in renewable energy transition in countries that lie between the Tropics of Cancer and Capricorn, also called the Torrid Zone.<sup>21</sup> Countries that do not fall between the two tropics can join ISA as partner countries, but will not have voting rights in the organisation.<sup>22</sup> In May 2018, during Dutch Prime Minister Rutte's visit to India, the Netherlands became the 64<sup>th</sup> member country to sign the ISA framework.<sup>23</sup> The Netherlands could join because the Dutch Caribbean islands lie in the Torrid Zone and have the potential to harness solar energy. The Indian government is also considering expanding ISA membership to countries beyond the inter-tropical zone,<sup>24</sup> thereby paving the way for other European countries to become part of the framework.

In addition to hosting the ISA, India also accommodated the World Environment Day of 2018. Taken together, these present an image of India positioning itself as a leader in combating climate change. Western countries, especially France – the guardian of the 2015 Paris Agreement on climate change, and a key partner and funder of the ISA – are facilitating India into taking this role. In fact, India's Prime Minister Modi and France's President Macron were conferred with the 'Champions of the Earth' award for 2018, the UN's highest environmental award, for their pioneering work in establishing

the International Solar Alliance.<sup>25</sup> From a strategic perspective, the ISA helps India to build Asia–Africa (South–South) relations. It also acts as a platform for facilitating technology and information transfer of solar energy from the developed countries to the developing countries, which is in line with the 'Common but Differentiated Responsibilities' principle that India adopts in climate-change summits.

The reasons for the Netherlands – and France, for that matter – to join the ISA are equally diverse, and include climate, economic, and political considerations. As per the India–Netherlands Joint Statement signed during Prime Minister Rutte's visit to India in May 2018, the ISA provides an opportunity for Indo–Dutch collaboration in establishing research institutions and industries, including in third countries, and would additionally benefit the Dutch Caribbean islands in their transition towards more sustainability.<sup>26</sup> The framework presents a valuable opportunity to further global climate objectives, which is in the Netherlands' interest. Also, the ISA supports Dutch development objectives by assisting access to (green) energy for the people of India and other developing countries. Separately, ISA membership is expected to benefit the Netherlands economically, as almost all solar panels still have a Dutch technology component.<sup>27</sup> The organisation can hence further Dutch economic interests by contributing to the valorisation of knowledge – that is, the use of Dutch technology in solar systems – and by creating market opportunities in the solar field more broadly. This also paves the way for greater science and technology cooperation by using

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21 In order to achieve this objective, the ISA has set the goal of producing 1,000 gigawatts of solar photovoltaics (PV) by generating funds worth US\$ 1 trillion by 2030, and making solar energy account for 11 per cent of global electricity consumption by 2050. See [here](#) and [here](#).

22 ISA, *Frequently Asked Questions on ISA*, 7 November 2017. Available [online](#).

23 Ministry of External Affairs of India, *List of MOUs / Agreements / Initiatives launched during the visit of the Prime Minister of the Netherlands to India*, 24 May 2018. Available [online](#).

24 Nishtha Saluja, 'International Solar Alliance may extend its membership', *The Economic Times*, 10 March 2018. Available [online](#).

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25 Press Trust of India, 'Narendra Modi dedicated UN "Champions of the Earth" award to India, says all must focus on "climate justice"', *First Post*, 27 September 2018. Available [online](#).

26 Ministry of External Affairs of India, *India–Netherlands Joint Statement during visit of Prime Minister of Netherlands to India*, 24 May 2018. Available [online](#).

27 Authors' interview with Henry Philippens, Netherlands MFA, 12 April 2018; and communication with Claire Hooft Graafland, Netherlands Enterprise Agency (RVO), 22 August 2018.

**Figure 3 An indicative list of countries in the ISA cooperation matrix**

TECHNOLOGY SOURCE	MANUFACTURING SOURCE
France, Japan, Netherlands, USA, Singapore, etc.	China, India, South Africa, Brazil, etc.
NEW MANUFACTURING/ ASSEMBLY BASE	ENERGY DEMAND/ NEW CENTRES*
Ghana, Namibia, Zambia, Ethiopia, Indonesia, Vietnam, Malaysia, etc.	Ghana, Guinea-Bissau, Sao Tome & Principe, Bangladesh, Marshall Islands, Palau, Fiji, Kiribati, Micronesia, Senegal, Côte d'Ivoire, Nigeria, Cameroon, Djibouti, Botswana, Myanmar, Yemen, Namibia, Tuvalu, Congo, Timor-Leste, Zimbabwe, Benin, Haiti, Angola, Eritrea, Gambia, Somalia, Sudan, Togo, Cambodia, Vanuatu, Ethiopia, Guinea, Mali, Kenya, Solomon Islands, Zambia, Mauritania, Mozambique, Uganda, Rwanda, Democratic Republic of Congo, Madagascar, Tanzania, Niger, Sierra Leone, Burkina Faso, Central African Republic, Malawi, Liberia, Burundi, Chad, South Sudan

\* Less than 66 per cent of the population in these ISA countries have access to reliable electricity (as in 2012).  
 Source: EXIM Bank of India Research, 2016, available [online](#).

renewable energy in the two countries. The Netherlands stands to benefit economically from the rapidly growing solar-energy industry, with a market that has grown from about 1 gigawatt (GW) in 2004 to 99 GW in 2017, with the bulk of the growth happening in China, India, and the Asia-Pacific region.<sup>28</sup> India has achieved its 20 GW solar-capacity target by 2018, four years ahead of its self-imposed deadline. Its power-capacity target has been revised to 100 GW for 2022, thus demonstrating India's commitment to making the ISA project a success.<sup>29</sup>

The Export-Import (EXIM) Bank of India has prepared an ISA cooperation matrix differentiating the member countries based on their adaptability to solar technologies (Figure 3). It lists the Netherlands as an important technology source and India as a manufacturing source. Both countries would stand to benefit from the Netherlands' high-quality research and development and India's cheap manufacturing and labour costs. Importantly, however, this potential can only be materialised with concrete projects – which, so far, seem scant.

A study by the Netherlands Enterprise Agency found that substantial work is needed to enlarge the Dutch presence in India's solar-energy sector.<sup>30</sup> The Indian government faces a conflict of interest over prioritising its goal of achieving solar-energy targets and imposing anti-dumping duties.<sup>31</sup> The Netherlands could thus assist India in the process of import-substitution for the components of a solar cell. This would build on the MoU that was signed between India and the Netherlands in 2014 to intensify cooperation on renewable energy, with a special focus on wind, solar energy, biomass, and smart grids.<sup>32</sup>

The ISA has joint financial partnerships with many development banks, including the African Development Bank (AfDB), Asian Development Bank (ADB), and the World Bank, to mention a few.<sup>33</sup> The possibility

28 Joshua S. Hill, 'Global solar market installed 98.9 gigawatts in 2017', *Clean Technica*, 19 March 2018. Available [online](#).

29 'India achieves 20 GW solar capacity goal four years ahead of deadline', *Business Today*, 31 January 2018. Available [online](#).

30 Netherlands Enterprise Agency, *Indo-Dutch Cooperation on solar PV: Identification of projects*, February 2016. Available [online](#).

31 Centre for Advance Trade Research, *India's growing demand for solar panels: Import substitution or optimality?*, 19 July 2017. Available [online](#).

32 Sujay Mehdudia, 'India, Netherlands to set up joint working group on renewable energy', *The Hindu*, 18 May 2016. Available [online](#).

33 Ministry of Finance, Government of India, *ISA-ADB, NDB, GCF, AfDB and AIIB joint declarations of financial partnership*, 10 March 2018. Available [online](#).

**Figure 4** Map of North-East India and South-East Asia



Source: *Carnegie India*, 2018, available [online](#).

of financing by Dutch development banks such as the FMO of solar-energy projects undertaken within the ISA framework can also be explored.

**BBIN waterways’ connectivity**

Although fraught with technical and political difficulty, one promising area for future cooperation between India and the EU/NL is waterways’ connectivity between Bangladesh, Bhutan, India, and Nepal (BBIN). This ambitious cross-border waterways’ project would contribute to economic, institutional, and people-to-people connectivity, and – if done properly – would score on all five elements of sustainable connectivity. It can be seen as an extension of the Indian inland waterways’ projects, in which the Dutch government has been interested in contributing.<sup>34</sup>

The eight North-Eastern states of India share five international land boundaries with Nepal, China, Bhutan, Myanmar, and Bangladesh. These North-Eastern states are the gateway for India to access South-East Asian countries’ markets.

Despite these states being of such strategic importance, their infrastructure and level of development are relatively lower than the rest of India. Recurring insurgencies because of secessionist aspirations and feelings of relative deprivation in comparison to the rest of India, inaccessible geographic terrains, and smaller political representation from these states to the Union government are some of the reasons for the poor infrastructure and development.

However, the situation is gradually changing. There has been an impetus to develop this region since the Indian government adopted its Act East policy in 2014, which aims to boost ties with India’s ‘near abroad’, particularly with South-East Asian nations.<sup>35</sup> Improved connectivity and communication infrastructure form the core of this policy. The 1,360 km India–Myanmar–Thailand Trilateral highway, to be constructed by 2019,<sup>36</sup> is an example of an infrastructure project aimed at boosting regional

34 Rijkdienst voor Ondernemend Nederland, *Opportunities inland waterways*, September 2017. Available [online](#).

35 Prabin Kalita, ‘Sushma Swaraj meets northeast CMs on “Act East” policy’, *The Times of India*, 4 May 2018. Available [online](#).

36 PTI, ‘India–Myanmar–Thailand trilateral highway by 2019: Nitin Gadkari’, *Live Mint*, 23 January 2018. Available [online](#).

connectivity. Many of the connectivity projects are funded with ADB loans.<sup>37</sup> The road networks will not only facilitate closer economic ties, but also promote cultural exchanges and tourism. These initiatives are of political importance as well, as they help expand India's strategic influence from its South Asian neighbours to the countries of South-East Asia.

Set against this backdrop, the Indian government would do well to explore the possibility of BBIN waterways' connectivity. This would also strengthen the involved countries' commitment towards ensuring sufficient water flow in the rivers for cargo vessels' passage and the water's cleanliness. The initiative will thus function as a bridge for greater cooperation on water between governments and other involved actors.<sup>38</sup> As with the ISA, government-to-government cooperation should clear the path by creating an environment that is conducive to business and making the required funding available, which businesses could then follow. Collaborating with India on waterways' projects also allows foreign businesses to reap opportunities along the river basins – as with the Ganges basin, with its population of 500 million people.

Today, BBIN waterways' connectivity may seem unrealistic to many, but as a long-term vision, it is a natural extension of India's domestic cross-border waterways' project. India's National Waterways Act of 2016 sets out to develop a policy for integrated development of India's inland waterways.<sup>39</sup> The Indian government aims to develop 111 national waterways, as it is cheaper and greener to transport goods by water than by road or rail. These national waterways would be connected to road or

rail, since everywhere is not accessible by water or cannot be dredged because of environmental concerns.

Shipping and inland waterways featured on Dutch Prime Minister Rutte's agenda during his visit to India in 2015,<sup>40</sup> but there has been rejuvenated interest since the passing of the Waterways Act in 2016. During the visit of a Dutch trade delegation to India in May 2018, the Netherlands' Minister for Infrastructure and Water Management Cora van Nieuwenhuizen expressed a desire to collaborate with India in developing port infrastructure and the inland waterways' system. In her speech, the minister stated that the Netherlands is a pioneer in port and hinterland connectivity infrastructure and also has the largest inland shipping fleet in Europe.<sup>41</sup>

Nepal and Bhutan could also become maritime countries if this inland infrastructure is extended to the two upper riparian states. The ADB, which has shown itself committed to cross-border connectivity in South Asia, seems best placed to develop and make available initial funds for a BBIN waterway connectivity project.<sup>42</sup> EU member states like the Netherlands would be followers on this path. Collaboration in this sector would be in line with the Dutch government's priorities of connectivity and infrastructure, sustainability, and regional cooperation. The Netherlands could even explore the scope for expanding this cooperation to aid in constructing the under-sea tunnel linking India and Sri Lanka, similar to the tunnel connecting the Netherlands and Belgium.<sup>43</sup>

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37 Asian Development Bank, *SASEC transport, trade facilitation and logistics project: report and recommendation of the president*, August 2016. Available [online](#).

38 CUTS International, *Development of inland WVs for trade and transit in BBIN*, April 2016. Available [online](#).

39 IANS, 'National waterways bill passed by parliament', *Business Standard*, 9 March 2016. Available [online](#).

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40 Embassy of India, The Hague, The Netherlands, *India-Netherlands Joint Communiqué released during the visit of Prime Minister of the Netherlands to India*, 19 June 2015, Available [online](#).

41 Government of the Netherlands, *Speech by Minister Van Nieuwenhuizen at the inauguration of Indo-Dutch Forum on Smart & Sustainable Port Development*, 23 May 2018. Available [online](#).

42 Asian Development bank, *ADB to extend \$5 billion for next 3 years for regional cooperation in South Asia*, 6 March 2018. Available [online](#).

43 Elizabeth Roche, 'India eyeing bridge or undersea tunnel to link Sri Lanka: Gadkari', *Live Mint*, 15 February 2016. Available [online](#).

## How?

Even more difficult to address than the ‘what’ question, is *how* to strengthen relations. This can be concluded from the fact that cooperation between the EU/NL and India is still lagging, even if many of the opportunities were identified years ago. Addressing the ‘how’ question requires a willingness to discuss and acknowledge differences. This is no less than a long-term investment in people-to-people connectivity. People exchanges can help to sharpen the rhetoric of like-mindedness, bring greater mutual understanding, and thereby bring cooperation to a next level. Differences in approach and priorities, as well as local business and cultural practices, need to be discussed in much more detail and with greater frequency by politicians, businessmen, experts, and citizens alike.

The two sides should discuss practical solutions for real needs, on which all stakeholders have to act. For European companies in India, this means working from bottom-up rather than top-down. The positive experiences of the INDUS Forum suggest that the Dutch are finally getting to terms with this reality. These experiences now need to be taken to the European level, for example through CSR Europe.

Scope also exists for EU member states to make greater efforts in binding forces – that is, to cooperate further in order to scale up to the size that India requires. Ideally, one EU member state would take the lead in a field where it is strong – even if this is going to make for difficult (political) compromises. For example, France is the gateway to Europe for India – collaborating on multiple areas from climate-change mitigation (including through the ISA), trilaterally with partners in Africa, and on security in the Indian Ocean. The Netherlands can take the lead in the field of water; Germany can build on its strength as a partner in trade and skills’ development; and the Visegrad countries are interesting new markets for India.

Next, EU member states need to ensure the availability of funds. The European Investment Bank (EIB) is one option, and more can be achieved by strengthening cooperation among financial institutions at the EU and

member-state levels. The Dutch FMO alone, for example, cannot deliver the volume needed to be successful in India. If European financial institutions are able to combine forces, this will result in greater volume and exchange of best practices. Cooperation can also help to address the challenge of competition with Chinese financiers that do not play by the same rules, including in the fields of transparency and public procurement.

## Subnational diplomacy

Perhaps the biggest challenge for Dutch and European stakeholders to address when operating in India is moving beyond the government-to-government approach and acknowledging that Indian states have become important players in shaping foreign policy. This goes for governments and businessmen alike. If India is characterised as ‘the EU with sovereignty for its states’, then subnational diplomacy should be the standard – not a luxury. Here, European actors can learn from the concerted efforts of the Japanese Embassy and consulates together with the agencies responsible for private-sector trade and investment promotion and financing, who have taken subnational diplomacy to a next level (see Box 1 below).

India’s 29 states have become important players in shaping the country’s foreign policy. States are proactive in seeking investments, as suggested by the rise in foreign visits by states’ chief ministers.<sup>44</sup> Chief ministers, as well as states’ cabinet ministers, are becoming diplomats for their respective states. For instance, Minister for Agriculture of the north Indian state of Haryana, Om Prakash Dhankar, visited the Netherlands in April 2018. Dutch Prime Minister Rutte subsequently met with the minister during his India visit in May 2018, and the two sides signed an agreement to establish a food park in the state modelling the one in the Netherlands.<sup>45</sup> In addition, a new Indian government initiative encourages

44 A chief minister is the elected head of government of an Indian state.

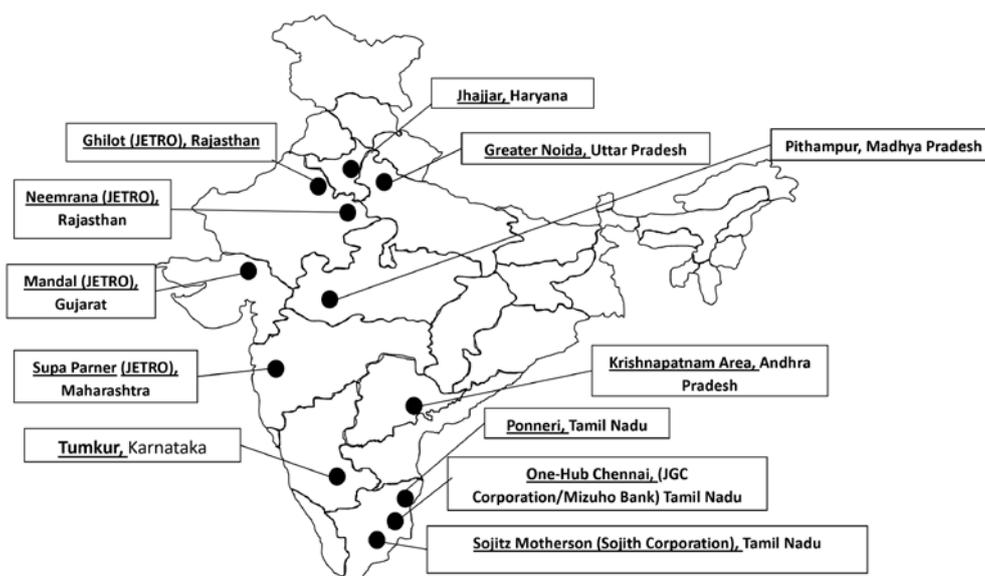
45 Government of Haryana, *Netherlands and Haryana will collaborate on areas, including agriculture, animal husbandry and dairying, poultry, fisheries, horticulture and floriculture*, 25 May 2018. Available [online](#).

**Box 1 A case for best practice learning: Japan in India**

The Japanese approach of engaging with India could provide a roadmap for the EU/NL. In the words of one observer, ‘Japan has shown to the world how to win the Indian hearts – by stressing on [sic] sector-by-sector approach in the Indian infrastructural growth story’.<sup>46</sup> Japan has made sincere efforts to engage with India’s local governments and has identified investment corridors in the north, south and west of India. Efforts to promote investments in these corridors by the Japanese Embassy and four consulates in India spread across India. These work hand-in-hand with the five offices of the Japan External Trade Organisation (JETRO), the organisation in charge of trade and investment promotion.

The twelve industrial townships planned by Japan in consultation with the Indian government are clustered around the Japanese consulates and JETRO offices, making investments more targeted and effective (see Figure 5). Japan aims to invest approximately US\$ 35 billion in India between 2015 and 2020. These investments help in developing a manufacturing base in India and supporting Prime Minister Modi’s flagship programme ‘Make in India’.

**Figure 5 Twelve potential sites for developing Japanese industrial townships in India**



Source: Department of Industrial Policy and Promotion, Government of India, 2017 ([link](#)).

In 2006, Japan became the second country after Russia (in 2000) to have an institutionalised mechanism of annual summits with India. This is a clear sign and consequence of the convergence of India’s and Japan’s political, economic and strategic interests and approaches.

46 Rajeev Sharma, ‘Why Japan and Russia are India’s best friends’, *FirstPost*, 17 June 2013. Available [online](#).

Indian ambassadors in their respective foreign postings to 'adopt' a state of their choice for 'cohesive development'<sup>46</sup> – generally the ambassador's state of origin. The current Indian ambassador to the Netherlands, for example, hails from the south Indian state of Kerala, thus providing an opportunity to enhance Dutch cooperation with the state of Kerala.

Enhanced subnational diplomacy is thus a valuable way to make foreign investment more efficient and effective. Engagement with local governments can, for example, facilitate efficient project identification and implementation. Needless to say, limitations do apply, as states have to obtain permission from India's Finance Ministry to accept foreign assistance, and allocations of foreign governments' projects are made after political negotiations.

State-focused investments are also a way to address the logistical issues of catering to a large population as well as operational challenges because of India's vast geographical size. After all, the population of various Indian states is larger than that of many EU member states. For example, agricultural cooperation with the state of Haryana – with a population of 25 million, compared to 17 million in the Netherlands – is more practical than agricultural cooperation with the government of India. Dutch investments in politically influential states could induce a qualitative change in the Netherlands–India strategic partnership, similar to Japan's investing in Gujarat, the home state of India's Prime Minister Modi. As economic growth in India continues at a rapid pace, Indian states' GDP has become comparable to those of several EU member states. For example, the GDP of Kerala – India's eleventh biggest state by GDP – is comparable to Finland; Haryana – the twelfth biggest state by GDP – with Slovakia; and Maharashtra – India's largest state-economy – with Belgium.

## Conclusion: build a narrative and strengthen action

If India and the EU and its member states are to capitalise on the political momentum for increased cooperation that exists today, a focus on geo-economics is needed. This means devising a framework for cooperation that bridges the political and economic fields, and that incorporates a long-term vision with concrete action points for cooperation. Sustainable connectivity can provide that framework. It is considered a priority by both the EU and India, and is a field where both sides share interests and approaches.

An institutionalised mechanism facilitating regular and deeper interaction among the political elites of India and the EU and its member states – similar to the Japan–India annual meetings – can assist in bringing political and economic relations to the next stage. Practical, on-the-ground cooperation within this framework should be pursued in economic, institutional, and people-to-people connectivity pillars, with a view to contributing to sustainable development and delivering local, visible, and quick(er) solutions to practical challenges.

With regard to economic connectivity, positive experiences with the INDUS Forum can provide guidance. In institutional connectivity, the ISA is a good example. Although more technically and politically challenging, BBIN waterways' connectivity would interconnect economic and institutional elements of connectivity. Finally, people-to-people connectivity may be strengthened by greater investments from the European side in subnational diplomacy. Moreover, Track 1.5 and Track 2 dialogues between generalists as well as specialists can contribute to mutual understanding, and help identify other avenues and approaches for joint action within the framework of sustainable connectivity. Recent such dialogues have revealed growing convergence between the European and Indian stakeholders on issues of promoting a rules-based international order, strengthening a multipolar Asia, and connectivity. Now is the time to capitalise on this momentum.

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46 'New ambassador to Portugal from Hubballi', *Deccan Herald*, 9 June 2016. Available [online](#).

### About the Clingendael Institute

Clingendael – the Netherlands Institute of International Relations – is a leading think tank and academy on international affairs. Through our analyses, training and public debate we aim to inspire and equip governments, businesses, and civil society in order to contribute to a secure, sustainable and just world.

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