

# European Union Foreign Affairs Journal

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## Contents

Editorial .....	5
Donald Tusk, EU Council President: “United we stand, divided we fall” .....	6
Does the New US President Lack Legitimacy? Is He Europe's New “Enemy No. 1”? Does He Run the US like a Company? <i>Hans-Jürgen Zahorka</i> .....	9
Donald Trump is declaring war on the world - The Globalism of the One Percent <i>John Feffer</i> .....	14
Evaluation of the EU-India Strategic Partnership and the potential for its revitalisation <i>Gulshan Sachdeva</i> .....	23
India: economic indicators and trade with EU .....	75
One Belt, One Road (OBOR): China's regional integration initiative <i>Gisela Grieger</i> .....	78
Integrating the Silk Road Economic Belt (SREB) with the Eurasian Economic Union (EAEU): Constructing Great Eurasian Economic Partnership <i>LI Xin</i> .....	93

Russia's deployment of nuclear-capable missiles in the Kaliningrad region: Implications of recent Russia-NATO confrontations on the Post-Soviet space <i>Grisha Aghajanyan</i> .....	116
The European Union & the World Trade Organisation <i>Susana Mendonça</i> .....	124
Human rights in EU trade policy - Unilateral measures <i>Ionel Zamfir</i> .....	130
EU Geographical Indications: Protection for non-agricultural products .....	146
UfM Regional Forum of Barcelona from January 2017 .....	150
What does it mean that society can be organic? <i>Alec A. Schaerer</i> .....	154
Reviews.....	173

## **European Union Foreign Affairs Journal (EUFAJ)**

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## Editorial

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*Dear readers,*

*we are in a time when states must cooperate, must integrate, have to create new structures. When integration and being internationally interwoven is without doubt the most modern and adequate form of diplomacy in all sectors, we are, however, sliding back into the world of the 19th Century - with national states, nationalistic parties and politicians. Sometimes I have the impression to wake up “in the wrong movie”.*

*As Brexit, the referendum-induced departure of Great Britain from the EU - may /with small m) it come or finally not - is an urgent issue, much to the detriment of the British people whose vote on 23.6.2016 is considered to be the absolute wisdom by the Theresa May Government, we have to assume that UK might in a couple of years be a third country to the rest of the EU. Therefore we will include from now this strange inner-British infight into our content. The Britain from the past gave us all a lot - from the Beatles, Carnaby Street, Inspector Barnaby, the old auntie BBC, the driving on the left, the pirate radios in the 1960s - in short: Modern Britain exercised a high impact in socialisation of the young generations, of cultural influence. But it is now resembling a country where one chicken does not really know what the other does (and chicken are e.g. ministers). And if we talk animals, Theresa May may be Trump's poodle now - a serious challenge for the Société de protection des animaux.*

*If at the end a UK with a weakened economy, a younger generation which actively wants to belong to Europe, refuses to follow old dreams of colonialism - see the attempts to land with India, Australia New Zealand, and of course with Trump's United States - would not approve the package with the EU, either by Parliament or in another referendum, or both, then we can be happy to have made an interesting mistake in EUFAJ which normally looks mainly outwards of the EU. Maybe then there will be a reasonable conservative (with a small c) party, either re-europeanised or the result of a split-up..*

*With best regards,*



*Hans-Jürgen Zahorka*

## *Donald Tusk, EU Council President: “United we stand, divided we fall”*

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### *A letter from 31.1.2017 heads of state or government on the future of the EU before the Malta summit*



Donald Tusk, President of the European Council

“Dear colleagues,

In order to best prepare our discussion in Malta about the future of the European Union of 27 member states, and in light of the conversations I have had with some of you, let me put forward a few reflections that I believe most of us share.

The challenges currently facing the European Union are more dangerous than ever before in the time since the signature of the Treaty of Rome. Today we are dealing with three threats, which have previously not occurred, at least not on such a scale.

The first threat, an external one, is related to the new geopolitical situation in the world and around Europe. An increasingly, let us call it, assertive China, especially on the seas, Russia's aggressive policy towards Ukraine and its neighbours, wars, terror and anarchy in the Middle East and in Africa, with radical Islam playing a major role, as well as worrying declarations by the new American administration all make our future highly unpredictable. For the first time in our history, in an increasingly multipolar external world, so many are becoming openly anti-European, or Eurosceptic at best. Particularly the change in Washington puts the European Union in a difficult situation; with the new administration seeming to put into question the last 70 years of American foreign policy.

The second threat, an internal one, is connected with the rise in anti-EU, nationalist, increasingly xenophobic sentiment in the EU itself. National egoism is also becoming an attractive alternative to integration. In addition, centrifugal tendencies feed on mistakes made by those, for whom ideology and institutions have become more important than the interests and emotions of the people.

The third threat is the state of mind of the pro-European elites. A decline of faith in political integration, submission to populist arguments as well as doubt in the fundamental values of liberal democracy are all increasingly visible.

In a world full of tension and confrontation, what is needed is courage, determination and political solidarity of Europeans. Without them we will not survive. If we do not believe in ourselves, in the deeper purpose of integration, why should anyone else? In Rome we should renew this declaration of faith. In today's world of states-continent with hundreds of millions of inhabitants, European countries taken separately have little weight. But the EU has demographic and economic potential, which makes it a partner equal to the largest powers. For this reason, the most important signal that should come out of Rome is that of readiness of the 27 to be united. A signal that we not only must, but we want to be united.

Let us show our European pride. If we pretend we cannot hear the words and we do not notice the decisions aimed against the EU and our future, people will stop treating Europe as their wider homeland. Equally dangerously, global partners will cease to respect us. Objectively speaking, there is no reason why Europe and its leaders should pander to external powers and their rulers. I know that in politics, the argument of dignity must not be overused, as it often leads to conflict and negative emotions. But today we must stand up very clearly for our dignity, the dignity of a united Europe - regardless of whether we are talking to Russia, China, the US or Turkey. Therefore, let us have the courage to be proud of our own achievements, which have made our continent the best place on Earth. Let us have the courage to oppose the rhetoric of demagogues, who claim that European integration is beneficial only to the elites, that ordinary people have only suffered as its result, and that countries will cope better on their own, rather than together.

We must look to the future - this was your most frequent request in our consultations over the past months. And there is no doubt about it. But we should never, under any circumstances, forget about the most important reasons why 60 years ago we decided to unite Europe. We often hear the argument that the memory of the past tragedies of a divided Europe is no longer an argument, that new generations do not remember the sources of our inspiration. But amnesia does not invalidate these inspirations, nor does it relieve us of our duty to continuously recall the tragic lessons of a divided Europe. In Rome, we should strongly reiterate these two basic, yet forgotten, truths: firstly, we have united in order to avoid another historic catastrophe, and secondly, that the times of European unity have been the best times in all of Europe's centuries-long history. It must be made crystal clear that the disintegration of the European Union will not lead to the restoration of some mythical, full sovereignty of its member states, but to their real and factual dependence on the

great superpowers: the United States, Russia and China. Only together can we be fully independent.

We must therefore take assertive and spectacular steps that would change the collective emotions and revive the aspiration to raise European integration to the next level. In order to do this, we must restore the sense of external and internal security as well as socio-economic welfare for European citizens. This requires a definitive reinforcement of the EU external borders; improved cooperation of services responsible for combating terrorism and protecting order and peace within the border-free area; an increase in defence spending; strengthening the foreign policy of the EU as a whole as well as better coordinating individual member states' foreign policies; and last but not least fostering investment, social inclusion, growth, employment, reaping the benefits of technological change and convergence in both the euro area and the whole of Europe.

We should use the change in the trade strategy of the US to the EU's advantage by intensifying our talks with interested partners, while defending our interests at the same time. The European Union should not abandon its role as a trade superpower which is open to others, while protecting its own citizens and businesses, and remembering that free trade means fair trade. We should also firmly defend the international order based on the rule of law. We cannot surrender to those who want to weaken or invalidate the Transatlantic bond, without which global order and peace cannot survive. We should remind our American friends of their own motto: United we stand, divided we fall.



# *Does the New US President Lack Legitimacy? Is He Europe's New “Enemy No. 1”? Does He Run the US like a Company?*

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**Hans-Jürgen Zahorka<sup>1</sup>**

Donald J. Trump got approximately 3 million votes less than Hillary Clinton in the November 2016 election in the USA. The fact that he became President was caused only by an election law which is based on old federalist principles, with electors who are elected first and then meet to elect the US president. Unfortunately, the Republican majority in both houses was not able to modernise the election law, although ex-President Obama was in favour. A president who got 3 million votes less than his competitor has to be aware that he has to unite the people. At least this would be the case in Europe, and it was the case in the US. Until now.

John Lewis was the leader of the legendary protest march on 7th March, 1965, in Selma/Alabama, for voting rights of the Afro-American US citizens, where police forces stabbed him almost to death. Now he serves as US Congressman, at the age of 76 years. He excused himself for being absent to the inauguration ceremony on 20.1.2017, as Trump has reached his presidency due to Russian hackers, he said. Well, this might have been the case, but this time it could not be clearly and publicly proven. So one could argue about this legitimacy issue. But another one remains: As mentioned, Trump lost the general election with approximate three million votes against Hillary Clinton who reached the first place. However, in American presidential elections this is possible as since a very long time the country has an election law where the president is not elected by the people directly but by electors who are elected according to state election laws, by the people. This can bring a dangerous gap between the number of voters nation-wide, and the number of electors on state level. It is a special reflection of federalism and of protection of smaller states within the US to do so, but there are many reform proposals in different pipelines. In US Government publications already in the 1970s (!) this problem has been dealt with, but nothing has been done so far. So, Trump has to be reminded always, that he got three million less votes than Hillary at his election. This also in view that his first speeches, decrees etc. were not fulfilling his promise at all, to be the president of all Americans - which is self-evident e.g. in Europe, but not anymore in the USA. For a president who was voted with 3 mill. voters less than the no. 2 in the elections, and

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<sup>1</sup> This article has been written until as of 28.01.2017.

who won anyway but only due to the elector system due to be overhauled since a long time, but who does nothing to overcome the split in US society for which he was indeed responsible, incarnates a lack of legitimacy as President. Measured towards all former presidents in the 19th and 20th Century, he changed the parameters of a president who should represent a whole nation, and not only a part of this.

What does the new president finally mean for the world, and is he Europe's new enemy no. 1? He promised and said incredible things in his campaign, which in a “normal” system would disappear when he comes to power. But now, in power, he acts as he says - what normally is good, if the things he says are reasonable. But now, he acts clearly in favour of protectionism and against the one-world principle: by scrapping the TPP trade agreement with the Pacific area unilaterally, by imposing a trade ban on Argentine lemons only few days after being in power, but in particular hitting on neighbouring Mexico. Mexico was first threatened with a border wall over the whole border distance (not only a part of the border with a fence), and to have to pay for it. If not directly, then with tariff increases for Mexican products - which as such seems against the standstill and rollback principles of the WTO. To build a wall in Europe against possible immigrants from neighbouring states is unthinkable; we have in the EU free circulation for all people, and this worked very well in the past, since the 1960s. And we have experience in walls, from Berlin. It is an extremely unfriendly position to the neighbours in Mexico which more than 100 years ago had a war with the US and are now reminded of this. Whoever wants to wrap himself in a wall, may do this, but to impose repeatedly the costs on the relevant neighbours, this is an aggressive exclusion policy. This goes in the same direction of what he thinks and says of the whole of Central and Latin America and in general of the Third World. Protectionism is not an economic principle to run a big economy, which by the way is very dependent of in- and outgoing trade.

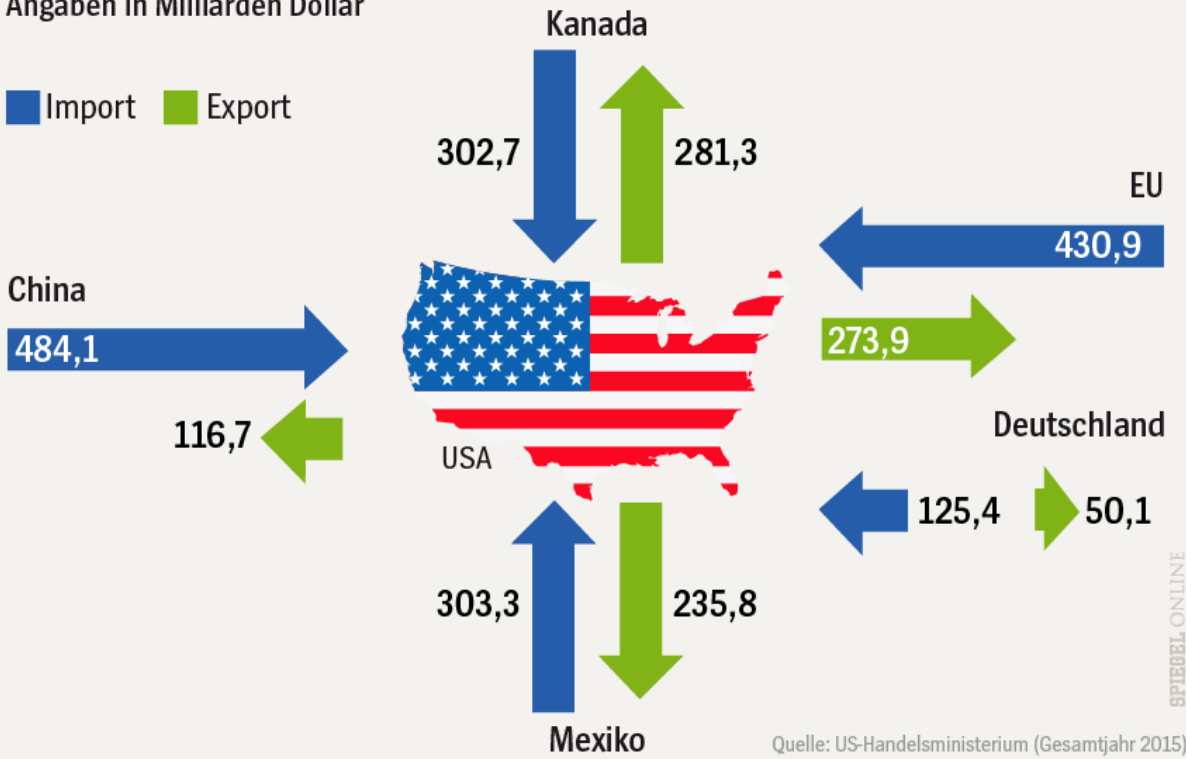
The following graph, from DER SPIEGEL Online 24.1.2017, shows, based on data of the US Ministry of Trade for the year 2015, trade flows of trade in goods with selected countries (in bn. US\$).

The US are the biggest economy of the world importing to and exporting from almost every country. In 2015 they sold and bought goods worth almost 3.800 billion Dollar. The trade balance is negative with 760 bn. US\$. The new President estimates this as an injustice and wants to change it with all means.

## US-Warenhandel mit ausgewählten Ländern

Angaben in Milliarden Dollar

■ Import ■ Export



One day in office, the new President has announced to renegotiate the North American Free Trade Area (NAFTA) with Canada and Mexico. He argues that it costs American jobs as companies have changed their locations to Mexico. Trump wants to protect his home economy, also by high tariffs, while forgetting that at least partly these outsourcings in neighbouring countries have been made also for the conquest of new markets. Canada and Mexico are indeed the most significant import countries for the US, but also the most important export markets, after China. All these countries can, in case of US tariffs, launch counter measures, and they will do this, and this would hit the US very hard. For the American manufacturers are dependent on imports from the whole globe: without sub-delivery parts. The production of US carmakers would stall very soon, as well as without e.g. machines from Germany, agricultural products from France, or raw materials from China, etc. Protectionism is an old-fashioned ideology which on the middle and long term ricochets fully on those who apply it.

His attitude towards Brexit, welcoming it while predicting the disintegration of the EU, will only be able to bring Europeans more together than ever, as well as threatening with tariffs against EU products. He did this not (yet) directly, but indirectly. This is a totally surprising climate beaming out from Washington D.C., for the first time after 1945, and after a short breathtaking period the EU will be in a “thank you” mode - thank you, Mr. Trump, for showing us that we belong together. And the EU knows perfectly that negotiating with them as responsible speaker for 27 countries (not including the UK) it is more favourable than negotiating by every single Member State, which

is also legally excluded. It is in this context no miracle that many leading figures in the US foreign ministry have left or will still leave.

The Donald, as he is called, and it must be hoped that Donald Duck is not offended, is openly for the Brexit (“... it is fantastic”), and is totally against the European Union. Why? Because “it was very, very difficult to get permissions for my projects”.<sup>2</sup> Probably it was easier on EU level than on Member States' level -this shows that he is not able at all to run a country, if this has not gone into one's mind.

The EU will also have to communicate to Mexico and other relevant countries that it is a fair player in trade, and an open market, and ready to replace the United States as import and export market, above the thresholds we have up to now.

Another isolating element is the discriminating intention to ban all citizens from Muslim countries (for 120 days, from Iran, Iraq, Libya, Somalia, Sudan, Yemen - and Syria). This is against all facts that these countries' populations are far from being jihadist or partisan of the Islamic State or other terrorist movements. There are ways and means to control this, e.g. during a visa examination period, than not permitting the arrival of these citizens in general. The list includes also, among others, Iran and Iraq, and seems rather arbitrary. Have there been e.g. Iran terrorists somewhere in the past? And thus the US say no to victims of the Syrian-Russian bombings of Aleppo - a shame. Trump has always criticised Obama because of his passivity in Syria, but what he does now is much worse from a humanitarian view. This will only radicalize Muslim citizens in the US, or from the countries concerned, and is totally undifferentiated. When it starts with these countries, where then will it end?

Rests the issue with NATO. The new US president has more than once declared that NATO is obsolete, without saying precisely why and what should be reformed. Indeed, NATO had some years ago a weak phase of orientation but is now necessary more than ever, in view of dangerous hybrid games from Moscow, especially in the direction of Eastern Europe. That then the new President says, that Article 5 of the NATO Treaty, the mutual assistance clause, will only be enacted once the relevant countries have “paid their debts” is an invitation for destabilization from outside. That Defense Secretary Mattis is until now known as staunch NATO supporter, is in question and depends whether he will remain on his place and survive when he contradicts the President. The Donald has given some half-hearted pledges of allegiance to NATO but if one follows his articulation on this, it does not represent his opinion. So the question is whether there won't be a dualism between the President and the Defense Secretary. In case of doubt, it is the President who counts more. And, in the tradition of the Trump Tower builder, he can be resistant to advice.

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<sup>2</sup> He outed himself this way during the visit of British Prime Minister Theresa May on 27.1.2017.

It may be too early to write a psychogram on the new President, but it will be worthwhile. First, to be a successful billionaire does not predict at all to be also a successful political leader. Political leadership is totally different, with many participative elements before decision-making, including competent advice, compared to the responsibility a business leader has, especially if he, like the new President, is focused on profit maximalization and this is a very hierarchical structure, Responsibility in business is totally different, as one has to take into account only two to three levels below the final decision maker, without many side stakeholders. Policymaking however includes a multilevel impact assessment and possibly a multitude of stakeholders. But Trump has shown repeatedly that he does - and wants to - tear down all taboos, and if there is criticism or resistance he simply twitters. He might end up to be a kind of fascist leader. His world-wide admirers justify this comparison.

He respects, like Putin, a person more if s/he stands up and tells him in short, simple words facts plus an opinion. If a person is too cautious, then he will, again like Putin, occupy the free terrain and at the end majorize any other opinion or position. “How to negotiate with Trump” will be a subject with many facets, sometimes probably also contradictory, in the future, He has a past of a tycoon, wo could hire and fire, mainly the latter, and be ruthless, and turns now out to be also racist, xenophobic, sexist etc., but thinks he is not due to some *lucida intervalla* in these issues. He is a person who has said, as he should have, right after his inauguration that he wants to be a President of all Americans, but he did not move in this direction any iota. He remains a full-fledged construction entrepreneur (and there are very many of these who are very nice persons) and not any political, wise leader.

This can happen if you are in an election system where having three millions less than your competitor is sufficient to make you President. From the European point of view, however, one has to say “Thanks to The Donald”, as the sometimes a bit lame EU seems to react best on any kind of external pressure - and it will react. Like in four years, one can be confident, the majority of the American people, if their representatives not before.

After all, the United States never had in modern history a president who was so little intellectual, so *vulgaire*, so contradicting but anyway stubborn, and endowed with such a small, undifferentiated, placative vocabulary. It could be a number to laugh about it. But we all should be very cautious, and those active in business with the United States should look rapidly for diversification, as with his unpredictable economic policy he might bring damages by his bully-kind of “America first” nationalism (however, one should not forget to laugh about this phenomenon). In the optimal way, and nobody knows if this is followed, and the most optimistic, he might moderate down to an “unconventional arch-conservative” policy, after 1-2 years of *politische Bildung*, civic education by training on-the-job. Then he could be endured, as a basically funny and crazy episode of American history.

# *Donald Trump is declaring war on the world - The Globalism of the One Percent*

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## **John Feffer**



*John Feffer is director of Foreign Policy in Focus at the Institute for Policy Studies, in Washington D.C., USA, <http://fpif.org>. He has been an Open Society Foundation Fellow and a PanTech fellow in Korean Studies at Stanford University. He is a former associate editor of World Policy Journal, and he has worked as an international affairs representative in Eastern Europe and East Asia for the American Friends Service Committee. John is also the author of the new dystopian novel, *Splinterlands* (a Dispatch Books original with Haymarket Books), which Publishers Weekly hails as “a chilling, thoughtful, and intuitive warning.” He is a TomDispatch regular where the following text appeared first.*

Donald Trump is a worldly fellow. He travels the globe on his private jet. He’s married to a Slovene and divorced from a Czech. He doesn’t speak any other languages, but hey, he’s an American, so monolingualism is his birthright.

His fortune depends in large part on the global economy. He has business interests in nearly two-dozen countries on four continents. Many of the products anointed with the Trump brand roll off a global assembly line: Trump furniture made in Turkey and Germany, Trump eyeglasses from China, Trump shirts via Bangladesh and Honduras (among other countries). Just as wealthy Americans often slight the role the domestic infrastructure has played in the making of their fortunes, Trump routinely disregards how much his depends on the infrastructure of the global economy.

The new president’s cabinet nominees are a similarly worldly lot, being either generals or multi-millionaires (or both), or simply, like their president, straight-out billionaires. Rich people jet off to exotic places for vacations or to make deals; generals are dispatched to all points of the compass to kill people. With an estimated net wealth of more than \$13 billion, Trump’s cabinet could be its own small island nation. Make that a very aggressive island nation: the military men in his proposed cabinet — former generals Mike Flynn (national security adviser), James Mattis (defense secretary), and John Kelly (head of Homeland Security), as well as former Navy Seal Ryan Zinke (interior secretary) — have fought in nearly as many countries as Trump has done business.



Photo: UK Human Rights Blog

As worldly as they might be, Trump's nominees don't look much like the world. Mostly rich white men, they look more like the American electorate... circa 1817. Still, the media has bent over backward to find as much diversity as it could in this panorama of homogeneity. It has, for instance, identified the nominees according to their different ideological milieus: Wall Street, the Pentagon, the Republican Party, the lunatic fringe.

In this taxonomy of Trumpism, the media continues to miss the obvious. The incoming administration is, in fact, united around one key mission: it's about to declare war on the world.

Don't be fooled by the surface cosmopolitanism of the new president and his appointees. For all their international experience, these people care about the planet the way pornographers care about sex. Their interactions are purely transactional, just the means to an end. There couldn't be less empathy for the people out there involved in the drama. It's all about the money and that piercing sense of conquest.

The Trump team's approach, a globalism of the 1%, benefits themselves even as it reinforces American exceptionalism. Their worldview is a galaxy distant from the sort of democratic internationalism that values diplomacy, human rights, and multilateral cooperation to address planetary problems like climate change and economic inequality. Such a foreign policy of mutual engagement is, in fact, exactly what's under immediate threat. As with Obamacare, the incoming

administration wants to shred an inclusive project and substitute an exclusive one for it. In so doing, it will replace a collection of liberal internationalists with something worse: a confederacy of oligarchs.

For such an undertaking that so radically privileges the few over the many, the next administration needs a compelling rationale that goes beyond assertions that the status quo is broken, international institutions are inefficient, and the United States is the indispensable power on the planet. America isn't facing just any old crisis like failing banks or nuclear wannabe nations. For someone like Donald Trump, the threat has to be huge, the biggest ever.

So brace yourself for a coming clash of civilizations. The new president is circling the wagons in defense of nothing less than the Western way of life. As if it were a town in South Vietnam in 1968, Trump aims to destroy the international community in order to save it.

### **Industrial-Strength Islamophobia**

In the summer of 2010, anti-Islamic sentiment was cresting in the United States. There were protests against a proposed Islamic center in New York City, arson attacks against mosques around the United States, and a fundamentalist preacher in Florida threatening to burn the Koran. A campaign was starting up to stop Muslims from imposing sharia law in America. By the end of August, the confrontations had become so intense that *Time* magazine put Islamophobia on its cover. "It was the Summer of Hate," I wrote in my book *Crusade 2.0* back then, "and the target was Islam."

The Islamophobes that summer were as misguided about Islam as the terrorists they loathed. Both sets of extremists transformed a religion practiced by 1.6 billion people, the overwhelming majority of whom despise terrorism, into an enemy of Western civilization. Just as al-Qaeda found few adherents in America, the Islamophobes, too, were at that time on the fringes of society. Pamela Geller, who led the charge against the Islamic center in New York, was an obscure blogger. The man who popularized the campaign against the imaginary imposition of sharia law, Frank Gaffney, headed up a think tank that no one except radical right radio hosts took seriously. That Florida preacher, Terry Jones, had a minuscule congregation. The Islamophobia industry was well funded, but aside from a few kooks in Congress it was not well connected in Washington policy circles. The fringe continued to advance their fabricated stories — including the supposedly secret Muslim faith of President Obama — but the mainstream media moved on (or so it seemed at the time).

As it turned out, Islamophobia did anything but disappear. In 2015, hate crimes against Muslims in the United States increased by 78%, reaching levels not seen since the aftermath of September 11th. As the presidential election season intensified in 2016, so did those attacks on Muslims, as tallied by the *Huffington Post* and analyzed in a Georgetown University-affiliated study. In the



months since Trump's victory in November, the Southern Poverty Law Center has recorded more than 100 anti-Muslim hate crimes around the country.

What makes the current moment different, however, is that the previously well-funded margins have become the well-connected mainstream. Would-be officials of the Trump administration are now proclaiming as fact what only conspiracy theorists babbled about seven years ago. The dangerous twaddle begins with Donald Trump himself who, of course, spearheaded the birtherism movement against Barack Obama until he ran for president. During the campaign, he promised to keep any new Muslim immigrants from American shores and draw up a registry of all those who'd somehow managed to get in before the gates shut. He pledged to close down mosques. In March 2016, in a remarkable example of projection, he told CNN that "Islam hates us."

True, Trump also pledged to work with "all moderate Muslim reformers" in the Middle East. That category, however, mainly seems to include authoritarian democrats like Turkish President Recep Tayyip Erdogan, coup leaders like Abdel Fattah al-Sisi in Egypt, and even war criminals like Bashar al-Assad in Syria. In hindsight, Trump would have supported autocrats Saddam Hussein and Muammar Qaddafi because they so effectively eliminated potential terrorists. For the new president, "reformers" really means those willing to kill large numbers of people who conveniently happen to be Muslims. Why should the United States get its hands dirty? Trump, ever the businessman, appreciates the value of subcontractors.

President Trump's choice for national security adviser, Michael Flynn, is even more notoriously Islamophobic. He has compared "Islamism" to Nazism and communism, calling it a "vicious cancer inside the body of 1.7 billion people." He has perpetuated the sharia law myth, cultivated so strenuously by Frank Gaffney.

In his State of the Union address of 2002, George W. Bush infamously linked Iran and Iraq, two countries that hated each other, in an "axis of evil" with a putatively Communist nation, North Korea that had few dealings with either of them. In a book he co-authored with neocon Michael Ledeen, Flynn went several steps further, imagining radical Islamists creating a global anti-American network that linked North Korea, China, Russia, Iran, Syria, Cuba, Bolivia, Venezuela, and Nicaragua.

He also attacked not just "radical Islam" but Islam in general and cast aspersions on both the Prophet Muhammad and the Koran, arguing that Islam as a whole is a religion utterly incompatible with modernity.

However objectionable the foreign policies of the George W. Bush administration, its officials at least attempted to distinguish between al-Qaeda and Islam. Not Flynn, who doesn't have to go through the confirmation process. Count on one thing, though: he won't be an isolated nutcase in the Trump administration. His deputy, K.T. McFarland, has made similarly inflammatory

statements about Islam, as have Mike Pompeo (CIA director), Steve Bannon (White House chief strategist), and Jeff Sessions (attorney general).

Not all Trump nominees are as fond of fake news as Mike Flynn. There are some shades of nuance in the otherwise over-the-top bunch that Trump has assembled. Desperate for a sign that the next administration is not a *Saturday Night Live* parody, Democratic legislators and liberal commentators have looked for “voices of reason” among Trump’s nominees. They’ve praised Secretary of Defense James Mattis and his somewhat more conventional Pentagon view of the world, while prospective Secretary of State Rex Tillerson has attracted support for his somewhat more conventional CEO view of the world.

But even Mattis and Tillerson share a hostility toward Islam. During his confirmation hearing, for instance, Tillerson made the ludicrous claim that the Muslim Brotherhood has been “an agent for radical Islam like al-Qaeda,” proving that he’s at least as ignorant of divisions within the Islamic world as Donald Trump (who once said that he wouldn’t bother to learn the difference between Hamas and Hezbollah until it was absolutely necessary). Tillerson’s claim just happens to coincide with the latest piece of anti-Islamic legislation making its way through Congress: the fifth attempt in five years to put the Muslim Brotherhood on the State Department’s list of Foreign Terrorist Organizations. This time, with support from Trump and possibly even Mattis, who has come out against “political Islam,” it might just pass.

Political Islam, like political Christianity or political Judaism, takes some noxious positions, particularly on civil liberties, but it can also be a force for stability and an ally against terrorist organizations like the Islamic State. And whatever you might think of the Muslim Brotherhood, it simply isn’t a terrorist organization. Indeed, because of its focus on achieving its goals through participation in the political process, the Brotherhood has earned the hatred of the Islamic State, al-Qaeda, and virtually every other Islamic terrorist outfit around. It bodes ill for the Muslim world — and the world at large — when top administration officials can’t make these elemental distinctions.

Islam is, of course, an easy target in a country that has been fed a nonstop diet of misinformation on the subject, but hardly the only target. The Trump administration has far larger ambitions.

### **Unraveling the Institutions**

At the end of December 2016, the U.N. Security Council voted to condemn Israel for its policy of building settlements in territory slated for a Palestinian state. Instead of wielding its veto power, for the first time the United States abstained on such a vote, allowing the resolution to pass 14 to 0. Donald Trump almost immediately tweeted: “The United Nations has such great potential but right now it is just a club for people to get together, talk and have a good time. So sad!”

In fact, it's hard to imagine an institution less devoted to having a good time. The soul of sobriety, the Security Council might be thought of as the exact opposite of a Trump casino. For all its flaws and contradictions, the U.N. sustains the flame of democratic internationalism and a belief that rules and regulations might be able to contain the chaos of conflict and help solve the world's most pressing problems. That, not its supposedly wasted potential, is what has really earned it the wrath of Trump.

The president-elect's first salvo in his attack on that institution was his nomination of Nikki Haley as the U.S. ambassador to it. The South Carolina governor has zero experience in foreign affairs. Choosing her was as much a gesture of contempt as picking Rick Perry to head the Department of Energy, an agency he once expressed a desire to disband. For a U.N.-averse administration, that ambassadorship is the equivalent of Siberian exile.

If former U.N. Ambassador John Bolton becomes number two at the State Department — he's still in the running despite some Republican opposition — he'll immediately put that institution in his crosshairs. Bolton has never concealed his enmity toward the U.N., declaring at one point that its New York headquarters would be no worse off with 10 fewer floors. Bolton was furious over the recent Security Council vote on settlements, urging the Trump administration to immediately push for its repeal. "If that fails, and that's the most likely outcome," he said, "we should cut our contributions to the United Nations perhaps in toto until this resolution is repealed."

Indeed, the easiest way for the Trump administration to undermine the U.N. would simply be to unleash the anti-internationalist attack dogs in Congress who have long been eager to cut its financing. Now that they're fully in charge, expect the Republican leadership to target funding for refugees (the United States is the leading contributor to the U.N. Refugee Agency), the U.N. Population Fund (which the anti-abortion crowd has been itching to challenge), the U.N. Green Climate Fund (a concrete way to undercut the Paris accord on climate change), and peacekeeping (a frequent target of right-wing think tanks). Even Rex Tillerson, lauded by the U.N. Foundation for his philanthropic efforts to fight malaria as ExxonMobil's CEO, would find it hard to beat back the anti-U.N. sentiments of the congressional budget hawks.

Keep in mind that the U.N. represents a potential source of organized resistance to the Trump administration, a way that the "rest" can mobilize against the "West." But it's increasingly clear that the "West" itself is going to pose some challenges for the incoming administration. Trump, for instance, intensely dislikes the European Union (EU). He openly supported the British vote to leave it and invited Brexit campaign leader Nigel Farage to his inauguration. The transition team has been on the lookout for the next exit votes to support. "I do think keeping [the EU] together is not gonna be as easy as a lot of people think," Trump said ominously in a recent interview with the *Times* of London. Like the U.N., the EU has come to represent the values of inclusive

internationalism, whether it's Germany's willingness to accommodate Syrian refugees or the diplomatic efforts of Brussels to resolve conflicts in Eurasia and the Middle East.

In its eagerness to unravel internationalism, the Trump administration won't simply take aim at institutions like the U.N. and the EU. It will also target for demolition the diplomatic accomplishments of the Obama administration, including the Iran nuclear deal and détente with Cuba. It will seek to undermine liberal values of every sort, ranging from support for human rights and multiculturalism to an abhorrence of torture. A wrecking ball with Trump's name on it is poised to demolish the house of internationalism that Eleanor Roosevelt, Ralph Bunche, Jody Williams, Jimmy Carter, and so many others labored so hard to build.

As with any real estate developer, however, Trump isn't interested in simply tearing down the old. He wants to build something big and gaudy in its place.

### **The New Globalists**

The first front in the Trump administration's war to take back the world will, of course, be against Islam, which is expected to surpass Christianity as the world's largest faith in the second half of the twenty-first century. From the Crusades to the wars against the Ottoman Empire, the very concept of "Western" developed in opposition to Islam. So it makes a certain perverse sense for Trump to tap into this longstanding tradition in establishing his supposed defense of Western (read: American) civilization.

Trump's White House special adviser Steve Bannon, the white supremacist who made *Breitbart News* such a popular mouthpiece for the far right, clearly feels at home with this clash-of-civilizations framework. "We are in an outright war against jihadist Islamic fascism," he has written, a movement that wants to "completely eradicate everything that we've been bequeathed over the last 2,000, 2,500 years." Bannon can count on others in the administration just as eager to wage such an epic battle, including Deputy National Security Adviser-in-waiting K.T. McFarland, who believes that "Global Islamist jihad is at war with all of Western civilization."

But Bannon and his Trumpian ilk aren't just focused on Islam. Think of the war against that religion as just a wedge issue for them. After binge-watching nine films that the alt-right guru has directed over the years, journalist Adam Wren summed up Bannon's message in *Politico* this way: "Western Civilization as we know it is under attack by forces that are demonic or foreign — the difference between those is blurry — and people in far-distant power centers are looking to screw you."

Bannon dislikes Islam, but it's the "globalists" who, as he sees it, represent the chief threat. "I'm not a white nationalist, I'm a nationalist. I'm an economic nationalist," he says. "The globalists gutted the American working class and created a middle class in Asia. The issue now is about

Americans looking to not get f—ed over.” According to their critics, the globalists are a liberal elite that has benefited from free trade, pushed for multiculturalism, and joined hands with their counterparts around the world in conclaves like Davos and at institutions like the U.N. They despise national traditions and disparage religious (Christian) values. Politically correct, they care only about minorities, not the majority. They want to tear down borders in order to line their own pockets. The cabal responsible for the “American carnage” joins a long list of conspiratorial groups that have supposedly poisoned the body politic. It’s just a matter of time before *The Protocols of the Elders of Globalism* spreads virally through the fake news Webosphere.

But don’t Rex Tillerson, CEO of a major energy company, or the multiple minions of Goldman Sachs who will join the administration fall right into this category of globalists? Surely these Trump nominees are enamored of free trade, the structural adjustments of the International Monetary Fund, and other institutions of economic globalization. That’s where Bannon comes in. He’s the right-wing equivalent of Friedrich Engels, the industrialist who supported Karl Marx in birthing Communism. Every new ruling elite needs a certain number of turncoats ready to bite the hand of the *ancien régime* that fed them. Having worked at Goldman Sachs before putting in time in Hollywood and at *Breitbart*, Bannon aspires to transform the titans of industry and finance into America-first nationalists.

It’s one thing to criticize liberal internationalism for its concentrations of wealth, political privilege, and cultural snobbery. You don’t have to be a conspiracy theorist to find fault with a global economy that functions like a casino. But Trump, Bannon, and others are not interested in democratizing globalism. They want to create an internationalism of their own. Think of it as a new globalism of the 1% that is Christian, deeply conservative, and subordinate to nationalist demands. Despite its appeals to the silent majority, this globalism 2.0 will benefit an even narrower slice of the elite. Moreover, Trump and Bannon have already lined up international backers for it, figures like Russian President Vladimir Putin, French presidential hopeful Marine Le Pen, and Hungarian Prime Minister Viktor Orban.

Putin is the linchpin of this *de facto* Nationalist International. In 2013, the Russian leader outlined an agenda that anticipated the Trump campaign in nearly all its particulars.

“We can see how many of the Euro-Atlantic countries are actually rejecting their roots, including the Christian values that constitute the basis of Western civilization. They are denying moral principles and all traditional identities: national, cultural, religious, and even sexual. They are implementing policies that equate large families with same-sex partnerships, belief in God with the belief in Satan. The excesses of political correctness have reached the point where people are seriously talking about registering political parties whose aim is to promote paedophilia.”

In Russia, the appeal to these old-fashioned values has concealed an old-fashioned looting of the economy, along with a beefing up of the military. That Trump has nominated so many titans of the corporate sector and the military-industrial complex suggests that his administration will closely follow the Russian blueprint, much as Viktor Orban has already done in Hungary.

As Donald Trump settles into the Oval Office this week<sup>3</sup>, say goodbye to the one-worlders of the Obama-Clinton years and say hello to a new era of the one-percenters. America's oligarchs will profit handsomely from the administration's infrastructure program, its reconfigured trade deals, and its accelerated emphasis on resource extraction.

For the rest of us, much pain will accompany the birth of this new nationalist world order, this confederacy of oligarchs. The world urgently needs a new generation of democratic internationalists — or there won't be much of a world left when Trump and his cronies get through with it.

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<sup>3</sup> This article has been written shortly before the inauguration ceremony on 20.1.2017.

# *Evaluation of the EU-India Strategic Partnership and the potential for its revitalisation*

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## **Abstract**

*The EU-India Strategic Partnership has lost momentum. Bilateral ties are not receiving sufficient priority from both sides. Economics remains at the core of this relationship. Since negotiations on the Broad-based Trade and Investment Agreement (BTIA) may take time to be concluded, EU-India ties should not be held hostage to developments at BTIA level. On defence and security matters, India deals with EU Member States directly and has a good framework for cooperation with major European powers.*

*The recent Indian decision to buy Rafale jets from France will also have long-term implications for EU-India links. Unlike its partnerships with the US and Russia, India has yet to discover the relevance of EU-India relations within evolving Asian security and economic architecture. Growing Indo-American relations and the close transatlantic partnership could provide new opportunities to work together. Collaboration in research and innovation has expanded significantly and dialogues on global governance, energy, counter-terrorism, migration and mobility as well as human rights all show great potential. New dialogues could be initiated on Afghanistan, maritime security, development cooperation and the Middle-East. Indian engagement in resolving the Ukraine crisis could be explored.*

## Table of contents

Abbreviations	
Executive Summary	
1 Introduction	
2 Evolution of the EU-India Relationship	
3 The Core of Partnership Is Still Economics	
3.1 Trade in Goods	
3.2 Trade in Services	
3.3 Investment Linkages	
3.4 EU-India BTIA: Stuck In Negotiations	
4 EU-India And Global Governance	
5 Defence, Security And Strategic Cooperation	
5.1 Counter-Terrorism Cooperation	
5.2 Maritime Security	
6 Science And Technology Cooperation	
7 Energy Security and Cooperation in Renewables	
8 Human Rights Dimension of EU-India Relations	
9 Possibilities of Cooperation on the Next Phase of the Afghanistan Project (2015-2024)	
9.1 Areas of Possible Cooperation	
10 Development Cooperation	
11 Can India Play a Role in the Ukraine Crisis?	
12 Italian Marine Case: Impact on EU-India Ties	
13 Political Commitment to Partnership	
14 Migration and Mobility	
15 Civil Society	
16 People-to-People Contacts and Culture	
17 Media Perceptions	
18 Conclusions and Recommendations	
19 References	
20 Annexes	

## Abbreviations

AAP	Aam Aadmi Party
ADB	Asian Development Bank
AFSPA	Armed Forces Special Powers Act
APTTA	Afghanistan Pakistan Transit and Trade Agreement
ASEAN	Association for Southeast Asian Nations
ASEM	Asia Europe Meeting
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BJP	Bharatiya Janata Party
BRICS	Brazil Russia India China South Africa
BTIA	Broad-based Trade and Investment Agreement
CECA	Comprehensive Economic Cooperation Agreement
CGPCS	Contact Group on Piracy off the Coast of Somalia
CTC	Counter-Terrorism Coordinator
CSO	Civil Society Organisations
DAC	Development Assistance Committee
DCI	Development Cooperation Instrument



DPA	Development Partnership Administration
ECSC	European Coal and Steel Community
EEC	European Economic Community
EESC	European Economic and Social Committee
EICC	Europe India Chamber of Commerce
EMU	Economic and Monetary Union
EURATOM	European Atomic Energy Community
EU	European Union
EUMSS	European Union Maritime Security Strategy
FDI	Foreign Direct Investment
FIDC	Forum for Indian Development Cooperation
FP7	Seventh Framework Programme for Research
FTA	Free Trade Agreement
G7	Group of Seven
G20	Group of Twenty
GCC	Gulf Cooperation Council
GLONASS	Global Navigation Satellite System
GPS	Global Positioning System
GSO	Group of Senior Officials
GSP	Generalised Scheme of Preferences
GDP	Gross Domestic Product
IBSA	India-Brazil -South Africa
ICT	Information and Communication Technology
IRNSS	Indian Regional Navigation Satellite System
ITEC	Indian Technical and Economic Cooperation
ITER	International Thermonuclear Experimental Reactor
IORA	Indian Ocean Rim Association
JAP	Joint Action Plan
JWG	Joint Working Group
LOC	Lines of Credit
LTTE	Liberation Tigers of Tamil Eelam
MEA	Ministry of External Affairs
MEP	Member of the European Parliament
MERCOSUR	Southern Common Market
MDG	Millennium Development Goals
MTCR	Missile Technology Control Regime
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organisation
NPT	Non Proliferation Treaty
NSA	National Security Adviser
NSG	Nuclear Suppliers Group
OECD	Organisation for Economic Cooperation and Development
PTA	Preferential Trading Agreement
RECCA	Regional Economic Cooperation Conference on Afghanistan
RIC	Russia India China
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
S&T	Science & Technology

SLOCs	Sea Line of Communications
UN	United Nations
UNSC	United Nations Security Council
WTO	World Trade Organisation

## Executive Summary

*Following the launch of the EU-India Strategic Partnership in 2004, the Joint Action Plan in 2005 and the start of negotiations on a Broad-based Trade and Investment Agreement (BTIA) in 2007, much enthusiasm was expressed on both sides. However, since 2009 the relationship has lost momentum. Many factors including a deadlock in trade negotiations, global slowdown, crises in some euro area economies and policy paralysis in India during the last few years have contributed to this situation. With new leadership both in India and the EU, there is now a possibility of rejuvenating bilateral relations. Economics remains at the core of this partnership. With more than EUR 100 billion trade in goods and services, the EU is India's biggest trading partner. In the last fifteen years, FDI from EU Member States to India has been higher than investments from the US and Japan combined.*

*Moreover, Europe has emerged as an important destination for cross-border investments and overseas acquisitions for Indian companies. Similarly, collaboration in research and innovation has expanded significantly. As economic and development issues become a priority within the Indian government's foreign policy under Prime Minister Modi, the EU can become a focus area of engagement for India, as was apparent from Prime Minister Modi's recent visit to Europe. India has announced several new initiatives - 'Make in India', 'Clean India', 'Digital India', '100 Smart Cities' and 'Clean Ganges'. The EU Member States can become significant partners and contributors to these programmes. A real partnership on strategic issues has yet to emerge. Unlike its strategic partnerships with the US and Russia, India has so far not discovered the relevance of an EU-India partnership in Asia's evolving security and economic architecture. However, rapidly growing Indo-American relations and the close transatlantic partnership could provide new opportunities for working together.*

*Furthermore, being a privileged strategic partner of Russia, Indian involvement and engagement in resolving the Ukraine crisis could be explored by the EU. On defence and security matters, India deals directly with Member States and has a good framework of cooperation with major European powers. The recent decision by India to buy Rafale jets from France will also have serious long-term implications for EU-India ties. Some Central European countries could become important defence partners for India. The US 'pivot to Asia', China's assertiveness in the South China Sea and its Maritime Silk Road Strategy have put maritime security at the top of India's strategic agenda. The EU and India could become key partners in maritime security and counter piracy. To operationalise such cooperation, both sides need to develop a common doctrine and standard operating procedures. On counter-terrorism, real cooperation will depend on the nature of the EU as an actor in counter-terrorism and the convergence of threat perceptions. Although many counter-terrorism tools are at the*

*disposal of Member States, the EU and India could work together in building a consensus for the ongoing deadlock in UN negotiations on the Comprehensive Convention on International Terrorism.*

*On global governance, the dialogues instrument could be made more effective as the existing mechanism has not been able to capture fully the different perceptions in a workable agenda. Being a democracy, India is sensitive to allegations of human rights violations. However, concerns voiced by EU institutions are not fundamentally different from the issues being debated and addressed in India. The best engagement strategy would be to upgrade and expand the existing human rights dialogue. Within the context of declining bilateral aid to India by Member States and suspicions raised by the Indian government, existing EU-India civil society linkages may come under stress in the years ahead.*

*Given that EU Member States and India will continue to be active in the next phase of the Afghanistan project, both could work together in many areas including regional cooperation, capacity building, police and military training, higher education, decentralisation and strengthening institutions of democracy. Indeed, the emergence of India as a significant player in the area of development cooperation could present new opportunities for working together with the EU in third countries.*

*It seems that strong political and strategic understanding as well as cooperation between EU Member States and India are primarily dealt with bilaterally. However, issues which are not resolved in this way are escalated to EU level. This is how the Italian marine case, for instance, has started to overshadow broader partnership issues. The European Parliament, as a political body directly elected by EU citizens, could perhaps balance this by not allowing limited bilateral issues to dominate the EU-India agenda.*

*To reenergise the partnership, stalled negotiations on the BTIA should start immediately. New dialogues could be initiated on Afghanistan, maritime security, development cooperation, Africa and the Middle-East. To make this mechanism more effective, India also needs to invest sufficient financial and human resources. For a meaningful strategic partnership, the EU could consider granting a 'data secure status' to India, which would help many Indian IT companies to reduce costs and increase their competitiveness. The EU could also support and encourage Member States to support India's efforts to gain access to nuclear regimes e.g. the Nuclear Suppliers Group (NSG), the Missile Technology Control Regime (MTCR), the Wassenaar Arrangement and the Australia Group. Some EU Member States already actively support this effort.*

*Given that negotiations on the BTIA may take time to be concluded, bilateral summit meetings should not be held hostage to developments at BTIA level. Although many official interactions have taken place since the last summit held in 2012, the regularity of annual summits should be maintained.*

## 1 Introduction

In the last two decades, the Indian economy has grown faster and indications are that this will continue. Nevertheless, there are still serious problems related to poverty, infrastructure, energy, regional disparity and internal security. However, a favourable demography, a relatively large middle class, a significant information technology sector and focused investment in infrastructure could in the coming years combine to provide growth, the strategic consequences of which are already becoming evident. India has reoriented its relations with all major powers and developed new alliances, signing strategic partnerships with more than two dozen countries. In addition, it has already signed sixteen trade agreements and a further fifteen are under negotiation with other partners including the European Union (EU)<sup>4</sup>.

The Indian Prime Minister, Narendra Modi, received a massive mandate in the 2014 general election mainly on the promise of good governance and development. Hence, his agenda consists of enhancing economic growth through better performance. The *Bharatiya Janata Party's* (BJP) election manifesto criticised ten years of 'jobless growth' by the previous government and promised to tackle manufacturing, agriculture, infrastructure and housing issues. It focused on 100 smart cities, the high speed railway network and industrial corridors. The reforms initiated by the previous government may not only be carried out but also accelerated, particularly in areas such as: labour reforms, energy sector deregulation and privatisation. The new government has also stressed administrative changes and efficiency in public services. The immediate concern of Prime Minister Modi has been new initiatives such as the 'Make in India' and 'Clean India' campaigns. He has also dismantled the outdated Planning Commission and announced the restructuring of certain social security programmes. In addition, the government has rolled out an ambitious scheme of opening bank accounts for all unbanked families and announced targets for renewable energy. Broadly, the government's major task has been to improve investor outlook and bring the economy back on track with 7-8 % growth in three years. He also believes that due to three D's (democracy, demography, demand)<sup>5</sup>, India is bound to improve its global standing. Although it is too early to judge the government's performance, Prime Minister Modi has been able to bring an end to the 'policy paralysis' that afflicted the previous governments over the last few years. The new policies may foster economic growth and improve living conditions for the poorest people. However, they may pose many new human rights challenges due to liberal environmental and land acquisition rules.

As Asian economies are undergoing significant changes, the EU has focused on the region, highlighting its objectives in the 2001 Communication for increasing trade and investment,

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<sup>4</sup> For details of different strategic partnerships see the *Annual Report, Ministry of External Affairs*, Government of India (1998-1999 to 2014-15); Similarly for various trade agreements signed or under negotiations by India see [http://commerce.nic.in/MOC/international\\_trade\\_agreements.asp](http://commerce.nic.in/MOC/international_trade_agreements.asp)

<sup>5</sup> It is believed that India's large population with a medium age of 26 and demand generated by the emerging new middle class within a democratic environment would provide growth trigger for the next few decades. See <http://goo.gl/v6nLOr> and <http://goo.gl/2x1RxV>

strengthening peace and security, enhancing development cooperation, promotion of human rights, democracy and good governance<sup>6</sup>.

To strengthen its relations, the EU also signed four strategic partnerships within Asia (China, India, Japan and South Korea)<sup>7</sup>. The end of the Cold War opened up new opportunities for the EU and India to work together. European and Indian visions of a democratic, rule based multipolar world coincided and in 2004 both became strategic partners<sup>8</sup>, following which a Joint Action Plan was launched in 2005<sup>9</sup>.

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**Convergence of Interests: List of Agreed Issues for Dialogue and Consultation under the EU-India, Joint Action Plan (2005) & the Revised Joint Action Plan (2008)**

I. Strengthening dialogue and consultation mechanisms

II. Political dialogue and cooperation

1. Pluralism and diversity
2. Dialogue on regional cooperation in the EU and in SAARC
3. Democracy & human rights
4. Effective multilateralism
5. Peacekeeping, peace-building and post-conflict assistance
6. Disarmament and non-proliferation of WMD and security dialogue
7. Fight against terrorism and organised crime

III. Bringing together people and cultures

1. Migration and consular issues
2. Parliamentary exchanges
3. Education & academic exchanges
4. Civil society exchanges
5. Cultural cooperation
6. Increasing mutual visibility

IV. Economic policy dialogue and cooperation

1. Industrial policy
2. Science and technology
3. Finance and monetary affairs
4. Environment
5. Clean development and climate change
6. Energy
7. Information and communication technologies
8. Transport
9. Space technology
10. Pharmaceuticals and biotechnology
11. Agriculture
12. Customs

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<sup>6</sup> Europe and Asia: A Strategic Partnership for Enhanced Cooperation (Brussels: European Commission, 4.9.2001) [http://ec.europa.eu/development/icenter/repository/strategy\\_asia\\_2001\\_en.pdf](http://ec.europa.eu/development/icenter/repository/strategy_asia_2001_en.pdf)

<sup>7</sup> <http://epthinktank.eu/2012/10/02/eu-strategic-partnerships-with-third-countries/>

<sup>8</sup> *An EU-India Strategic Partnership* (Brussels: European Commission, 16.6.2004) <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52004DC0430&qid=1426336002373&from=EN>

<sup>9</sup> The EU-India Joint Action Plan, (New Delhi: Delegation of the EU to India, 7.9.2005)

[http://eeas.europa.eu/delegations/india/documents/eu\\_india\\_joint\\_action\\_plan\\_en.pdf](http://eeas.europa.eu/delegations/india/documents/eu_india_joint_action_plan_en.pdf)

13. Employment and social policy
  14. Business cooperation
  15. Development cooperation
- V. Developing trade and investment
1. High level trade group
  2. World Trade Organisation /Doha Development Agenda
  3. Public private partnership (PPP)
  4. Intellectual property rights
  5. Technical barriers to trade/sanitary and phytosanitary (sps) issues
  6. Trade defence instruments
  7. Services
  8. Public procurement
- VI. New activities added in the revised joint action plan 2008
1. Promoting peace and comprehensive security
  2. Promoting sustainable development
  3. Promoting research and technology
  4. Promoting people-to-people and cultural exchanges
- 

Since the EU is India's biggest trade and investment partner, both have been negotiating for a Broad-based Trade and Investment Agreement (BTIA) since 2007. Despite positive developments on bilateral ties and convergence of interests outlined above, most Indian policy makers and analysts are still sceptical about the EU's role as a major strategic player in Asia, with the result that it is hardly a factor in India's current foreign policy debates. Many in India believe that the EU provides relatively little added-value to India's major security challenges relating to China, south and central Asia as well as the Middle-East. Nevertheless, the EU was considered as a (role) model in regional cooperation and a significant player in norm setting. However, the crisis in some of the euro area economies and the EU's lack of strategic vision reflected during the Ukraine crisis, have affected its image in India. Despite both being democratic and multicultural entities, there is a perception that India and the EU have different views on human rights, energy security, and global governance issues. In the last twenty years, India has been in the process of reinventing its relations with all major powers, but perhaps the least explored and least developed link India has with a major centre of power, is with Europe. At the very least, Europe appears to be playing a diminishing role in India's strategic thinking, despite its strong relations with individual countries: Britain, France and Germany, in particular<sup>10</sup>.

Moreover, 'Europe is often conspicuously absent in important discussions of Indian grand strategy'<sup>11</sup>. When a think tank in Delhi made a comparative assessment of India's major strategic partners in 2011, the EU did not even feature on the list although the UK, France, and Germany were included<sup>12</sup>. An earlier Chatham House study summarised Indian views about Europe as the

<sup>10</sup> D. Jaishankar, 'Europe in Indian Strategy' in K. Venkatshamy and P. George (eds.) Grand Strategy for India 2020 and Beyond, New Delhi: Institute for Defence Studies & Analysis, Pentagon Security International, 2012, p.242.

<sup>11</sup> D. Jaishankar, 'Europe in Indian Strategy', 2012, p. 242.

<sup>12</sup> Foundation for National Security Research, India's Strategic Partners: A Comparative Assessment, New Delhi, 2011.

following: ‘(a) Europe has failed to express any strategic political vision, especially in military terms; (b) Europe’s own divisions further push towards favouring bilateral relationships (c) India’s leading strategic interests are not currently converging towards those of Europe<sup>13</sup>’.

Similarly, C Raja Mohan had argued that ‘India’s relations with Europe have been limited by the fact that New Delhi is fairly unimpressed with Europe’s role in global politics’<sup>14</sup>. Consequently, as argued by Bernd von Muenchow-Pohl, ‘there is only partial overlap between what each side hopes to get out of the partnership’. Both, he says, ‘[s]hare common objectives, but these relate more to general principles for the global order than to details and deliverables<sup>15</sup>’.

Not only are the opinions of the policy-making elite regarding the EU unfavourable but so too is public perception of the EU in India, as repeatedly shown by Pew Research Centre attitude surveys. A majority of Indians living in cities had a favourable view of the United States (58 %), a positive opinion of Americans (57 %) and confidence in President Barack Obama (60 %). Among the foreign leaders, Obama has been the most admired. Other leaders in which Indians showed confidence were Russian President Vladimir Putin (35 %), Chinese leader Hu Jintao (22 %) and German Chancellor Angela Merkel (20 %)<sup>16</sup>. Despite the EU being a major economic power house, Indians overwhelmingly felt that the leading economic power is the United States (47 %), rather than China (12 %), Japan (9 %) or the EU Member States (2 %)<sup>17</sup>.

Although 65 % of Indians had a favourable view of the USA, a large proportion of the public had no opinion (either favourable or unfavourable) about key countries. More than 40 % of Indians had no opinion at all about the EU. As shown in figure 1 below, Indians had favourable views of the USA (56 %), Russia (49 %), Japan (45 %), the UN (40 %), China (35 %), the EU (34 %) and Iran (30 %). Interestingly, Iran is not very far behind the EU. Moreover, 25 % of Indians had unfavourable feelings about the EU more so than they had about the US (15 %) and Russia (23 %)<sup>18</sup>.

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<sup>13</sup> K. Lisbonne-de-Vergeron, K., *Contemporary Indian Views of Europe*, London: Chatham House, 2006, p.7.

<sup>14</sup> C R. Mohan, ‘India and the Balance of Power’, *Foreign Affairs*, July-August, 2006.

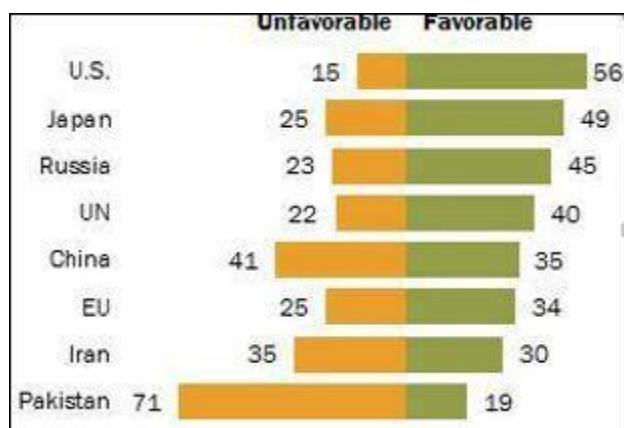
<sup>15</sup> B. von Muenchow-Pohl, *India and Europe in a Multi Polar World*, Washington DC: Carnegie Endowment for International Peace, 2012, pp. 1-2.

<sup>16</sup> <http://www.pewglobal.org/2012/09/10/chapter-3-india-and-the-rest-of-the-world/>

<sup>17</sup> <http://www.pewglobal.org/2014/03/31/chapter-2-indians-view-the-world/>

<sup>18</sup> <http://www.pewglobal.org/2014/03/31/chapter-2-indians-view-the-world/>

**Figure 1: Indian Perceptions about Other Countries**



Source: PEW Research Centre, 31.3.2014

In foreign relations, the Indian Government under Prime Minister Modi has focused on investment and developmental issues. Despite the EU being its major trade and investment partner, initial foreign policy initiatives by the new government focused on South Asia, Japan, China, Australia and the USA. However, this changed after Prime Minister Modi's visit to France and Germany in April 2015. While looking at joint statements issued after every major bilateral summit in the last eleven months<sup>19</sup>, it appears that economic issues are going to dominate Prime Minister Modi's foreign policy vision. As Europe is India's major economic partner, relations with the EU and its Member States may become more important in the coming years.

## 2 Evolution of the EU-India Relationship

The relationship between India and Europe is very old, with pre-colonial and colonial linkages being well documented<sup>20</sup>. After independence, the critique of colonialism formed the basis for India's policy of 'self-reliance'. With the advent of the Cold War, non-alignment and its closeness to the then Soviet Union, India's interactions with Europe became limited<sup>21</sup>. Despite these broader geo-political trends, trade, economics and people-to-people contact with Europe remained important. Since the establishment of diplomatic relations between India and the European Economic Community (EEC) in 1962, many bilateral agreements have been signed to facilitate trade and development cooperation.

<sup>19</sup> See joint statements issued after bilateral summit meetings with the US, China, Russia, Japan, France, Germany, Canada and Australia, [http://www.mea.gov.in/bilateral-documents.htm?53/Bilateral/Multilateral\\_Documents](http://www.mea.gov.in/bilateral-documents.htm?53/Bilateral/Multilateral_Documents)

<sup>20</sup> See G. Sachdeva, 'India EU Economic Linkages: Need to Broaden Strategic Partnership' *International Studies*, Vol 45, No. 4, 2008.

<sup>21</sup> Some of the perceptions and misperceptions have been neatly summarised by India's former Foreign Secretary Mr J. N. Dixit, See J.N. Dixit (2000).



Following the end of the cold war, India's widening global vision of a democratic, multicultural and multipolar world somehow coincided with the EU's views. The Joint Political Statement of 1993 and Cooperation Agreement of 1994 took bilateral relations beyond trade and economics. Moreover, whilst new economic and security architecture was evolving in Asia, at the same time European policy makers thought that their engagement with Asia would be incomplete without an Indian partnership. Realising the importance, both sides established annual summit meetings (supplemented by business summits) in 2000 which resulted in the EU-India Strategic Partnership of 2004 and the Joint Action Plan of 2005. In 2006, India was also invited to become a member of the Asia-Europe Meeting (ASEM), an informal and multidimensional process of dialogue.

According to the European Commission, current efforts are centred on (i) developing cooperation in the security field in the light of the 2010 bilateral declaration on international terrorism, (ii) migration and mobility issues, (iii) implementation of the joint work programme on energy, clean development and climate change adopted at the 2008 summit and reinforced by a joint declaration for enhanced cooperation on energy in 2012, and (iv) cooperation in scientific research and innovation reaffirmed by a joint declaration adopted in 2012. One of the major focuses of the EU-India partnership is the ongoing negotiation process for a free trade agreement (FTA)<sup>22</sup>. At the twelfth and latest summit held in February 2012, both sides could declare only that negotiations on the trade deal are 'close to completion'. Since then, no summit has taken place, despite having been held more or less regularly every year since 2000. However, as shown below, a large number of official meetings, interactions and exchanges have taken place since the last summit.

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#### **Selected Bilateral Interactions since the 12<sup>th</sup> EU-India Summit in February 2012**

- Meeting between Mrs Sumitra Mahajan, Speaker of *Lok Sabha* (Lower House of Indian Parliament) and the European Parliament President Martin Schulz (Brussels, 23 June 2015).
- 6<sup>th</sup> EU-India Forum Seminar (Brussels 11-12 May 2015).
- 7<sup>th</sup> EU –India Environmental Forum Meeting (New Delhi, 25 February 2015).
- JWG Meeting on Information & Communications Technology (New Delhi, 14-15 January 2015).
- Side meeting of Prime Minister Modi with European Council President Herman Van Rompuy at the G20 Summit (Brisbane, 14 November 2014)
- EU Chief Negotiator's meeting with Indian Counterparts on BTIA (New Delhi, 30 October 2014)
- EU-India Joint Working Group on Coal Meeting (Potsdam, 10-11 September 2014)
- 7<sup>th</sup> EU-India Joint Seminar on Employment & Social Policy (Delhi, September 2014)
- 7<sup>th</sup> Meeting of EU-India Macroeconomic Dialogue and EU-India Financial Services Dialogue (4 June 2014)
- Meeting of the EU-India Sub-Commission on Development Cooperation (New Delhi, 3 June 2014)
- First EU-India Dialogue on Non-proliferation and Disarmament (New Delhi, 16 May 2014)
- 7<sup>th</sup> Meeting of EU-India Energy Panel (Brussels, 27 March 2014)
- 8<sup>th</sup> Meeting of Joint Working Group (JWG) on the Environment (Brussels, 10-11 April, 2014)
- 5<sup>th</sup> meeting of EU-India JWG on Pharmaceuticals and Biotechnology (Brussels, 23-24 September 2013)
- Meetings of Indian Minister for Commerce and Industry with EU Trade Commissioner (Brussels 15 April 2013; Paris, May 2013) and with EU Agriculture Commissioner (April 2013)

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<sup>22</sup> See all official documents and declarations concerning EU-India relations since 2000 at [http://eeas.europa.eu/delegations/india/eu\\_india/political\\_relations/strategic\\_partnership/index\\_en.htm](http://eeas.europa.eu/delegations/india/eu_india/political_relations/strategic_partnership/index_en.htm)

- Exchanges between European and Indian Parliament Members/Officials ( New Delhi- March 2015, 29 April-3 May 2013, 28 October -1 November 2013, 30 April-4 June 2012; Brussels- 8-17 July 2012, 8-12 October 2012, 17-21 June 2013)
  - JWG Meeting on Clean Coal Technologies (Brussels, 17-19 June 2013)
  - India-EU/Member States Group of Senior Officials' Meeting on Science and Technology (Brussels, 17-18 June 2013)
  - 8<sup>th</sup> Meeting of the JWG on Coal (Chennai, 23 November 2013)
  - JWG Meeting on Textiles and Clothing (Brussels, 28 May 2013)
  - 6<sup>th</sup> EU-India Joint Seminar on Employment & Social Policy (Brussels, 24-25 June 2013)
  - 8<sup>th</sup> Round of JWG on ICT (Brussels, 4 September 2013)
  - The EU-India ICT Industry Business Dialogue (Brussels, 3 September 2013)
  - The EU-India Video Conference between Eurostat and Central Statistical Office (10 September 2013)
  - The EU HR for Foreign Affairs and Security Policy Baroness Ms Catherine Aston's visit to India for ASEM Foreign Minister's Meeting (11-12 November 2013)
  - 2<sup>nd</sup> EU-India Counter Piracy Dialogue (Brussels, Northwood, 9-10 September 2013)
  - 8<sup>th</sup> EU-India Ad-hoc Dialogue on Human Rights (New Delhi, 27 September 2013)
  - First EU-India Policy Dialogue on Culture (New Delhi, 18 April 2013)
  - 2<sup>nd</sup> EU-India Senior Officials' Meeting on Education and Multilingualism (New Delhi, 17 April 2013)
  - 6<sup>th</sup> Meeting of the EU-India Macroeconomic Dialogue and EU-India Financial Services Dialogue (Brussels, 24-25 January)
  - The EU-India JWG on Information and Communication Technology (ICT) Meeting (New Delhi, 28-29 May 2012)
  - The EU-India Ministerial Meeting on Science and Technology (31 May-1 June 2012)
  - The EU-India Stakeholders' Conference ( 31 May-1 June 2012)
  - 1st Round of Negotiations on EU-India Research and Development Agreement for Peaceful Use of Nuclear Energy (31 May-1 June 2012)
  - The EU-India High level Dialogue on Migration and Mobility (New Delhi, 2 July 2012)
  - 2<sup>nd</sup> EU-India Foreign Policy Consultations Meeting (20 July 2012)
  - 6<sup>th</sup> EU-India Security Dialogue (Brussels, 25 October 2012)
  - EU India Practitioners' workshop on Counter-terrorism (The Hague, 11-12 December 2012)
  - EU-India Cyber-Security Consultations (New Delhi, 26 October, 20
- 

### **3 The core of partnership is still economics**

Despite ups and downs in political relations, bilateral trade and economic relations have always been important. The process of further economic integration in the EU since the early 1990s and economic liberalisation since 1991 in India have created many new opportunities for enhanced interactions.

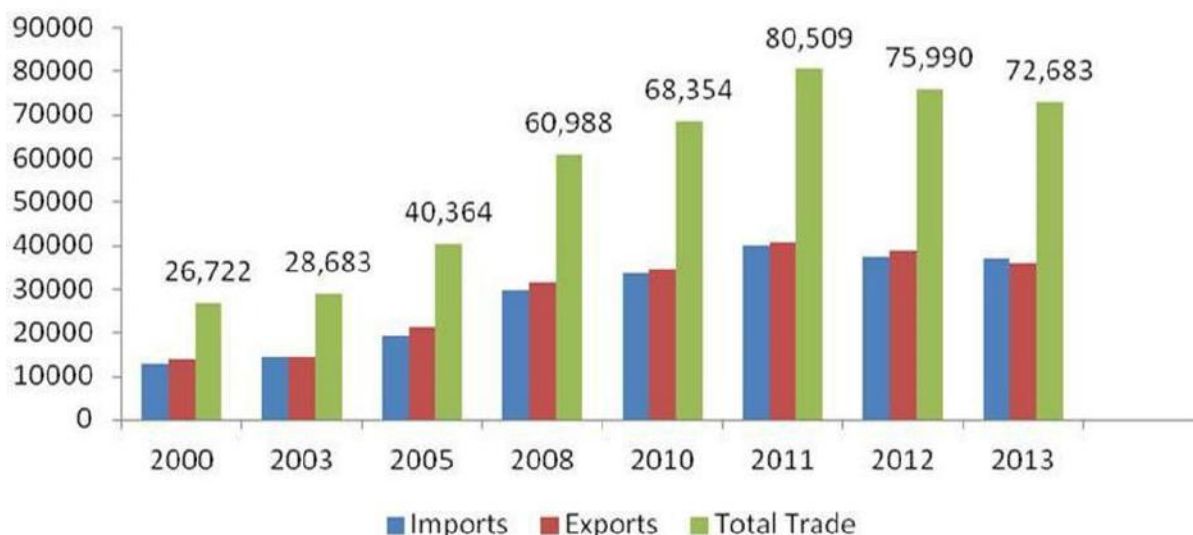
#### **3.1. Trade in goods**

The EU is India's biggest trading partner with EUR 100 billion trade in goods and services. EU-India trade in goods tripled between 2000 and 2013. Indian exports to the EU increased from about EUR 13 billion in 2000 to EUR 40 billion in 2011. Similarly, India imported commodities worth

EUR 41 billion in the same year from the EU. These imports only amounted to around EUR 14 billion in 2000.

Owing to the global economic slowdown, bilateral trade has slightly declined in the last two years to about EUR 76 billion in 2012 and to about EUR 73 billion in 2013 (see figure 2).

**Figure 2: EU-India Trade in Goods, 2000-2013**

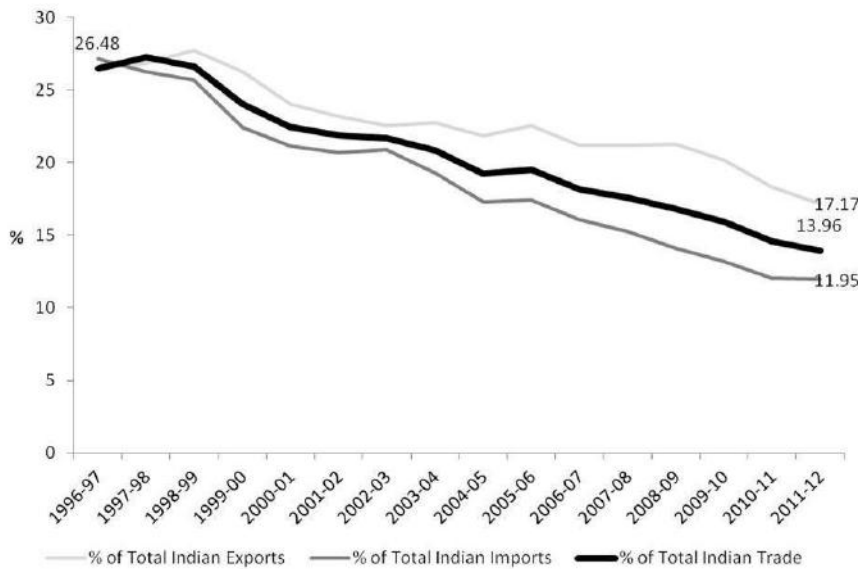


Source: Eurostat

It appears from Figure 2 that EU-India trade in absolute terms has increased in the last decade. However, Indian data show some disturbing trends. EU-India trade in goods as a percentage of India's total trade has declined consistently from 26.5 % in 1996-97 to 13.9 % in 2011-12 (see fig. 3 below). It declined further to 13.2 % in 2013-14. Exports to the EU accounted for only about 16.4 % of total Indian exports and imports to the EU accounted for only about 11 % in 2013-14. The reason for this perhaps is that India's trade with countries in the south is growing at a fast pace. The growth of EU-India trade in goods is lower than India's overall trade growth. The growth is significantly lower than India's trade with other partners in east and south-east Asia. It also means that the Indian economy is integrating at a fast pace with other Asian economies. This factor has perhaps pushed India to sign trade agreements with Asian countries in an aggressive manner and also indicates the declining importance of EU markets for the Indian economy in the medium term.<sup>23</sup>

<sup>23</sup> For details see G. Sachdeva, 'India-EU Economic Ties: Strengthening the Core of Strategic Partnership' in L. Peral, and V. Sakhuja, (Eds) *The EU-India Partnership: Time to Go Strategic?*, Paris: EUISS, 2012; Also see Indian Ministry of Commerce and Industry Export Import Databank <http://www.commerce.nic.in/eidb/>

**Figure 3: India-EU Trade as a Percentage of Total Indian Trade**



Source: Author’s calculations based on Indian Ministry of Commerce & Industry data

Similarly, even from the European perspective, the importance of India has actually declined slightly in the last few years. In 2011 India was the EU’s eighth largest partner with a 2.5 % trade share. In 2013 Indian share of extra-EU trade declined to 2.1 % (annex 1). Nevertheless, if we exclude countries like Norway, Switzerland and Turkey which are part of broader customs union with the EU, India has been an important ‘xxtra-EU’ trading partner behind the USA, China, Russia and Japan.

### 3.2 Trade in Services

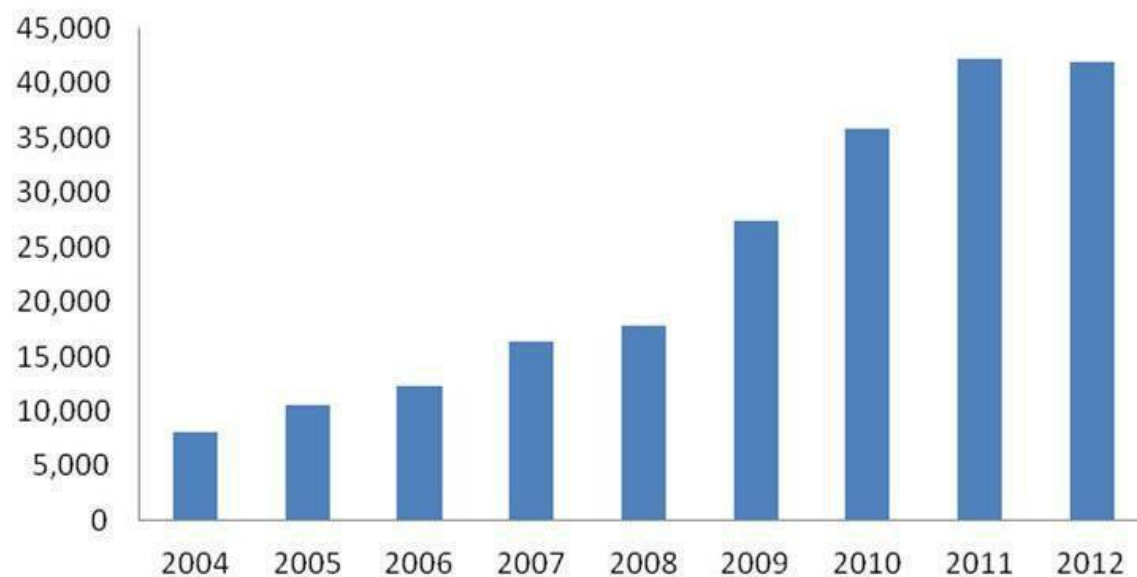
Both in the EU and India, services are becoming more and more important. Indeed issues concerning services will determine the fate of bilateral trade negotiations. In 2013, the service sector (excluding construction) in the euro area produced gross added value (GAV) of 73.4 %. In the same year, services accounted for about 57 % of the Indian economy. With EUR 210 billion trade in services in 2013, India is also becoming a significant player in the global services trade, its trade with the EU having grown from EUR 7.8 billion in 2004 to EUR 23.7 billion in 2013. In the last few years, India has recorded a surplus in travel, computer and information together with communication services (annex 2). The total deficit recorded with the EU was about EUR 1.3 billion in 2013 from EUR 0.8 billion in 2011. For services export, the UK has been India’s biggest market within the EU, followed by Germany and France.

### 3.3 Investment Linkages

The EU Member States are also major investors in India. Similarly, Indian companies are making significant investment and acquisitions in the EU markets. Despite different figures, both Indian and European sources highlight the importance of FDI from the EU to India. Indian Government data reveals that between April 2000 and July 2014, more than EUR 55 billion investment flows came from the EU. This was more than one quarter of total investment into India during this period, more than American, Japanese and Chinese investment taken together.

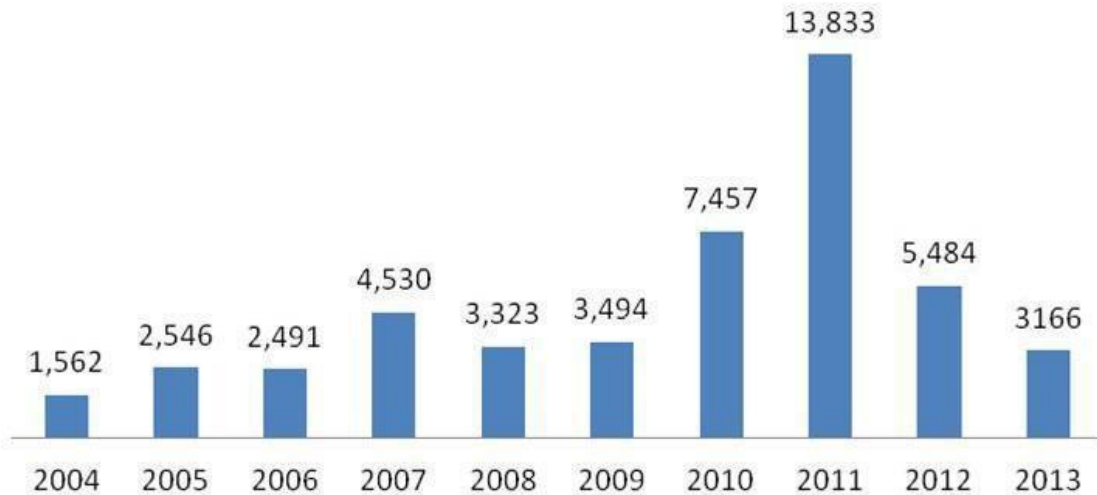
Major investors from the EU include the UK, Cyprus, Germany, Netherlands and France. However, calculation of FDI to India faces serious difficulties due not only to different methodologies used by agencies but also the FDI rules themselves. Owing to bilateral tax-free agreements with countries like Mauritius, a large number of foreign firms also route their FDI to India through such countries. As a result, more than 35 % of total FDI to India in the last fifteen years comes from Mauritius. Similarly, for the EU, investment from Cyprus exceeds that from other major Member States such as Germany, France and Italy (annex 3). While looking at the Eurostat database, by 2012 total EU FDI stock in India had reached EUR 42 billion, with EUR 14 billion invested in 2011 alone.

**Figure 4: EU-27 FDI Stock in India (Million Euros), 2004-2012**



Source: Eurostat database

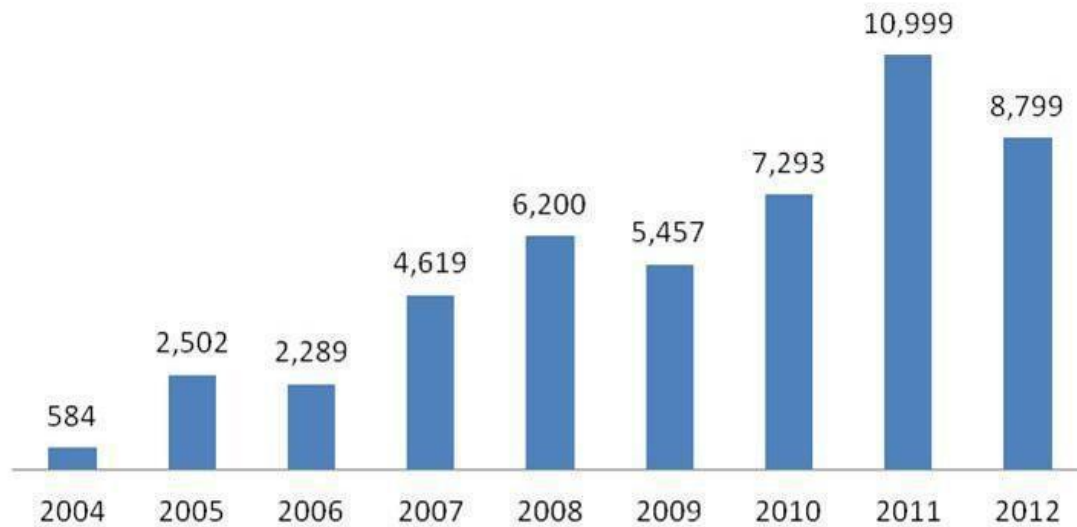
**Figure 5: EU FDI Flows to India, (Million Euros) 2004-2013**



Source: Eurostat database

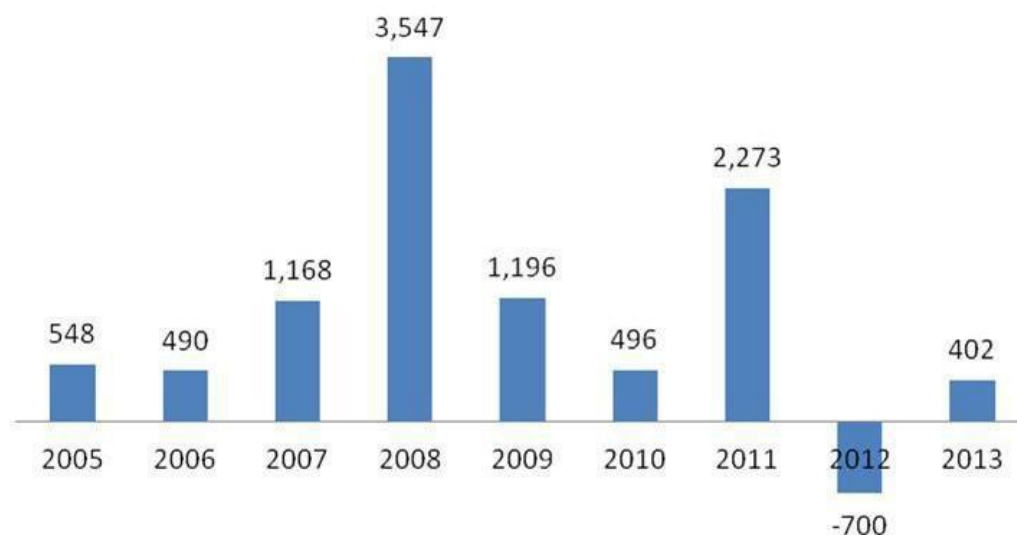
It appears from Figures 6 and 7 that this has not been a case of one-way traffic. Indian FDI in the EU markets soared to about EUR 11 billion in 2011. However, after 2008, the trend has not been very encouraging, a sign that negative economic forecasts about the euro area economy have affected Indian investments.

**Figure 6: FDI Stocks from India to the EU, 2004-2012 (Million Euro)**



Source: Eurostat database

**Figure 7: FDI Flows from India to the EU (Million Euro)**



Source: Eurostat database

According to a recent study by the Europe India Chamber of Commerce (EICC), European companies have invested more than EUR 180 billion in India in the last ten years<sup>24</sup>. FDI from major EU economies is shown in annex 4. Similarly, an earlier EICC study shows that Indian companies have invested more than EUR 50 billion in Europe since 2003<sup>25</sup>.

Of this, EUR 16 billion was invested on Greenfield projects, the rest being spent on mergers and acquisitions (annexes 5-6). Looking at the technical and financial collaborations approved by Indian authorities, it can be seen that the EU is one of the major sources of technology transfer to India<sup>26</sup>.

### **3.4 EU-India BTIA: Stuck in Negotiations**

Apart from multilateral negotiations, India is increasingly looking for alternatives to improve its trade position, particularly in the last decade, with the result that many of the proposed regional trade agreements have been fast-tracked. In the past, India adopted a cautious approach to regionalism and was engaged in only a few bilateral/regional initiatives, mainly through Preferential Trade Agreements (PTAs) or through open regionalism. However, in recent years, it has started concluding Comprehensive Economic Cooperation Agreements (CECAs) with many countries. The CECAs cover Free Trade Agreements (with limited negative lists) in goods,

<sup>24</sup> A. Charlie, *European Companies in India: Reigniting Economic Growth*, Brussels: Europe India Chamber of Commerce, 2014.

<sup>25</sup> A. Charlie, *Indian Companies in the European Union*, Brussels: Europe India Chamber of Commerce, 2012.

<sup>26</sup> For details see G. Sachdeva, 'India-EU Economic Ties: Strengthening the Core of Strategic Partnership' in L. Peral and V. Sakhuja, (Eds) *The EU-India Partnership: Time to Go Strategic?*, Paris: EUISS, 2012.

services, investment and other identified areas of economic cooperation. Some important signed agreements include South Asian Free Trade Area (SAFTA), and agreements with ASEAN, Japan, Singapore, Afghanistan, Bhutan, Sri Lanka, Nepal, South Korea, MERCOSUR etc. Similar negotiations are ongoing with the EU, the Gulf Cooperation Council (GCC), the India-Brazil-South Africa Dialogue Forum (IBSA), Australia and Malaysia.

According to the Asia Regional Integration Centre database of the Asian Development Bank (ADB), India was involved at different stages in at least 34 trade agreements by 2013, 13 of which were already signed, including four framework agreements, and several others were under negotiation. Similarly, negotiations are ongoing on another 10 agreements whilst seven new FTAs have been proposed (annex 7). So far, most of India's engagements remain within Asia. In addition, one significant aspect of this phase of economic regionalism is India's increasing economic cooperation with South-East Asia through regional, sub-regional and bilateral engagements (eight initiatives). The context within which EU-India BTIA negotiations started in 2007 was, therefore, very favourable and after successfully implementing enlargement and single currency projects, the EU mood was one of confidence. Similarly, the Indian economy was growing very fast from 2007 to 2009 and policy makers were aggressively pursuing free trade agreements. However, since 2009 the political and economic climate in both the EU and India has been less favourable with negotiations having missed many deadlines.

According to European Commission information about ongoing FTA negotiations (updated on 15 March 2014), so far 12 full rounds have taken place, the last in 2012. In addition, more targeted clusters (i.e., expert level intersessional meetings, chief negotiator meetings and meetings at a higher level), have discussed the matter. The focus of ongoing negotiations is market access for goods (to improve coverage of offers on both sides), services, government procurement and sustainable development. It is reported that, 'the negotiations were brought to a de facto standstill in the summer 2013 due to a mismatch between the level of ambitions and expectations'<sup>27</sup>.

On the one hand some reports state that FTA negotiations are deadlocked due to the EU's concerns in certain areas, including high tariffs on cars and wines, insurance, banking, retail, legal services, geographical indication, and public procurement. On the other hand, India has concerns about services, because according to reports the EU demands civil society monitoring of FTAs which India is opposed to<sup>28</sup>.

India would like liberalisation in terms of movement of professionals and market access for agricultural products, pharmaceuticals as well as textiles and would press for improved market access together with a liberal visa regime under the Mode-4 quota of services trade, which will allow Indian IT professionals to reside and work temporarily in the EU. It would also like broader sectoral definitions, longer stay durations and flexibility of movement within EU markets under

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<sup>27</sup>[http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc\\_118238.pdf](http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf)

<sup>28</sup><http://www.bilaterals.org/?european-union-intensifying>



Mode 4. The EU has introduced a safeguard clause, which will take effect whenever a 20 % sector limit is reached. Since the safeguards are sectoral, it may affect the IT sector where Indian companies hope to gain business.

There are indications now that India may take a ‘flexible approach’ on tariffs for wines and spirits and auto components in exchange for a ‘Data Secure Nation’ status being provided to India by the EU. Since India is not considered data secure by the EU, it affects the operating costs and competitiveness of Indian IT companies looking for access to EU markets. With regard to intellectual property rights (IPR), India will perhaps not go beyond WTO obligations, which causes concern within the EU and has prompted requests for the support of Prime Minister Modi in breaking this deadlock. However, the Indian ambassador to the EU has reported in the media that Prime Minister Modi had assured the European leadership that BTIA would not suffer because of a lack of ‘political will’ in India<sup>29</sup>.

The BTIA now needs a push from the highest political level on both sides, otherwise it may not happen for some time. The global economic slowdown as well as the crisis in the euro area has already affected EU-India economic ties, although this was slowed to some extent because Germany, the biggest economy in the EU and India’s largest trading partner in Europe, was doing relatively well. However, Indian trade and investment with most Member States have marginally declined in the last two years.

Restarting negotiations in areas where agreement is possible would re-energise bilateral relations, whilst other items could be finalised at a later stage. It is certainly deemed necessary to show something concrete in the way of progress at the next summit whenever it happens. Any agreement, even if not comprehensive, would be a good showcase for the new leadership, both in India and in the EU. The EU ambassador to Delhi is hopeful that ‘once the negotiations start, a deal could be concluded within months’<sup>30</sup>.

#### **4 EU-India And Global Governance**

Several long-term scenarios have predicted that over the next two decades, Europe’s relative economic weight may shrink<sup>31</sup>. The new emerging economies, including China and India, will play a bigger role in global economic governance due to their rapid growth. Similarly, new groupings, like the Group of 20 (G20), may become more important than the Group of Seven (G7) which comprises a relatively smaller group of wealthy nations. The western institutional order established after the Second World War cannot respond to some of the new realities. Although most EU

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<sup>29</sup><http://www.hindustantimes.com/india-news/eu-leaders-pin-hopes-on-modi-for-bettering-ties/article1-1326443.aspx>

<sup>30</sup> ‘India, EU “Not Far from a Deal on Free Trade”’, The Business Line. 29.04 2015, <http://goo.gl/CsxQ2F>

<sup>31</sup> P. Padoan, Europe and Global Economic Governance, EU Diplomacy Papers No.2, Bruges: College of Europe, 2008.

Member States as well as the EU itself are fully aware of these realities, a strategy to deal with the demands and perceptions of increasingly assertive emerging economies like India is still lacking. India would like to increase the influence of the emerging powers in the institutions of global economic governance, enhance the reform of United Nations institutions including the United Nations Security Council (UNSC) and move forward with the articulation of ‘common but differentiated responsibilities’ at the climate change negotiations.

Although not all members of groupings such as the G20, the BRICS or the IBSA share ‘common values’, they do see limitations in the prevailing international order and question the capacity of existing institutions to deal with present economic and security challenges. The contours of this new phenomenon are still not fully understood. Yet the EU would need to re-evaluate its existing relationships with an emerging power like India to synchronise policies while adjusting to increasing economic competition, emerging geopolitics and their appetite for resources.

Similarly, the EU will also have to prove its relevance through evolving Common Foreign and Security Policy and perhaps common defence forces. Countries like India may still lack resources to match the economic and political power of the EU, but they have started participating in designing new rules for international economic development, economic reform policies for the developing world and military interventions in other countries. At the moment, the institutional structures created by these new powers may not be able to challenge the influence of existing economic and security organisations. They are indicators of shifting global economic and security dynamics, subject to different norm settings by institutions such as the New Development Bank of the BRICS. Irrespective of its funding contribution, each participating country will have one vote with none of them possessing the power of veto.

In addition, (i) the head office is to be set up in Shanghai, China; (ii) the first president would be an Indian; (iii) the first chairman of the board of governors would be a Russian; (iv) the first chairman of the board of directors would be a Brazilian and (v) the first regional centre of the bank will be in South Africa. The Chinese and Indian responses to the crisis in the Ukraine, climate change and negotiations at the WTO have been significantly different from those of the EU and other western powers. The European liberal international economic model has been based on the assumption that increasing regional economic integration is a useful policy for all partners. The successful economic integration project in Europe has always been a model for the rest of the world and the EU has tried to promote regional integration internationally, including in south Asia. The Ukrainian example may not fit within this framework where competitive regionalism from the EU and Russia has created a crisis which perhaps could have been avoided. This has not only challenged the European security framework as established with Russia after the end of the Cold War, but has also become a negative example of aggressive regional integration.

These are some of the challenges which are going to test the EU-India partnership in matters of global governance. Although India admires European capacities to deal with global governance, the existing dialogue mechanism has still not been able to capture different perceptions fully in a

workable agenda between policy makers and civil society from both sides. While India has not used the EU's capacities effectively to promote its own interests through existing communication channels, the Chinese authorities have taken full advantage of its 56 sectoral dialogues to promote global and regional objectives<sup>32</sup>. There is thus a need to invest more financial and human resources in this mechanism. Through these dialogues, scope for further cooperation may emerge as governance issues can only be addressed multilaterally.

## **5 Defence, Security And Strategic Cooperation**

On defence matters, India mainly deals directly with individual Member States and has a good framework of cooperation with major European powers. These are covered under bilateral strategic partnerships established in 1998 with France, in 2001 with Germany and in 2004 with the United Kingdom. Traditionally, India has also worked closely with key countries from Central and Eastern Europe. India established its dialogue with France in 1998 at the level of National Security Advisors, the 26th round of which took place in October 2014. The High Level Committee for Defence Cooperation also meets regularly at the level of Defence Secretaries. India and France conduct regular joint military operations such as army exercises (Shakti), joint naval exercises (Varuna) and joint air exercises (Garuda).

At the time of independence in 1947, all major weapon systems of the Indian armed forces were of British origin. These were diversified with acquisitions from France in the sixties. During the Cold War, the Soviet Union became a major source of Indian military hardware. Nevertheless, India imported the Anglo-French Jaguar aircraft in the late 1970s, Mirage 2000 fighters from France in the 1980s and submarines from Germany in the late 1980s. These relations have expanded in recent years. Lately, India has emerged as one of the biggest importers of military hardware globally and as a result all EU Member States have been trying to expand their business in India. The recent Indian decision to buy 36 Rafale jets in fly-away condition will have long-term implications for Indian defence relations with Europe in general and France in particular, which in addition to future purchases and joint production will further open the Indian defence market for spare parts and services from the EU. This is also a reflection of long-term strategic mutual trust. Since this is not a purely commercial deal, positive developments could lead to closer political and strategic ties as well. During Prime Minister Modi's visit to France, twenty bilateral agreements were signed and French President Francois Hollande remarked that the deal would move the partnership 'into a new gear'<sup>33</sup>. Naturally, individual EU Member States also compete with each other in India to sell their weapon systems.

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<sup>32</sup> G. Sachdeva, 'EU-China and EU-India: A Tale of Two Strategic Partnerships' Strategic Analysis, Vol.38, No.4, 2014.

<sup>33</sup><http://goo.gl/7Wi9TW>

Unlike commercial exchanges, defence ties also have a political dimension and are an indication of a close understanding of the geopolitical environment. These supplies also provide a certain degree of political leverage to the exporting country and have a bearing on the country's defence preparedness. Over the years, France has emerged as the most reliable partner in defence matters. It avoided sanctions against India after the nuclear tests of 1998. It also consistently supported India on the issue of permanent membership of the United Nations Security Council (UNSC) and in export control regimes such as the Nuclear Suppliers Group (NSG) and Missile Technology Control Regime (MTCR).

Over the past decades, India's defence relations with both Western and Eastern Europe reflected its foreign policy alignments and priorities. The impact of the Cold War and Pakistan's closeness to the western world in the form of military pacts have also affected India's relations with individual EU Member States. Positions held and sanctions imposed by individual countries as a result of India-Pakistan hostilities obviously had their own impact. Many EU Member States were also reluctant to sell arms as they felt that the region was unstable<sup>34</sup>.

Even now there is a perception that most EU Member States have a somewhat sympathetic attitude towards Pakistan. The EU has a very close partnership with NATO which is the foundation for the collective defence of its members and since 2004, Pakistan is a major non-NATO ally. For many years, the EU did not openly criticise Pakistan's links with different terror groups in Kashmir and Afghanistan. The EU has also granted Generalised Scheme of Preferences Plus (GSP+) status to Pakistan. These factors have obviously affected India's defence relations with the EU. In the last two decades, particularly after 11 September 2001 and with European engagement in Afghanistan, this situation has fundamentally changed. In recent years, there has been a relatively better appreciation of Indian regional security concerns in Europe and as a result, cooperation with individual EU Member States has certainly moved forward.

Nevertheless, at EU level, security cooperation is not fully and officially institutionalised, which is more to do with the synchronisation of defence and security concerns of individual Member States with EU institutions rather than an issue to be settled at EU-India level. Despite these limitations, defence cooperation with EU Member States is expanding. With specific focus, defence relations with Central European countries like Poland, Hungary and the Czech Republic could also be further revived. Moreover, India has also deepened its defence and security cooperation with the US under a renewed Defence Framework Agreement for the next 10 years. Both have agreed to step up joint military exercises, more in depth intelligence sharing, maritime security as well as co-development and co-production of defence projects. If followed properly, all these developments could provide solid ground for a meaningful dialogue and cooperation with EU institutions as well.

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<sup>34</sup>K. Sibal, 'India's Defence Ties with Europe', Indian Defence Review, 9.8.2012  
<http://www.indiandefencereview.com/news/indias-defence-ties-with-europe/>

On strategic matters, most analysts believe that the Asian continent is going to become the new centre of gravity within global politics. In an evolving economic and security architecture, many Asian countries would look towards China or India along with Japan for future economic and security alignments<sup>35</sup>.

As an economic and military superpower, the USA is eager to play an important role in this evolving situation. Similarly, as a Eurasian power carrying influence within post-Soviet space, Russia would also seek to acquire a greater role. In the last two decades, India has developed strong relations with both countries and now has to assess whether or not the EU and its Member States are relevant in emerging Asian security scenarios and to what extent they are useful for India in achieving its objectives. Although the EU has a significant economic presence in many parts of Asia, it has yet to figure prominently in emerging strategic scenarios.

Scholars have predicted a few likely scenarios. One could see the emergence of a Washington-New Delhi-Jakarta-Hanoi-Tokyo axis in the context of a rising China and attempts by the USA to contain it. Created around Asian Solidarity, an alternative axis running through Tehran-New Delhi-Kuala Lumpur-Beijing is also predicted<sup>36</sup>.

Since 1998, a Russia-India-China (RIC) 'strategic triangle' has also been discussed at various official as well as non-official forums. RIC foreign ministers met formally for the first time during 2002 in a side meeting to the UN General Assembly. In recent years, the relevance of the forum has grown in regional and global politics. During the 13th meeting of the RIC foreign ministers in Beijing in February 2015, major global issues were discussed and it was agreed that there should be further cooperation in the fields of energy, the environment, connectivity and reforms of global institutions<sup>37</sup>. The RIC forum is also supported by the trilateral academic conference, which normally takes place just before the ministerial meeting. The major challenge for Delhi would be to manage its relationship with China in such a way that there is limited competition and expanding cooperation. Similarly, China's relations with the USA, Russia and the EU will have implications for its relations with India.

During the recent visit of the US President to India, both countries asserted that 'India's Act East Policy and the United States' rebalance to Asia provide opportunities for India, the USA, and other Asia-Pacific countries to work closely to strengthen regional ties'<sup>38</sup>.

To outline their intentions, a document called the US-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region was also released, which served to indicate converging India-US

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<sup>35</sup> A. J. Tellis, T. Tanner, and J. Keough, eds. *Strategic Asia 2011-12: Asia Responds to Its Rising Powers - China and India*, Washington DC: The National Bureau of Asian Research, 2011.

<sup>36</sup> V. Sahni., *From Security in Asia to Asian Security*, *International Studies*, 41,no.3,2004., p. 257.

<sup>37</sup> [http://mea.gov.in/bilateraldocuments.htm?dtl/24751/Joint\\_Communicu\\_of\\_the\\_13th\\_Meeting\\_of\\_the\\_Foreign\\_Ministers\\_of\\_the\\_Russian\\_Federation\\_the\\_Republic\\_of\\_India\\_and\\_the\\_Peoples\\_Republic\\_of\\_China](http://mea.gov.in/bilateraldocuments.htm?dtl/24751/Joint_Communicu_of_the_13th_Meeting_of_the_Foreign_Ministers_of_the_Russian_Federation_the_Republic_of_India_and_the_Peoples_Republic_of_China)

<sup>38</sup> 'India's Act Easy Policy and Our Rebalance to Asia are Complementary, Says U.S. Consul General Min', 2015 Chennai press releases, 06.03.2015, <http://chennai.usconsulate.gov/chpr20150306.html>

interests in Asia. Earlier, New Delhi supported the US New Silk Road Strategy as a means of integrating central and south Asian economies through Afghanistan. It seems that India has also been concerned that as a result of crisis in the Ukraine, Russia-China ties may have become stronger. Many in India believe that any direct or indirect support of European activities in the Ukraine would further push Russia towards China which may not favour long-term Indian interests. India has to synchronise its relations, therefore, with important powers within Asia, particularly in the context of a rising China. Overall, real partnership on strategic issues with the EU has yet to emerge. Unlike its strategic partnerships with the USA and Russia, India has so far been unable to discover the relevance of an EU-India partnership in evolving Asian security and economic architecture<sup>39</sup>.

Moreover, in the last few years, particularly under Prime Minister Modi's government, the India-US Strategic Partnership has left all other strategic partnerships (including the EU-India Strategic Partnership) very far behind and consequently the EU-India partnership now has to work within this broader framework. Nevertheless, a close transatlantic partnership could also be used to re-energise India's relations with the EU. With a view to such new circumstances, both the EU and India could expand a strengthened cooperation in global non-proliferation and export control regimes. The EU and its Member States could support India's efforts to gain entry into four exclusive nuclear regimes: the Nuclear Suppliers Group (NSG), the Missile Technology Control Regime (MTCR), the Wassenaar Arrangement and the Australia Group. The US, Russia, the UK, France and Spain have already supported India's inclusion in these groupings. Germany also backs India's membership of the NSG<sup>40</sup>.

Some EU Member States face a dilemma in recognising India's nuclear status because the country is still not a part of the Non-Proliferation Treaty (NPT). Moreover, India has stressed at many forums that it will never join the NPT as a non-nuclear weapon state. However, this is an opportunity for the EU to develop an understanding of India as a strategic partner, particularly so when some of its Member States are looking for opportunities in India's expanding civil nuclear market.

## 5.1 Counter-Terrorism Cooperation

The EU and India have established a Security Dialogue under the Joint Action Plan (JAP) which has resulted in regular meetings since 2006. A joint working group on counterterrorism together

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<sup>39</sup> Unlike Europe which has NATO security umbrella and EU economic integration project, the Asian security and economic architecture is still not in place. Asian security architecture basically means a range of structures and processes which will facilitate Asian security (For details see Tow, W.T and B Taylor, What is Asian security architecture? Review of International Studies, Vol 36, Issue 1, 2010). Similarly, Asian economic integration will be facilitated by a series of overlapping trade, investments and transit agreements which may lead to monetary integration in some parts of the region.

<sup>40</sup> <http://www.ndtv.com/india-news/germany-backs-india-for-nsg-membership-441292>

with working groups on cyber security and counter-piracy measures also report to the Security Dialogue. Recently a dialogue on nuclear proliferation and disarmament has been constituted within the Security Dialogue. These are areas where substantial progress could have been made, yet concrete outcomes are limited. The reasons for this are perhaps the limited competencies and traditional tools at the EU's disposal in matters related to security and counter-terrorism. As India has been facing cross-border terrorism for a long time, Indian officials sought open discussion with all its partners including the EU some years ago. Since the EU did not wish to confront the issue of Pakistan's 'sponsorship' of terrorism at bilateral discussions, it was left to be discussed between India and individual Member States. However, the situation changed after the 11 September 2001 attack in the USA, following which this issue was mentioned in almost all summit meetings<sup>41</sup>.

In the Joint Declaration on International Terrorism<sup>42</sup> from December 2010, both the EU and India condemned 'terrorism in all its forms and manifestations, committed by whomever, wherever and for whatever purpose'. They denounced those 'who sponsor, abet and instigate terrorism and provide terrorists safe havens' and underlined that 'cooperation in combating International Terrorism, including cross-border terrorism' as one of key political priorities in the bilateral partnership. The then European Council President Herman Van Rompuy asserted that the 'London, Madrid and Mumbai attacks showed that terrorism knows no boundaries and that a common response is essential'. The joint statement also 'called upon Pakistan to expeditiously bring all the perpetrators, authors and accomplices of the Mumbai attacks to justice'. This was the first time that the EU had come closer to some of India's core security concerns. Despite these declarations, real cooperation will depend on the nature of the EU as an actor in counter-terrorism, convergence of the EU and India's threat perceptions and expectations, together with what both could really offer each other<sup>43</sup>.

According to the latest report by the EU Counter-Terrorism (CT) coordinator, the issue of foreign fighters has become its top priority<sup>44</sup>. Yet the deteriorating security situation in Afghanistan, radicalisation within Pakistan, the developing situation in Iraq, Syria and Yemen, the internal situations in Jammu and Kashmir in the north-east region as well as left wing extremism are seen as major security threats by India. Although these threats may look remote from each other, many sources of radicalisation, financing and networking could be shared. As a result, some formal engagements have already begun. In December 2012 at a practitioners' workshop on counter-terrorism, a five-member expert delegation from India met with representatives from Eurojust,

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<sup>41</sup> R. K. Jain, 'India's Relations with the European Union' in David Scott (Ed) Handbook of India's International Relations, Routledge, 2011.

<sup>42</sup> [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/118405.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/118405.pdf)

<sup>43</sup> G. Khandekar, 'EU-India Cooperation on Counter-Terrorism' in L. Perral and V. Sukhija (Eds) The EU-India Partnership: Time to Go Strategic?, Paris: EUISS, 2012

<sup>44</sup> <http://data.consilium.europa.eu/doc/document/ST-15799-2014-INIT/en/pdf>

Europol, CTC and the EC in The Hague. A structured EU-India cyber consultation has also been launched.

Because of its own limitations, the EU looks at the issue of counter-terrorism more as a global action rather than a global war on terror. It favours a comprehensive approach which focuses more on the root causes (e.g. lack of democracy, economic opportunities, women empowerment, and illiteracy). Although almost all counter insurgency operations include these points in their strategies, immediate cooperation with other partners focus on intelligence sharing, joint exercises and training with possibly joint operations. Within the European framework, many of these are not competences of the EU but rather individual Member States or NATO.

In order to create meaningful cooperation, the EU terrorist list of persons, groups and entities involved in terrorist acts could be expanded to include many of those who are directly accused of terrorist acts in India. The latest updated list released by the EU in March 2015 already includes Babbar Khalsa, Hizbul Mujahideen, the International Sikh Youth Federation, the Liberation Tigers of Tamil Eelam (LTTE) and the Khalistan Zindabad Force<sup>45</sup>. The Indian Ministry of Home Affairs has a list of 38 banned terrorist organisations<sup>46</sup>. The inclusion of more entities targeting India on the EU's own list would send a strong signal of cooperation. In the meantime, Indian experts could learn about inter-state cooperation and cyber security from the EU Counter-Terrorism Coordinator through existing dialogues. The EU and India could also work together on the deadlocked Comprehensive Convention on International Terrorism at the UN.

## 5.2 Maritime Security

Because of very limited land border transactions through China and Pakistan, the Sea Line of Communications (SLOCs) is crucial for India's commercial and energy security. More than 90 % of India's trade by volume and 77 % by value are transported by sea<sup>47</sup>.

In recent years, its major maritime security concerns have been in connection with traditional threats coming from China or Pakistan and non-traditional threats arising from piracy, crime and natural disasters. The US 'pivot to Asia', China's assertiveness in the South China Sea and its Maritime Silk Road Strategy have put maritime security at the top of the Indian strategic agenda. India is in the process of regularising bilateral maritime exercises and strengthening maritime dialogues with many littoral countries in the Indian Ocean. Prime Minister Modi's visits to Australia, Sri Lanka, Mauritius, the Maldives, Myanmar, the Seychelles and Singapore underscore the importance of maritime security in Indian thinking. Issues of maritime security figure

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<sup>45</sup>[http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL\\_2015\\_082\\_R\\_0009&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2015_082_R_0009&from=EN)

<sup>46</sup><http://mha.nic.in/BO>

<sup>47</sup> Annual Report 2014-15, Ministry of Defence, Government of India, p. 31.



prominently with the US, Japan and ASEAN countries. The Indian Navy strength is expected to increase from the 140 ships and submarines today to about 200 in the coming years<sup>48</sup>.

As incidents of piracy reached alarming levels in 2007-2008, from October 2008 the Indian Navy has been carrying out anti-piracy patrols in the Gulf of Aden. India, the EU and many of its Member States are also founding members of the Contact Group on Piracy off the Coast of Somalia (CGPCS) created in 2009 by the UN. Additionally, India is a founding member of the Indian Ocean Rim Association (IORA), a regional initiative of coastal states bordering the Indian Ocean. Initiated in 1997, its membership today includes 20 countries. In addition, it has six dialogue partners including China, Egypt, France, Japan the UK and the USA. About 35 countries participate in various activities within the Indian Ocean Naval Symposium, which India founded in 2008. In June 2014 the EU Maritime Security Strategy (EUMSS) members identified European maritime interests, threats and responses. Later, the Action Plan argued for mainstreaming maritime security into bilateral dialogues with third countries, encouraging bilateral and regional agreements in this area<sup>49</sup>.

Similarly, the Indian Ministry of Defence argues that as most maritime challenges ‘have trans-national/ trans-regional footprint, it becomes imperative to seek collective solutions to these issues’. The Indian Navy does so by a process of “Constructive Engagement” with our maritime partners<sup>50</sup>.

In recent years, the Indian Navy has conducted joint exercises with the US, Singapore, Russia, Japan, Sri Lanka, the UK, France, Brazil and South Africa as well as joint anti-piracy operations. In addition, it had coordinated patrol activities with Thailand, Malaysia and Indonesia. By last year, about 2671 merchant ships of varying nationalities, including 311 Indian flagged vessels, had been escorted safely by Indian warships<sup>51</sup>. To cope with the changing balance of power in the Indian Ocean, India is strengthening its naval capacity and may be looking for bilateral and multilateral arrangements. A recent US-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region affirmed ‘the importance of safeguarding maritime security and ensuring freedom of navigation and over flight throughout the region, especially in the South China Sea’ and called on ‘all parties to avoid the threat or use of force and pursue resolution of territorial and maritime disputes through all peaceful means’<sup>52</sup>.

Realising Indian capabilities and intentions, the former EU High Representative for Common Foreign and Security Policy, Javier Solana, wrote recently that ‘the EU must take into account that, given the enormous length of its coasts, India is a key natural partner in maritime security and

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<sup>48</sup> R. Bhonsle, ‘India’s Maritime Cooperative Security Architecture’ Mantraya Brief No. 2, New Delhi, 2015.

<sup>49</sup> [http://ec.europa.eu/maritimeaffairs/policy/maritime-security/doc/20141216-action-plan\\_en.pdf](http://ec.europa.eu/maritimeaffairs/policy/maritime-security/doc/20141216-action-plan_en.pdf)

<sup>50</sup> Annual Report 2014-15, Ministry of Defence, Government of India, p.32.

<sup>51</sup> Annual Report 2013-14, Ministry of Defence, Government of India, p. 31.

<sup>52</sup> <https://www.whitehouse.gov/the-press-office/2015/01/25/us-india-joint-strategic-vision-asia-pacific-and-indian-ocean-region>

counter piracy<sup>53</sup>. Both the EU and India have a declared goal of cooperation with other partners in their individual strategies. The issue of maritime security has figured prominently in many bilateral meetings. To operationalise cooperation, they need to develop a common doctrine and standard operating procedures<sup>54</sup>. This could be built on already existing cooperation with French and British navies. The EU can also start collaborating with the IORA and promoting rule-based cooperation within the Indian Ocean. As the EU has a significant naval presence in some parts of the Indian Ocean, collective maritime surveillance, common training and exercises as well as multinational research programmes are potential shared agenda avenues<sup>55</sup>. A high level dialogue is a necessity for an EU-India maritime security collective approach and an action plan.

## 6 Science And Technology Cooperation

Research and innovation is one area where EU-India collaboration has expanded significantly since 2001 when the first Science and Technology (S&T) agreement<sup>56</sup> was signed. Since then cooperation has figured prominently in all joint statements and action plans. Successes of bilateral efforts, the EU ‘Innovation Union<sup>57</sup>’ strategy and the policy ‘Decade of Innovation<sup>58</sup>’ initiative in India led to the signing of a Joint Declaration on Research and Innovation Cooperation<sup>59</sup> in 2012. Further, it paved the way for setting up the Senior Officials (GSO) Group as agreed in a Brussels Communiqué<sup>60</sup>.

The first meeting of the GSO took place in October 2013, with the agreed priority areas being health, water and energy. The participation of Indian universities, research centres and private enterprises in joint projects is increasing significantly. According to some official information, India ranked fourth in terms of participation and third in terms of the total amount of EU financial contribution received in the 7th Framework Programme (FP7, 2007-2013). Under FP7 more than 250 Indian entities participated in joint projects. Separately, 800 Marie Curie fellowships were awarded to Indian researchers. India has also been a partner in projects such as the European Organisation for Nuclear Research and the International Thermonuclear Experimental Reactor (ITER). To inform and encourage researchers and industry, specific India related services such as EURAXESS Links India, European Business and Technology Centre, European Business Group India etc., are also operational<sup>61</sup>. To present bilateral research opportunities to the Indian public

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<sup>53</sup> J. Solana, *The European Union and India*, (Washington: The Brooking Institution) September, 2014.

<sup>54</sup> V. Sakhuja, ‘India-EU: Exploring Maritime Convergences’ <http://www.ipcs.org/article/india/india-eu-exploring-maritime-convergences-4549.html>, 2014.

<sup>55</sup> S. Kamerling and A. Wagemaker (2014) ‘Maritime Security Cooperation The Next Port of Call’ <http://www.clingendael.nl/publication/maritime-security-cooperation-next-port-call>

<sup>56</sup> [http://trade.ec.europa.eu/doclib/docs/2003/july/tradoc\\_113341.pdf](http://trade.ec.europa.eu/doclib/docs/2003/july/tradoc_113341.pdf)

<sup>57</sup> [http://ec.europa.eu/research/innovation-union/index\\_en.cfm](http://ec.europa.eu/research/innovation-union/index_en.cfm)

<sup>58</sup> <http://www.slideshare.net/pmpiii/decade-of-innovation>

<sup>59</sup> [http://eeas.europa.eu/delegations/india/documents/joint\\_declaration\\_2012.pdf](http://eeas.europa.eu/delegations/india/documents/joint_declaration_2012.pdf)

<sup>60</sup> [http://ec.europa.eu/research/iscp/pdf/policy/brussels\\_communique-0313.pdf#view=fit&pagemode=none](http://ec.europa.eu/research/iscp/pdf/policy/brussels_communique-0313.pdf#view=fit&pagemode=none)

<sup>61</sup> See [http://eeas.europa.eu/delegations/india/eu\\_india/research\\_innovation/index\\_en.htm](http://eeas.europa.eu/delegations/india/eu_india/research_innovation/index_en.htm)

and private sector researchers, the EU delegation in India collaborating with representatives from Member States' embassies and European research centres, organised road shows in 16 cities across India during 2014.

It appears that an incremental and step-by-step approach has helped to build meaningful cooperation in Science & Technology cooperation<sup>62</sup>. When collaboration in Galileo - Europe's global navigation satellite system - started faltering, both sides quietly moved to other areas such as ITER for which many proposals for collaboration were made with the energy panel. India is expected to provide about 10 % towards the total cost of ITER. Although some analysts have described EU-India cooperation in the Galileo project as an example of failed diplomacy and technical collaboration<sup>63</sup>, thereafter Indian policy makers moved first towards American GPS then Russian GLONASS and finally started building an indigenous Indian Regional Navigation Satellite System (IRNSS). The IRNSS which is expected to be ready by 2016 is intended to have seven satellites, of which four are already in orbit. India also plans to provide the benefits of IRNSS to SAARC member states. Incidentally, the total cost of IRNSS is estimated to be about EUR 225 million, considerably less than the EUR 300 million which India was expected to pay for Galileo participation. Despite all these achievements and developments, coordination between the EU and Member States, particularly big Member States remains limited. There is also a perception in academia that EU projects are bureaucratic compared with similar initiatives involving the US or even Russia.

## **7 Energy Security and Cooperation in Renewables**

At the current stage of economic modernisation, India is adapting to globalisation as well as the emerging Asian and global balance of power. Its accelerated economic performance has impacted upon its foreign policy as well as its engagement within Asia and with great powers. Accelerated growth has also forced India to synchronise its energy security issues within its foreign and security policy<sup>64</sup>.

In the coming years, actions and commitments on the energy front will shape India's relations with countries such as the USA, Russia, China, the EU Member States and Iran. Until the early 1990s, external energy policy meant securing reliable supplies from the Gulf. More recently it included multiple diversification strategies acquiring assets abroad and pipeline politics. In the future, protecting supplies from different sources as well as assets abroad will also become part of the national security. Despite all these efforts, coal will continue to be India's main energy source and

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<sup>62</sup> S. A. Wubblers, *The Paradox of EU India Relations: Missed Opportunities in Politics, Economics, Development and Culture* (Plymouth: Lexington Books), p. 77, 2011.

<sup>63</sup> M. Vicziany, 'EU-India Security Issues: Fundamental Incompatibilities' in P. Winard, M Vicziany and P Datar, *The European Union and India: Rhetoric or Meaningful Partnership* Edward Elgar, 2015, p. 278.

<sup>64</sup> G. Sachdeva, 'Geo-economics & Energy for India' in David Scott (Ed), *Handbook of India's International Relations*, London: Routledge, pp.47-56., 2011.

the Gulf region and to be its main supplier of oil and gas. India and Russia have been cooperating in the field of energy for more than a decade now. If a possible Russia-China gas pipeline is extended to India, it will usher in a new era of cooperation between these three major countries<sup>65</sup>.

On the domestic front, major policy changes in the area of coal production can be seen with private sector participation, power sector reforms, rationalisation of fuel prices, efforts in the direction of energy efficiency and demand management. Within emerging dynamics, it is also expected that nuclear and hydro power as well as renewables will be playing an increasingly bigger role. A major development will be the creation of a legal and institutional framework to implement all these policies. Although building from a very small base, India has improved its renewable energy capacity and the government has set very ambitious targets. Since more than three-quarters of electricity generation in India depends on coal and gas, improvements in renewable energy for electricity generation will make India more self-sufficient and environmentally friendly. Since India has a large potential for solar and wind energy, it will form part of a long-term strategy. Apart from small hydro projects, at the moment this sector is facing various problems due to high costs, connectivity infrastructure and land issues. It is also concentrated in only a few states and away from urban areas. So achieving government targets may also need significant future subsidies. However, despite these problems, policy makers are committed to providing a significant boost to renewables in the coming years.

According to World Energy Outlook, China will add more electricity generating capacity from renewable sources by 2035 than the USA, the EU and Japan combined. Hydropower and wind power will be the two main sources of China's renewably sourced electricity, with solar photovoltaic cells coming in a distant third<sup>66</sup>. China is already the leader in manufacturing renewable energy equipment. It has become one of the world's top producers of small hydropower units, solar water heaters, and solar photovoltaic panels. If China is able to reduce equipment costs, particularly of solar panels, this could have a major impact on the Indian renewables sector. As China has invested heavily and emerged as a global leader in renewable energy equipment, India can also benefit in the same way due to economies of scale and its own technological upgrading. This is an area with only limited competition and the possibility, therefore, for more cooperation because both China and India have a common goal of eradicating poverty through high growth but are facing challenges of rising energy demand and environmental degradation<sup>67</sup>.

Despite different levels of development, both India and the EU are facing similar challenges related to their energy security. Energy has been a fundamental factor in the construction of the EU project,

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<sup>65</sup> G. Sachdeva, 'India's ONGC Plans to Bring Russian Hydrocarbons to South Asia' Central Asia-Caucasus Analyst, 15.05.2013, <http://www.cacianalyst.org/publications/analytical-articles/item/12731-indias-ongc-plans-to-bring-russian-hydrocarbons-to-south-asia.html>

<sup>66</sup> P. Coy, 'Green China? It Leads the World in Adding Renewable Electricity', Business Week, 21.11.2013

<http://www.businessweek.com/articles/2013-11-21/green-china-it-leads-the-world-in-adding-renewable-electricity>

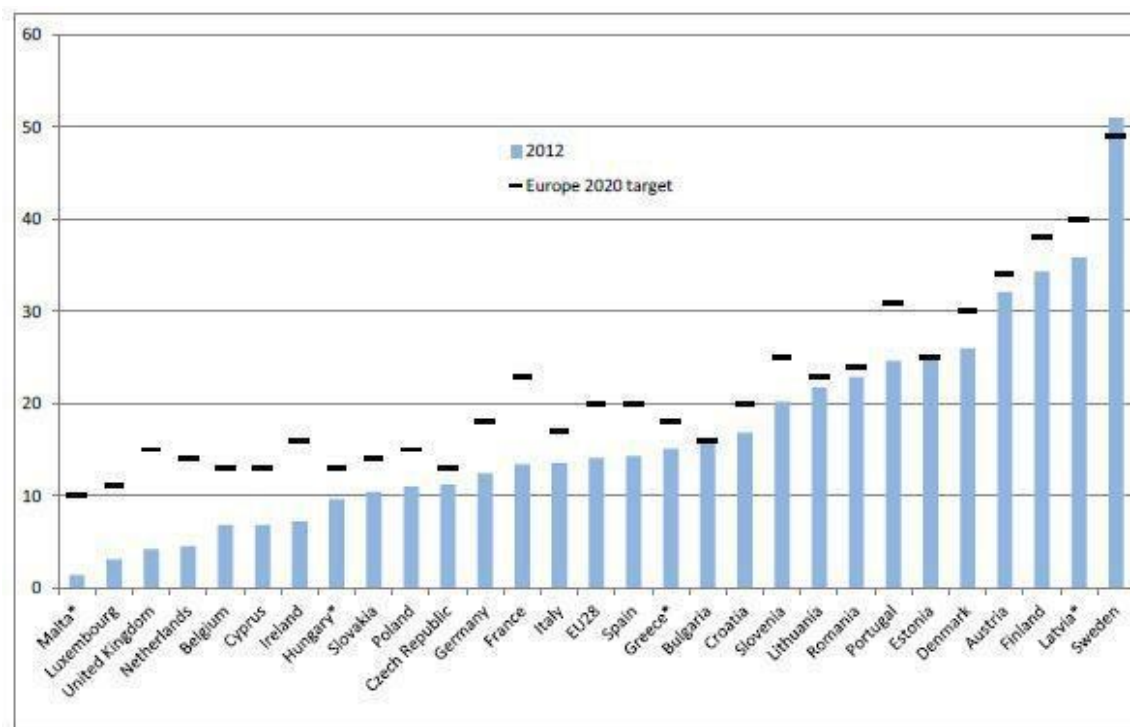
<sup>67</sup> H. Liming, A Study of China-India Cooperation in Renewable Energy Field, Renewable and Sustainable Energy Reviews, 11, 1739-1757, 2007.

ECSC/EURATOM, but Europe as a major energy consumer faces a number of challenges. These include: rising global demand and competition for energy resources from emerging economies; a persistent instability in energy producing regions; and a growing need to use different fuels in order to address the climate change policy. Within the EU there are serious gaps between intentions and outcomes concerning the energy sector. The evolving common energy policy has achieved only limited success. Nevertheless, from the mid-1980s, the Commission has been increasingly involved in Member States' energy policies. A key element of the EU's energy supply strategy has been a shift to a greater use of natural gas.

However, this will increase its dependence on Russia still further. The 2007 energy policy for Europe has three facets: i) sustainability: a common European response to global warming; a goal of 20 % reduction in greenhouse gases from the 1990 level by 2020 (ii) security: the need to diversify supplies of natural gas with new hubs in Central and Eastern European countries, the Baltic states, and new gas pipelines (iii) an internal energy market. Another aspect of the new policy has been EUR 1 trillion of infrastructure investments in the energy sector by 2020. From this total, around EUR 200 billion is required for the construction of gas pipelines and electricity grids. The 2020 Energy Strategy (2011) and the EU 2050 energy roadmap have also provided different targets. The EU energy policy is supported by market-based tools (taxes, subsidies and the CO2 emissions trading scheme); developing energy technologies (especially technologies for energy efficiency together with renewable or low-carbon energy); and Community financial instruments.

In 2007, the EU endorsed a binding target for a 20 % share of its gross final energy consumption from renewable sources by 2020. In addition, the EU also agreed on a binding minimum target of a 10 % share for transport biofuels within overall petrol and diesel consumption by 2020. Further directives in 2009 also extended plans to achieve these targets. By 2012, approaching a 12 % share of total energy consumption within the EU was already being derived from renewable sources (see Annex 8), the largest increase in share coming from countries such as Sweden, Denmark and Austria. Details of the renewable energy share for every country and the 2020 target are shown in figure 8.

**Figure 8: Share of Renewable Energy per EU Member State and the 2020 Target**



Source: Eurostat News Release 37/214- 10.3.2014.

The EU has been investing significantly and establishing binding commitments in the renewable energy sector, thus creating tremendous scope for cooperation<sup>68</sup>. Despite perceptions that the EU and India hold opposite views on global norms concerning energy security and environment, there is potential for working together as both are trying to diversify energy mix and sources of energy supply.

In some areas, bilateral cooperation is already underway. In 2004, a bilateral energy dialogue was established. Three working groups on coal, clean coal technologies, and energy efficiency were also set up in 2005. At the last bilateral summit in 2012, a separate Joint Declaration on energy cooperation was issued. Areas where cooperation in energy is already identified include (i) clean coal technologies and advanced coal mining; (ii) improved energy efficiency of products and buildings; (iii) development of smart power grids (iv) cost-effective ways for the uptake of renewable energy sources; (v) research and innovation cooperation in new, clean and renewable energy technologies, (vi) energy safety, in particular nuclear safety and off-shore drilling safety; and (vii) fusion energy<sup>69</sup>.

<sup>68</sup>A Report on EU-India Renewable Energy Opportunities, New Delhi, European Business and Technology Centre, 2010.

<sup>69</sup><http://goo.gl/VJxIxV>

Within the dialogue, renewable energy is a clearly identified cooperation priority. This could produce results in line with the Modi government's ambitious programme. It plans to accelerate the deployment of renewable energy to more than 160 GW by 2022 including 100 GW solar energy and 60 GW wind energy. Increased focus will be given to small hydro, bio energy, as well as new and emerging technologies<sup>70</sup>.

## 8 Human Rights Dimension of EU-India Relations

Human rights, democracy and the rule of law are core EU values, principles which must be reflected in all its internal and external policies. The EU aims to integrate the promotion of these principles through its trade and investment, development as well as Common Foreign and Security policies. Issues concerning the level of democracy and human rights violations in third countries are intensively discussed within the various EU institutions, including the European Parliament. Additionally, many Member States regularly raise these concerns in their bilateral relations with third countries.

In the past, many analysts in India considered the issue of human rights as harmful for its bilateral relations. However, this topic is becoming increasingly important although most policy makers believe that it will mainly be handled domestically. Shashi Tharoor, former Minister of State for External Affairs in the Congress government, argued that both India and the EU being democracies '(they) are on the same side and have the same aspirations on the substance of human rights'. However, he also asserted that 'there is not a single human rights problem in India that has been exposed by Amnesty International or Human Rights Watch or any European institution, which has not been revealed first by Indian citizens, journalists and NGOs and handled within the democratic Indian political space'<sup>71</sup>.

Although India has historically been one of the strongest champions of sovereignty, there are now voices advocating that it is time for the world's largest democracy to start actively promoting democracy and human rights<sup>72</sup>. In the past India has been criticised both internally and externally for its human rights violations concerning caste atrocities, handling of insurgencies in the north-east and Kashmir as well as high profile cases such as the 1984 anti-Sikh and the 2002 Gujarat riots. Recently, the country has faced a lot of criticism for violence against women.

Despite these weaknesses, it is felt that India has now established well respected institutions such as the National and State level Human Rights Commissions. The country has a powerful and active judiciary with the media being considered largely independent. It is thus believed that uneven performance should not discourage newly emerging India to take an active role in promoting human rights domestically at all levels of society. In 2012 and 2013 India voted in favour of

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<sup>70</sup> <http://pib.nic.in/newsite/PrintRelease.aspx?relid=115428>

<sup>71</sup> S. Tharoor, 'Reconsider Relations with the European Union', *Mail Today*, 18.05.2012, <http://goo.gl/WCzZyW>.

<sup>72</sup> See S. Ganguly and E. Sridharan, 'The End of India's Sovereignty Hawks?', *Foreign Policy*, 7.11.2013, <http://goo.gl/FJESWE>

resolutions promoting reconciliation, accountability and human rights in Sri Lanka at the UN Human Rights Council. However, in 2014 it abstained because of an ‘intrusive’ approach which India argued undermines its national sovereignty.

The Indian establishment is now becoming sensitive to violations. In 2014, the Army sentenced two officers and three soldiers to life imprisonment for the killing of three unemployed Kashmiri youths in 2010, branding them as foreign militants<sup>73</sup>. In the last few years, lively domestic debates have taken place on repealing the Armed Forces Special Powers Act (AFSPA) which supports the armed forces in ‘disturbed areas’.

In 2004, the EU established an annual local human rights dialogue with India. In the Joint Action Plan (JAP) both India and the EU outlined that they share values of democracy and human rights. Both agreed on (a) a dialogue both in a multilateral and bilateral context (b) consulting and discussing positions on human rights and democracy issues as well as looking at opportunities for co-sponsoring resolutions on thematic issues in relevant gatherings; and (c) looking together for possible synergies and initiatives to promote human rights and democracy<sup>74</sup>. The eighth meeting of the EU-India Ad-hoc Dialogue on Human Rights took place in November 2013.

In recent years, the EU has raised concerns about issues in India, through resolutions in the European Parliament and through EU Annual Reports on Human Rights and Democracy in the World. Main areas of concern include caste discrimination, violence against women, resumption of executions, child rights, rights of indigenous people, poor prison conditions, freedom of expression etc. Except for the death penalty, all other issues are debated in the Indian Parliament, civil society and the judiciary. Issues raised by the EU, therefore, are not fundamentally different from those addressed in India. Some earlier EP resolutions and references concerning human rights violations in Jammu and Kashmir affected EU-India bilateral relations negatively.

‘At this point in history, India with its ambition to play a larger role in global institutions including the UNSC, is sensitive to allegations of human rights abuses at home, and may be willing to help strengthening democratic and human rights institutions abroad’<sup>75</sup>. The activities to promote democratic institutions abroad are more likely to be bilateral or through regional organisations like the SAARC and the African Union. Although India might be willing to contribute significantly to actions taken under the UN umbrella, it is highly unlikely that it would participate in action associated with the western coalition led by the United States.

The Indian human rights situation could improve mainly through the above-mentioned domestic debates and active participation of civil society (discussed separately). Condemnations and resolutions by the European Parliament or other EU institutions may not prove particularly helpful

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<sup>73</sup> *The Times of India*, 14.11.2014, <http://goo.gl/KIMDju>

<sup>74</sup> See India-EU Strategic Partnership Joint Action Plan, 72005, <http://goo.gl/E6jZq5>

<sup>75</sup> G. Sachdeva, ‘India and the European Union: Human Rights Challenges’ Douthie Lettinga & Lars van Troost (Eds) *Shifting Power and Human Rights Diplomacy: India*, Amsterdam: Amnesty Netherlands, 2015.



and could even adversely affect bilateral ties. Since it is mandatory for the EU to include human rights clauses in trade agreements, the best engagement strategy for both would be to upgrade and expand dialogue, which would also provide opportunities to discuss and remove mutual misperceptions.

## **9 Possibilities of Cooperation in the Next Phase of the Afghanistan Project (2015-2024)**

With ambitions in the field of global conflict management, the EU has contributed significantly to military as well as development and reconstruction activities in Afghanistan. This European involvement might also bear implications for the EU's credibility as a global security actor. In the last two decades, EU activities in conflict areas have taken place against the background of developing the concept of comprehensive security<sup>76</sup>. In simple words this means that the EU and its Member States have to coordinate their respective military and civilian strengths in different phases of the conflict. At the same time the 'largest members states' need to coordinate among themselves and with the EU institutions<sup>77</sup>. The 1993 Maastricht Treaty, the 2003 EU Security Strategy and the 2009 Lisbon Treaty all provide a framework for EU conflict resolution and explicitly call upon the Union to engage in a full range of conflict resolution activities<sup>78</sup>.

In Afghanistan, EU development efforts are being supplemented by the Member States' military, economic and diplomatic contributions. The Afghanistan conflict has demonstrated European strengths, particularly in the areas of reconstruction, institution building and conflict negotiation. At the same time, it has also shown that EU notions of conflict resolution have very limited value when dealing with 'out of area' operations and when other major players like the USA, are in a dominating position. To some extent, the EU visibility and effectiveness has also suffered from a lack of coordination among its Member States, and institutional incoherence<sup>79</sup>.

In the last twelve years, the international project of building democracy and a market economy in Afghanistan was mandated by the UN, and was implemented mainly by the US-led alliance. This endeavour has produced mixed results. Significant gains have been made in the areas of education, health, infrastructure, communications, empowerment of women and the economy. However, latterly the security situation has deteriorated and narcotics production is once again on the increase<sup>80</sup>. In the post-2014 situation, these challenges have become more complicated as the

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<sup>76</sup> C. Gebhard and P. Martin Norheim-Martinsen, Making Sense of EU Comprehensive Security towards Conceptual and Analytical Clarity, *European Security*, Vol 20, No.2, 2011, pp. 221-241.

<sup>77</sup> G. Whitman, R. and S. Wolff, (Eds), *The European Union as a Conflict Manager* (London: Routledge, 2012).

<sup>78</sup> N. Tocci, *The EU in Conflict Resolution* in Stefan Wolff and Christalla Yakinthou (eds), *Conflict Resolution: Theories and Practice*, London and New York: Routledge, 2011.

<sup>79</sup> E. Gross, *The EU in Afghanistan* in Richard G Whitman and Sarah Wolff (Eds), *The European Union as a Conflict Manager*, London: Routledge, 2012, p. 107.

<sup>80</sup> Brookings Afghanistan Index: Tracking Progress and Security in Post- 9/11 Afghanistan available at <http://www.brookings.edu/about/programs/foreign-policy/afghanistan-index>

majority of international forces have already moved out of the country. In these circumstances, the sustainability of many of these achievements is under threat.

Afghanistan, which is located at the crossroads of different regions, is of great concern for India. Apart from a brief period during the Taliban regime, both countries have always had very cordial relations. India prefers a stable and independent government in Afghanistan, free of external interference. Consequently, since 2001, India has supported the Afghan government both politically and economically, which resulted in the setting up of a strategic partnership in 2011.

India's broad objectives in Afghanistan are orderly security, political and economic transition as well as ensuring the safety and security of its assets and personnel. Increasing trade, transit and energy links with Central Asia through Afghanistan is an added objective. In the last few years, analysts and international reports have indicated that in the post-2014 phase, the country is going to face three major challenges – a difficult security situation, political transition, and economic slowdown following the withdrawal of troops<sup>81</sup>. In all three areas, enhanced Indian engagement in Afghanistan could help to meet these challenges during the coming transformation decade (2015-2024). With a broad understanding that a peaceful and stable Afghanistan is crucial for regional stability, India has been playing an active role in its reconstruction since 2002. So far it has pledged assistance worth close to EUR 2 billion with projects covering the whole country mainly in the areas of road construction, power transmission lines, hydroelectricity, agriculture, telecommunication, education, health and capacity building<sup>82</sup>.

Unlike other countries, Indian policy makers have expressed that India does not have any exit strategy from Afghanistan. Enhanced Indian engagement in the country is built on the above-mentioned 'Strategic Partnership'. This was the first ever strategic partnership agreement signed by Afghanistan with any foreign country. Apart from capacity building support to the various departments in the three branches of government, including the Executive, Judiciary and the Parliament, the agreement points towards two major issues. First, India has agreed 'as mutually determined' to assist in the training, equipping and capacity building programmes for Afghan national security forces. Secondly, it has recognised that regional economic cooperation is vital for the long-term economic prosperity of Afghanistan and the region. In addition, the agreement creates bilateral institutional mechanisms consisting of annual summit meetings, regular political consultations led by both countries' foreign ministries and the establishment of a strategic dialogue on national security led by national security advisors from both countries. Overall, these developments indicate that, compared with western nations which reduced their involvement in 2015, India is preparing for an enhanced engagement in the country. This strengthening role is

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<sup>81</sup> See various reports of the UN Secretary General to the UN Security Council, available at <http://unama.unmissions.org/Default.aspx?tabid=12263&language=en-US>; Katzman, K., Afghanistan: Post-Taliban Governance, Security and US Policy, RL 30588, Washington DC: Congressional Research Service, April 2014.

<sup>82</sup> For details of Indian projects in Afghanistan see G. Sachdeva, 'The Reconstruction Issue in Afghanistan: Indian & Chinese Contribution' in Marlène Laruelle, et al. (Eds) *China and India in Central Asia: A New Great Game?* Palgrave Macmillan, 2010, pp.173-196.

based on the assessment that international support for Afghanistan will continue well into the future, there being little scope for any ‘negotiated settlement’ for some time.

## **9 Areas of Possible Cooperation**

With the majority of international forces moving out of Afghanistan, it is likely that resources for development projects may also decline, particularly after 2016. However, most western donors have publically committed that they will be engaged in the reconstruction efforts in Afghanistan much beyond 2014, the original intended date for international withdraw. It is likely that most western development activities in the coming years will be concentrated on security forces training and equipping, infrastructure development, social sectors and capacity building. These are exactly the areas where Indian activities will also be concentrated. India may, therefore, consider cooperating with other third country donors in working jointly on similar projects. Although coordination among different donors has not been an easy proposition even among traditional donors, yet it can produce win-win situations both for traditional donors and for India. The following are some of the areas where cooperation with European donors could be coordinated in Afghanistan:

- Higher Education: Afghan students could study in Indian universities with European involvement in cost sharing as well as faculty mobility.
- Regional Cooperation: Afghanistan and India together with all traditional as well as regional donors are committed to regional integration and involved in the South Asian Association for Regional Cooperation (SAARC), Regional Economic Cooperation Conference on Afghanistan (RECCA) as well as the Heart of Asia process. The EU has already identified regional cooperation as one of its priority areas in Afghanistan. Similarly the US administration has been actively engaged in many regional cooperation projects including the Silk Road Strategy. The USA, the EU and India could join their efforts in Afghanistan to make the Afghanistan-Pakistan Transit and Trade Agreement (APTTA) as well as other trade and transit initiatives more meaningful.
- Police Training: To make European police training more effective, Indian trainers and training facilities could be utilised.
- Capacity Building: Indian trainers and training institutes could be used by European donors in various capacity building programmes.
- Decentralisation: India and Europe could work together to strengthen sub-national governance and grass-roots democracy in Afghanistan.
- Institutions of Democracy: As all major donors are involved in building and strengthening democratic institutions in Afghanistan, there are tremendous possibilities for cooperation.
- Training Afghan Security Forces: Cooperation between India and some of the EU member states in this area could be a possibility.

## 10 Development Cooperation

Although India is not a ‘new’ player in the area of development cooperation, the issue has become a significant aspect of Indian foreign policy and strategic thinking in recent years. These programmes abroad have expanded considerably, both in geographical spread and in sectoral coverage<sup>83</sup>. The growing Indian presence in this area is being facilitated by changing economic policy orientation and economic expansion. Plans include Lines of Credit (LOC); capacity building particularly the Indian Technical and Economic Cooperation (ITEC) programme; and bilateral grant assistance projects. By March 2014, the Indian government had signed 176 LOCs covering 62 countries with credit commitments of more than EUR 9.5 billion. Every year about 10 000 personnel from more than 150 countries are trained in 47 empanelled institutions throughout India by more than 280 short-term, medium-term and long-term training programmes. Additionally, India has been building grant assistance projects in the region and in Africa<sup>84</sup>. Its commitment to Afghanistan is close to EUR 2 billion. However, unlike traditional donors all of these activities are non-conditional.

The EU-India Joint Action Plan had a section on development cooperation, which mentions that both would further ‘explore EC-India cooperation in development projects in third countries’. However, progress on this front is almost negligible. The EU has focused mainly on development projects within India, but as non-traditional donors like China, India, Brazil, South Africa, or Mexico, are increasingly becoming actors within bilateral development, the EU might need to revisit its own policy. The entry of new players raises challenges for traditional donors, but also presents new opportunities to co-operate in third countries.

Indian policy makers argue that its aid is ‘different’ as it is demand-driven and without conditionality. Since India does not follow the Organisation for Economic Development and Cooperation (OECD) definition and guidelines, several Indian activities may not fit within the traditional framework. It is also not very easy to quantify and evaluate its impact professionally. However, the cost of implementing Indian projects could be significantly lower than EU aid projects. A regular dialogue between the EU and the Indian Development Partnership Administration (DPA) could promote a better understanding of Indian activities abroad and may help to identify areas of joint project implementation in third countries. India is creating new capacities as part of the E-Network project in Africa and Central Asia, which could also be used to the benefit of third countries. Specific activities, similar to Afghanistan (outlined above), could be applied, for instance, to Myanmar, where India began its constructive engagement with the military rulers much earlier than western nations, an engagement which has often attracted criticism. However, political reforms and growing international involvement in the last few years have freed India from earlier limitations. As India considers Myanmar as a gateway to the East, it

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<sup>83</sup> Annual Report 2012-13, New Delhi: Ministry of External Affairs, pp. 121-127.

<sup>84</sup> For details see G. Sachdeva, Emerging Dynamics of Indian Development Cooperation, Berlin Conference on Asian Security 2014, <http://goo.gl/U2GswT>

is involved in many connectivity and capacity building projects where EU-India cooperation could also be explored.

## **11 Can India Play a Role in the Ukraine Crisis?**

The Ukraine appears as a standard text book case study of geopolitics at play. It seems to have become a proxy between Russia on the one hand, versus the EU and the US on the other. At stake are the EU's ideas about 'shared values' and the future of the Eurasian Economic Union under the Russian leadership in its 'neighbourhood'. To make the concept 'near abroad' outdated, the EU would like to see an independent, undivided Ukraine built by way of free and fair elections, based upon the rule of law closely connected with NATO and the EU. The country remains stuck between the attractions of partnership with the EU balanced against the influence exerted and maintained by Russia in post-Soviet space. The outcome of the Ukraine crisis might have important implications not only for Russia as a great power but also for the EU. It is a test of the EU's ability as a global actor, having implications not only for US-Russia relations but also for international geopolitics.

The Indian approach to the crisis has not been very comfortable for its European partners. As India has never supported unilateral sanctions against any country, it did not support western sanctions against Russia. Along with China and South Africa, it also abstained at the UN General Assembly on the Ukraine resolution. The Ukraine crisis has no direct implications for India. Moreover, being a very close friend and a reliable strategic partner of Russia<sup>85</sup>, India's position has been somewhat supportive. The then National Security Adviser Shiv Shankar Menon argued that 'we would hope that whatever internal issues within Ukraine are settled peacefully and that broader issue of reconciling the various interests involved, and there are after all legitimate Russian and other interests involved, are discussed, negotiated and there is a satisfactory resolution to them'. The Ministry of External Affairs statement called for 'sincere and sustained diplomatic efforts to ensure that issues between Ukraine and its neighbouring countries are resolved through constructive dialogue'. In his address to the Russian Parliament after the annexation of Crimea by Russia, President Putin particularly thanked India for the tacit support and for understanding Russian concerns. He said 'we highly appreciate India's restraint and objectivity'. Overall, the 'balanced' Indian position on Ukraine is that it respects territorial sovereignty and integrity of other countries but also supports Russia's 'legitimate interest' in the region.

In a situation where resolution of the crisis seems elusive, New Delhi could be brought into the picture because of close Indian-Russian ties. The EU ambassador to Delhi is on record as saying that 'India's privileged relations with Russia and longstanding relationship with it should build the

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<sup>85</sup> G. Sachdeva, 'India's Relations with Russia' in David Scott (Ed), *Handbook of India's International Relations*, London: Routledge, 2011, pp.213-222.

basis for promotion of a greater understanding (on the issue)’. He further elaborated that the EU would welcome any involvement and engagement of India in resolving the issue<sup>86</sup>. In other words, this obviously is an area where the EU and India could work together in the near future.

## 12 Italian Marine Case: Impact on EU-India Ties

It seems that the case of two Italian marines who are accused of killing two Indian fishermen in 2012 has started impacting EU-India ties. Many reports in India have even indicated that the EU’s unusual failure to accept India’s request for an EU-India Brussels summit in April 2015 is due to the unresolved Italian marine case<sup>87</sup>.

Although European institutions were somehow involved in the case, it was seen broadly as a bilateral dispute between India and Italy. In recent months, many Indian news reports have indicated that the EU has become more active, particularly after the appointment of Ms Federica Mogherini as new High Representative of Foreign Affairs and Security Policy. Since she had been handling the case previously as Italian foreign minister, she is perhaps able to portray this as a dispute between India and the EU. Recently she mentioned at the European Parliament in Strasbourg that ‘We share values and strategic interests with India and we want to cooperate on the world arena’. But it’s good for everyone to be fully aware of how much of an impact the unresolved dispute of the two Italian Navy officials can have on relations between the EU and India. It is putting them to the test<sup>88</sup>. She also made a similar statement earlier in December 2014<sup>89</sup>. Even during her hearing at the European Parliament when she was appointed, she gave very elaborate answers on the Italian marine case. In regard to the EU-India partnership, her only answer was that there is a new opportunity to work together with India due to its new government. On the Western Balkans, Turkey and deepening partnership with India, the High Representative answered without even mentioning EU-India ties<sup>90</sup>.

It appears that suddenly the Italian marine case has received disproportionate attention from the EU. Following the debate on this issue, the European Parliament passed a resolution<sup>91</sup> which although expressing ‘great sadness at the tragic death of the two Indian fishermen’, also stressed that ‘the lengthy delay and restrictions on the marines’ freedom of movement are unacceptable and represent a serious breach of their human rights’. The resolution also hoped that ‘jurisdiction will fall under the Italian authorities and/or international arbitration’. Reacting to this resolution,

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<sup>86</sup> The Times of India, 18.2.2015

<sup>87</sup> ‘PM Narendra Modi’s Brussels Visit Cancelled as EU Fails to Respond’, The Economic Times, 14.03. 2015

<sup>88</sup> [http://www.ansa.it/english/news/politics/2015/01/15/mogherini-warns-india-on-marines\\_58f41bf1-e8f2-49c0-a419-9a1428b1c518.html](http://www.ansa.it/english/news/politics/2015/01/15/mogherini-warns-india-on-marines_58f41bf1-e8f2-49c0-a419-9a1428b1c518.html)

<sup>89</sup> [http://eeas.europa.eu/statements-eeas/2014/141216\\_04\\_en.htm](http://eeas.europa.eu/statements-eeas/2014/141216_04_en.htm)

<sup>90</sup> <http://www.elections2014.eu/resources/library/media/20141022RES75841/20141022RES75841.pdf>

<sup>91</sup> <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2015-0013+0+DOC+XML+V0//EN&language=EN>

the Indian External Affairs Ministry spokesperson asserted that ‘The case involving the two Italian marines having killed two Indian fishermen, is sub judice, and is being discussed between India and Italy. The Hon’ble Supreme Court of India, in its ruling on 14 January 2015, has granted three months extension to the Italian marine, Massimiliano Latorre, for his stay in Italy for health reasons whilst the other marine, Salvatore Girone, is living at the Italian Embassy in New Delhi. Under these circumstances, the European Parliament would have been well advised not to adopt the Resolution’<sup>92</sup>.

It is widely felt in India that a simple bilateral dispute has started to adversely affect ties with the EU. Similar views were expressed by a visiting European parliamentary delegation to India<sup>93</sup>. The Italian Government has tried to involve the UN in the case but its Secretary General’s position has remained unchanged in that the issue must be resolved bilaterally between India and Italy<sup>94</sup>. Although the BJP and Prime Minister Modi had taken a very tough stand on the issue while in opposition, there were indications that the government could handle this issue smoothly and consider consensual proposals by the Italian Government. The recent resolution by the European Parliament and perceptions of its linkages to the proposed India-EU summit will not go down well with the Indian Government. The best strategy would have been a top level political engagement to work out a mutually acceptable solution rather than public statements and resolutions.

### **13 Political Commitment to Partnership**

Although the EU-India strategic partnership had existed for ten years by 2014, the two partners did not even hold a bilateral summit to celebrate this landmark, an indication of the low priority accorded to the relationship by the leaderships on both sides. The critical factor that will determine the direction of EU-India relations in the coming years is precisely the leadership’s political commitment to the strategic partnership. Prime Minister Modi’s interactions with leaders from the US, Russia, China, Japan, Australia and south Asia showed that economic relations are on top of the foreign policy agenda under the BJP government.

The EU should, therefore, also have been at the top of his agenda. In April 2015, almost a year after his election, Prime Minister Modi chose to visit France and Germany. However, a possible visit to Brussels for an EU-India summit did not materialise. The EU’s EEAS allegedly did not respond to Indian suggestions on suitable dates to organise a summit. In the words of a senior diplomat, the EEAS unusual non-response has ‘already left a bitter aftertaste’<sup>95</sup>. Another official

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<sup>92</sup><http://mea.gov.in/mediabriefings.htm?dtl/24690/Official+Spokespersons+response+to+a+question+on+European+Parliament+resolution+in+the+Italian+Marines+Case>

<sup>93</sup> <http://www.ndtv.com/india-news/italian-marines-issue-clouds-pm-narendra-modis-eu-trip-747080>

<sup>94</sup> <http://www.firstpost.com/world/italy-asks-united-nations-to-intervene-in-marines-issue-ban-ki-moons-stand-remains-unchanged-2164187.html>

<sup>95</sup> ‘PM Narendra Modi’s Brussels Visit Cancelled as EU Fails to Respond’, The Economic Times, 14.03.2015

was quoted as saying that by doing this, the EU has ‘just made itself a little more irrelevant to India’<sup>96</sup>.

During Prime Minister Modi’s visit to Paris, India and France finalised the Rafale deal and agreed to fast track the nuclear power project. Similarly, Prime Minister Modi outlined in Germany his ambitious economic agenda. He assured investors that ‘India is now a changed country’ and its ‘regulatory regime is much more transparent, responsive and stable’. It shows that strong political leadership and commitment can bring dynamism to the relationship. The outcome of this official visit (20 agreements with France, EUR 2 billion outsourcing commitment by Airbus) illustrates that the Indian Government is looking at a European contribution and participation in the ‘Make in India’ programme in terms of resources and technology, defence and railway modernisation as well as renewable energy. An EU-India summit is not likely to happen in the short term. Moreover, extraordinary political solutions are now needed to break the deadlock, restart trade negotiations and develop strategic cooperation in security matters. Strong political and strategic understanding together with cooperation built between India and major EU Member States is not being translated at EU level. Issues which affect EU-India ties more are those which are not resolved at a bilateral level (such as Italian marine case). Somehow, there is also a perception in India that bilateral ties with large Member States are much more important than EU-India ties and policy makers focus, therefore, on major Member States rather than the EU.

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<sup>96</sup> ‘Italian Marines Row Hits PM Narendra Modi’s EU Plan’, *The Times of India*, 15.03.2015



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## 20 Annexes

### Annex 1: EU Trade with Major Partners (2013)

The Major Import Partners			The Major Export Partners			The Major Trade Partners					
Rank	Partner	Million Euro	%	Rank	Partner	Million Euro	%	Rank	Partner	Million Euro	%
	World	1,682,582	100		World	173,7981	100		World	3,40,553	100
1	China	200,095	18.8	1	USA	288,063	16.6	1	USA	484,361	14.2
2	Russia	208,148	12.3	2	Switzerland	1,69,566	9.8	2	China	428,382	12.5
3	USA	196,098	11.7	3	China	140,297	8.5	3	Russia	325,956	9.5
4	Switzerland	94,305	5.6	4	Russia	119,780	6.9	4	Switzerland	283,071	7.7
5	Norway	90,064	5.4	5	Turkey	77,755	4.5	5	Norway	140,289	4.1
6	Japan	56,565	3.4	6	Japan	54,076	3.1	6	Turkey	128,156	3.7
7	Turkey	50,401	3.0	7	Norway	50,225	2.9	7	Japan	110,641	3.2
8	India	36,809	2.2	8	UAE	44,772	2.6	8	South Korea	75,808	2.2
9	South Korea	35,840	2.1	9	India	40,043	2.1	9	India	73,140	2.1

Source: Eurostat

## Annex 2: EU Trade in Services with India (EUR)

	EU Exports to India	EU Imports from India	EU /India Total Trade in Services
2006	7.5	5.8	13.3
2007	8.7	7.2	15.9
2008	9.0	8.1	17.1
2009	8.9	7.4	16.3
2010	10.0	8.2	18.2
2011	10.7	9.7	20.4
2012	11.5	11.0	22.5

	Exports			Import			Balance		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
<b>Total of which</b>	8 938	9 137	10 062	8 129	7 390	8 692	809	1 747	2 170
Transportation	2 850	2 391	3 577	1 821	1 488	1 835	1 029	903	1 742
Travel	1 018	874	1 230	2 017	1 470	1 660	-999	-597	-430
Other services of which:	5 069	5 868	6 052	4 282	4 426	5 182	788	1 442	870
Communications services	278	261	230	267	207	187	10	55	43
Construction services	322	487	481	132	224	204	190	263	277
Insurance services	73	70	81	54	55	89	18	15	-8
Financial services	350	322	310	80	133	187	270	189	123
Computer and information services	1 356	1 732	1 811	1 125	1 288	1 530	230	444	281
Royalties and license fees	212	247	268	50	70	49	162	218	219
Other business services	2 243	2 548	2 693	2 472	2 333	2 835	-229	215	-141
Personal cultural and recreational services	28	21	32	30	60	33	-2	-48	0.2
Government services other	208	181	146	71	89	69	137	91	77
<b>Total extra-EU27</b>	525 304	483 493	539 028	454 045	416 271	453 604	71 259	67 222	85 424
<b>India/total extra EU27</b>	<b>1.7 %</b>	<b>1.9 %</b>	<b>2.0 %</b>	<b>1.8 %</b>	<b>1.8 %</b>	<b>1.9 %</b>			

Source: Eurostat

### Annex 3: FDI Inflows in India, April 2000 to July 2014 (US \$ million)

Country	FDI Inflows	per cent of Total Inflows
<b>Total</b>	<b>228,438</b>	<b>100</b>
Mauritius	81,911	35.8
Singapore	27,114	11.8
Japan	17,102	7.5
USA	12,727	5.6
European Union	58,907	25.7
UK	21,587	9.46
Netherlands	12,727	5.57
Cyprus	77,16	3.38
Germany	6,832	2.99
France	3,993	1.75
Spain	1,920	0.84
Italy	1,452	0.64
Belgium	771	0.34
Poland	615	0.27
Denmark	397	0.14
Ireland	317	0.14
Finland	286	0.13
Austria	227	0.10
Other EU Countries	67	0.03

Source: Government of India, Department of Industrial Policy and Promotion, FDI Statistics.

### Annex 4: FDI from Major European Economies to India, 2004-2013

	Greenfield (\$ billion)	Brownfield (\$ billion)	Total (\$ billion)	% of Total
<b>UK</b>	37.3	33.0	70.3	35.5
<b>Germany</b>	22.0	12.5	34.5	17.4
<b>France</b>	17.9	3.7	21.6	10.9
<b>Switzerland</b>	7.0	5.2	12.2	6.2
<b>Italy</b>	5.0	1.5	6.5	3.3
<b>Denmark</b>	1.8	0.4	2.2	1.1
<b>The Netherlands</b>	4.9	2.8	7.8	3.9
<b>Sweden</b>	4.9	1.5	6.4	3.2
<b>Belgium</b>	1.7	1.7	3.4	1.7

Source: Adith Charlie, European Companies in India: Reigniting Economic Growth (Brussels: Europe India Chamber of Commerce, 2014).

### Annex 5: Greenfield Investments by Indian Companies in Europe, 2002-2012

	No. of Projects	No. of Companies	Jobs Created	Capital Invested (\$ Million)
UK	244	161	24903	8148
Germany	101	94	4545	1512
The Netherlands	33	28	1205	2455
France	31	30	1313	365
Belgium	23	19	1675	861
Spain	16	16	1744	668
Italy	15	12	2239	2003
Switzerland	14	14	545	201
Denmark	10	8	456	1428
Sweden	7	7	281	1834
Other EU Countries	17	15	893	956
<b>Total</b>	<b>571</b>	<b>321</b>	<b>39,709</b>	<b>17,517</b>

Source: Adith Charlie, Indian companies in the European Union (Brussels: Europe India Chamber of Commerce, 2012)

### Annex 6: Some Major Acquisitions by Indian Companies in Europe

Buyer	Target	Target Headquarters	Target Business	Enterprise deal Value (\$ billion)	Announcement Date
Tata Steel	Corus	London	Steelmaker	13.3	Jan. 2007
Bharti Airtel	Zain Africa	Amsterdam	Telecommunications	10.7	Feb. 2010
Tata Motors	Jaguar and land Rover	London	Luxury Sedans	2.3	Mar. 2008
Suzlon Energy	RePower	Hamburg	Wind Turbines	1.74	May 2007

Source: Adith Charlie, Indian companies in the European Union (Brussels: Europe India Chamber of Commerce, 2012)

## Annex 7: India's Engagement with Regional Integration through Bilateral/Multilateral Initiatives

Name of the Agreement	Status
ASEAN-India Comprehensive Economic Cooperation Agreement	Signed and In Effect
Asia-Pacific Trade Agreement *	Signed and In Effect
Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation** (BIMSTEC) Free Trade Area	Framework FTA Signed
Comprehensive Economic Partnership for East Asia (CEPEA/ASEAN+6)	Proposed/Under consultation and study
India-Afghanistan Preferential Trading Agreement	Signed and In Effect
India-Australia Free Trade Agreement	Negotiations launched
India-Bhutan Trade Agreement	Signed and In Effect
India-Canada Economic Partnership Agreement	Negotiations launched
India-Chile Preferential Trading Agreement	Signed and In Effect
India-Colombia Preferential Trading Arrangement	Proposed/Under consultation and study
India-Egypt Preferential Trade Agreement	Negotiations launched
India-European Free Trade Association Free Trade Agreement	Negotiations launched
India-European Union Broad Based Trade and Investment Agreement	Negotiations launched
India-Gulf Cooperation Council Free Trade Area	(FA) Signed
India-Indonesia Comprehensive Economic Cooperation Arrangement	Negotiations launched
India-Israel Preferential Trade Agreement	Negotiations launched
India-Korea Comprehensive Economic Partnership Agreement	Signed and In Effect
India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement	Negotiations launched



<b>India-MERCOSUR Preferential Trade Agreement</b>	Signed and In Effect
<b>India-Russia Comprehensive Economic Cooperation Agreement</b>	Proposed/Under consultation and study
<b>India-Singapore Comprehensive Economic Cooperation Agreement</b>	Signed and In Effect
<b>India-Southern African Customs Union Preferential Trade Agreement</b>	(FA) Signed
<b>India-Sri Lanka Free Trade Agreement</b>	Signed and In Effect
<b>India-Thailand Free Trade Area</b>	(FA) Signed
<b>India-Turkey Free Trade Area</b>	Proposed/Under consultation and study
<b>India-Uruguay Preferential Trading Arrangement</b>	Proposed/Under consultation and study
<b>India-Venezuela Preferential Trading Arrangement</b>	Proposed/Under consultation and study
<b>Indo-Nepal Treaty of Trade</b>	Signed and In Effect
<b>Japan-India Comprehensive Economic Partnership Agreement</b>	Signed and In Effect
<b>Malaysia-India Comprehensive Economic Cooperation Agreement</b>	Signed and In Effect
<b>New Zealand-India Free Trade Agreement</b>	Negotiations launched
<b>People's Republic of China-India Regional Trading Arrangement</b>	Proposed/Under consultation and study
<b>Regional Comprehensive Economic Partnership</b>	Negotiations launched
<b>South Asian Free Trade Area</b>	Signed and In Effect

\*Earlier Bangkok Agreement

\*\* Membership include Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, Thailand

Source: Asian Development Bank Regional Integration Centre Database

**Annex 8: Share of Renewable Energy in Selected EU Countries, 2004-2020 (Percentage share of total gross consumption of energy)**

	2005	2012	2020 (target)
<b>EU</b>	8.5	11.6	20.0
<b>Austria</b>	22.7	32.1	34.0
<b>Denmark</b>	14.5	26.0	30.0
<b>Finland</b>	29.2	34.3	38.0
<b>France</b>	8.3	14.2	23.0
<b>Germany</b>	5.8	12.4	17.0
<b>Italy</b>	5.7	13.5	17.0
<b>Spain</b>	8.3	14.2	20.0
<b>Sweden</b>	38.7	51.0	49.0
<b>Portugal</b>	19.2	24.6	31.1

Source: Eurostat News Release 37/214- 10.3.2014, [http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/8-10032014-AP/EN/8-10032014-AP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/8-10032014-AP/EN/8-10032014-AP-EN.PDF)

## India: economic indicators and trade with EU

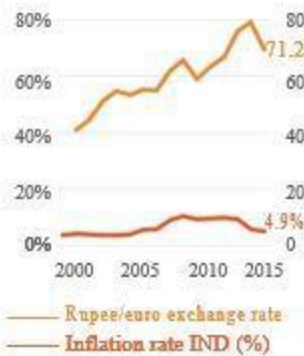
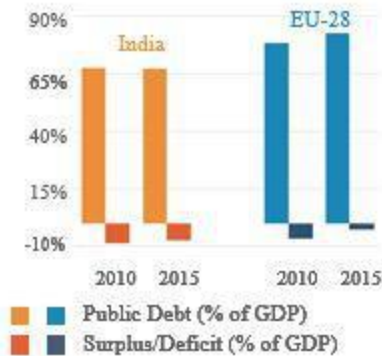
Sources for the statistics: European Parliament and Globalstat. The statistics was published in June 2016.<sup>97</sup>



<sup>97</sup> GlobalStat is a project developed by the European University Institute's Global Governance Programme (Italy) and the Francisco Manuel dos Santos Foundation (Portugal). Data sources: GDP figures, inflation and exchange rates are from IMF WEO (April 2016) and Eurostat (2016); Labour market data are from ILO KILM (2015); FDI and remittances data are estimates from World Bank staff based on IMF BoP data (2016); HDI and GINI indexes are from UNDP HDR (2015) and are re-scaled (\*) from 0-1 to 0-100 for better comparability; CPI is from Transparency International (2015); Doing Business data are from the World Bank Group - Doing Business Unit (2016).

Among the resources are also: EU trade with India, Main trade partners (EU), Top 10 partners Member States (goods), EU exports to India (%) and Indian exports to EU (%) are from ComExt, Eurostat; Other APEC members = Australia, Brunei, Canada, Chile, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Singapore, South Korea, Thailand and Vietnam; main trade partners (India) are from IMF; UAE = United Arab Emirates, other APEC members = Australia, Brunei, Canada, Chile, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Taiwan, Thailand and Vietnam; EU grants paid to Indian beneficiaries (2014) are from European Commission; Preferential loans to India are from European Investment Bank (EIB).

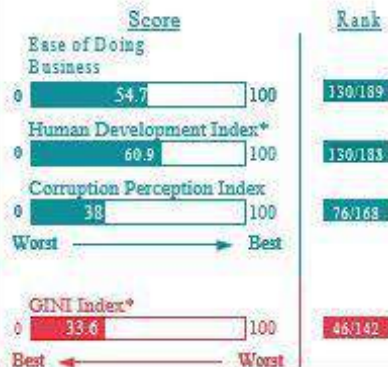
### Public finances, monetary and financial data



### FDI and remittances to India and the EU-28



### India's business environment and socio-economic indicators

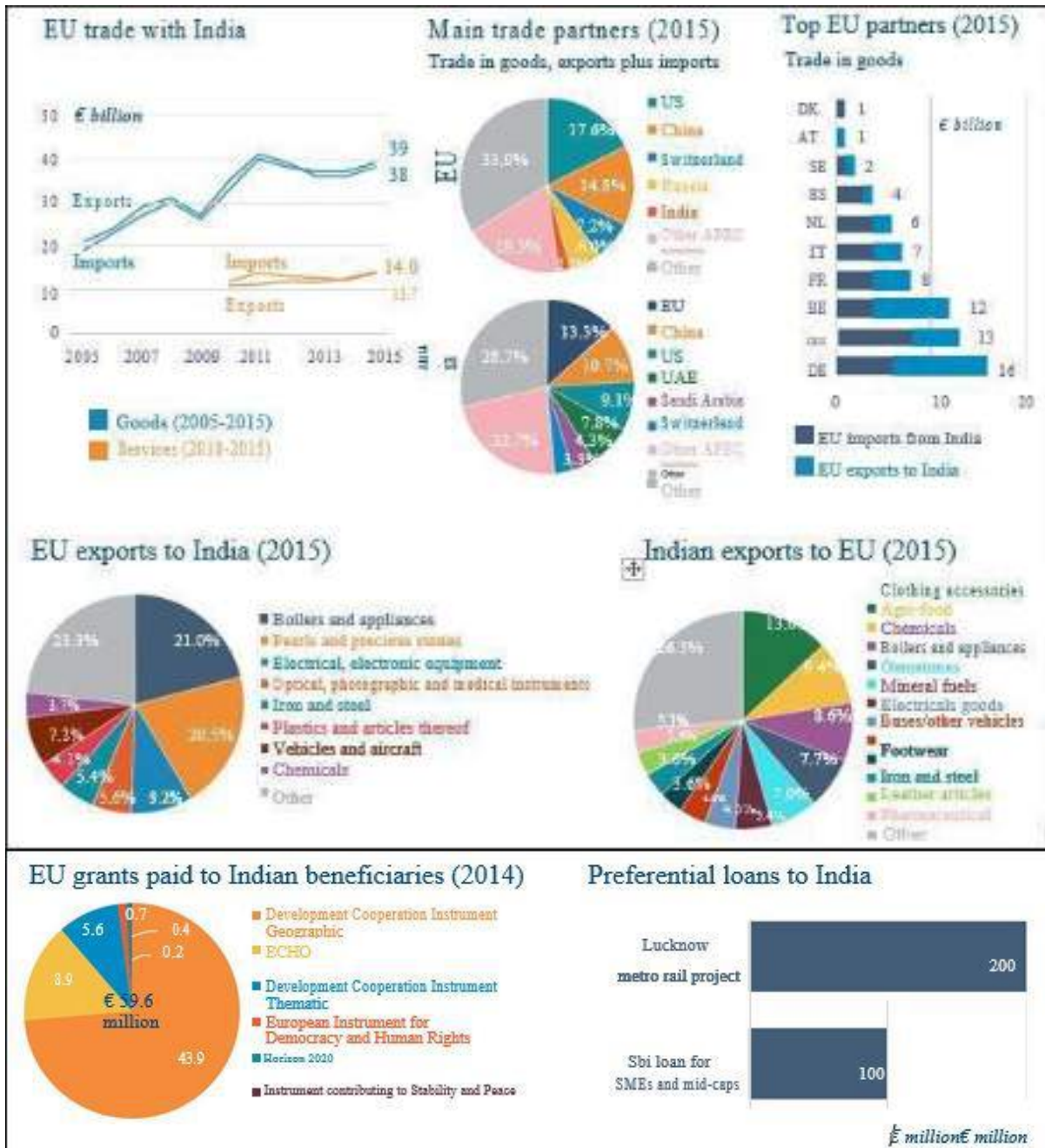


The Ease of Doing Business's 'distance to frontier' score assesses the overall level of regulatory performance of a country. It ranges from 0='lowest performance' to 100='the frontier', the best performance observed worldwide at each year.

The Human Development Index (HDI) measures the average achievement in key dimensions of human development. It is based on life expectancy at birth, average duration of education and GDP per capita. It ranges from 0 to 100. 'High human development countries' (UN) are in the range between 70 and 80.

The Corruption Perception Index measures the perceived levels of public sector corruption worldwide. Scores range from 0 (highly corrupt) to 100 (very clean). In 2015, two thirds of the countries score below 50.

The GINI Index measures the deviation of the distribution of income among individuals or households within a country from a perfectly equal distribution. It is hence a measure of inequality in income distribution. A value of 0 represents absolute equality, a value of 100 absolute inequality.



# *One Belt, One Road (OBOR): China's regional integration initiative*

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## **Summary**

*In 2013, China launched its 'One Belt, One Road' (OBOR) initiative. OBOR is China's broadly sketched vision of how it plans to boost regional integration in its wider neighbourhood. The initiative is unprecedented in terms of China's financial engagement and the innovative network-based project design which is intended to contribute to a more inclusive global governance. It contrasts sharply with existing treaty-based integration concepts where the geographical scope, partner countries, strategy, principles and rules were clearly defined at the outset.*

*China's new development vision has been seen as an alternative to regional trade agreements which do not include it; as a strategy for asserting its leadership role in Asia in response to the US pivot to Asia; as an economic outreach towards Asian countries for resolving territorial and maritime disputes by exporting China's domestic development policies; as a means of tapping into new sources of growth to check the marked downturn in its economy; as a tool for tackling the socio-economic divide between its inland and coastal provinces; and finally, as a venue for addressing security challenges on its western periphery as well as energy security issues.*

*The response to China's regional integration vision has been mixed. While the idea of enhancing connectivity has drawn considerable interest, given the huge infrastructure gaps across Asia, scepticism regarding China's potential hegemonic ambitions has prevailed notably among regional rivals India and Japan as well as the USA. Whether OBOR will be mutually beneficial for China and the EU will depend on the two sides agreeing on the 'rules of the game', including for joint projects in third countries. Potential synergies between OBOR and the EU connectivity initiatives are being explored under the EU-China Connectivity Platform.*

## **Contents**

- Geopolitical and economic drivers of China's regional integration strategy
- The One Belt, One Road (OBOR) regional integration initiative
- OBOR's significance for China • OBOR's significance for the EU • Outlook
- Further reading

European Union Foreign Affairs Journal – N° 4 – 2016

## Geopolitical and economic drivers of China's regional integration strategy

When China launched OBOR in 2013, its relations with Japan had reached freezing point: high-level diplomatic ties had been suspended as a result of tensions over Japan's revisionism and territorial disputes (nationalisation by Japan of three Senkaku/Diaoyu Islands in the East China Sea in 2012 and creation of a Chinese Air Defence Identification Zone (ADIZ) covering these islands in 2013). Sino-US relations – for which President Xi Jinping coined the term 'new type of great power relations', implying mutual respect and win-win cooperation rather than confrontation and conflict – were marked by the military and political implications of the US Pivot to Asia, perceived by China as an encirclement and the major cause for problems with its emboldened neighbours.

China's bilateral relations with the Philippines and Vietnam, two members of the Association of Southeast Asian Nations (ASEAN), had become increasingly strained, given their conflicting territorial sovereignty claims to islands and maritime features in the South China Sea and the ensuing disputes over resource exploitation rights.

In 2012, alleged illegal fishing resulted in a standoff between China and the Philippines at Scarborough Shoal, leading to its seizure by Chinese naval forces. In 2013, the Philippines submitted its dispute with China to international arbitration under the UN international law of the sea (UNCLOS), challenging China's 'historic' claims based on its nine-dash line. Since 2009, China had taken on a more assertive and coercive approach in territorial matters, departing from its good neighbour policy pursued since the 1990s. This has triggered military hedging against China by several Asian countries. In response to a complex geopolitical setting in the east, which China associated with 'uncertainty', and recognising that its relations with the USA and Japan could not realistically be improved beyond a certain level due to structural competition, and that a great power needs the support of its neighbouring countries in order to rise further, China opted for a **strategic westward orientation**, or 'March West'.

This strategic choice was also driven by domestic political and economic imperatives as embodied by the 'two centenary goals', China's overarching mid and long-term development objectives as defined by the Chinese Communist Party (CCP). The first centenary in 2021 relates to the founding of the CCP in 1921, and the second centenary in 2049 refers to the creation of the People's Republic of China in 1949. The first goal consists of turning China into 'a moderately prosperous society' by 2021, which requires a doubling of the 2010 GDP and GDP per capita by that year. The second goal is about turning the country into 'a prosperous, strong, democratic, culturally advanced, harmonious and modern socialist country' by 2049. In this connection, President Xi Jinping launched the concept of the China Dream, or the **great rejuvenation of the Chinese nation**.

The achievement of these goals implies maintaining economic growth rates at constantly high levels. Given that the bulk of future global growth is estimated to take place in Asia, China's economic growth objectives are likely to be achieved through enhanced economic integration with

its wider neighbourhood. China has therefore actively promoted the upgrading of the China-ASEAN Free Trade Agreement (CAFTA) and the negotiation of the ASEAN-led Framework for Regional Comprehensive Economic Partnership (RCEP). To the same end, it has revitalised the idea of creating a Free Trade Agreement of the Asia Pacific (FTAAP) under the Asia-Pacific Economic Cooperation (APEC), not least to offset its absence from negotiations for the US-led Trans-Pacific Partnership (TPP) and the EU-US Transatlantic Trade and Investment Partnership (TTIP).

### The One Belt, One Road (OBOR) regional integration initiative

#### OBOR's geographical extension, fields of cooperation and corridor design

The 'One Belt, One Road' (OBOR) initiative consists of two trajectories: the Silk Road Economic Belt, an Eurasian overland trading road modelled on its ancient prototype, running across Central Asia and Russia and linking China with Europe; and the 21st century Maritime Silk Road, a trading route connecting China and Europe via southeast Asia, India and Africa and building among others on China's maritime bases in the Indian Ocean. The latter draws inspiration from Chinese admiral Zheng He's naval expeditions to the African east coast during the Ming Dynasty (1368–1644).

**Figure 1 – Silk Road Economic Belt and 21st Century Maritime Silk Road**



Source: One Belt and One Road, Xinhua Finance Agency, 2015.



Introduced in 2013 by President Xi Jinping in Kazakhstan, the 'Belt' originally targeted only central Asia. The 'Road' was presented by him in the same year in Indonesia and was mainly directed at ASEAN. Since then, the two vaguely sketched trajectories linked by a network of port, rail, road and pipeline infrastructure along a modern and extended version of the Old Silk Road have been modified, as political decision-making about the project's extension has progressed. A 'Leading Group' within the Chinese Government has been created to coordinate OBOR projects, and specific research projects at several Chinese research institutes have been set up to spur scholarly debate in and outside of China. The vagueness of what was originally perceived as an empty political slogan has gradually been filled with real content.

In March 2015, China's National Development and Reform Commission (NDRC), Ministry of Foreign Affairs and Ministry of Commerce published jointly the Visions and Actions plan on the framework underpinning OBOR. It explains the initiative as a flexible, open and inclusive cooperation framework which does not seek conformity but envisages diversified modes of cooperation to enable all OBOR countries, both developed and developing, to cooperate with greater parity. It sets out five fields of cooperation or layers of connectivity:

- policy coordination based on established or new bilateral or multilateral mechanisms: China does not see overlapping memberships in cooperation
- mechanisms as contradictory, but rather, as a way of avoiding the kind of forced choices between different cooperation formats that had to be made in Ukraine<sup>2</sup>;
- facilities connectivity: building and upgrading overland and maritime transport, energy and communication infrastructure<sup>3</sup>;
- trade facilitation, to be accomplished by simplifying customs clearance systems and quarantine processes; improving market access and eliminating trade barriers; simplifying foreign investment procedures; and creating more free trade zones. For the moment, this does not require the drafting of standard foreign trade agreements or the establishment of more elaborate forms of regional integration (customs union, common market, economic integration, and economic and political integration);
- deepening financial integration, involving China-supported multilateral financial institutions and including the promotion of the Chinese currency in bilateral trade;
- people-to-people exchanges.

China estimates that OBOR involves potentially 65 countries and 4.4 billion people. Enhancing interconnectivity in a geographical area which generates roughly 55% of global GNP, represents about 70% of global population and has an estimated 75% of known energy reserves, is likely to have a lasting and significant impact.

However, - projects will take 30 to 35 years to accomplish and may result in financial overstretch. China is optimistic: it aspires to achieve an annual trade worth US\$2.5 trillion between the countries located along OBOR within ten years.

Figure 2 shows a web of six east-west or north-south trans-regional economic corridors that run parallel to or link the 'Belt' and the 'Road'. These economic corridors differ largely in size and are at various stages of planning and implementation, with some relying on existing infrastructure or projects integrated into the OBOR initiative.

**Figure 2 – The six economic corridors of the 'One Belt, One Road' initiative**



Source: The Grand Design of China's New Trade Routes, Stratfor, 24 June 2015.

A case in point is the Indochina Peninsula Corridor, where China's engagement with the five Mekong River countries – Burma/Myanmar, Cambodia, Laos, Thailand and Vietnam – can build on the Greater Mekong Sub-region (GMS) Project led by the Asian Development Bank (ADB) and may intersect with the Master Plan on ASEAN Connectivity. In 2015, the Lancang-Mekong Cooperation framework was created as a new mechanism for cooperation in this economic corridor. While the ADB focuses on east-west links with mixed success, China concentrates on north-south connections.

The China-Pakistan Economic Corridor (CPEC) and the Bangladesh-China-India-Myanmar Economic Corridor (BCIMEC) have been under consideration for several years. The China-Mongolia-Russia Corridor, by contrast, was created as recently as 2014 and is the result of trilateralism between the participating countries. After the April 2015 earthquake in Nepal, the India-Nepal-China Corridor was added to OBOR in May 2015.

Since OBOR is southward and westward-oriented, it does not incorporate Japan, North and South Korea. However, there is an interest in improving connectivity with the Koreas as part of the struggle to include some northeast Chinese provinces in OBOR, which were initially excluded from its trajectory. Fresh UN Security Council sanctions against North Korea in March 2016, however, are likely to bring projects to a halt.

OBOR could be perceived as a strategic framework allowing the Chinese Government to manage its infrastructure projects scattered across Asia, Africa and Europe in a more coherent manner. It combines different foreign and domestic policies with existing and new political and financial cooperation mechanisms in a new geographical format.

### **OBOR's political and financial cooperation mechanisms**

Political cooperation on OBOR has taken place at multiple levels, using existing regional organisations such as the Shanghai Cooperation Organisation (SCO) for Central Asia; ASEAN for Southeast Asia; the China-Arab States Cooperation Forum (CASCF) for the Middle East; the Forum on China-African Cooperation (FOCAC) for Africa; and, to a much lesser extent, the BRICS (Brazil, Russia, India, China, and South Africa) format.

As regards Europe, the 16+1 format (comprising 11 central and eastern European (CEE) countries, five Western Balkan countries and China) was set up in 2012, one year before OBOR was launched. At the 2015 EU-China summit, OBOR was incorporated as a new dimension to the EU-China strategic partnership. It has added strength to the EU-China dialogue on connectivity in the Asia-Europe Meeting (ASEM) format, which has featured prominently on the ASEM agenda in recent years.

OBOR provides a framework for new multilateral institution-building, such as the China-led Asian Infrastructure Investment Bank (AIIB) (see box on the next page). It adds multilateral funding (US\$100 billion in authorised capital), leaving also a potential role for the BRICS New Development Bank (NDB). OBOR-related financial cooperation between China and Europe may further expand as a result of China's membership in the European Bank for Reconstruction and Development (EBRD) since January 2016 and the recent opening by the European Investment Bank (EIB) of an office in Beijing.

China has injected considerable capital into OBOR from various sources: the US\$40 billion New Silk Road Fund, the US\$20 billion China-ASEAN Investment Cooperation Fund, the US\$3 billion Investment Cooperation Fund between China and the CEE countries, China's sovereign wealth fund (US\$746 billion) and its foreign exchange reserves (US\$3.19 trillion as of May 2016), which the country seeks to invest in higher-yielding assets than US Treasury Bonds.

Large state-owned enterprises (SOEs), which dominate the Chinese infrastructure-related sectors, are expected to have a major stake in OBOR's first implementation stage, as they are known to enjoy strong financial backing from China's policy banks: Export-Import Bank of China (EXIM), China Development Bank (CDB) and Agricultural Development Bank of China (ADBC). The massive export of China's impressive financial firepower will contribute largely to further the internationalisation of its currency, the renminbi (RMB), through cross-border RMB settlement and RMB-labelled loans, and thus reinforce China's role in global economic governance.

### ***The Asian Infrastructure Investment Bank***

*After the voting rights reform in the US-led International Monetary Fund (IMF) and World Bank (IBRD), aimed at taking China's increased economic weight as the world's second largest economy into account was finally implemented after a long deadlock, the country initiated the creation of the Asian Infrastructure Investment Bank (AIIB) in 2014. In January 2016, after all 57 prospective founding members had signed the AIIB's Articles of Association, the Beijing-based bank started operations.*

*China holds a 30.34% stake in the AIIB, which translates into 26.06% of the bank's voting rights. This is more than the next five biggest investors' shares combined: India (7.51%), Russia (5.93%), Germany (4.15%), South Korea (3.5%), and Australia (3.46%). With 75% of voting rights required for major operational and financial decisions, China is the only AIIB member enjoying a de facto veto right.*

*In 2014, the proposal to set up the AIIB divided the Western world into joiners and non-joiners, including the USA and Japan. Now a fact, the bank has challenged the regional if not global governance paradigm by claiming its own ground alongside the Japan-led Asian Development Bank (ADB) and the US-led World Bank. Some see it as an alternative and others as a complement to funding from existing regional and international financial institutions.*

*The AIIB has pledged to lend 'lean, green, and clean'. It remains to be seen whether it will set itself apart from the lending policy of other multilateral development banks (MDBs) by ruling out conditioning the provision of loans on privatisation or deregulation in recipient countries, in line with China's scepticism about the free market policies some established MDBs advocate.*

*A comparison of the AIIB's environmental and labour standards with those of the World Bank's International Finance Corporation (IFC) posits that although they are modelled on the IFC standards, they do not offer the same level of protection. Although a larger share of AIIB members than World Bank members have signed up to core human rights instruments, there is room for improvement in terms of clear language, a grievance mechanism and disclosure policy.*

## **OBOR's significance for China**

### **OBOR's geopolitical significance for China**

OBOR gives China an opportunity to raise its regional and international profile as a responsible global power by providing public goods separately from, but in the spirit of, the G20 global infrastructure initiative, and by assuming significant financial risks involved in individual projects from which other investors would have shied away.

OBOR is likely to expand significantly China's political and economic leverage over its neighbourhood, since most of the countries receiving Chinese funds for new infrastructure will ultimately be drawn deeper into China's trade and finance orbit and be expected to support its rise in all respects. Some analysts have therefore dubbed OBOR the Chinese Marshall Plan for Asia. Like the USA through its Marshall Plan for Europe after the Second World War, China is said to be using its economic clout to achieve foreign policy objectives, one key difference being that it reportedly has 'no political strings attached'.

OBOR may also be seen as an economic outreach initiative towards certain Asian countries with which China has long-standing territorial (with India) and maritime disputes (to date mainly the Philippines and Vietnam), through the export of China's development policies (growth through infrastructure building). The Chinese 'win-win' calculus would thus be to create economic benefits for Asian disputants in return for their acceptance of the prevalence of Chinese territorial and maritime rights.

Although OBOR has attracted not only small and medium-sized Asian countries suffering from energy and transport infrastructure shortage (such as Cambodia and Pakistan), or wishing to generate multiplier effects (such as Singapore), but also two main regional competitors – Russia and India, scepticism persists to varying degrees among the former and the latter alike as regards China's geostrategic and military ambitions, notably following its intensive land reclamation activities in the South China Sea.

After Russia's geopolitical turn to China, OBOR has further strengthened Sino-Russian ties. Russia's agreement at the July 2015 SCO summit in Ufa (Russia) to align the Russian-led Eurasian Economic Union (EEU) with OBOR testifies to China's shifting weight in their relations. However, analysts have raised doubts as to whether the EEU and OBOR, given their conceptual differences, may be successfully combined.

OBOR is also likely to have a major impact on China's relation with India, which is included in two of the economic corridors. However, India promotes its own Mausam project; the China-Pakistan Economic Corridor is contentious, as it runs through the disputed region of Kashmir; and India has concerns about the BCIM Economic Corridor, perceiving it as part of China's 'string of pearls' encirclement strategy. These concerns have translated into an AIIB charter provision that requires disputants' prior agreement to project financing in disputed territory. India continues to

be wary of what it perceives as China's 'unilateral initiative' and has boosted cooperation with Japan in infrastructure projects.

OBOR will spur fierce competition for infrastructure bids between China and Japan, the latter being a key infrastructure player in southeast and south Asia. Recently, Japan was outbid for a high-speed rail line in Indonesia, since China agreed to provide guarantee-free loans.

Next to Japan, the USA is another regional player completely outside of OBOR's scope. The US vision of a New Silk Road Initiative (NSRI), envisaged back in 2011, was designed as a post-conflict agenda for Afghanistan after the US withdrawal from the country and its disengagement from Central Asia, and similarly concentrated on boosting energy and transport connectivity, epitomised by the Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline and the Central Asia South Asia Electricity Transmission and Trade Project, or CASA-1000, for hydropower export from Kyrgyzstan and Tajikistan.

Compared with the current Chinese funding vehicles and emerging multilateral mechanisms which signal long-term engagement, the US financial commitment was low-key and no new regional institutions or fora were established. The USA embraces

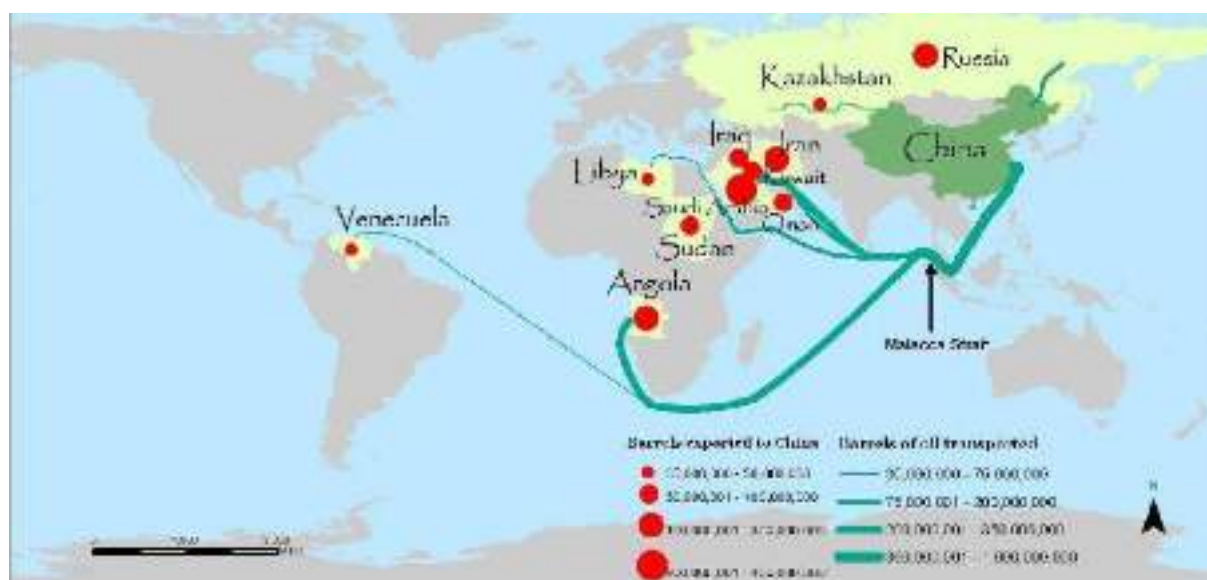
China's 'Belt' as a positive contribution to the region's development as long as it is mutually beneficial for participants. It is, however, wary of China's conflictual posture along its 'Road', which travels through the South China Sea, and where Sino-US conflicts of interest arise from China's assumed ambition to gain regional maritime domination. In the recent past, this has given rise to repeated US freedom of navigation operations (FONOP) in the South China Sea to contain China's land reclamation and military activities and to defend the 'international rules-based order'.

### **OBOR's geostrategic significance for China**

An estimated 85% of China's imports and between 70-85% of its energy supplies, mainly from the Middle East, are sea-borne and pass through several maritime chokepoints such as the Strait of Malacca in the South China Sea which continue to be secured by the USA.

China's so-called 'Malacca dilemma' refers to its vulnerability to potential maritime interdiction by the USA in the event of a war. China's energy security, which is also put at risk by piracy that is rife in this area, can be enhanced by creating alternative trade routes across land bridges in economic corridors linking China's south-western provinces directly to the Indian Ocean.

**Figure 3 – China’s reliance on shipping crude oil through the Strait of Malacca (2009)**



Source: Brutlag, D., Tufts University, 2013.

This requires the refurbishment or construction of roads, railway lines, oil and gas pipelines as well as intermodal transport hubs along the future economic corridors, specifically those that will be traversing Pakistan, Burma/Myanmar and Thailand. Shipping oil from the Middle East to the China-controlled deep-water Port of Gwadar in Pakistan and then carrying it by road, railway or pipelines to Kashgar in China's western province Xinjiang instead of across the South China Sea will significantly cut transport costs and diminish the distance from 12 000 km at present, to 2 395 km.

### **OBOR's economic significance for China**

OBOR coincides with China's comprehensive economic reforms which seek to rebalance its economy towards the 'new normal' of lower yet more sustainable growth. The economic transition from a growth model driven mainly by exports and foreign direct investment (FDI) to one led by domestic consumption, innovative industries and services, has led to an economic slowdown which could derail into social instability following rising unemployment. Since the CCP's legitimacy is nowadays inextricably linked to the delivery of economic growth, OBOR's economic dimension consists in generating substantial foreign demand, notably for products manufactured by the heavy industries, which are being restructured in order to meet China's growth targets.

OBOR may thus be regarded as a second 'opening up' of the Chinese economy, following the one in the late 1970s under Deng Xiaoping's pioneering economic reforms, which primarily boosted the prosperity of China's coastal provinces, now with a focus on the less developed western and central provinces. It may also be perceived as another economic stimulus package for the period

of domestic economic restructuring. Contrary to the first one launched during the global financial crisis in 2008 and worth RMB 4 trillion (more than €544 billion in June 2016), it is expected to be driven more strongly by foreign than domestic infrastructure demand.

Chinese infrastructure-related industrial sectors such as iron, steel, cement, aluminium and glass have accumulated unprecedented overcapacities, currently operating at utilisation rates of around 70%, which not even China's ambitious urbanisation plans will succeed in absorbing. However, infrastructure construction across Asia could offload part of the excess capacities which reached 450 million tons in the steel sector in 2014, with only 21 million tons needed for domestic railway construction. The construction of new transport facilities in Asia will reduce transport time and costs and stimulate demand for Chinese construction material, construction company services and high-value manufactured goods. It will spur another wave of China's companies 'going out or going global', in order to take advantage of investment opportunities, explore new markets and gain experience from international exposure.

### **OBOR's significance for tackling structural imbalances and national security concerns**

Building on China's development strategy for its western provinces, launched in 2000, OBOR aims to tackle socio-economic imbalances between the country's flourishing coastal provinces and less developed western and central provinces, which have translated into gross income inequalities. Since all OBOR corridors depart from central or western provinces, the project could mitigate these significant disparities. Enhanced links between China's central and western provinces and new markets abroad, as well as lower wage levels, can incentivise the transfer of industry sectors from the coastal areas to these provinces in line with the 'flying geese' model, trigger more coastal-centre connectivity and the creation of production sites for higher value-added goods in the coastal provinces.

Next to their socio-economic relevance, the economic integration of China's western provinces into international value chains through enhanced trade linkages with neighbouring countries and beyond is aimed at countering terrorism, separatism and religious extremism in the region, notably in the restive Xinjiang province.

### **OBOR's multiple challenges**

Burma/Myanmar, Cambodia and Laos show the highest infrastructure risk levels among ASEAN countries, with a series of Chinese projects having been halted in the past. Risks may arise from leadership change as evidenced in respect of Colombo Port City in Sri Lanka in 2015. Security concerns stem from transport networks foreseen to be built in remote underdeveloped or conflict-ridden regions such as Burma/Myanmar's restive northern provinces, Central Asia's Fergana



Valley and Pakistan's Balochistan, with the need to protect workers and infrastructure, a daunting challenge for China's non-interference principle. New transit connections raise environmental and social concerns and the need of closer legal and law enforcement cooperation due to expected rising cross-border crime and the expansion of Islamist terrorism. Economic immaturity of markets, limited market size, corruption, cumbersome customs clearance, low administrative efficiency and high default risks may lead to low- or zero-return projects.

### **OBOR's significance for the EU**

#### **OBOR's geopolitical significance for the EU**

OBOR-induced investment and trade relations between China and countries in Eurasia, Africa and the Middle East are likely to result in China's growing political and economic leverage on these countries. What impact this will have on the EU's long-term geopolitical, economic and geostrategic interests will also depend on whether the EU responds to OBOR with one voice and coordinated policies.

Until recently, China's infrastructure investment in Europe targeted individual EU countries such as Greece and the 16+1 group rather than the EU as a block. This has led to concerns about China's investment strategy pursuing 'divide and rule tactics' capitalising on the lack of a common EU strategy – as evidenced by the past lack of consultation at EU level as regards the AIIB accession of a total of 14 EU Member States – and EU Member States' propensity to privilege their bilateral ties with China.

However, China's strong interest in investing in EU connectivity initiatives and in seeking synergies between them and OBOR, as voiced at the 2015 EU-China summit, could be a turning point. With the launch of the EU-China Connectivity Platform, the EU has created a common framework for European cooperation with China on OBOR with a view to defining cooperation strategies, plans and policies and to clarifying the rules and principles governing joint projects including governance and rule of law issues. As OBOR is a 'moving concept', it provides the EU with an opportunity to take part in shaping the agenda jointly with China and deepen EU-China relations.

#### **OBOR's economic significance for the EU**

China's OBOR-related activities will significantly bolster its influence on future land-based and maritime trade patterns in Asia, Africa and Eurasia, by diverting trade trajectories away from certain regions to others or from maritime trade to land-based trade routes or vice versa. The Chinese investment in the Port of Piraeus, coupled with investment in high-speed railways from

Piraeus to Budapest and from the Black Sea Port of Constanta to Vienna via Bucharest and Budapest, is a case in point. It opens new trade routes between China and the CEE countries.

Apart from narrowing the existing infrastructure gap between these countries and the 'old' EU Member States, the new links are expected to reduce shipping times for Chinese goods by ten days, thus increasing their competitiveness on the European market. Time will show whether these new links will equally benefit exports to China from CEE countries and the EU as a block. For the time being, the countries concerned run huge trade deficits with China. China's investment in the Port of Piraeus has turned the two Chinese-operated piers into a vibrant transshipment hub, while raising labour and safety regulation issues. Whether this investment will translate into a net increase in the volume of EU-China trade, or merely in a relocation of logistics activities to Piraeus from other EU ports such as Antwerp, Hamburg or Rotterdam, remains to be seen.

Given the predominant role played by Chinese SOEs (whose competitive edge is largely owed to the Chinese government's strong financial and non-financial support) in these infrastructure investments, some analysts doubt that OBOR will be equally beneficial for EU firms. Others suggest that the potential of enhanced connectivity be assessed against its negative effects such as increased organised crime, illegal trafficking, terrorist activities and more counterfeited goods.

### **OBOR's geostrategic significance for the EU**

Improving infrastructure along the land-based Silk Road Economic Belt has the potential to contribute to economic development and regional stability in Eurasia from which both China and the EU could benefit in terms of new markets and energy security. OBOR thus opens opportunities for the EU to pursue its geostrategic ambitions in Central Asia by deepening the EU-China strategic partnership through cooperation in non-traditional security fields, possibly paving the way to EU-Russia reconciliation. The maritime trajectory of OBOR will sooner or later require the EU to take a more outspoken position on maritime disputes in the South China Sea in favour of an international rules-based order.

If OBOR is considered to be 'the most ambitious infrastructure-based security initiative in the world today', it may be argued that it could be advantageous for the EU to consider how its existing policy tools and strategies, such as the European Neighbourhood Policy (ENP) and the EU Maritime Security Strategy, could be linked with OBOR and how this strategic alignment could feed into the EU's new Global Strategy for Foreign and Security Policy which came out on 29 June 2016.<sup>4</sup>

## ***EU position***

*While there is as yet no official EU position on OBOR, the European Parliament in its 16 December 2015 resolution on EU-China relations took note ‘... of the launch of the 'One Belt, One Road' initiative aimed at constructing major energy and communication links across Central, West and South Asia as far as Europe’.*

*It stressed 'that given the geostrategic relevance of this initiative it should be pursued in a multilateral way' and 'that it is of the utmost importance to develop synergies and projects in full transparency and with the involvement of all stakeholders.' It urged 'the VP/HR and the Commission to reflect on the impact of China's global investment policy, as well as its investment activities in the EU and its Eastern Neighbourhood.'*

## **Outlook**

Nearly three years after OBOR's launch, it has yielded mixed results. In general, it has triggered huge, albeit at times sceptical, interest, since Asia faces a glaring infrastructure gap estimated at around US\$750 billion per year until 2020. Central Asian countries are more positive about the 'Belt' than southeast and south Asian countries about the 'Road', given the tensions in the South China Sea and the disagreements on specific project conditions (Thailand). OBOR seems to be establishing a centre-periphery pattern between China and its neighbours based on asymmetric relationships likely to result in China's economic, political and military leverage over them. Analysts have pointed to the emergence of a new Sino-centric regional order as part of the 'rejuvenation of the Chinese nation'. The 'Chinese Marshall Plan' risks prolonging China's state capitalism, with Chinese SOEs and state-owned policy banks playing a major role in OBOR's implementation, even though China pledged to allow the market to play a 'decisive role' in resource allocation. Despite China's efforts to portray itself as a provider of 'win-win' situations, its heavy-handed approach to fishing vessels from Vietnam and the Philippines and recent massive land reclamation in the South China Sea, as well as its strong military build-up seem to have provoked a negative perception in its neighbourhood and beyond.<sup>5</sup>

There is an obvious tension between China's declared intention to enhance 'win-win' relations with its neighbours, on the one hand, and to insist on sovereignty claims, on the other. Frictions between 'common interests' and China's 'core interests' could result in more conflict, as it starts enforcing its claims more rigorously, expecting co-claimants to cede. Some commentators are sceptical about the possibility of reconciling China's conflicting goals of pursuing 'the path of peaceful development' and of 'resolutely safeguarding China's sovereignty'. Other experts hold the view that the risks of a conflict in the region has increased in the past few years and that China's uncompromising stance in territorial matters presents a significant liability for regional stability.

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## Endnotes

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2. Chinas Vision einer globalen Seidenstraße, Godehardt, N., Stiftung Wissenschaft und Politik (SWP), January 2016, p. 35.

3. The Digital Silk Road (DSR) seeks cooperation in next-generation mobile technology 5G, cloud computing, the Internet of Things, big data, e-commerce, digital investment, smart cities, and smart energy. The DSR was the subject of a high-level meeting in Brussels in July 2015.

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# *Integrating the Silk Road Economic Belt (SREB) with the Eurasian Economic Union (EAEU): Constructing Great Eurasian Economic Partnership*

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## **Abstract**

*Experts generally consider that the initiative of integrating the Silk Road Economic Belt with Eurasian Economic Union are mistaken in methodology as Eurasian Economic Union is the international economic integration organization which belongs to the political institutions, while the Silk Road Economic Belt is just an initiative, and ultimately to be embodied in the specific investment projects such as infrastructure, industrial cooperation and so on. They can hardly achieve integration.*

*This paper believes that the development trend of the world economy integration created necessary conditions to realize the integration between the Silk Road Economic Belt and Eurasian Economic Union, and demonstrates that the SCO(Shanghai Cooperation Organization) is an important platform to achieve integration from the aspects of comparative advantage of the SCO and the Eurasian Economic Union, the aims, principles and contents of the SCO, the support for the Silk Road Economic Belt from the SCO member states, and the security cooperation within the space of the SCO.*

*We also draw the roadmap of integration, which includes two parts: Firstly, the integration of software, that is the integration of trade, investment rules and technical standards of commodity in the framework of the SCO and the dialogue between China and European Economic Union in order to implement trade and investment facilitation, free flow of goods, capital, technology, services and establish economic partnership within the whole Eurasian Economic Space; Secondly, the integration of hardware, that is advancing the construction of the six economic corridor to connect Eurasian Economic Common Space, achieving interconnectivity of infrastructure, enhancing cooperation of capacity, and promoting China's investment in relevant countries.*

**Key words:** *The Silk Road Economic Belt, Eurasian Economic Union, The SCO, Economic Corridor*

In September 2013 Chinese president Xi Jinping proposed the important initiative about jointly building the Silk Road Economic Belt. By the end of 2015 the initiative reach consensus within the whole Eurasia, and many countries have signed the cooperation files about jointly building the Silk Road Economic Belt with China. In May 2015, Chinese government and Russian government signed the landmark “Joint Declaration on integrating the construction of the Silk Road Economic Belt with the Eurasian Economic Union”, which establish the long-term targets of jointly building “Eurasian Common Economic Space”.

## **I. The condition of integrating the SREB with the EAEU**

Major countries of Eurasia have joined the Eurasian Economic Union and the Shanghai Cooperation Organization (SCO) as memberships, observers or dialogue partners. They participate in and support the important initiative of jointly building the Silk Road Economic Belt and 21st-Century Maritime Silk Road actively.

### **1. The adjustment of world economic structure and regional economic integration are stepped up**

Since the eruption of the world financial crisis, the world economy is still hit and economy recovery present the trend of intense differentiation. Advanced economies are performing signs of recovery, while the growth trend present differentiation and most emerging economies are in decline. Global capital flow reverse and it induce a new threat to the stability of emerging economies and global macroeconomics. Russia is under the pressure of economic sanctions from western countries and domestic economic recession, and China's economy enter into the new normal stage.

The progress of world economic integration are stepped up. After global financial crisis, the U.S. put the world economic integration on the important agenda. The U.S. announced to join the TPP which is composed by Chile, New Zealand, Singapore and Brunei in 2008 and proposed formally to expand the TPP in 2009. From then on, the U.S start to lead the TPP negotiation progress. Twelve countries ended the negotiation in October 2015 and signed the agreements in February 2016. The U.S and EU announced officially to launch the TTIP (Transatlantic Trade and Investment Partnership). Until February, 2016, they finished 12 negotiations and plan to finish the negotiations at the end of 2016. The U.S. “One Body with Two Wings” strategy will form the political and economic layout of dominating the world. In the meantime, the U.S. ally with 21 countries including EU, Japan and so on to launch a plurilateral services agreement (PSA)<sup>98</sup>. Although China has announced to join the negotiation, the progress is dominated by service-developed countries,

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<sup>98</sup> Another saying is Trade In Service Agreement (TISA)

and the service-undeveloped countries are still in weak positions. TPP, TTIP and PSA will establish the U.S as the dominant status in the process of making global economic rules.

## **2. Eurasian Economic Union promote regional economic integration of the whole Eurasian Space**

In the middle of 2000s, NATO speed up the eastward expansion and the deployment of missile defense system in eastern Europe, while the EU execute “Eastern Partnership” program including Ukraine, Moldova, Georgia, Armenia, Azerbaijan and Belarus so that they could extend to the post-Soviet space from the fields of military and economy. Through cracking down terrorism, the U.S achieved a military presence successfully in central Asia and it is continuously strengthen. Russia’s survival space suffer squeezing and Russia also feel the economic pressure from China in central Asia markets. In order to preserve the traditional sphere of influence, Russia speed up the progress of Eurasian Economic Integration. Russia, Belarus and Kazakhstan signed the new “Customs Union Treaty” in October 2007.

The Eurasian Economic Community Customs Union Agreement within the framework is entered into force since July 2010. In October 2011, Eurasian Economic Integration agreed to accept Kyrgyzstan as membership. In November, the leaders of Russia, Belarus and Kazakhstan signed “Statement about Eurasian Economic Integration” and “Eurasian Economic Commission Agreement”, which states that they will enter a new phase of Eurasian Economic Integration since 2012 that is establishing a unified economic space. In May 2014, the leaders of Russia, Belarus and Kazakhstan signed “Agreement on Building Eurasian Economic Union” in Astana, capital of Kazakhstan. Armenia and Kyrgyzstan are the members of the Eurasian Economic Union since 2015.

Since the establishment of Eurasian Economic Union, it suffered a double whammy of western economic sanctions against Russia and economic recession caused by a sharp drop of the price of international raw materials and energy. In 2014, the economic growth rate of Russia and Belarus fell to 0.6% and 1.6% respectively. In 2015, the economic growth rate of Eurasian economic union declined by 3%, and the data of Russia and Belarus are 3.7% and 3.8% separately. Over the past two years, the economic growth rate of Kazakhstan drop from 6% in 2013 to 4.3% and the data of Armenian maintained around 3.5%, while Kyrgyzstan rise from 3.6% to 5.9%. The currencies of the five countries depreciated more than half, and Kyrgyzstan are severely affected by backflow of outside labor, causing unemployment rate up to 30%. In order to get rid of the economic downturn, break through western economic blockade and deal with the TPP, Eurasian Economic Union dominated by Russia start to seek cooperation with the SCO and the association of south-east Asian nations (ASEAN), and integrate with the initiative of the Silk Road Economic Belt. In 2015, Ufa summit of the SCO launch the enlargement process, and the memorandum about India and Pakistan joining organizations will be signed in Tashkent Summit in June, 2016.

In December 2015, Putin suggest to “undertake consultation about establishing possible economic partnership among Eurasian economic union, the SCO, ASEAN member countries and the countries which are joining the SCO” in the presidential republic. In March, 2016, the five economic ministers of China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan met in Moscow, and discusses the possibilities and mechanism of establishing mainland economic partnership in the space of the SCO, and plan to submit it to Tashkent summit of the SCO, which will be held in June 2016.

In May 2015, Eurasian Economic Union and Vietnam signed free trade agreement. The number of countries and organizations which have intention to establish free trade agreements with the countries and regional organizations of Eurasian Economic Union are more than 30 by now and the feasibility study of India and Iran is coming to an end. In this way, Russia extend the connotation of “Eurasian” category to the whole Eurasia for the first time, thus forming the so-called “Great Eurasian” space, and then realize the initiative of “the whole Eurasian Economic Common Space” which is proposed by Putin.

### **3. Eurasian Economic Union coincide with the initiative of “the Belt and Road”**

On 7 September, 2013, Chinese president Xi Jinping delivered an important speech at the Kazakhstan Nazarbayev University. He formally proposed the initiative of “Jointly Building the Silk Road Economic Belt”. On 3 October, Xi Jinping delivered an important speech in Indonesia. He said, “We are willing to develop Maritime cooperation partnership with ASEAN countries and jointly build ‘21st-Century Maritime silk road’”<sup>99</sup>.

In March 2015, State Council of the People’s Republic of China authorized National Development and Reform Commission, ministry of commerce and ministry of foreign affairs to issue “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road”. The aim of jointly building SREB is “promoting orderly and free flow of economic factors, highly efficient allocation of resources and deep integration of markets; encouraging the countries along the Belt and Road to achieve economic policy coordination and carry out broader and more in-depth regional cooperation of higher standards; and jointly creating an open, inclusive and balanced regional economic cooperation architecture that benefits all”. The Silk Road Economic Belt focus on opening China, Central Asia, Russia and Europe (Baltic Sea); linking China with the Persian Gulf and the Mediterranean Sea through central Asia and West Asia ... jointly developing new Eurasian continental bridge, international economic corridor of China-Mongolia-Russia, China-Central Asia-West Asia and so on. Through strengthening bilateral cooperation, play the role of existing multilateral cooperation mechanisms including Shanghai

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<sup>99</sup> Hand in hand to the construction of China -ASEAN community of fate: the speech in Indonesia's congress [N]. People’s Daily, 2013-10-3 (2).



Cooperation Organization, CICA, and Central Asia regional economic cooperation, and promote communication among relevant countries”. “The key is to implement policy communication, facilities connection, free flow of trade, capital financing and people-to-people exchange”<sup>100</sup>.

Eurasian Economic Union is the former Soviet Union economic integration which is dominated by Russia and based on Customs Union of Russia-Belarus-Kazakhstan. It coordinate and unify the economic policy. The aim is to unify economic space, currency and construct common energy market so that it can realize the free flow of goods, services, capital and labor force. As an international organization, it has supranational Eurasian economic commission and courts union, and has the subjectivity of international law.

The Belt and Road proposed by China is aimed at taking economic corridor, transport infrastructure, the construction of the financing platform and cultural exchanges as basis, breakthrough, gripper, and bond separately in order to achieve the interconnectivity of Asia; It has no operation, no regional dominance, no mechanism and let alone subjectivity with international law. Through policy communication, facilities connection, trade flow, financing, and people-to-people exchange, it activate the new economic growth point of the region, promote economic development and realize social economic prosperity, peace, harmony and stability. The common economic space in Eurasia will be formed finally through promoting trade and investment facilitation, and deepening the economic and technical cooperation. So the SREB and the EAEU are complementary, supplementary, mutually reinforced and win-win cooperation.

#### **4. The Shanghai cooperation organization committed to the regional economic cooperation**

The SCO passed the “Governments Memorandum of the Shanghai Cooperation Organization (SCO) about the Basic Aim and Direction of Regional Economic Cooperation and Starting the Process of Trade and Investment Facilitation” as early as 2001. The basic aims are to improve trade and investment environment, create corresponding conditions to achieve the free flow of goods, capital, services and technology gradually, expand trade and investment, develop service trade, establish and develop implementation mechanism of regional economic cooperation and promote common development of the member states<sup>101</sup>.

The SCO has played a great role in promoting regional economic cooperation in the past 15 years. The cooperation in the fields of trade, investment and finance are constantly deepen and expanded. “Joint Declaration of Governments Heads of Shanghai Cooperation Organization (SCO) about

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<sup>100</sup> Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road[N] .People’s Daily”,205-03-29(4).

<sup>101</sup> The Shanghai Cooperation Organization (SCO) Governments Memorandum about the Basic Aim and Direction of Regional Economic Cooperation and Starting the Process of Trade and Investment Facilitation, show China web, China and SCO cooperation special, <http://www.shouwchina.org/zgygjzzx1/zgyshhzzz/fl07/200704/t112503.htm>, 2001-09-14

Regional Economic Cooperation” was published in December, 2015. It states that we should take the lead in developing interconnectivity of traffic infrastructure construction, promote trade scale and quality of goods and services through diversifying the trade structure and strengthening mutual investment; improve the investment environment in this region and promote cooperation capacity; promote financial cooperation within the SCO framework to provide financing support for regional economic cooperation projects; carry out currency swap, guarantee market stability, and jointly guard and deal with regional financial risks. This statement will vigorously promote the integration between the SCO member states and “The Belt and Road”. Compared with 2001, the total foreign trade volume of the SCO increased from \$689.78 billion to \$5.26987 trillion and the trade values among China, Russia and other members rose from more than \$10 billion to more than \$100 billion<sup>102</sup>.

## **II、 The SCO: the most effective integration platform of Silk Road Economic Belt and the Eurasian Economic Union**

In May, 2015, the “Joint Statement on Integration and Cooperation of Silk Road Economic Belt and the Eurasian Economic Union” signed by China and Russia showed, “it will carry out the cooperation through bilateral and multilateral mechanisms, especially the platform of the Shanghai cooperation organization<sup>103</sup>”. “The Twentieth Regular Meeting Communique of Chinese and Russian Prime Ministers”, which is signed in December, 2015, explicitly pointed out that “the two sides believe that the Shanghai cooperation organization is the most effective integration platform of realizing the construction of Silk Road Economic Belt and the Eurasian Economic Union”<sup>104</sup>.

### **1. The Shanghai Cooperation Organization as an integration platform has more advantages compared with Eurasian Economic Union**

China-Russia “Joint Statement on Integrating the Construction of Silk Road Economic Belt with the construction of Eurasian Economic Union” make a clear regulation that it should enhance connectivity in the fields of traffic infrastructure, logistics and multimodal transport; expand investment and trade cooperation, realize trade facilitation, optimize trade structure, promote investment facilitation and cooperation capacity; promote financial cooperation, realize currency swaps and local currency settlement, deepen project and trade financing and promote regional and

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<sup>102</sup>Внешняя торговля Российской Федерации со странами СНГ. Россия в цифрах. 2015: Стат. сб./Росстат. - М., 2015. - стр. 507; Внешняя торговля Российской Федерации со странами дальнего зарубежья. Россия в цифрах. 2015: Стат. сб./Росстат. - М., 2015. - стр. 509.

<sup>103</sup> Joint Statement on Integration and Cooperation of Silk Road Economic Belt and the Eurasian economic union [N]. People’s Daily, 2015-05-09(2).

<sup>104</sup> The Twentieth Regular Meeting Communique of Chinese and Russian Prime Ministers [N]. People’s Daily, 2015-12-18(3).

global multilateral cooperation. The directions of cooperation are high consistent with that of the SCO regional economy. More importantly, the regional space of the SCO already contains the members of Eurasian Economic Union. The SCO consists of six member countries including China, Russia, Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan, six observer states including Mongolia, Belarus, India, Pakistan, Iran and Afghanistan, and six dialogue partners including Turkey, Sri Lanka, Nepal, Cambodia, Armenia and Azerbaijan. All the 18 countries are important countries located in the lines of Silk Road economic belt, and spread all over the six economic corridors of Eurasia which are planned by “Vision and Actions of the Silk Road Economic Belt”. Therefore, we should play the role of SCO platform in the process of integrating the Eurasian Economic Union with the Silk Road Economic Belt.

## **2. The SCO support the construction of the Silk Road Economic Belt**

In November, 2013, prime minister Li Keqiang make clear for the first time in the meeting of government heads of the SCO member states in Tashkent, “Every SCO member is located in the ‘Silk Road Economic Belt’<sup>105</sup> and we hope all parties to participate in the construction of new Eurasian Continental Bridge actively and further open up the channel from east to west. In September, 2014, Present Xi Jinping appeals to SCO member states to participate in the construction of Silk Road Economic Belt and promote the SCO regional connectivity and new-type industrialization<sup>106</sup>” in Dushanbe of the SCO summit. In December, the joint communique issued by government heads of SCO member states in Astana meeting shows first welcome to the China’s proposal about the construction of the Silk Road Economic Belt<sup>107</sup>.

In July, 2015, the “Ufa Declaration” and “Press Communique” issued by the SCO heads of states in Ufa Summit shows firstly that “they support China’s proposal about construction of the Silk Road Economic Belt<sup>108</sup>”. In December, joint communique issued by Shanghai cooperation organization (SCO) heads of government meeting in Zhengzhou not only “reaffirm the support for China’s proposal about the construction of the Silk Road Economic Belt, but also “believe that the SCO member states, observer states and dialogue partners should cooperate in the architecture of implementing the Silk Road Economic Belt, promote sustainable development of economy and maintain regional peace and stability<sup>109</sup>”. The Joint Statement of regional economic cooperation

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<sup>105</sup> Li Keqiang, the speech in 12<sup>th</sup> meeting of the SCO prime minister [N]. People’s Daily, 2013-11-30(2).

<sup>106</sup> Xi Jinping, agglomerate mental efforts, sincere cooperation and promote the Shanghai cooperation organization to a new level: the speech on the 14<sup>th</sup> meeting of the Council of Heads of States of Shanghai Cooperation Organization [N].2014-09-13(3).

<sup>107</sup> Joint Communique of the 13th Meeting of the Council of Heads of States of Shanghai Cooperation Organization [N]. People’s Daily, 2014-12-16.

<sup>108</sup> The SCO “Ufa Declaration”[N].People’s Daily,2015-07-11(3). Press Communique of the meeting of the Council of Heads of States of SCO [N]. People’s Daily, 2015-07-11(2).

<sup>109</sup>Joint communique of the 14th Meeting of the Council of Heads of States of Shanghai Cooperation Organization [N]. People’s Daily, 2015-12-16(3).

issued by the meeting shows that “the initiative is consistent with the development aims of the SCO”<sup>110</sup>.

### **3. The aim, principle and content of the Silk Road Economic Belt are consistent with the SCO regional economic cooperation**

In March, 2015, the aim, principle and content of Silk Road Economic Belt established by “Vision and Action of the Belt and Road” are consistent with that of SCO established by the relevant documents.

Firstly, building the Silk Road Economic Belt is accordant with the aim of the SCO. In 2002, “Charter of the Shanghai Cooperation Organization (SCO)” proposed to develop effective region cooperation in the fields of trade, energy, transportation and financial credit in order to achieve the tasks of promoting all-round development of regional economy, society and culture<sup>111</sup>. “Vision and Action of the Belt and Road” emphasize, “connectivity project of ‘the Belt and Road’ will drive integration and coupling of development strategy among countries along the line, exploit the potential of regional market, promote investment and consumption, create demand and employment and enhance cultural exchanges and civilization so that people from different countries could know each other, show mutual respect, and share harmony, peaceful and rich life<sup>112</sup>”.

Secondly, the goals of building Silk Road economic belt are consistent with the development goals of the SCO. “Charter of the Shanghai Cooperation Organization” stipulate, “support and encourage several of regional economic cooperation, promote trade and investment facilitation to achieve gradually free flow of goods, capital, services and technology”<sup>113</sup>. “Vision and Action of the Belt and Road” is aimed at promoting orderly and free flow of economic factors, highly efficient allocation of resources and deep integration of markets; encouraging the countries along the Belt and Road to achieve economic policy coordination and carry out broader and more in-depth regional cooperation of higher standards; and jointly creating an open, inclusive and balanced regional economic cooperation architecture that benefits all”<sup>114</sup>.

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<sup>110</sup> The Joint statement about regional economic cooperation of Chinese heads of SCO membership [N]. People’s Daily, 2015-12-16(3).

<sup>111</sup> Charter of the Shanghai Cooperation Organization [EB/OL]. The SCO secretariat official website, <http://www.sectsco.org/CN11/show.asp?id=162,2002-06-15>.

<sup>112</sup> Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road. People’s Daily [N], 2015-03-29(4).

<sup>113</sup> Charter of the Shanghai Cooperation Organization [EB/OL]. The SCO secretariat official website, <http://www.sectsco.org/CN11/show.asp?id=162,2002-06-15>.

<sup>114</sup> Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road [N]. People’s Daily, 2015-03-29(4).

Thirdly, the Silk Road Economic Belt and the SCO are both committed to the interconnectivity construction of infrastructure. In 2012, “Declaration of the Heads of the Shanghai Cooperation Organization Member States on Building Lasting, Peaceful and Common Prosperous Region” focus on the construction of traffic infrastructure linking Europe with Asia and show that we need to “strengthen the interconnectivity and share the achievement of economic development; pay attention to the development of construction of traffic infrastructure linking Europe with Asia, establish the corresponding international transport corridors and improve the effect of various of transportation”<sup>115</sup>. “Vision and Action of the Belt and Road” further defined to “committed to the connection of Eurasian continent and the sea nearby, establish and strengthen interconnectivity partnership among countries along the lines and build an all-around, multilevel and complex interconnection network”<sup>116</sup>.

Fourthly, the principals of building Silk Road Economic Belt is consistent with that of the SCO. “Charter of the Shanghai Cooperation Organization (SCO)” stipulates that the basic principles of member states are gradually sublimated into the famous “Shanghai Spirit” in practice, namely “mutual trust, mutual benefit, equality, consultation, respecting the diversity of civilizations and pursuing common development”. “Multilateral Economic and Trade Cooperation Essential of Shanghai Cooperation Organization (SCO)” also stimulate the principle of economic and trade cooperation, that is “developing and expanding cooperation in the basis of completely equality, market relations, mutual respect, multi benefit, non-discrimination, openness, proper sequence, solving problems through negotiating with each other and considering the interests of all countries”<sup>117</sup>. “Vision and Action of the Belt and Road” emphasize on “abiding by the five principles of peaceful coexistence”, persisting on “open cooperation”, “harmony and understanding”, “seeking common ground while putting aside differences”, “market operation” and “mutual benefit”<sup>118</sup>.

Fifthly, the key points of cooperation of the Silk Road Economic Belt coincide with that of the SCO member states. “Vision and Action of the Belt and Road” determines the key of cooperation is to strengthen policy communication, interconnection of infrastructure, investment and trade cooperation, financing and people-to-people bonds<sup>119</sup>. As early as 2001, the SCO has been clear that the goals of regional economic cooperation are to “play economic complementarity of members, expand the scale of trade and investment, improve the environment of trade and

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<sup>115</sup> Declaration of the heads of state of the Shanghai Cooperation Organization on building lasting peaceful and common prosperous region [N]. People’s Daily, 2012-06-08.

<sup>116</sup> Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road [N]. People’s Daily, 2015-03-29(4).

<sup>117</sup> Multilateral economic and trade cooperation essential of Shanghai cooperation organization [EB/OL]. China's service trade guide web, <http://tradeinservices.mofcom.gov.cn/b/2003-09-23/67714.shtml>, 2003-09-23.

<sup>118</sup> Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road [EB/OL]. People’s Daily, 2015-03-29(4).

<sup>119</sup> Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road [EB/OL]. People’s Daily, 2015-03-29(4).

investment, develop service trade, use existing infrastructure effectively in the fields of transport and communications, and set up the system of implementing regional economic cooperation<sup>120</sup>.

#### **4. The security cooperation of the SCO escort for the integration of the Silk Road Economic Belt and the Eurasian Economic Union**

Security cooperation is always an important content of the SCO cooperation. In June, 2001, the SCO member states agreed “Declaration on the Shanghai Cooperation Organization”. In the meantime, the SCO signed “Shanghai Treaty on Cracking down Terrorism, Separatism and Extremism”. After 15 years’ development, the member states have signed more than 300 important documents in the field of security cooperation, held anti-terrorism exercise for more than 10 times, established multilateral cooperation mechanism in the fields of fighting against the “three forces”, drug control, border security, network security and large international security activities, network security, terrorists and financing. It achieved fruitful achievements.

The SCO has been the stabilizer of peace and security in the region. In recent years, with the protracting of Afghanistan problems, terrorism, religious extremism and “Islamic state” are growing steadily. The security of members of the Shanghai Cooperation Organization and the Eurasian Economic Union faced serious threats, and anti-terrorism situation is becoming more and more serious. In order to eliminate all forms of terrorism, the SCO member states need to work together, act in concert, strengthen the striking force to terrorism and “Islamic State” and help to rebuild Afghanistan. Only in this way it can protect the safety of “the Belt and Road” and safeguard the realization of basic principle of maintaining and strengthening the regional peace, security and stability” which is proposed by the SCO<sup>121</sup>.

### **III. The software integration between the Silk Road Economic Belt and the Eurasian Economic Union: formulating the rules of the game**

On May 8, 2015, the two heads of China and Russia signed a landmark “China-Russia Joint Statement on the Integration of the construction of the Silk Road Economic Belt and the Eurasian Economic Union” in Moscow. It set the ultimate goal of integration as “the whole Eurasian Common Economic Space”, short for “Eurasian common economic space”. The integration could be performed from software and hardware. China and Russia are core members and leading

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<sup>120</sup> The Shanghai Cooperation Organization (SCO) Governments Memorandum about the Basic Aim and Direction of Regional Economic Cooperation and Starting the Process of Trade and Investment Facilitation [EB/OL], show China web, „China and SCO cooperation” special,  
<http://www.shouwchina.org/zgygjzzxl/zgyshhzzz/fl07/200704/t112503.htm.2001-09-14>

<sup>121</sup> Charter of the Shanghai Cooperation Organization [EB/OL].The SCO secretariat official website,  
<http://www.sectesco.org/CN11/show.asp?id=162,2002-06-15>.

members of the SCO. The Eurasian Economic Union proposed by Putin and economic partnership discussed by the SCO inevitably take China and Russia as the core. In view of this, the integration of software could be advanced through several phases.

The first stage is taking the opportunity of starting the dialogue mechanism between China and Eurasian Economic Union about integrating construction of the SREB with Eurasian economic integration which is started in the first half of 2016, and launching preliminary issues of economic partnership dialogue within the framework of the SCO, that is protecting the investment on the basis of equality and mutual benefit, optimizing goods transit procedures, jointly establishing technical standard, and opening service and capital markets. When building the interconnectivity of infrastructure, we need to pay attention to the construction of software including rules, policy, regulation, standards and so on; optimize soft environment of markets, reduce the invisible trade barriers, eliminate all sorts of barriers of flowing freely among different economies for every element, adopt convenient customs clearance measures, simplify customs, health inspection and quarantine, and advocate the electronic customs clearance, etc; achieve the free flow of trade, investment, technology and services among relevant countries. On this basis, the time node of “long-term goal of building free trade area between China and Eurasian Economic Union” can be set during the period of 2020-2025.

The second stage, after the SCO free trade area is built, it will have great transition to construct economic mainland partnership during the period of 2025-2030. According to the words of Likhachev, the countries which participate in economic mainland partnership not only includes the SCO members but also includes India, Pakistan, the member states of the Eurasian Economic Union--Armenia and Belarus, which has started the process of joining organization. Likhachev also revealed that mainland economic partnership agreements will consist of three protocols: the agreements of promoting free flow of commodity and improving trade scale, the good environment agreements including free flow of capital, investment and constructing good environmental agreements which are beneficial for the proportion of increasing local currency settlement; Services market preferential access agreements including construction. The goal should be set to eliminate internal barriers, create and improve free investment environment of freedom and expand trade in services; cover goods trade, services trade, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other issues; consider the industry cooperation as the key and keep industry cooperation consistent with strategic needs of industrialization and modernization of many countries in the region.

The third stage, the Eurasian Common Economic Space will be formed in the basis of mainland economic partnership over the period of 2030-2040. Achieve comprehensive free trade system, safeguard free flow of capital, construct common financial markets, formulate unified good trade rules, services trade rules and market access rules, form a common transport services market and a unified transportation system, establish common energy market, etc. Construct regional financial stability mechanism; use currency swap, local currency settlement, parallel currency frequently in

order to provide stable path to set up regional monetary fund in future; response collaboratively to the economic externality, build a platform for the coordination and cooperation among each member of the region and improve overall social welfare of the region. Work together to eliminate the potential safety risk and further promote cooperation with other areas. If it only takes account of the six SCO member states, two observers which are fulfilling the program and two other member states of Eurasian Economic Union which don't have intersectional relations with the SCO member states, it could benefit 3.09 billion people, nearly covering half of the residents around the world(42.6%) using the 2015 index to calculate. The gross GDP is \$15.8 trillion and the contribution degree to the global economy is as high as 20.5%<sup>122</sup>.

#### **IV. The hardware integration between the Silk Road Economic Belt and the Eurasian Economic Union: Economic corridor connect Eurasian Common Economic Space**

Hardware mainly refers to strengthening the construction of interconnectivity through a variety of ways, promoting relevant countries to speed up infrastructure network construction such as transportation, energy, information and cross-border connectivity, building Trans-Eurasian logistics transportation system, and providing hardware basis to keep logistics, people and information open. "Vision and Action of the Belt and Road" established in March 2015 plan the six economic corridors, which connect the whole Eurasian Common Economic Space.

The Silk Road Economic Belt, Trans-Eurasian Development Belt and the Grassland Path of Mongolia form China-Russia-Mongolia Economic Corridor. The construction of China-Russia-Mongolia Economic Corridor is highly consistent with development strategy of the three countries. One hand, it support the revitalization of northeast China, and on the other hand it promote the infrastructure construction of Mongolia such as railway, highway, oil and gas pipelines, transmission lines and the development of mineral resources and processing industry. At the same time, it fully play the role of the first Eurasian Continental Bridge – Trans-Eurasian railway, which constitute Trans-Eurasian Development Belt with Russia's oil and gas pipelines from east to west, leading the development and openness of Russian eastern Siberia and the Far East. In addition, the construction of China-Russia North Sea route not only provides another convenient channel, but also benefit the development and utilization of Russia's arctic regions and even social economic development. Moreover, the construction of China-Russia-Mongolia Economic Corridor can attract participation of Japan, South Korea and North Korea, jointly promoting economic cooperation in northeast Asia.

The Silk Road Economic Belt depart China through Xinjiang, to the Baltic via Kazakhstan, Russia, then to the Europe through Belarus and Poland, or through Kazakhstan (or Kyrgyzstan,

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<sup>122</sup> We calculate the data according to the released data from the World Bank.  
<http://www.data.worldbank.org.cn/country>.



Uzbekistan, Turkmenistan) and Caspian sea, across Azerbaijan, Georgia in Caucasus and Black Sea, via Ukraine, Romania and other countries to Europe. It form the new Eurasian Continental Bridge. The new Eurasian continental bridge connect the Eurasian economic union members through taking the Central Asia as entrepot of logistics, passenger flow, information flow, capital flow and technology flow, and connect with Asia-Pacific economic circle which is the world's economic locomotive and European economic circle--the world's largest developed economies. It will drive all-round development of social economy of vast middle hinterland, change the high dependency on raw materials and energy, realize strategic task of industrialization and reindustrialization and move toward comprehensive modernization.

The Silk Road Economic Belt depart China through Xinjiang, to the Mediterranean Sea through Kazakhstan (or Kyrgyzstan, Uzbekistan), Turkmenistan, Iran and Turkey, or via Iran to the Persian. This is China- Central Asia – West Asia economic corridor. On the one hand the corridor transport the abundant energy resources of Central Asia and West Asia smoothly to the Asia-Pacific economic circle, which has the fastest economic growth and has the strongest demand for energy. On the other hand the corridor help to gradient transfer the rich capital, advanced technology and high quality production in Asia-Pacific economic circle to Central Asia and West Asia. That help to drives the industrial development and innovation of the region and realize the economic diversification and modernization.

The Silk Road Economic Belt depart China through Xinjiang, then directly enter into Iran through the China-Pakistan economic corridor. It is an important compensation of China - Central Asia - West Asia economic corridor. It could make not only northwest of China, but also the Eurasian Economic Union countries conveniently down south to the Indian Ocean through Central Asia. That can form a tie for economic cooperation and strategic security, which stretch 3000 kilometres from China Xinjiang Kashgar in the north to Gwadar Port in the south, connecting three regions including China, Central Asia and South Asia and getting directly to West Asia through the Gwadar Port.

The Bengal-China-India-Bruma economic corridor of the Silk Road Economic Belt departing from southwest of China not only link South Asia and Central Asia with West Asia closely, but also make economy of South Asia and southeast Asia countries integrated increasingly.....It could promote the development of five economic sectors including Central Asia, South Asia, Southeast Asia, East Asia and West Asia. It is beneficial for complementary advantages, forming a reasonable international division of labor, driving the adjustment of industrial structure and enhancing their own economic strength. It can promote all-round economic development of the region, reduce the poor population of border region and greatly improve the quality of life in border regions.

The China--Indo-China Peninsula Economic Corridor of Silk Road Economic Belt departing from southwest of China is straight-through Vietnam, Laos, Cambodia, Thailand, Malaysia and other countries to Singapore. It relies on central city along the lines, takes railway and highway as the

carrier, takes people, logistics, capital, information as basis, and constructs regional economy of complementary advantages, regional division, linkage development and common development.

## **V. The construction of Economic corridor acquire early harvest**

Over the past two years since the initiative of the Silk Road economic belt is put forward, many Eurasian countries have actively develop strategic link positively, and economic corridor construction is into a series of specific projects.

### **1. China-Pakistan Economic Corridor**

In May 2013, Prime Minister Li Keqiang visited Pakistan and formally put forward the initiative of jointly building China-Pakistan Economic Corridor, “establish the vision of China-Pakistan Economic Corridor, steadily push forward economic corridor construction”<sup>123</sup>. In July, Pakistani prime minister Sharif visited China and said, “The two prime ministers agree to establish the vision and short-term action plan of China-Pakistan Economic Corridor, focus on the implementation of traffic infrastructure and economic development zone along the line, play the role of backbone support and promote the process effectively”. In February, 2014, Pakistani President Hussein visited China and said “the two sides will advance the construction of China-Pakistan Economic Corridor, pull the cooperation of energy, transportation infrastructure and industrial parks between the two countries, and promote the construction of the Silk Road Economic Belt and the 21st-century Marine Silk Road”. In April, 2015, Chinese President Xi Jinping visited Pakistan. He elevated China-Pakistan relations to all-weather strategic cooperative partnership and suggested, “Take the construction of China-Pakistan economic corridor as the center, focus on Gwadar Port, transport infrastructure, energy and industrial cooperation, form the “1+4” economic cooperation layout and achieve win-win cooperation and common development”. Xi Jinping and Pakistani Prime Minister Sharif jointly announced the five major power engineering constructions and signed 51 cooperation agreements and memorandums of understanding. The total investment is 46 billion dollars.

### **2. China-Mongolia-Russia Economic Corridor**

In 2012, Russia tried to commit to the development of the Far East again. The task of developing Siberia and the Far East is identified as one of Russia's major strategic tasks. In March, 2014, the presidium meeting of Russian academy of sciences approved the conception of “Trans-Eurasian

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<sup>123</sup> Consolidate the traditional friendship between China and Pakistan, promote comprehensive pragmatic cooperation [N]. People’s Daily, 2013-05-23(1).

development belt” (Транс-Евразийский пояса «РАЗВИТИЕ», ТЕПР), which is advocated by president of the Russian railways corporation В. Yakunin. It try to take oil, gas generation, processing and Novosibirsk science city as base, take the Trans-Siberian railway, oil and gas pipeline as main road, form a series of high-tech industrial cluster and build development belt integrating transportation, energy and telecommunications from the Atlantic to Europe, Siberia to the Pacific. Yakunin said, Siberia and the Far East will get maximum development through the construction of “Trans-Eurasian Development Belt”. He suggested integrating “Trans-Eurasian Development Belt” with “the Silk Road Economic Belt”. Putin adopted the proposal. In February 2014, Xi Jinping met Putin in Sochi Russia and invited Russia to participate in the construction of the Silk Road Economic Belt officially. Putin suggest integrating Trans-Eurasian railway of Russia with the Silk Road Economic Belt.

In 2008, “the national comprehensive development strategy based on the millennium development goal” approved by Mongolia State Great Khural establish to develop export-oriented and high-tech manufacturing and service industries, develop information and communications departments, develop transit transport and logistics infrastructure; develop mineral mining and processing industry, and finally get rid of relying heavily on mineral resources. In September 2014, the Mongolian government proposed the “Grassland Path” conception of integrating five regions including railway, highway, oil, gas pipeline, and high voltage transmission line, hoping to connect with Russia’s Trans-Eurasian rail and China’s Silk Road Economic Belt. Mongolia government expects that the implementation of the plan can bring more investment for their country, promote industrial upgrading and improve Mongolia's energy and capacity of mining and processing. Chairman Xi Jinping visited Mongolia in August, 2014 and elevate the relationship between the two countries to comprehensive strategic partnership. The two sides signed 26 cooperation agreements. Xi Jinping said, “China is ready to work with Mongolia to strengthen cooperation under the initiative of the Silk Road Economic Belt and remain positive and open attitude towards the proposal of Mongolia ‘Grassland Path’.<sup>124</sup>” In September, 2014, Putin visited Mongolia, and Mongolian President suggested to jointly build the “Grassland Path”. Russia Rail Company and Mongolia transportation department have signed an agreement on modernizing transit transport railway of Mongolia, increasing capacity and improving the speed. Mongolia also hopes to become a gas transit country from Russia to China.

In September, 2014, during the first heads of China-Mongolia-Russia meeting held in Dushanbe, president Xi Jinping pointed out that the development strategies of China, Mongolia and Russia are highly consistent. The Silk Road Economic Belt proposed by China acquire positive response from Russia and Mongolia, and the Silk Road Economic Belt could be integrated with Russian Trans-Eurasian railway and Mongolia Grassland Path to jointly build China-Russia-Mongolia Economic Corridor<sup>125</sup>. In July, 2015, the heads of China- Russia-Mongolia held the second

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<sup>124</sup> Help each other, create the new era of China-Mongolia relationship [N]. People’s Daily, 2014-08-23(2).

<sup>125</sup> Xi Jinping attend the meeting of the heads of China, Mongolia and Russia [N]. People’s Daily, 2014-09-12(1).

meeting in Ufa, approving the “Roadmap of China-Russia-Mongolia Cooperation in Medium Term” and signing “Memorandum of Understanding about Establishing and Constructing the Outline of China-Russia-Mongolia Economic Corridor”, “Cooperation Framework Agreement on Creating Convenient Conditions to Promote Trade Development of China-Russia-Mongolia”, “Framework Agreement about Cooperation of the border ports of China-Russia-Mongolia”.

In the fields of strategic link between northeast of China rejuvenating and the Russian Far East development strategy, infrastructure interconnectivity has made a great process. The China-Russia oil pipeline from Skovorodino in Russia to Daqing in China was completed in September, 2010, and the two heads of states attended the completion ceremony of the first major infrastructure interconnectivity project.

In January, 2011, the pipeline was officially put into operation. Tongjiang-Nizhneleninskoye Bridge--the first railway bridge crossing the boundary river was officially founded in 2014, and will be completed in 2017.

In 2014 the two countries signed a 30-year and worthy of \$400 billion natural gas supply agreement. In September, 2014, Chinese vice premier of the state council and Russian President Putin jointly attended the opening ceremony of “Siberian Power” pipeline in Russia which belong to China-Russia eastern natural gas pipeline crossing the Heilongjiang river. The west pipeline is also in negotiation.

In May, 2015, the two countries reach an agreement that China will participate in the construction of Moscow-Kazan high-speed trains. Since 2013, the two countries have signed nearly 100 cooperation documents, covering oil, natural gas, coal, nuclear energy, as well as aviation, aerospace, shipbuilding, Internet innovation technology, finance, trade facilitation, transport and other infrastructure, agriculture, environmental protection and other aspects. China-Russia Arctic cooperation also started to enter the practical stage. In 2013, China national petroleum corporation become a shareholder with 20% stake of Russia's arctic “Yamal liquefied gas “project. In December, 2015, the Silk Road fund buy 9.9% stake of the project again. In 2015, the two prime ministers joint communique mentioned for the first time that the development and utilization of North Sea passage will be the main work in the future.

### **3. China-Central Asia Economic Corridor and the new Trans-Eurasian Continental Bridge**

The global financial crisis during the period of 2008-2010 make the Central Asian countries realize the serious vulnerability of economic development model of raw material resource-oriented. Strengthening infrastructure construction, achieving industrialization and thoroughly changing the development mode are the long-term strategic directions in the future. In particularly, it need to point out Kazakhstan's “Shining Path” plan. President Nazarbayev comprehensively expounds the Kazakhstan development strategy in 2050 in the President Message published in December 2012.

In order to respond to the world economic fluctuations, lower energy prices and economic downturn in Kazakhstan, Nazarbayev announced the “Shining Path” new economic policy of Kazakhstan in November 2014, demanding to reform the economic structure and develop transportation, energy, industry and social infrastructure as well as supporting small and medium-sized enterprises. In order to adjust the industrial structure, accelerate the development of manufacturing industry and realize the industrialization of the innovation leading, as early as May, 2003, Kazakhstan President approved the “innovation and development strategy of the republic of Kazakhstan: 2003-2015”. The purpose is to get rid of the dependence on raw materials department and realize sustainable development through economic diversification and modernization<sup>126</sup>. In August, 2014, Kazakhstan approved the second national industrial innovation and development plan. In order to ensure the implement of strategic plan effectively, Nazarbayev announced his 100 steps plan of system reform in the government expanding meeting in May 2015. It includes constructing specialized state institutions, guaranteeing the priority of law, achieving industrialization and economic growth, achieving identity and unity, and constructing responsible government.

In order to get rid of the decline of economic, other Central Asian countries are formulating strategy of long-term social economic development for 2030 just like Kazakhstan formulated development strategy for 2050. They actively seek to achieve cooperation with the Silk Road Economic Belt. In December 2014 Prime Minister Li Keqiang visited Kazakhstan and signed a series of projects cooperation documents, including the file of jointly building “Silk Road Economic Belt”. In March 2015, China and Kazakhstan signed “Memorandum about Enforcing Capacity and Investment Cooperation” and so on<sup>127</sup>. More than 30 cooperation documents are signed and the total amount is \$23.6 billion. It becomes the model of capacity cooperation within the framework of the Belt and Road. In September 2015, Nazarbayev said during his visit to China, “Kazakhstan is actively promoting to integrate construction of the Silk Road Economic Belt with the 'Shining Path' new economic policy<sup>128</sup>”.

In May, 2014, the Uzbekistan President Karimov talked to President Xi Jinping, “Uzbekistan would like to actively participate in the construction of the Silk Road Economic Belt, promote economic, trade exchanges and interconnectivity, and link the development of the Uzbekistan with the prosperity of China together”<sup>129</sup>. In June, 2015, the ministry of commerce and the ministry of economic affairs signed the “Protocol about Expanding Mutually Beneficial Economic and Trade Cooperation within the Framework of Implementing and Constructing the Silk Road Economic

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<sup>126</sup> Kazakhstan government website, [http://ru.government.kz/docs/u031096\\_20030517.htm](http://ru.government.kz/docs/u031096_20030517.htm), 2003-05-17.

<sup>127</sup> We sign the memorandum of understanding about jointly promoting the construction of the Silk Road economic belt with the national ministry of economic affairs of Kazakhstan [EB/OL]. Chinese National Development and Reform Commission official website, [http://www.sdpc.gov.cn/gzdt/201412/t20141225\\_657929.html](http://www.sdpc.gov.cn/gzdt/201412/t20141225_657929.html), 2014-12-25.

<sup>128</sup> Xi Jinping talk to Kazakhstan President Nazarbayev [N]. People’s Daily, 2015-09-01(1).

<sup>129</sup> Xi Jinping meet with President of Uzbekistan [N]. People’s Daily, 2014-05-21(1).

Belt”<sup>130</sup>. In December, 2015, Kyrgyzstan prime minister Sariyev talked to prime minister Li Keqiang, “We are willing to form synergy with the development strategy of China, actively carry out capacity cooperation, promote the construction of infrastructure in large projects fields, implement China-Kyrgyzstan railway projects as soon as possible and expand bilateral trade”<sup>131</sup>.

In September 2015, Tajikistan President Rakhmon talked to President Xi Jinping, “Tajikistan hope to participate in the construction of Silk Road Economic Belt and play complementary advantages of the two countries, promote the pragmatic cooperation in the fields of electric power, mining, transportation infrastructure, cross-border transportation and develop joint processing and production”<sup>132</sup>

In 2015, Georgia vice prime minister and economy minister Kvirikashvili and Azerbaijan President Aliyev visited China in succession and signed the “Cooperation Memorandum about Jointly Building the Silk Road Economic Belt “respectively, carrying out capacity cooperation and construction of infrastructure actively”<sup>133</sup>. Georgia also signed” Joint Statement on Feasibility Study of Launching Free Trade Agreement Negotiations” with China.

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<sup>131</sup> Li Keqiang hold talks with prime minister of the Kyrgyz republic Saliyev [N]. People’s Daily, 2015-12-17(3).

<sup>132</sup> Xi Jinping hold talks with Tajikistan President Rakhmon [N]. People’s Daily, 2015-09-14(1).

<sup>133</sup> Joint Statement on further developing and deepening friendly cooperation relationship between the People's Republic of China and the republic of Azerbaijan [N]. People’s Daily, 2015-12-12(3).

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# *Russia's deployment of nuclear-capable missiles in the Kaliningrad region: Implications of recent Russia-NATO confrontations on the Post-Soviet space*

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## **Grisha Aghajanyan**



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The relationship between Russia and NATO is undergoing its deepest crisis since the end of the Cold War. The target set in 2010 of establishing a “strategic partnership” based on mutual trust, realization of shared interests and respect for agreed principles such as the Charter of Paris for a New Europe<sup>134</sup> (1990) has been dumped for the predictable future.

Deep disorder in bilateral relations occurred in 2014 with the Russian takeover of Crimea and the destabilization of eastern Ukraine. In response to this NATO blocked civilian and military cooperation in the NATO-Russia Council<sup>135</sup>. Even more serious than the termination of practical cooperation are the massive loss of trust and the revival of traditional threat perceptions.

Moscow is no longer a collaborator for NATO. The Alliance has responded to Russia’s actions with its deepest military adjustment since the end of the Cold War, with the goal of considerably strengthening and adapting its defense capabilities. Collective defense is once again a core concern. The Readiness Action Plan (RAP), adopted at the Wales Summit 2014 to steer NATO’s adaptation, outlines immediate assurance and long-term adaptation measures. For example,

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<sup>134</sup> Charter of Paris for a New Europe <http://www.state.gov/t/isn/4721.htm>

<sup>135</sup> Statement by NATO Foreign Ministers [http://www.nato.int/cps/en/natohq/news\\_108501.htm](http://www.nato.int/cps/en/natohq/news_108501.htm)

stepping up exercises and intensifying airspace surveillance, the Alliance reassures concerned members that they can rely on NATO's promise of collective defense<sup>136</sup>.

Moscow, on the other hand, regards such moves as indication of NATO's aggressive, expansionist character. In 2014 and 2015 it again expanded military capacities in its Western Military District, which adjoins the NATO members Norway, Poland and the Baltic states.

The recent move by Russia to deter NATO's expansion in the Baltic States, as described by the Russian president Vladimir Putin, was the deployment of nuclear-capable missiles, Russian S-400 surface-to-air missiles and a ballistic Iskander system to the Russian region of Kaliningrad, which is situated between Lithuania and Poland<sup>137</sup>.

This was a response step against NATO's Secretary General Jens Stoltenberg's October 26, 2016 announcement of the transfer of NATO troops to the Baltic States and Poland, which the secretary general described as proportionate and fully in line with the alliance's international commitments<sup>138</sup>. Jens Stoltenberg also noted that the transfer of NATO troops would be a clear revelation of their transatlantic bond.

Russia's deployment of nuclear-capable missiles in the Kaliningrad region was deeply criticized by NATO, which accused Russia of stoking tensions in Europe. The alliance described Moscow's decision to send state-of-the-art Bastion missile-launchers to Kaliningrad, which borders NATO members Poland and Lithuania, as "aggressive military posturing".<sup>139</sup>

It came shortly after John Kirby, US State Department spokesman, called Russia's plans to permanently deploy its S-400 air missile defense system and ballistic Iskander missiles to Kaliningrad "destabilizing to European security."<sup>140</sup> The spokesman of Vladimir Putin hit back at Mr. Kirby's comments on Tuesday calling NATO "an aggressive military alliance".<sup>141</sup>

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<sup>136</sup>The Readiness Action Plan (RAP), adopted at the Wales Summit 2014

[http://www.nato.int/cps/en/natohq/official\\_texts\\_112964.htm](http://www.nato.int/cps/en/natohq/official_texts_112964.htm)

<sup>137</sup> Russia to move nuclear-capable missiles closer to Europe as Vladimir Putin claims NATO expansion is threat

<http://www.telegraph.co.uk/news/2016/11/21/putin-moves-nuclear-capable-missiles-closer-europe-claims-nato/>

<sup>138</sup> Doorstep statement by NATO Secretary General Jens Stoltenberg at the start of the meetings of NATO Defense

Ministers [http://www.nato.int/cps/en/natohq/opinions\\_136579.htm?selectedLocale=en](http://www.nato.int/cps/en/natohq/opinions_136579.htm?selectedLocale=en)

<sup>139</sup> NATO accuses Russia of stoking tensions in Europe over Baltic deployment of anti-ship missiles

<http://bigstory.ap.org/article/8b90adb8513a4206993becde9810f2cf/nato-criticizes-new-russian-missiles-near-poland-lithuania>

<sup>140</sup>John Kirby Spokesperson Daily Press Briefing Washington, DC November 21, 2016

<http://www.state.gov/r/pa/prs/dpb/2016/11/264484.htm#RUSSIA2>

<sup>141</sup> Песков: Россия делает все, чтобы обезопасить себя от экспансии НАТО,

<https://ria.ru/world/20161122/1481890639.html>

### Bastion coastal defense missile systems

Range: 190 miles

● NATO member ○ Missile range



Sources: IHS Jane's Conflict Monitor, Russian Defense Ministry, Washington Post research  
CHRIS ALCANTARA/THE WASHINGTON POST

### Iskander-M nuclear-capable land-based ballistic missile

Range: 310 miles (Russian government)

● NATO member ○ Missile range



Sources: Russian Defense Ministry; National Interest

CHRIS ALCANTARA/THE WASHINGTON POST

## Kalibr nuclear-capable ship-based cruise missiles

Range: 930 miles

● NATO member    ○ Missile range



Source: Daily Telegraph

CHRIS ALCANTARA/THE WASHINGTON POST

## Conclusion

Russia's deployment of nuclear-capable missiles in the Kaliningrad region will bring Russia-NATO confrontation to a new level. This counter-move by Russia has the potential to create new stress points in the deteriorating relationship between Russia and NATO and have implications on the Post-Soviet space.

The focal point of Russia's missile deployment is the return of the security dilemma, where actions that one side regards as defensive are interpreted by the other as offensive, therefore leading to escalation. The consequence is a dangerous spiral of action and reaction.

The most serious contender for conflict potential is the Baltic region, which is Russia's most vulnerable point. First, the geographical position of the enclave of Kaliningrad complicates its protection by Russia. Second, the Baltic countries are part of NATO, making it much easier for them to conduct anti-Russian policies.

Kremlin's aim being to force NATO and United States recognize Russia's right to govern a sphere of "special interest" on its borders<sup>142</sup>, has all the potential for the rising tensions to escalate militarily, but will exclude direct contact between NATO and Russian forces, as both parties possess significant amount of nuclear weapons, even though, Baltic States are considered Russia's next potential military target. Although Russia's economy is not in an envying situation and its military forces are increasingly engaged in Syria and Ukraine, Moscow has many possibilities of hybrid warfare in the Post-Soviet space. Baltic States are a vivid example, where Russia has many advantages, with the help of which it can fuel up tensions and as mentioned create conditions for them to escalate militarily.

**Russian population-** In Estonia, there are 409,111 Russian speaking civilians, which is 28 % of the total population (1,500,000). In Latvia, there are even more ethnic Russians: 900,000 - about 36 % of a population totaling 2,500,000. The situation in Lithuania differs from the situation in the other two Baltic States: 3,7million people live in Lithuania, and 304,000 of them belong to the Russian minority (8%)<sup>143144</sup>

**Supply of energy and electricity** to the Baltic states-Russia dominates the supply of energy and electricity to Latvia, Lithuania and Estonia and will not pause to use that leverage to pressure these states.

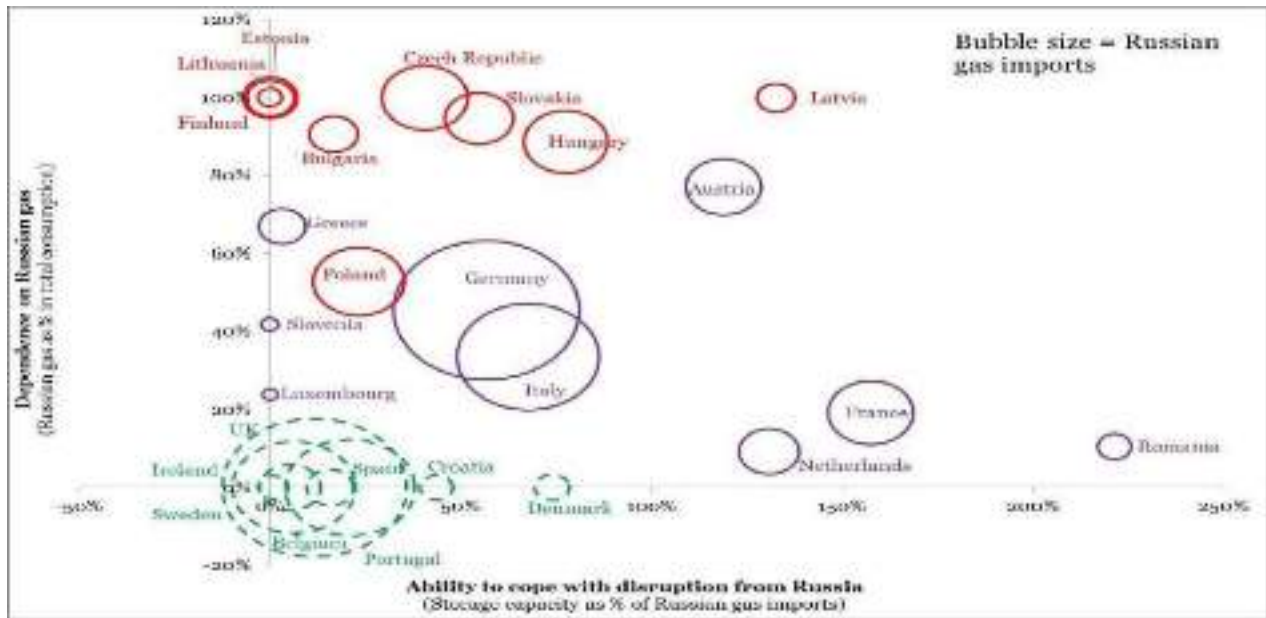
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<sup>142</sup> After Ukraine: The potential for conflict between Russia and NATO, <http://www.russia-direct.org/analysis/after-ukraine-potential-conflict-between-russia-and-nato>

<sup>143</sup>Minority languages in the Baltics: a delicate matter <http://www.mercator-research.eu/minority-languages/language-factsheets/minority-languages-in-education-in-the-baltics/>

<sup>144</sup>The Ethnic Russian Minority: A Problematic Issue in the Baltic States, <https://journals.uvic.ca/index.php/verges/article/download/11634/3698>





Source: IEA 2014 Natural Gas Information. Neutral” member states (green), “Secure” member states (purple), “Insecure” member states (red):

**Federal Security Service** – Russian Federal Security Services have also committed substantial attention to recruiting Baltic businessmen, politicians and former members of their ranks. Russian intelligence penetration of these states is at a high level, as is its media influence<sup>145</sup>.

**Conventional superiority over NATO** - US Army-linked Rand Corporation said NATO’s military assets in Estonia, Latvia and Lithuania were so mismatched with Russia as to be “inviting a devastating war, rather than deterring it”. The think-tank carried out a series of war games exploring a scenario in which Russia tried to annex the capitals of either Estonia, Latvia, or both<sup>146</sup>. The report found every play through of events ending with Russian forces in or at the gates of Tallinn and Riga within 60 hours.

**A possible scenario of potential Russian intervention might include:**

- Launching of a rigorous series of probes, initially of a non-military and non-kinetic nature, to prevent the operation of the new Lithuanian terminal at Klaipeda<sup>147</sup> (a liquefied natural gas floating storage and regasification unit terminal, in the port of Klaipeda, Lithuania),

<sup>145</sup> Baltic States’ Intelligence Services Report Increased Threat from Russia, [https://www.pism.pl/files/?id\\_plik=22128](https://www.pism.pl/files/?id_plik=22128)

<sup>146</sup> Reinforcing Deterrence on NATO’s Eastern Flank: War gaming the Defense of the Baltics. [http://www.rand.org/pubs/research\\_reports/RR1253.html](http://www.rand.org/pubs/research_reports/RR1253.html)

<sup>147</sup> <http://www.portofklaipeda.lt/useful-links>

stop Latvia from passing new energy legislation, or prevent deployment of larger and more competent NATO forces in any of the Baltic states.

- Massive press campaign against the Baltic states' assumed violations of human rights, attempts to place them in the mainstream of global opinion, finely tuned efforts to make energy deals with Germany to find a way around and isolate the Baltic states and other European nations that support them, and a evident upgrade in intelligence collection in targeted areas.
- Russia may provoke strikes, demonstrations and riots. That might include the incitement of an incident directed against Russians living the Baltic States thus justifying a Russian intervention.



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# The European Union & the World Trade Organisation

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**Susana Mendonça**

*The article was originally published as an EU Fact sheet by the European Parliament, in 09/2016; See under:*

[http://www.europarl.europa.eu/RegData/etudes/fiches\\_techniques/2013/060202/04A\\_FT\(2013\)060202\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/fiches_techniques/2013/060202/04A_FT(2013)060202_EN.pdf)



*The World Trade Organisation (WTO), which replaced the 1947 General Agreement on Tariffs and Trade (GATT) in 1995, has played a major role in creating a rules-based international trading system. However, the further development of the multilateral trading system stalled with the impasse in the Doha Development Round of trade talks. This has led some countries to turn to bilateral trade agreements. The European Parliament's role in scrutinising trade policy, including the EU action in the WTO, has grown under the Treaty of Lisbon.*

In the early decades of the twentieth century, trade issues prompted countries to engage in increasingly complex interactions, creating the need for a platform to facilitate and regulate trade relations. The resulting 1947 General Agreement on Tariffs and Trade (GATT) not only provided a round-table discussion forum, creating a multilateral approach to trade, but also established a system of internationally recognised rules on trade. The underlying idea was to create a level playing field for all members through the ‘substantial reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce’.<sup>148</sup>

As international trade moved beyond tangible goods to the exchange of services and ideas, the GATT was transformed and institutionalised as the World Trade Organisation (WTO). Established in 1995 as a result of the Uruguay round, the WTO integrated earlier trade agreements — such as the GATT itself, the Agreement on Agriculture and the Agreement on Textile and Clothing — as well as additional general agreements. The most notable of the latter are the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Statistics show a clear link between free and fair trade and economic growth. In this context, the creation of the WTO represented a significant step towards a more comprehensive and thus more

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<sup>148</sup> GATT agreement (1947), introductory paragraph.

dynamic international trading system. By ensuring that countries keep up the momentum of dismantling barriers to trade in subsequent trade talks, the WTO has continuously secured the promotion of free trade. With two thirds of its membership comprising developing countries, it also offers transition economies and least developed countries (LDCs) the possibility of employing trade to advance their development efforts.

### **The trade dispute settlement mechanism**

One of the major achievements of the WTO has been the consolidation of its Dispute Settlement Body, which has the power to rule on trade disputes and to enforce its decisions. The trade dispute settlement mechanism is a system of predefined rules giving WTO members, regardless of their political weight or economic clout, the possibility to lodge complaints over alleged breaches of WTO rules and to seek reparation. This mechanism has reduced the use of the unilateral defence measures that countries were previously inclined to resort to, many of which provoked retaliatory reactions by the targeted countries and sometimes led to fully-fledged trade wars.

The WTO system guarantees that stronger members do not prevail over weaker ones and provides clear rules on retaliatory measures.

Since the inception of the WTO, the EU has been one of the biggest users of the WTO's dispute settlement system. The Union has been involved in 179 dispute settlement cases, 97 as complainant and 82 as defendant<sup>149</sup>. In 158 other cases it has requested third party status, which allows WTO members to monitor disputes involving other parties. Represented by the European Commission, the EU has also often sought to improve and clarify WTO agreements by requesting rulings from its panels and its Appellate Body.

The European Parliament closely monitors the evolution of disputes involving the EU. In the past, Parliament's Committee on International Trade has aired its views on trade disputes through reports, public hearings, and oral questions to the Commission and the Council. This has been the case, for example, with the ongoing Airbus-Boeing dispute between the EU and the US.

### **The Doha Round**

Since 2001 the WTO's members have been engaged in a broad round of multilateral trade negotiations known as the Doha Round, or Doha Development Agenda (DDA). The main goal of this, the ninth round of global trade negotiations, is to place development at the heart of the world trade system. The outcome of the negotiations should strengthen developing countries' capacity to benefit from international trade, and should help them to combat poverty. The DDA was based at

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<sup>149</sup>Figures as at 8 September 2016: [https://www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_by\\_country\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm)

the outset on the principle of a ‘single undertaking’<sup>150</sup>, and is still open. Like the previous rounds, it seeks to further liberalise trade. Negotiators are also charged with reviewing trade rules and adjusting them to the constantly evolving world trading system.

**The DDA is based on three pillars:**

1. market access for agricultural products (including tariffs and subsidies), for industrial goods (also referred to as ‘non-agricultural market access’ or ‘NAMA’), and for services;
2. rules, e.g. on trade facilitation and anti-dumping; and
3. development.

Unfortunately, the talks have stalled over major issues. The most significant differences are between the often irreconcilable positions of major emerging countries and industrialised countries or blocs concerning the way the international trading system should be reshaped. The Doha talks have assigned an increasing role to developing countries as the weight of this group in the world trading system has grown enormously over the past decade.

The EU supported the launch of a broad and ambitious round. This was considered as the best way to deliver economic growth and development gains for all participants and to allow for the necessary trade-offs. Yet, despite the considerable efforts of a number of participants (notably the EU), the successful conclusion of the negotiations as a whole does not seem to be within reach. This is unfortunate as concluding the Doha Round could help to speed recovery from the global economic crisis and keep protectionism at bay.

In order to overcome the impasse in the Doha negotiations, WTO members have focused on achieving results in less controversial areas, which could largely deliver on the development goals of the round’s global agenda. In December 2013 the first multilateral legal instrument since the WTO’s inception 20 years ago was agreed on — the Agreement on Trade Facilitation. Two years later, in December 2015, further tangible progress was made with an agreement on rules restricting trade-distorting support for agricultural exports – an area of specific interest to least developed countries. Although less far-reaching than the initial agenda of the Doha Round, these positive developments pave the way for a revamp of the negotiations under the WTO and help to shore up the multilateral trading system.

The European Parliament has been following these talks closely. Various reports assessing the state of the discussions have been produced. The Parliamentary Conference on the WTO, co-organised by the EP and the Inter-Parliamentary Union, regularly offers an opportunity for constructive participation (see below for more information on this conference). On several

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<sup>150</sup> The ‘single undertaking’ principle essentially means that ‘nothing is agreed until everything is agreed’.

occasions, Parliament has called for negotiations to resume, emphasising the importance of the Doha Round for world trade and economic development.

Parliament has also been closely associated with negotiations for a more limited agreement. It sent a delegation to Bali and Nairobi, in December 2013 and December 2015 respectively, to attend the WTO ministerial meetings.

## **The EU and the WTO**

Together with the US, the EU has played a central role in developing the international trading system since World War II.

Like the GATT (and later the WTO), the EU was itself originally designed to remove customs barriers and promote trade between its Member States. The EU single market was partly inspired by GATT principles and practices. The Union has always been among the main promoters of effective international trade based on the rule of law. Such a system helps ensure that its businesses enjoy fair market access abroad, and thus supports economic growth, both domestically and in third countries, particularly less-developed ones.

The EU's Common Commercial Policy is one of the areas in which the Union as such has full and exclusive competency. In other words, when acting in the WTO, the EU operates as a single actor and is represented by the Commission rather than by the Member States. The Commission negotiates trade agreements and defends the EU's interests before the WTO Dispute Settlement Body on behalf of all 28 Member States. The Commission regularly consults and reports to the Council and the European Parliament on the content and strategy for the multilateral discussions. Since the entry into force of the Lisbon Treaty in 2009, the Council and Parliament have been co-legislators and thus have equal say on international trade matters.

Through the WTO, the EU has also sought to promote a multilateral framework for trade negotiations, intended to complement, and possibly supplant, bilateral negotiations. However, the stalemate in the latest round of negotiations and the fact that other trading partners have turned to bilateral agreements have compelled the EU to partly reconsider its long-standing strategy and return to regional and bilateral negotiations.

The impasses at the WTO are also a sign that the international trading system has changed dramatically in the past 20 years. The old system, largely dominated by the EU and the US, has evolved into one that is more open and multifaceted, with new actors — essentially transition and developing countries — playing a central role. The liberalisation of the international trading system has benefited some developing countries, which have experienced an unprecedented phase of sustained economic growth. The EU is well aware of these new dynamics and has pointed to

the need to move beyond the negotiation approach of the past years and try more innovative approaches matching the evolution of global trade in the 21st century.

### **The Parliamentary Conference on the WTO**

The Parliamentary Conference on the WTO is jointly organised by the European Parliament and the Inter-Parliamentary Union (IPU) and is intended to strengthen democracy internationally by bringing a parliamentary dimension to multilateral trade cooperation.

The first formal meeting of parliamentarians at the WTO dates back to the December 1999 WTO Ministerial Conference held in Seattle. In 2001, the EP and the IPU agreed to pool their efforts and sponsor a parliamentary meeting during the WTO Conference in Doha. This meeting laid the foundations of what has become the Parliamentary Conference on the WTO.

This Conference provides a forum in which parliamentarians from all over the world can exchange opinions, information and experiences on international trade issues. It provides the WTO with a parliamentary dimension. Participants monitor WTO activities; promote the effectiveness and fairness of the WTO; advocate transparency in WTO procedures; work to improve the dialogue between governments, parliaments and civil society; influence the direction of discussions within the WTO; and build up national parliaments' capacity in international trade matters.

The Parliamentary Conference on the WTO meets annually, as well as during WTO Ministerial Conferences.



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# *Human rights in EU trade policy - Unilateral measures*

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## **Ionel Zamfir**

*The author is part of the European Parliamentary Research Service (EPRS); Members' Research Service, PE 595.878, EU, 2017. See also under:*

[http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/595878/EPRS\\_BRI\(2017\)595878\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/595878/EPRS_BRI(2017)595878_EN.pdf)

## **Summary**

- *Protection of human rights is one of the EU's overarching objectives in its external action, in line with the Treaty on European Union. One of the EU's main tools to promote human rights in third countries is the generalised system of preferences (GSP), granting certain developing countries preferential trade access to the EU market. Covering 90 third countries, the scheme includes explicit human rights conditionality, providing that preferences can be withdrawn in case of massive and systematic violations of core human rights or labour rights norms.*
- *A special incentive arrangement grants further tariff concessions to countries that ratify and implement a series of international conventions. Based on systematic monitoring by the European Commission, this is the most comprehensive and detailed human rights mechanism established in the framework of EU common commercial policy. In practice, the EU has privileged a strategy of incentivising gradual progress through dialogue and monitoring, rather than withdrawing preferences.*
- *Suspension of preferences under GSP is rarely applied and, when it is, it does not have an immediate and clear impact.*
- *The EU's unilateral trade measures to protect human rights are not limited to the GSP. The EU has taken steps to prohibit or limit trade in items that could cause human rights violations, such as torture and execution items, or dual use goods. New legislation is being considered on conflict minerals, and the European Parliament has asked for a proposal for legislation to ban the import of goods produced using child labour.*

## **Contents**

- Overview of the GSP system
- History of preference withdrawals
- EBA and GSP+ biggest beneficiaries: a problematic human rights situation
- Is GSP human rights conditionality effective?
- Other unilateral trade measures to protect human rights
- Role of the European Parliament
- Main references

## Glossary

**Generalised system of preferences (GSP):** EU trade regime established in line with the World Trade Organization (WTO) Enabling Clause and granting unilateral trade preferences to developing countries classified as low income or lower middle income economies or as least developed countries. Countries party to a preferential trade agreement with the EU, providing at least the same level of tariff preferences, are excluded after a transitional period.

**Everything but Arms (EBA):** a special GSP arrangement granting full duty-free, quota-free access for all products except arms and ammunition to countries classified by the United Nations (UN) as LDCs (least developed countries).

**Standard GSP:** grants customs duty reductions for around 66 % of all EU tariff lines to developing countries classified by the World Bank (WB) as low income or lower-middle income economies and which are not among the LDCs.

**GSP+:** a special incentive arrangement granting duty-free access for essentially the same 66 % of tariff lines as standard GSP, to countries which are considered especially vulnerable because of a lack of economic diversification and insufficient integration within the international trading system. In order to be granted the GSP+ status, countries have to ratify 27 international human rights, labour rights, sustainable development and good governance conventions, and comply with them, including with their monitoring requirements.

## Overview of the GSP system

Established in 1971, the GSP is the oldest EU trade regime contributing to the promotion of human rights. The 1994 **GSP Regulation**<sup>151</sup> included the possibility of suspending trade preferences because of forced labour for the first time. The revised GSP Regulation (2001) made reference to the eight fundamental Conventions of the International Labour Organization (ILO). In 2005, the scheme was overhauled after the 2003 WTO Appellate Body found the special arrangement rewarding certain countries for their efforts to fight trafficking in drugs to be discriminatory and thus contrary to WTO rules. A new regulation (EU) No 978/2012 was adopted in 2012 with effect from 1 January 2014. A three-layered structure comprising: Everything but Arms (EBA); Standard GSP; and GSP+ was introduced in 2005, but the 2012 Regulation modified the access conditions to Standard GSP and GSP+.

The total volume of preferential imports to the EU under the three GSP components amounted to almost €51 billion in 2014, representing only 3 % of EU imports from the rest of the world (totalling €1 692 billion the same year). Therefore the relative importance of the scheme for EU trade in general is quite limited. On the other hand, for some of the countries concerned, the share of preferential exports to the EU is significant, compared to their total worldwide exports (Bangladesh, Pakistan, Sri Lanka) and this partly explains the leverage the EU has been able to garner from its trade preferences in order to promote human rights.

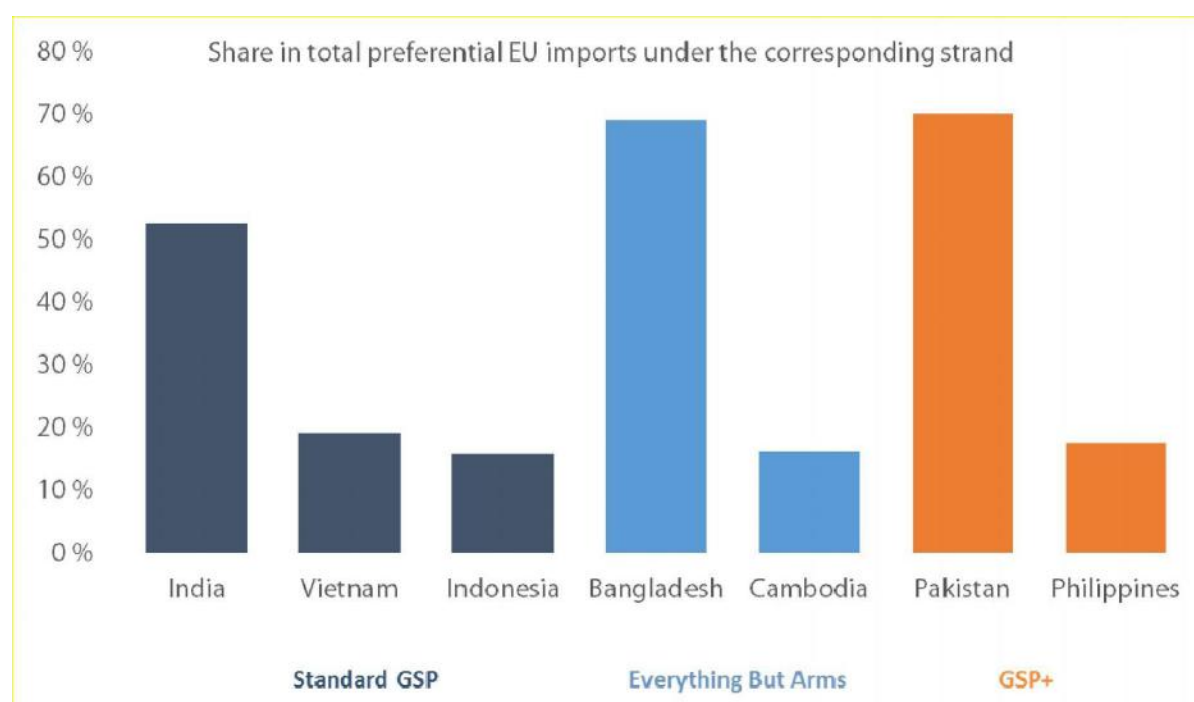
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<sup>151</sup> According to recital 7 of the GSP Regulation: 'the scheme should assist developing countries in their efforts to reduce poverty and promote good governance and sustainable development by helping them to generate additional revenue through international trade'.

The garment sector in the beneficiary countries has benefited most from the scheme. This economic sector has great potential to create employment, especially for women, lifting people out of poverty. Thus, GSP contributes both directly and indirectly (through its conditionality) to improving human rights.

On the other hand, the benefits of the system accrue mainly to a small number of countries. Around 90 % of the total volume of preferential exports to the EU under GSP originates in less than 10 countries, located mainly in South and South-East Asia. In each of the GSP layers, one single country is the source of more than 50 % of all EU preferential imports under the respective layer (see Figure 1).

**Figure 1 – Main beneficiaries of the three GSP strands (Standard, EBA, GSP+) in 2014**



Data source: Commission report on the GSP 2014-2015.

### Human rights and labour rights conditionality

All three GSP layers include human rights and labour rights<sup>1</sup> conditionality. In fact, there are two levels of conditionality:

- **All GSP countries** have to comply with the **principles** laid down in core human rights and labour rights conventions listed in an annex to the regulation. They are subject to a negative conditionality: the preferences can be withdrawn in case of 'serious and systematic violations' of the principles enshrined in the respective international conventions.

- **The GSP+** in addition contains a positive and much more elaborate conditionality mechanism, also including environment and good governance treaties. Compliance with international norms actually provides the necessary justification under the WTO rules. The scheme is conceived as a way to assist vulnerable developing countries to assume the 'special burdens and responsibilities resulting from the ratification of core international conventions on human and labour rights, environmental protection and good governance as well as from the effective implementation thereof' (recital 11 of the 2012 Regulation).

Given this tight link with international norms, access to GSP+ comes with several strings attached:

- GSP+ countries have to ratify, without expressing prohibited or incompatible reservations, and comply with 27 international conventions on human rights, labour rights, sustainable development and good governance;
- To be accepted into GSP+, countries must accept the reporting requirements and monitoring mechanisms imposed by the 27 conventions without reservation;
- A GSP+ beneficiary country is obliged to cooperate with the European Commission and provide all necessary information to assess its respect of the binding commitments it agrees.

The European Commission is the main actor in the procedure for granting and withdrawing GSP+ preferences. To be included under the scheme, interested countries have to apply to the Commission<sup>2</sup> which decides by delegated act to accept the applicant country under the GSP+. The Commission has the competence to monitor compliance with the relevant conventions by examining the conclusions and recommendations of the relevant international monitoring bodies. Every two years, the Commission presents a report to the European Parliament and the Council on the ratification status of the respective conventions, the compliance of the beneficiary countries with any reporting obligations under those conventions, and the status of the implementation of the conventions in practice.

The regulation provides for the inclusion of civil society and other actors in this monitoring; that is, the Commission has to assess the information submitted by third parties, including by civil society, social partners, the Parliament and the Council, when it evaluates the implementation of the relevant conventions (Article 16.3). When considering the possibility of suspending preferences, the Commission has to assess all the evidence available. The shortcomings identified in the implementation of the relevant conventions are included in a so-called score card and addressed through a regular dialogue with the authorities of the beneficiary countries. If the Commission establishes violations justifying the suspension, it issues a note about the initiation of a withdrawal procedure. In a first stage, it monitors the situation for six months in the country concerned; during this time the third country can submit its observations. Within a further six months, if no remedial measures have been taken by the third country, it can withdraw the trade preferences by delegated act.

Preferences withdrawal is thus a gradual process that aims to provide enough time to the country under investigation to answer to the concerns related to human rights and labour rights violations and possibly to remedy them.

### History of preference withdrawals

According to Article 19.1(a) of the 2012 Regulation, all three GSP arrangements can be withdrawn in case 'of serious and systematic violation of principles laid down in the conventions listed in Part A of Annex VIII' (UN and ILO Conventions on core human rights and, respectively, labour rights).

For GSP+ countries, failure to fulfil their more complex obligations with respect to a wider range of conventions (including governance and environmental norms) can lead to suspension. In practice, suspension of GSP preferences has to date only been applied in three cases: Belarus (from GSP), Myanmar/Burma (from GSP) and Sri Lanka (from GSP+).

Country subject to withdrawal	Violations of human rights/labour rights leading to withdrawal of preferences
1997 Myanmar/Burma GSP	Forced labour
2007 Belarus GSP	ILO Conventions on freedom of association and on collective bargaining
2010 Sri Lanka GSP+ (downgraded to GSP)	International Convention on Civil and Political Rights (ICCPR) Convention against Torture (CAT) Convention on the Rights of the Child (CRC)

Complaints have been made regarding other countries: in 1997, Pakistan was accused of allowing child labour, and China, which was a GSP country at the time, of labour rights violations, although these did not lead to investigations; in 2008, the Commission launched an investigation regarding El Salvador, a GSP+ beneficiary, with respect to its compliance with ILO Convention 87 on freedom of association, but decided not to withdraw preferences; in 2012, an investigation was launched on another GSP+ country, Bolivia, for failure to implement the UN Single Convention on Narcotic Drugs, but GSP+ status was maintained.

### Myanmar/Burma

Trade preferences were suspended for Myanmar in 1997, following allegations of forced labour by the military, which governed the country at the time. The efficacy of sanctions has been disputed, since the country's exports to the EU doubled between 1990 and 2012; with certain exports unaffected (e.g. oil). In 2013, the EU decided (the first time such a move occurred),<sup>3</sup> to re-establish preferences for Myanmar, following the economic and political reforms initiated in the country in 2011, and after ILO decided to suspend its restrictive resolution on Myanmar the same

year. Currently, the country qualifies for Everything But Arms (EBA) status. The EU continues to support Myanmar in improving its labour rights situation. Since 2015, the EU has participated in the Initiative to Promote Fundamental Labour Rights and Practices in Myanmar. Launched in 2014 by Denmark, Japan, Myanmar, the United States, and the ILO. The initiative supports labour law reforms and stakeholder consultation.

## **Belarus**

In 2007, the EU decided to withdraw GSP trade preferences to Belarus because the country did not comply with its obligations under the ILO Conventions on freedom of assembly and collective bargaining. In accordance with the procedure in force at the time, the Commission recommended that sanctions be withdrawn, and the Council approved the recommendation in December 2006.

Since Belarus failed to improve its compliance with ILO norms, preferences were withdrawn in June 2007. This occurred in a political context that was particularly tense in the country. Withdrawal of GSP was not explicitly undertaken as a political sanction. The 2008 GSP Regulation admitted, however, that reinstatement of preferences was impossible due to the political situation in both Myanmar and Belarus (recital 23).

Belarus could continue trading with the EU, but Belarussian exports became subject to standard non-preferential tariffs; the country is not a WTO member and thus not entitled to Most Favoured Nation (MFN) status. Since 2010, the EU imposes unilateral import quotas for Belarus, covering trade in textile and clothing products.<sup>4</sup> These quotas could be removed in the near future, as the country has made some progress on human rights (political prisoners were freed).<sup>5</sup>

## **Sri Lanka**

The country benefited from GSP+ from 2005 until 2010, when preferences were withdrawn because of massive and systematic human rights violations committed during the final stages of the civil war in 2008 and 2009. The main sector, which substantially benefited from GSP+, was the ready-made garment industry, which is instrumental in generating employment and reducing poverty in Sri Lanka. The potential negative consequences on employment and poverty showcase the kind of dilemma the EU faces when deciding on sanctions. Indeed, the EU decision was criticised because it deprived poor people from rural areas of jobs and their livelihood (around 250 000 persons work in the industry, while an estimated 1 million people depend on the sector for their living).

*The impact of trade preference withdrawal was ultimately likely smaller than initially feared. Certain estimations put this at -1 % of GDP and -1.1 % of employment, while the increase in poverty may be*

*higher. In October 2013, the Minister of Investment Promotion declared that loss of the GSP+ had caused the closure of 25 apparel factories, forcing almost 10 000 people out of work. However, some of those factories, together with their employees, were taken over by larger companies. In 2013, three years after EU preferences were withdrawn, the sector was suffering an acute shortage of skilled workers. The economic and social impact of EU sanctions was therefore limited, although probably most harmful for unskilled and therefore more vulnerable garment workers.*

The new Sri Lanka government, elected in January 2015, made significant progress on human rights (praised by NGOs) and decided to reapply for GSP+ in June 2016.

### **EBA and GSP+ biggest beneficiaries: a problematic human rights situation**

Bangladeshi and Pakistani preferential exports to the EU amount in each case to more than two thirds of the total volume of goods exported to the EU under the EBA and GSP+ respectively. Both countries face enormous challenges, which highlight the complexity of EU conditionality.

Bangladesh: Bangladesh is the biggest beneficiary of the EBA scheme. Its ready-made garment sector is the main producer of goods exported to the EU. After the Rana Plaza disaster in 2013, when a building hosting garment factories collapsed, resulting in over 1 000 dead, the country became the focus of international attention, including on its disastrous compliance with labour rights. Exports to the EU are vital for the country's economy, representing about 10 % of its GDP and securing 2.5 million jobs. Since the Bangladeshi government, as well as companies in the sector, were ready to make efforts to improve the situation, the EU decided against withdrawal of trade preferences. This contrasts with the action taken by the USA, which suspended its GSP preferences for the country following the disaster. However, this did not affect the garment industry, as the sector was not covered by US GSP.<sup>6</sup> In the aftermath of the Rana Plaza disaster, a sustainability compact ('compact for continuous improvements in labour rights and factory safety in the ready-made garment and knitwear industry in Bangladesh'), was launched in order to improve labour, health and safety conditions for workers.

The compact is a joint initiative between the Bangladeshi government and Canada, the EU, the USA and the ILO. Initial commitments made under the compact included reforming Bangladeshi labour law, recruiting additional inspectors to check factories, and improving building safety. Since its adoption, the Commission has released three progress reports on the implementation of the compact, in 2014, 2015 and 2016, and participated in compact follow-up meetings.

The third progress report, released in August 2016, while acknowledging improvements in enhancing building and workplace safety, notes that progress on workers' rights has been mixed. The legislative framework was improved, leading to an increase in trade union registrations, but further improvements are still needed, including in the legislation covering export processing



zones (EPZs), where national labour law does not apply. Full freedom of association and collective bargaining rights remain to be assured. The EU report reflects the ILO position in its report.

International trade unions and civil society organisations have also pointed out that much remains to be done. Several global trade unions found that Bangladesh has failed to deliver on its commitments and asked the EU to use its trade preferences to oblige the country to comply.

According to Human Rights Watch, the challenges to unionisation remain daunting, both at the legal level (at least 30 % of a factory's workers have to join in order to establish a labour union), and at practical level (there are reports of physical assault; intimidation and threats; dismissal of union leaders; and false criminal complaints against workers). In practice, it was possible to create unions in only 10 % of factories.

The general human rights situation is also problematic in the country. Freedom of speech is under significant pressure, and enforced disappearances, likely perpetrated by state security agents, have become routine practice.

*On 29 April 2015, the European Parliament adopted a resolution on the second anniversary of the Rana Plaza disaster, in which it welcomed the EU-led initiative to launch the compact, but also expressed concern about the situation in EPZs, where trade unions remain banned and working conditions, health and safety standards are poor. Parliament further noted the important role played by the EBA initiative in Bangladesh's economic development and its contribution to improving material conditions for millions of people, in particular women. Parliament also required sound conditionality in the area of human and labour rights, without which EBA and GSP risk exacerbating low standards in worker protection*

## **Pakistan**

**Pakistan** is the biggest beneficiary of the GSP+ scheme, coming under the special monitoring mechanism put in place by the EU. As the Commission acknowledges in its 2016 report, even if Pakistan has ratified the relevant international instruments, the situation with regard to many human and labour rights remains problematic. Enforcement of human rights conventions in the country remains deficient because of social attitudes, the weakness of state institutions, and the legal uncertainties emanating from the devolution of power.<sup>7</sup>

To give two examples of major problems: the suspension of the death penalty moratorium and the resumption of executions in Pakistan was strongly criticised by civil society. While abolition of the death penalty is not among GSP+ conditions, Pakistan maintains the death penalty for a large number of crimes (including blasphemy), some of which do not fall into the category of 'most

serious crimes', contravening the International Covenant on Civil and Political Rights (ICCPR), which is one of the 27 GSP+ conventions with which the country has to comply. With regard to labour rights, Pakistan ranks sixth in the world on the 2016 Modern Slavery Index, with an estimated 2.1 million people (or 1.13 % of its population) living in modern slavery. This is in clear violation of both UN and ILO conventions.

Economic benefits from GSP+ are significant. In 2014, the first year of GSP+ status, exports to the EU increased by almost €1 billion, or in relative terms by 21.5 %. Given the importance of GSP+ exports for creating employment (75 % of exports are garments and textile products – a sector that is labour intensive) and thus for reducing poverty, any suspension of preferences could be counterproductive. Taking into account the progress achieved at both legal and institutional levels, with the implementation of the relevant international norms, the Commission has decided to continue GSP+ for the country.

*In its resolutions on Pakistan (2014 on blasphemy laws and 2015 on the situation following the Peshawar school attack), the European Parliament underlined that GSP+ status comes with strings attached and called upon the Commission to strictly monitor Pakistan's compliance.*

Criticism expressed in the academic literature:

- The EU is inconsistent in applying sanctions towards countries that are the subject of serious ILO criticism, e.g., Belarus was not the gravest case of labour rights violations.
- The procedure for granting and withdrawing trade preferences lacks transparency. This criticism applied to the situation before the new GSP Regulation.
- The EU has been reluctant to apply sanctions in many cases.

### Is GSP human rights conditionality effective?

Whether conditionality has been effective is the subject of a complex debate. To qualify for EBA or standard GSP, a country has to fulfil purely economic criteria. It is inevitable that eligible states will include some with a problematic human rights situation. Because suspension of preferences has a limited economic impact and/or because the political regime does not wish to bend to external pressure, such countries are unlikely to react to the threat of or actual withdrawal of preferences. Unlike the case of EBA and Standard GSP, for GSP+ status, countries must apply individually. When they do, they have a clear interest in the scheme, and EU leverage is more significant.

Given the limited number of cases in which suspension of preferences was applied (only three), it is impossible to make any meaningful generalisation about its effectiveness. The three countries which lost preferences, Belarus, Myanmar and Sri Lanka, did not take meaningful measures to remedy the situation. The latter two have in the long run initiated substantial political reforms accompanied by a regime change, which in the case of Myanmar led to the reinstatement of preferences; in the case of Sri Lanka, this is likely to happen in the near future. The only country of the three whose economy was significantly affected by the loss of preferences was Sri Lanka.

Nevertheless, it is impossible to assess the relative importance of EU trade measures among a myriad of other factors driving regime change and political and economic reforms.

The EU's scope for action is circumscribed by the position taken by the relevant international monitoring bodies. The Commission is obliged to take their conclusions into account in cases of GSP+ suspension. In practice, preferences in the case of Belarus and Myanmar were suspended after ILO discovered serious violations of its conventions. When reinstatement occurred, in the case of Myanmar, this was preceded by ILO withdrawal of its restrictive resolution. The tight connection with ILO reports was also visible in other cases. For example, when Uzbekistan was accused of using child and forced labour, including with the complicity of the government, in its cotton fields, the Commission considered that since ILO has not established serious and continued failures to implement the relevant Conventions, it was not necessary to withdraw trade preferences. The Parliament also considered the ILO position crucial. In a 2011 resolution on a European Communities-Uzbekistan partnership and cooperation agreement and bilateral trade in textiles,<sup>8</sup> the Parliament stated that if ILO monitoring bodies conclude that serious and systematic breach of Uzbekistan's obligations exists, the Commission should consider initiating temporary withdrawal of the GSP.

The system's most effective leverage is not primarily based on the real use of sanctions, but on its strength to act as a deterrent due to the consequences of a potential loss of trade preferences. According to the Commission, sanctions should only be applied in extreme cases, while in most other cases incentives, being more effective, are preferable to sanctions. By providing preferential access, the GSP system motivates beneficiary countries to maintain their market access and therefore pay attention to human rights violations. The system opens a channel of communication and dialogue on a wide range of human rights issues. That this approach privileges monitoring and dialogue, with sanctions deployed only in the most extreme cases is reaffirmed in the European Commission's trade for all strategy. As the experience with Bangladesh and Myanmar demonstrates, establishing additional mechanisms to promote labour rights with other international actors can be an effective way to address shortcomings, albeit with limitations.

By providing additional preferences, compared to standard GSP, GSP+ conditionality is considered to be more effective – potentially stronger than the conditionality imposed by the human rights clauses in bilateral free trade agreements (FTAs). For example, an analysis of the FTA with Columbia shows that the previous GSP+ conditionality was stronger, since the EU could more easily suspend trade preferences. GSP+ is particularly effective in encouraging countries to ratify relevant international instruments in order to qualify. According to the Commission, GSP+ is an 'incentive-based approach which generates momentum for positive change'.

As the GSP system in its current form is relatively recent, it has not yet exhausted its potential to encourage improvements. Problems persist mainly at the implementation level. Although many countries covered by GSP+ have ratified the required international conventions, still experience serious difficulties with implementation. In January 2016, the Commission published its first

report on the monitoring of GSP+ countries, which includes a detailed case-by-case analysis of compliance of each one of the 27 Conventions listed in the annex to the GSP Regulation. The report notes that all beneficiary countries have made progress, especially at the level of putting the legislative and institutional frameworks in place, and of reporting obligations, but much remains to be done at the implementation level in certain countries. According to the report, 'beneficiaries are expected to demonstrate serious efforts towards tackling the identified problems'.

With its comprehensive mechanism, the GSP+ is also a good experimental ground for testing ways to monitor and assist third countries, which could be applied to other GSP beneficiaries, as recognised in the trade for all strategy, too

Several proposals were made by civil society organisations and other commentators to improve the system:

- carry out an impact assessment of any trade measures to be taken in response to human rights violations and balance any negative impact on the local population and affected workers against its possible effectiveness;
- overcome the narrow alternative 'maintaining-withdrawing preferences', particularly in the EBA and standard GSP schemes, by introducing additional mechanisms. One proposal is to institute an obligation on economic operators who want to export to the EU to enforce respect of human rights and labour rights. Companies would be required to put in place due diligence practices, in line with the UN guiding principles on business and human rights.
- modify the standard GSP and EBA schemes, to blacklist companies responsible for serious human rights violations, which wish to export to the EU.

To be compatible with WTO rules, any such modification would have to be non-discriminatory toward third countries.

*In a 2016 resolution on implementation of Parliament's 2010 recommendations on social and environmental standards, human rights and corporate responsibility, the European Parliament recommends clarification, either through a delegated act or through the forthcoming revision of Regulation (EU) No 978/2012, of the definitions of a 'serious failure to effectively implement' an international convention, and of 'serious and systematic violation of principles' contained in an international convention.*

*Parliament also calls for social partners and civil society organisations to be given a formal role in GSP and GSP+ monitoring. The EP proposes to introduce corporate social responsibility in the GSP Regulation, to ensure transnational corporation compliance with human and labour rights, and to reform WTO rules to institute supply chain due diligence and transparency requirements, building on the UN guiding principles for business and human rights.*

## **Other unilateral trade measures to protect human rights**

Sanctions under the GSP consist of the annulment of trade preferences granted unilaterally by the EU and do not amount to trade restrictions strictly speaking, since the countries concerned revert to trading with the EU on non-preferential terms. The EU can also adopt trade restrictions in the framework of its common foreign and security policy, on grounds that are more or less explicitly related to grave human rights violations or/and in connection with UN Security Council sanctions. Examples of such measures include the trade restrictions adopted against Syria (the embargo on exports to Syria of equipment that can be used for internal repression, and of weapons; the import ban on oil from the country) or the weapons embargo against China, instituted through a declaration of the European Council after the 1989 Tiananmen massacre and still in place.

In the framework of its common commercial policy, the EU can institute certain unilateral trade restrictions in order to protect human rights. They have to be in line with WTO rules if they affect trade with countries that are WTO members (164 states are WTO members).<sup>10</sup> The EU has already adopted several such trade measures, while others are being prepared.

## **Prohibiting trade in items that can be used to violate human rights**

### **Trade in dual-use items**

In line with the 2015 trade for all strategy, which seeks modernisation of EU policy on export controls to prevent the misuse of digital surveillance and intrusion systems that results in human rights violations, the Commission published a proposal to recast the Dual-use Regulation (No 428/2009) on 28 September 2016. The proposal contains provisions related to the control of exports of cyber-surveillance technologies to countries with authoritarian or repressive governments. Such systems may be used to infiltrate the computer systems of human rights activists leading to their imprisonment and even death, thus violating fundamental human rights.

### **Trade in items that could be used for torture, ill treatment and executions**

Since 2004, the EU has an export control system in place covering goods that can be used for executions or torture and other forms of ill treatment. Trade in items designed specifically for such items is prohibited, except when intended for display in a museum, while trade in items that have legitimate purposes, but could be used also for torture or executions, is made subject to authorisation. This system has proved particularly effective with regard to medicinal substances used in executions, of which the EU is a major exporter. Restrictions on such trade have made executions particularly difficult in the USA. The export control system has been a further tightened, to include related services such as advertising, brokering or transit through EU territory.

## **Restricting imports of products whose production is related to human rights violations**

### **Conflict minerals**

In 2002, the EU adopted Regulation (EC) No 2368/2002, implementing the Kimberley Process certification scheme for the international trade in rough diamonds. Recognising the devastating impact of conflicts fuelled by trade in diamonds and the gross human rights violations engendered in the trade, the regulation bans all imports into the European Union of rough diamonds that are not accompanied by an appropriate certificate proving they are not related to conflict. The EU has taken further steps to ban the import of conflict related minerals. The proposal for a conflict minerals regulation, the subject of an ordinary legislative procedure since 2014, aims at preventing international trade in several minerals from financing human rights abuses. The regulation has not yet been adopted but after a political agreement was reached in June 2016, the final draft was agreed in trilogue negotiations in November 2016. The final agreement endorses an obligation of due diligence for importers of potential conflict minerals, with the exception of the smallest importers, a modification to the initial Commission proposal requested by the European Parliament.

### **Fighting trade in products produced using child labour**

The European Parliament has requested a legislative proposal on banning EU imports of products made using child labour. In a July 2016 resolution, Parliament repeated its demand, made in a 2010 resolution, 'for a balanced and realistic proposal for legislation', including measures such as labelling child-labour-free products and prohibiting imports of goods made with child labour. However, in a 2013 staff working document, the Commission expressed reservations towards the concept of such a legislative proposal considering that a traceability mechanism would be very difficult to implement for certain supply chains and would also be costly for poor countries.

### **Role of the European Parliament**

The Lisbon Treaty granted Parliament the competence to adopt 'the measures defining the framework for implementing the common commercial policy', together with the Council, under the ordinary legislative procedure. The European Parliament was co-legislator on the regulation establishing the GSP, and plays the same role for legislation establishing other unilateral trade measures to protect human rights.

The Commission plays a central role in granting GSP+ preferences and in withdrawing all GSP scheme preferences, acting through delegated acts. The Parliament and the Council can object to a Commission decision, but cannot ask expressly for a country to be excluded from GSP.

The European Parliament has several times invoked GSP conditionality in its resolutions, requesting that the Commission use conditionality requirements more consistently. According to academic research, the Parliament is considered to have a more favourable view of sanctions. The Commission considers sanctions as a measure of last resort, while 'the EP and civil society at large, on the other hand, are said to be 'in favour of a stronger, more consistent and clearer use of the human rights clause and related sanctions', thereby clearly favouring the 'stick' approach.'

Given that the strengthening of Parliament's role has taken place recently, through the adoption of the Lisbon Treaty, scope remains for enhancing interinstitutional cooperation. The EU strategic framework for human rights encourages greater cooperation between the European Commission and Parliament on human rights in general. According to commentators, 'this collaboration still remains "ad hoc" without any clear guidance as to how to systematically ensure cooperation on a recurring basis.'

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## Endnotes

1 This briefing addresses both the topic of human rights and labour rights in EU unilateral trade measures. There is a significant overlap between the two, as most ILO Conventions listed in the GSP regulation deal with rights that also appear in UN core human rights treaties: prohibition of forced labour and of child labour, freedom of association, and prohibition of discrimination.

2 The details of the procedure have been laid down in a Delegated Regulation (EU) No 155/2013.

3 Given Myanmar's progress with labour reforms and strengthened workers' protection, the USA has decided in September 2016 to reinstate the GSP system for the country.

4 The imposition of textile quotas is an instrument the EU can use with countries that are not WTO members. Such measures would be very hard to justify for WTO member states, as quotas for textiles were phased out.

5 GSP cannot be reinstated, since, as an upper middle-income economy, the country no longer qualifies.

6 The US Generalized System of Preferences (GSP) is a programme designed to promote economic growth in the developing world. It provides for duty-free entry into the US market for some 5 000 products originating in a wide range of designated beneficiary countries, including many least-developed countries, but does not grant benefits for textile products, which are excluded from the scheme.

7 See Commission working staff document annexed to the 2016 GSP Report, p. 190.

8 To date, this agreement has not been ratified.

9 An open question remains whether WTO rules (particularly the public morals as well as the public health exceptions under the GATT), allow for restrictive trade measures to be introduced to protect human rights extraterritorially (EU unilateral measures aim mainly to protect human rights in its partner countries). For example, in order to assure legal certainty for the Kimberly process, a WTO waiver was requested. For more information on the topic, see: *Balancing Human Rights Environmental Protection and International Trade*, Emily Reid, 2015, chapter 8.

10 See previous note.





## Présentation

Multipol est un réseau international et interdisciplinaire de chercheurs et d'experts en droit international et relations internationales, provenant de milieux professionnels tels que la justice internationale, la diplomatie multilatérale et bilatérale, la recherche et la formation, la fonction publique internationale.

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- Permettre aux membres de ce réseau de publier leurs analyses et les informations dont ils disposent dans un délai très court, et susciter des commentaires pertinents de la part des autres membres du réseau et des lecteurs.
- Organiser des colloques visant à diffuser la connaissance du droit et des relations internationales.
- Établir des liens avec des institutions et organismes poursuivant des buts analogues ou voisins.
- Proposer l'expertise scientifique des membres du réseau.

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# *EU Geographical Indications: Protection for non-agricultural products*

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**Laura Puccio & Massimo Sibona**

*The authors are with the European Parliamentary Research Service (EPRS), PE 583.854, EU, June 2016: See under:*

<http://www.europarl.europa.eu/thinktank>



*At its plenary session on 6 October 2015, the European Parliament (EP) adopted a resolution on the possible extension of protection of geographical indications (GIs) to non-agricultural products. The report adopted by the EP stressed the opportunity and need to create a uniform European framework of protection for GIs for non-food products.*

## **Background**

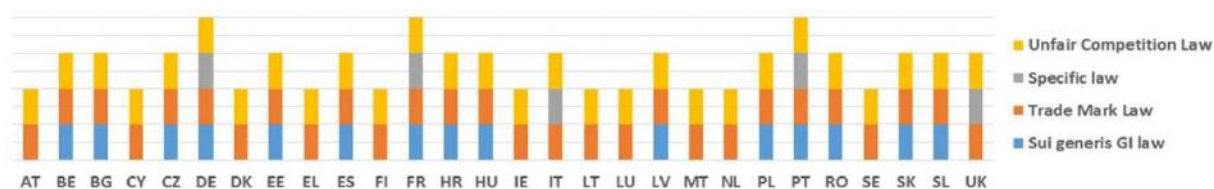
Geographical indications (GIs) are a specific form of intellectual property rights (IPR). GIs are indications that distinguish goods as originating from a specific milieu géographique (that is, a country, region or locality), where a distinctive set of qualities, reputation or other characteristics of the goods are essentially attributable to their geographical origin, because of their intricate link to locally available natural and human resources. Examples of GIs for non-food products are Murano glass, Scottish tartan and Delft ceramics. In total, 834 GIs for non-agricultural products have been catalogued in a study promoted by the European Commission and carried out by Insight Consulting in 2013. GI protection was first introduced through international agreements such as the Paris Convention, the Madrid Agreement and the Madrid Protocol, where a generic safeguard of indication of origin was achieved.

Thereafter, the Lisbon Agreement provided for the first time more explicit protection for GIs for non-agricultural products (Bulgaria, Czech Republic, France, Hungary, Italy, Portugal and Slovakia are signatories to that agreement). Eventually, the TRIPS negotiations undertaken during the first part of the 1990s afforded food and non-food GIs more effective and comprehensive protection. The EU provides for a regional level of GI protection by means of Council Regulation 510/2006 for agricultural products and foodstuffs, Council Regulation 1234/2007 for wines, and Council Regulation 110/2008 for spirits. Within this framework, non-food products have no

protection apart from a limited number of derivatives from agricultural products such as hay, essential oils, cork, cochineal, flowers and ornamental plants, wool, wicker, flax and cotton covered by Regulation 510/2006.

Therefore, non-agricultural products have thus far been protected by national legislation under sui generis law, where available; currently, only 15 Member States provide for such protection: Belgium (only Wallonia), Bulgaria, Croatia, Czech Republic, Estonia, France, Germany, Hungary, Latvia, Poland, Portugal, Romania, Slovakia, Slovenia, Spain (only the region of Murcia). Alternatively, in all EU Member States, protection of non-agricultural GIs can be granted under laws on unfair competition and deceptive trading practices, or under trademark law. Bilateral agreements between Member States can also cover non-agricultural GIs (see examples in the Annex to the 2013 study produced by Insight Consulting).

**Figure 1 – Tools available for protecting non-agricultural GIs, by Member State**



Source: Insight Consulting, Study on geographical indications protection for non-agricultural products in the internal market, 2013.

### EU-level discussion on protection for non-agricultural products

This legislative panorama presents several flaws: (1) the laws are not harmonised; (2) the protection built into the laws on unfair commercial practices and deceptive practices is barely enforceable for GIs; (3) trademark protection does not suit the scope of GIs as it is granted regardless of the link of the product to a specific territory and only pays attention to the distinctiveness of the sign. Because of regulatory fragmentation, non-agricultural producers wishing to protect a GI in the EU need to file for protection in each Member State where it is available (only 15 Member States have sui generis protection), or to rely on other tools such as trademark protection, litigation and/or action via administrative authorities in case of unfair commercial practice or consumer deception.

In 2011, the Commission started to address the possible extension of GIs protection to non-agricultural products with its communication A single market for intellectual property rights. Its Study on geographical indications protection for non-agricultural products in the Internal Market, carried out in 2012 and published in 2013, confirmed the lack of homogeneous legal protection for GIs for non-food products at national and EU level.

In 2014, the Commission decided to consult with all interested parties, releasing a Green Paper. The stakeholders' feedback pointed to the need for a unitary protection system, given that harmonisation of national legislation alone would not be sufficient as its implementation by Member States would inevitably lead to divergences. Moreover, the consultation highlighted a number of likely effects on the internal market from extending GIs protection to non-food, such as: the opportunity to model GIs protection for non-food products on the protection achieved for food products; the lack of need for GIs for non-food products to show a physical link with a territory; and eventually the need to regulate the coexistence between GIs and trademarks. The European Economic and Social Committee provided an opinion on the Green Paper widely welcoming the consultations and calling for the need to achieve at least the same level of protection as provided for by the TRIPS Agreement and to increase the information available to consumers. In its opinion, the Committee of the Regions also welcomed the Commission initiative, underlining the favourable impact that the extension of GIs protection to non-food products would have on the EU's various regional labour markets, and stressing its prerogative to be consulted as bearer of regional and local economic interests.

### **The September 2015 EP report**

The report adopted by the EP calls on the Commission to propose the creation of a unitary European system of protection of GIs for non-agricultural products, with the following features: a two-stage registration process (first at national, then at EU level); the creation of a European public register; the granting of registration to products presenting an unambiguous link with a specific geographical place; and the protection of non-verbal signs and symbols unmistakably associated with a particular region. The report emphasises that GIs protection for non-food products would bring positive effects for both EU producers and consumers, incentivise EU exports, be an advantage in negotiating trade agreements with third countries, and, to a great extent, would be a tool for preserving domestic know-how and possibly for job creation.

### **Next steps**

Further to the EP vote, and according to Article 225 of the Treaty on the Functioning of the European Union (TFEU), the Commission must submit an appropriate proposal taking into account the points raised in the EP's report or must inform it of the reasons for not doing so. In its communication of 28 October 2015 on upgrading the Single Market, the Commission stated that it would 'take work forward on how to make the most of Europe's traditional know-how and follow up on the public consultation on the protection of non-agricultural geographical indications'. The next step for the Commission would be to undertake an inception impact assessment to evaluate several policy options covering legislative and non-legislative alternatives. The latter could include options such as recommendations, communications, guidelines and codes of conduct that would

allow Member States to pave the way smoothly for the protection of GIs for non-agricultural foods, but these would nonetheless lack binding value.

***Outside the EU***

*India, Thailand and Tunisia have domestic laws sui generis protecting GIs for non-agricultural products. In the absence of bilateral or regional rules for the protection of non-agricultural GIs, such products still need to be protected with trademarks in order to obtain protection in third countries. The USA protects GIs under trademark law. The issue of non-agricultural GIs does not however fall within the scope of the ongoing EU-US TTIP negotiations, given the current absence of a harmonised EU framework and the USA's reticence to introduce it.*

## *UfM Regional Forum of Barcelona from January 2017*



Union pour la Méditerranée  
Union for the Mediterranean  
الإتحاد من أجل المتوسط

UfM Member States adopted an action-oriented roadmap for the strengthening of regional cooperation:

- The UfM Foreign Affairs Ministers give strong political impulse to the UfM by endorsing a roadmap for action at the second UfM Regional Forum, centered on the Mediterranean youth's potential for stability and development.
- UfM Secretariat and the Swedish International Development Agency (Sida) sign a €6.5 million multi annual financial agreement to support UfM core activities in three key areas in favour of a more sustainable and inclusive development in the region.
- Launch of the UfM-labelled project *Generation Entrepreneur* aiming to promote entrepreneurship and job creation in 7 countries across the Mediterranean.



In Barcelona, on 23 January 2017, under the EU and Jordan UfM Co-presidency, the UfM Member States gave a strong political commitment to strengthen regional cooperation in the Mediterranean by endorsing a roadmap for action at the second Regional Forum of the UfM, taking place shortly after in Barcelona under the theme of Mediterranean in Action: Youth for Stability and Development. Considering the current pressing challenges of the region linked to extremism, radicalisation and irregular migration, UfM Foreign Affairs Ministers under the Co-presidency of Federica Mogherini, EU High Representative for Foreign Affairs and Security Policy and Vice-President of the European Commission, Ayman Al Safadi, Minister of Foreign Affairs of Jordan, and Alfonso María Dastis Quecedo, Minister of Foreign Affairs and Cooperation of Spain, as the host country, underlined the key role played by the UfM as a unique framework for political dialogue and regional cooperation in the Euro-Mediterranean area.

“With 47 labelled projects, 10 ministerial meetings, over 200 expert foras gathering 20.000 stakeholders, the UfM activities illustrate the strong belief that regional challenges call for regional solutions and that there is no security without development. In this regard, youth is at the heart of the Mediterranean agenda”, underlined UfM Secretary General Fathallah Sijilmassi. Many young beneficiaries of UfM-labelled projects are attending the Forum highlighting thereby the action driven nature of the organisation. “Generating job opportunities and fighting against climate change are among the top priorities for young people. Young people can act as a driving force for sustainable development if we all work together. That’s why we have created the Mediterranean Youth Climate Network with the support of the UfM, a place to share ideas and implement tangible action, putting the Mediterranean region at the forefront of positive actors for sustainable development”, said Imene Bouchair, young representative for the Mediterranean Youth Climate Network.

As a clear signal in support of enhanced regional cooperation and strengthened ties, the UfM Secretariat and the Swedish International Development Agency (Sida) signed a €6.5 million multi-annual financing agreement to implement and strengthen UfM core activities. The first agreement with a Member country of its kind, the focus will be to work on three key areas for the region: women’s empowerment and gender equality, climate action and energy, as well as water, environment and blue economy.

The Regional Forum also saw the project “Generation Entrepreneur” officially launched under the framework of the Mediterranean Initiative for Jobs (Med4Jobs). The project offers a jobs and business creation training programme that will benefit some 79,000 school and university students from Algeria, Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia and is expected to create job opportunities, upon successful completion of mentorship, incubation and graduation from the start-up programmes.

Furthermore, several UfM cooperation agreements were signed with the United Nations Office for South-South Cooperation and the Agadir Technical Unit. The Government of Monaco announced a financial contribution for the UfM project “Forming Responsible Citizens”. The project,

promoted by the Spanish-based organisation Ideaborn, aims to contribute to the prevention of violence against girls and women through the implementation of a renewed civic education curriculum in Morocco and Tunisia.

The UfM Regional Forum is bringing together 500 Mediterranean key stakeholders, including Ministers, official delegations, civil society and private sector representatives, regional stakeholders, International financial institutions and socioeconomic project promoters. The Forum will see the presence of the President of the Italian Senate in his capacity as President of the Parliamentary Assembly of the UfM, the Vice-President of the World Bank for the Mena region, the Vice-President of the European Investment Bank as well as other representatives of key institutions working in the euro-Mediterranean region.

***The Union for the Mediterranean:  
An action-driven organisation with a common ambition***

The Union for the Mediterranean (UfM) is the unique intergovernmental Euro-Mediterranean organisation gathering all 28 countries of the European Union and the 15 countries of the South and the East of the Mediterranean. It is in charge of enhancing regional dialogue and cooperation amongst its Member States. It therefore plays a central role with regard to the current evolutions in the region.

As a direct continuation of the Barcelona Process (of dialogue between the EU and the other Mediterranean states), the creation of the UfM in July 2008 was destined to reaffirm the political ambition to strengthen regional cooperation in the Euro-Mediterranean area. A first phase 2008-2011 under the co-presidency of France and Egypt was dedicated to the launch of the UfM and to the setting up of the Secretariat of the UfM in Barcelona. A second phase 2012-2015 under the co-presidency of the European Union and Jordan, allowed the increase and steady development of its activities, the reinforcement of the capacities of the Secretariat, working methods and partnerships, and a number of achievements that gave new momentum to Euro-Mediterranean regional cooperation.

Considering the magnitude of the pressing and serious current challenges in the region but also the existence of an untapped potential of opportunities, the time has come for a third phase from 2016 onwards. It is to build on the progress achieved, on the UfM identity and added value, and to further consolidate Euro-Mediterranean regional cooperation, thereby generating an enhanced common regional agenda for the Mediterranean in order to effectively and collectively address the current challenges.

The recent review of the European Neighbourhood Policy highlighted the EU's political will to further strengthen the UfM as the expression of co-ownership in the management of common



issues in the Mediterranean. This also came as a result of the consultations held throughout 2015 with the Southern Mediterranean Countries (meetings in Barcelona, April 2015 and Beirut, June 2015) during which they explicitly expressed the need to reinforce the UfM.

At the informal Ministerial Conference in Barcelona in November 2015, 20 years after the launch of the Barcelona Process, Ministers of Foreign Affairs and their representatives, under the chairmanship of Mrs Federica Mogherini, HRVP of the EU and Mr Nasser Judeh, Deputy Prime Minister and Minister for Foreign Affairs of the Hashemite Kingdom of Jordan, unanimously expressed their common commitment to work together on a deepened and operational regional cooperation within the framework of the UfM.<sup>152</sup>

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<sup>152</sup> UfM Roadmap, 2017, <http://ufmsecretariat.org/wp-content/uploads/2017/01/UfM-Roadmap-23-JAN-2017.pdf>

## What does it mean that society can be organic?

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### Alec A. Schaerer



*Alec A. Schaerer is a former architect and town planner, who ran many international projects in these fields. Now he is a philosopher, methodologist, author and researcher. He lives in Switzerland. In his former projects he saw unnecessary contradictions within the usual ways of thinking. This is why he became interested in the systematic-methodological potential for a holistic perception of situation and contexts - in particular for questions between nature, human thinking and economic processes*

*November 19, 2016*

*In foreign relations the concern essentially is how to manage the relationship on all levels between two countries so as to satisfy the implied interests. On the procedural level, in the course of history a certain pragmatism has evolved, while the frequent occurrence of crises and conflicts does not suggest that the procedures are optimal. For coming to terms with possible blind spots or even errors it is advisable to examine any maybe revise the fundamental ideas because they define what is conceivable at all and what is not.*

*For getting to the root of the implied questions and for reaching thus a secure view, particulate starting points are unreliable - in fact they warrant new strife and finally only promote a belief in raw power, throwing back the reasonable development. The only really reliable foundation for objective thought is the laws of nature, finally the pure laws of logic. On the path it should be possible to find also the intrinsic laws of humans being social. But today's philosophical and scientific efforts offer little at this level due to widespread self-limited mental habits. On the other hand, some powerful actors in the field of international relations are interested in maintaining strife because they draw profit from this state of affairs, explaining the self-limited mental habits.*

*Nevertheless this is not inevitable destiny but only today's peculiar situation. Provided a positive attitude it is indeed possible to dissolve the crucial points and to reach a solid insight into the laws that govern society in its interactions.*

### **Backbone (not merely an Abstract)**

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Society is currently experiencing a strange process of disintegration. Could this be avoidable? Organic harmony is a subtle subject, generally having to do with handling things adequately according to their own dynamic nature and including the complete context. Since this implies knowing securely about things and contexts, immediately the question arises of the frame of reference for the cognitive basis, as depending on it one may act harmoniously from one point of view, believing to do very well, while in fact one is acting harmfully from a more complete point of view. Barely anybody really wants to be only evil and destructive; when people are violent, they usually act in the hope of achieving something desirable – power, wealth, or whatever else – and they may subjectively feel like striving for a harmony under that lodestar. The point is in the fundamental beliefs that set up the respective logic, which cannot avoid – being belief, no secure knowledge – having objectively an illusory character. Beliefs may be shared collectively, making arise groups and societies that then are being led to confront other groups with other fundamental beliefs.

Once we had wars between religions – and now we have wars between paradigms and ideologies, for example between profit-driven and cooperation-driven ideas. The problem of disharmony always stems from interactions based on belief instead of really knowing. The question is in the access to a truly integral view. The idea of openness, listening, and feeling – proposed rightfully in all moral appeals – is nice on the way, because it opens the interaction to the nature of other beings, but it cannot already be the final solution because it lacks the understanding on principle of where the problem and the solution finally is. Thoughtful feeling is the procedural means through which clarity – the conceptual penetration of the problem as such – can finally be reached.

For a secure frame of reference one needs to get acquainted not only with external descriptions of the world, which can reveal only the past, not the dynamics of the existential cycle. It is better to focus on totally uncompromised ways of understanding on principle. This leads to a need to seek the bearing in pure and general laws of nature – instead of anything subjective or anthropocentric based on perspectives, as in currently prevalent mental habits. For stepping beyond, laws of nature should not be conceived only in the narrow sense adopted by today's natural science, which can cover only the produced structures in the universe, but not its living productive core that resides in a dynamic equilibrium and eludes all descriptive views.

Approaching laws of nature on the basis of statements (the deductive-nomological model) has led to a complicated casuistry that misses the complete picture. Instead, laws of nature can be understood as any form of order that is organized fully in its own right, in its own universal quality – starting with the intrinsic order of the conceptual realm as a whole that determines the basic laws of logic, and ending with the intrinsic law of each and every object and living being according to which it arises, exists for its time, disintegrates, and reappears renewed. The problem of secure categories – the fundamental decisions that shape a world-view, an approach – presents itself and should not be avoided, as is too often the case. A secure basis in pure universal laws is also the path that many modern thinkers had chosen for developing their proposals of three folding the

social organism, thus overcoming the compulsion to social disharmony that results from the categorial self-limitation in the usual approaches.

### **1. A paradox to be addressed**

Science and technology have increasingly been supplying a plethora of techniques and gadgets for manipulating things and thoughts – more than ever before in human history. Assuming rationality, organisational problems and social conflicts should therefore be more easily avoidable. But in comparison with the possibilities, people unusually often perceive life as being marked by uncertainty and unhappiness, and the trend is intensifying – see e.g. Beck (1992, 1999), Binswanger (2006), Frank (2002), Greider (1997), Landes (1999), McKinley (2001), Monbiot (2000), Stiglitz (2002), or Wright (2011).

Since many technical means are available, but their use does not eliminate conflict, there must be a problem in the habitual way of thinking that guides action. Some contend that conflict is necessary as an irritating incentive to solving problems. But do such ideas solve them at their root or rather justify some ideational laziness for maintaining the status quo? Irritation is certainly not a sufficient condition for understanding, but is it also a necessary one? Do we need to be pushed out of mental laziness or can we stimulate each other towards the authentic interest that for example babies bring along? Why do leaders of powerful socio-political entities worry about command and control, but not fundamentally about sensitivity and truth? Magaldi / Maragnani (2014) reveal thoroughly the currently relevant precarious motives with tremendous and abominable effects on that path. In psychology some concerns arose about ‘sick society’, for example with illustrious thinkers like Erich Fromm (1992, 2006, 2008) or Arno Gruen (2007), trying to understand and explain uncomfortable facts that are unnervingly manifest in revelations such as offered in Graeber (2015) or Scahill (2016). The question is therefore reasonable: What is the structure of the problem, its origin, and how can it be tackled and dissolved?

The symptoms of the problem are extrinsically spread out between individuals and their social interaction, and the causes are intrinsically defined by ways of thinking and the laws that regulate mental life. This is as such no news; the hot potato is on the methodological level, namely in how one goes about clarifying the interconnections for detecting the weak point and for overcoming it. This fundamentally theoretical topic determines the first part of the following considerations (sections 2 and 3). It leads to considerations about necessary categories for coming to grips with the outlined problem.

In actual practice, society is presently being disrupted worldwide by an increasingly widespread trend – as much in politics as in private life – to rely on brute power for tackling obstacles, questioning neither the arbitrariness at the root of this attitude nor the ultimate consequences. This rash attitude is as such not new, it has appeared frequently in history, but from a sane point of view

its ubiquity is astonishing in – precisely in the face of the available technical sophistication and the pride of supremacy oozing out of the official statements worldwide. Magaldi / Maragnani 2014 offer a very detailed insight into the traditional mental mechanisms and material effects. The guiding myth is manipulation and control, forgetting the backlashes that are a result of not addressing properly the 'other side' of appearances. For a contrast, in the second part of the present investigation (sections 4 and 5), this symptom is mirrored in the newly outlined categories.

The social paradox seems very difficult to dissolve under the currently dominating fundamental beliefs. But this is no proof of some truth, it merely shows the need to think out of the box, albeit very clearly. For example, Rudolf Steiner proposes an approach to the interconnection between the individual and society that is precisely based on the strictly polar nature of the categorial basis, objectively required for allowing the thorough intelligibility of the implied phenomena. This approach is presented in sections 6 and 7. Conclusions follow in section 8.

## **2. Locating the weak spot in habitual thinking**

Where is the weak point in the habitual way of thinking that guides action and leads to disharmonious results? It would be easy to follow the social and psychological critique that is quite often heard, but cannot operate in totally secure objectivity and can finally lead only to moral appeals – while a prescriptive thrust is never really motivating. It is more efficient to address the possibility of all-encompassing objectivity as such, in the aim of allowing an uncompromised integration into reality. In today's mainstream of thinking, this intention is widely being considered an illusion, but the blind spot contributes precisely to the ubiquity of the problem's symptoms. A belief of impossibility is merely a belief, no proof – even though all-encompassing objectivity can indeed not be found under the basic assumptions of today's mainstream, and in this limited sense can be accepted as being 'true'. But this is not the end of all reality.

Here we touch the sore spot. On the one hand, allowing manipulations galore, the philosophical and scientific successes may seem evident beyond any doubt. With its countless areas, perspectives, disciplines, and methods, the overall structure of the endeavours looks very pluralistic at first glance, and it seems to cover all fields and possibilities of thinking. On the other hand undesired side effects haunt the scene. The modern philosophical and scientific endeavours are obsessed with small-scale precision and prediction, but miss the big picture by not having penetrated the foundation of their categorial instrumentation. Having no totally secure foundation, they cannot offer any real certainty. A thorough methodological analysis reveals the weak points, common denominators of the many approaches. One is the gesture of setting out on fundamental assumptions. Yet the gesture of presupposing something, merely because it looks somehow plausible, has more negative consequences than one is commonly being told. After all this inevitably is a way of positing something about the subject matter that is still to be examined or comprehended.

Suppositions may seem to allow a quick access to the topic, but all in all the view is prejudiced. Assumptions limit the possible understanding of the subject matter: the quest is directed a priori to a path. Assumptions can be useful as long as they are meant to be only provisional; Meinong (1910) remains authoritative. But too often the interest is biased, and a powerful enforcement of research policies and their results reveal a persistent belief in favoured beliefs. This is why paradigms, as broached notably by Thomas Kuhn (1967), became a hot topic: Mere faith can make people cling to assumptions until outright conflicts arise between views. The motive often is not to understand the subject matter for its own sake, but to find techniques for manipulating. This is a powerful but rarely discussed bias. The myth behind it is command and control over external things up to trusting formal logic more than one's own clear thinking, even though no formal logic can improve the contents that it is managing.

The idea of control and even of controlling one's own mind can be a reasonable aim, but does not yet clarify for the sake of what it is being pursued. In the perspective of the cognitive process, assumptions inevitably are a way of 'talking into' the object of investigation that is yet to be understood in its own right. Any predetermination is premature and allows only partial truth to be achieved, but many people are satisfied because – viewed superficially – some targets can be met on its basis. This made technology attractive for many – and the assessment of a negative impact of technology into an important field of research and control. But this type of investigation can only assess errors, not find the overall adequate path. For example assumptions such as the idea whereby physical matter consists of pieces (down to the particles of physics) allow a faster access to material manipulation and control. But this is no proof of full understanding because any intervention always has a first impact that can be interpreted, depending on the degree of naiveté, as a success – while it inevitably also entails long-term consequences that are unforeseeable when thinking on the basis of factoids. In the case of quantum theory one can think of it remaining bogged down in conceptual 'either-or' results (complementarity) and mysteries of 'non-locality' instead of complete clarity concerning the nature of materiality as 'what was made to be at disposal'.

The trouble with today's scientific attitude is that believing, presupposing, contending, and insisting on beliefs became some sort of norm in the scientific community, forcing it to seek common ground in intersubjective agreement since there is no anchor in overall reality, only the sea of opinions. The mental habit of being based in belief has spilled over into everyday thought, sparking struggles among sets of cultural, political and scientific belief. Much of what is expressed in publications – also in science – is attempts at making others believe what one believes oneself. And asserting oneself – nearly regardless what for – is supposed to be a reasonable social trait, at least in most cultural contexts today. But this domineering tenor is prone to pointless conflict, at the end of the line it invariably produces absurdities.

Even though this mental habit of taking root in favourite fundamental beliefs is very widespread, favouring intellectual laziness and tending to suppress alternatives, there is no real need to adopt

it. The social pressure among peers will certainly collapse one day – at the latest when the failures have accumulated to the point of becoming blatant.

Summing up this line of problems, the weak point is in believing instead of being interested in really knowing – and the way out is in not only being interested in knowing things, but also knowing the nature of procedures that allow a complete understanding to be achieved. Widespread prophecies of doom, whereby a complete understanding is impossible, need not be taken seriously because they are themselves based on mere belief and limited inquisitiveness. They refute themselves.

### **3. The location of a solution**

When seeking uncompromised insight, and also when having to consider ultimate consequences, the finally relevant frame of reference is always and inevitably the totality of interrelationships that covers strictly all realms and perspectives ('matter', 'spirit', 'I', 'non-I', etc.). It leads for example the Gautama Buddha to talk in his teachings about 'Dependent Origination', pointing out the strict totality to be considered in a fully coherent way. For the average Western mind, clinging to manipulation and technique, totality does not make sense because it cannot be encompassed directly in some descriptive propositional structure. It is true that totality can be addressed fruitfully only by provisionally leaving open the unknown while maintaining the questions. In this limbo state of mind many feel uncomfortable because they cannot cling to a seemingly secure idea; this is why formal logic pleases certain minds. In complete reality the totality of interrelationships remains the ultimately relevant instance. It imposes the unexpected responses to interventions and therefore jeopardizes the sustainability of naïve deployments, but on the other hand with some clear will power it is always possible to maintain open the relevant questions and abstain from impatience in a limbo state of mind.

Whether the dynamics of the totality of interrelationships is being called actuality, or reality, or life, or whatever else, is less important than the fact that people need to develop an understanding of the situation and their position in it, for not going astray. The interesting question is then how to find a reliable access to the strict totality of interrelationships. As will be shown, the solution is simple, but not easy. A common error is in not thinking openly but believing – as in today's mainstream – that the strict totality of interrelationships implies a totality of statements, a complex of predication. Behind this attitude there is an apotheosis, the naïve belief of being oneself something absolute, a subjective self-purpose whose thought is determinative. It correlates with a propensity to arbitrariness, not noticing the chaos that is being induced in that way. In short it exhibits a stadium of spiritual underdevelopment, in practice producing the future difficult situations that it actually needs for finally facing what it had chosen to neglect in the first place. Look at the pride of supremacy oozing out of the official statements worldwide. Where thinking is rooted in pride, it hates being reminded of its limits, and it rejects wider views – ultimately to

its own detriment, but first to the detriment of its victims. The occurrence reminds of children affronting reality in mockery until finally having to concede that reality is stronger than anticipated. Nevertheless, just like truculence can be overcome in children, also adult development is possible. All beings are in continuous evolution anyway, and the question only is: in which direction, based on which idea?

The devil is in the details of how one expects an understanding to be achievable and hence by what methodical and conceptual means one seeks it. In this complex there is an interesting fact that is usually not duly being considered. Take for example today's science in its attempts at understanding reality. The finally relevant conceptual means for understanding processes are laws and forces, because processes are determined by them. But – in spite of hopes in the scientific community – neither laws nor forces can ever be directly observable, they can be approached and understood only by means of clear pure thinking. For example coming to terms with processuality calls for laws-and-forces, coming to terms with cognition calls for percept-and-concept, etc. Every general perspective requires its specific conceptual means for understanding. There is a general law of content logic in the structure of overall interconnections in the conceptual realm. It manifests itself by requiring conceptual polarities for understanding that are determined by the content of the fundamental interest, and that law of content logic is the foundation for the laws of formal logic.

These polar concept pairs have the character of categories; Schaerer (2011: 42-46, details in 216-228 and 331-342) offers an approach for strict completeness through conceptual equilibration ('systematic attentiveness'), explaining conceptual polarities and their *raison d'être*. This use of strictly polar pairs of concepts as a condition for understanding is related to 'dialectical monism', but it should not be taken as an ontology, although it is noteworthy that nature operates concretely, in shaping its actuality, on a level where human reality can join in by adapting itself fully by means of strictly polar conceptualizations. It is possible to constitute oneself autonomously in terms of pure ideas-and-forces (Kant might call that an 'angel'). The domain that is not observable but actually constitutive, as much in nature as in thinking, can be called 'spirit' – but never mind the name: the point is its nature of being actually performative and nevertheless not tangible. This constitutive point is where one can directly and simply become aware of the spiritual basis of the universe – the nature of the ultimate ground of being, the prime cause and source – which does not call for any mystical dramatization, but for clear thinking through adequate categories. In actually doing this one is at the core of natural science as it could be, and as it will be in its ulterior development.

#### **4. Breaking new ground**



The path is simple, but not easy: abandoning beliefs, opening up oneself for devoting oneself directly to reality through whatever authentic interest one may have. This is the path of learning – so often exhibited by little children when they are in a relaxed authentic mode. As an adult capable of reasoning, in this state of mind one can become aware of the relevant categories that allow thinking in a complete way. But there is also the path of impatience, truculence, defying reality, overstepping a law. This gesture has its point where man-made rigid laws are involved, which indeed always have the problem of ultimate justification and by being implemented often introduce unnecessary stress. Laws of nature do not have this drawback because as such pure laws never coerce to anything; enforcement requires a force (in the mind: the will) that is associated with the law. Moreover, nature as a whole – both as *natura naturans* (the cosmos as causative principle, pure law & force) and *natura naturata* (the cosmos as concretely manifested entity, law & force & matter) – embodies a complex of laws that features a self-equilibration. This can nicely be observed in electromagnetism and radioactivity. The equilibrium of electricity (electron-proton-balance; Greenstein 1988: 62) is adjusted to a degree that is inexplicably exact when setting out from the ‘modern’ presupposition that forms of order must somehow have a commanding part. And all occurrences of radioactivity are gradually absorbed and tend towards zero, inoffensive to forms of life (Schaerer 2011: 204-205).

Considering the radioactive phenomena, a look at the chart of nuclides (standard data of physics and inorganic chemistry) can be helpful. The horizontal rows show atomic structures (‘isotopes’) that are associated with the same atomic number (same number of protons), but a varying number of neutrons in the nucleus and with other electron bonds. The farther away from the stable configuration an isotope is, the shorter is its half-life, i.e. the time between its creation until its probable (and radioactive) disintegration. Sometimes small side-stabilities can level off for a while, but they are never really permanent. And from the structural point of view it is interesting that the mobile forms of life operate mechanically through systems of pulling, not pushing (‘muscles’) – metaphorically speaking: through listening, not talking – that is the core of ‘systematic attentiveness’; we will get back to this universal organic quality at the end of section 7. Darwinism and the New Synthesis in biology would not easily be able explain this, but it is beyond their scope anyway.

One always has the choice between two paths, accompanied by seductions and fears: Either one ‘pulls’, learning beforehand about the interconnections, or one ‘pushes’ and then experiences the effects of having neglected something. On the first path one ‘dies away’ from beliefs such as presuppositions, and one keeps one’s set of ideas and physical matter, while on the second path one is forced to abandon one’s material basis and erroneous suppositions, as an effect of having neglected the respective truths. Either case embodies a form of ‘death’ or ‘dying’. On the other hand, upon some thorough thinking, one can notice that the principle or law of death has nothing dreadful about it, since everything embodies its own cycle of arising, existing for its time, disintegrating, and renewal (the ‘four seasons of being’). The dreadful part stems from inadequate interventions that had (usually inadvertently) made the processes of dying become painful. As in

all basic forms of understanding, here too one can notice a polar opposition in meaning that is required for full appreciation – in this case the polar span between the law (of death) and its consummation (in the process of dying, as a consequence of previous acts). Contrary to widespread fears and taboos, dying need thus not at all be something frightful, but can be joyous to the point of utter bliss, namely in enlightenment (but which requires a careful way of life). The condition for congenial processes in what can be called a ‘harmonious’ way of life is in robust openness – sensing instead of pushing, being lenient instead of imperious, listening instead of coaxing, seeking to understand instead of believing and imposing prejudice, etc.

Achievements based on assumptions can include some forms of social life that may look ‘harmonious’ from some point of view – think for example of ideas like the presently fashionable ‘social engineering’ or ‘state building’ serving aims such as profit-making – but are by far not healthy and sustainable by implying forms of aggression that engender conflict, mental and physical disease, terrorism, revolt etc., in this example as effects of economic indebtedness and what became known as ‘structural violence’. In any case, as an effect of the increasing globalization, understanding reality in its completeness will become more and more essential, simply because escaping effects will become less and less possible. Believing to have a complete understanding will finally have to give way to systematically secure insight, based on the absence of all types of belief (assumption, presupposition, prejudice, etc.). Imagining that this is impossible, so one is compelled to ‘decide under incomplete information’, is also merely a belief. The debate about objectivity in understanding will have to be ignited again, because the majority of today’s philosophy and science has all but given up the possibility of objective understanding as a theoretical-methodological horizon, instead escaping into hopes that intersubjective agreement solves the problem (for example Majorek 2002: 110; Soler et al. 2008). This covers also the social sciences (for example Bogumil and Immerfall 1985; Lamnek 2010), where especially sociology is expected to offer insight into society and its forms of evolution, but for the time being can reveal only little because the focus is on descriptions.

In a nutshell, for achieving secure forms of understanding of the existential dynamics it is necessary to get one’s bearings from pure laws of nature – not from even the most well-informed guesses, like those in the fundamental assumptions that still determine practically all of philosophy and science nowadays. They have led to a rigid concept of laws of nature (like Ohm’s law, or the law of gravitation) that allows no understanding of individual structures in action such as a ‘style’ or ‘personality’ or way of being in a very specific way. In contrast, the support on nothing but primal dynamic laws of nature constitutes precisely Rudolf Steiner’s procedure in seeking an understanding. This basis in laws of nature may at first sight sound bizarre since he ventures into extremely esoteric domains, which one does not easily associate with laws of nature – but this is exactly the point: One cannot achieve reliable insights into the fabric of the cosmos on the basis of suppositions and descriptions, of whatever sort they may be. One needs the solidity of pure structural insight, and this translates into the supreme laws of nature. One of them is the law of Karma that permeates strictly all of what happens in the cosmos. An important issue is to know –

as exposed briefly in sections 2 and 3 – that the content of general query perspective (for example ‘change, process’) requires a precise pair of polar concepts for allowing reality to be understood under that general query perspective.

By dint of being universally valid in their query perspective, such pairs of polar concepts are applicable also to themselves and then yield the categories that allow a grasp even of the law of Karma in its intrinsic nature (Schaerer 2011: 44, 67-68).

## **5. The nature of disharmonious social dynamics**

Society has always been plagued by misguided power – in fact all man-made damage has always been a result of impacting on the world out of incomplete understanding while believing one understands. In underdeveloped minds, the technical means made available can easily ignite the illusion that anything can be done, nourishing dreams of power. Some have developed quite an obsession with command and control – think of big states like the United States, China, or Russia, or the ruling corporatocracy of global Big Business. Yet there is a naïve attitude behind this that can spread in society only because many people are still asleep in their grasp of the problems, and hence tolerate the attitude – but its effects will wake them up. The process of overcoming the precarious nature of today’s normalcy has a lot of parallels with the development of defiant little children – the ‘terrible twos, threes and fours’ – where self-assertion is as such more important than the reasonable aim. When faced with too many difficult issues, kids can only escape into futile movements – which is precisely what the secretly perplexed global rulers are doing, using their material means as a shield for not really having to deal with complete reality.

The pivot of any viable process is in becoming aware of the connections between responsibility and freedom. Since a long time there is a broad debate on freedom, with a clear distinction between positive and negative freedom. The latter refers to the act of liberating oneself of a limiting condition. It is the ‘freedom of something’. The person frees herself from a state that is perceived as too restrictive. This is the essential gesture in any revolution, but already any small child implements it in defiance through its ‘No!’, and it shines through the web of ‘legal’ means used for reactionary command and control. No other commencement is possible in unknowingly approaching the world, because saying ‘Yes’ presupposes judgment skills – which precisely still need to be developed. Note that any ‘No!’ is precisely the polar opposite of what-is-stated, and that strict polarity is at the root of any logic. But then, with the ‘No’-step the problem is not yet solved, because it is not clear what is actually useful. In any formal logic there is a need for dynamizing mediating elements (‘not’, ‘and’, ‘or’, ‘it follows’, etc.).

A lack of perspicacity in this point – exposed to some extent in Magaldi / Maragnani 2014 – shines through in the secret perplexity of the ruling class that likes to refer to itself as the elite, whose ideological basis behind it is rooted in a Masonic Luciferic initiation that cannot allow the inherent

self-limitation in its perspective to be realized while in actual reality Karma inevitably regulates the process in the incognisable long run. Positive freedom should come into play by working on a strictly complete comprehension, in an effort to clarify the situation and the objective necessities. Any attempt at positive freedom is arguably already a freedom of something, but seeking to become a 'freedom for something reasonable'. This is objectively necessary, because a clearance that had been accomplished by negative freedom will disintegrate soon if it is not shaped and sustained by some meaningful order; in this case, a new bondage arises. In the natural order, the necessity to achieve positive freedom over and over again is constantly effective, because the existential dynamics never stops, while the necessity of renewal is too often forgotten and needs therefore to be realised anew all the time and at all levels. For a detailed analysis and exposition of the principles see for example Pettit and Kukathas (1990); Pettit (2001). The problem complex challenges also the contemporary attempts at social development and transformation, because if these want to be successful in the long run they must know as much the weak point in the habitual way of thinking (with its susceptibility to error and risk without realizing it), as much as the steps for clarifying fundamentally the facts and possibilities (beyond the usual habits).

It is useful to realize that the presently operative collective guidance is in a collusion of two vectors that are relatively easily recognizable, but not easy to overcome: (a) immense political power and massive technical means, secretly perplexed by the produced complexity, combined with (b) a colossal naivety in the methodological approach to understanding, with childlike gestures in trying to avoid the effects of the doings. Yet one can never elude the universal laws. Either one learns beforehand or one suffers effects of what was neglected. The horizon of believing erroneously that death will deliver us from blunders is part of the naivety and childlike gestures in ignoring especially the bottom of the laws of nature that constitutes ultimately the basis also of the law of Karma.

As a result of the self-limitation by assumptions and beliefs, secret fear is inevitable – fear out of not really knowing, fear of not having, and fear of losing what one seems to have ... in short: fear of death, which one is not capable of addressing as the necessary condition for life to be able to renew itself, which can occur totally painlessly; instead one has to fear the consequences of having followed erroneous paths. But in the mechanisms of inner life, fear breeds aggression, it encourages manipulative attitudes and ends in violence, producing disharmony and a need for managing anger (e.g. Lindenfield 2001).

The corresponding basic belief is that the supreme quality is being in control and command others, believing to be competent when lacking basic insight, while in fact the supreme quality of divinity is in being capable of utterly profound listening and reacting from there. Under the umbrella of collective ignorance or illusion, fear can easily arise as a collective guide and can then erupt as fascism.

As long as the State is still being considered, following Max Weber, worthy of the monopoly on violence – not the instance and locus of mediating between opposites – needless disharmony and

conflict will have to be witnessed. Reconsidering personal and social reality under the categorial guideline of a systematic and strictly complete procedure of cognisance can occur timely out of a wise choice, or after reminders through having suffered losses.

## **6. Allowing systematically for harmonious social dynamics**

The complete works of Rudolf Steiner may seem a bit complex and confusing at first sight, but the fog lifts when understanding that he always addresses totality, yet always based on the fundamental polar distinctions that are required by the general query perspective out of which he illuminates strict totality. He complements the view on reality in its completeness, conceivable through clear thought, by addressing it from different perspectives. His foundation is in acknowledging the simple fact that, for becoming understandable, anything that appears must be conceptualized by including in the view also its counter-phenomenon – for example life can be understood only by considering also death (but not imagining death in secularistic ways); or organic existence encompasses vigil and sleep; or completely thinking space leads a need to include counter-space in the concept (requiring projective geometry; see Thomas 1999).

In this sense of completeness, everything that exists is spread out in its existential dynamics between the rest of the cosmos and its own way of handling the rest of the cosmos. In a more radical conceptualization than Descartes with ‘res cogitans’ and ‘res extensa’ one can conceptualise this as a field between the realm of ‘matter’ (‘that which is at disposal’) and the realm of ‘spirit’ (‘pure forms of existential order’), with the existential necessity of active ‘mediation’ between the two. This structure is itself a pure form of existential order and can therefore be considered as a dynamic intrinsic law of nature. The different existing beings handle their situations in different ways, with different degrees of awareness, but the processes can all be understood in a framework of the same categories; as mentioned, Schaerer (2011) proposes a coherent conceptualisation and detailed account. These categories apply as much to the individual existence of beings as to the interactions that follow in the subset among human beings in the social fabric, corresponding to the explicit complexity in existing that humans have developed as opposed to other beings.

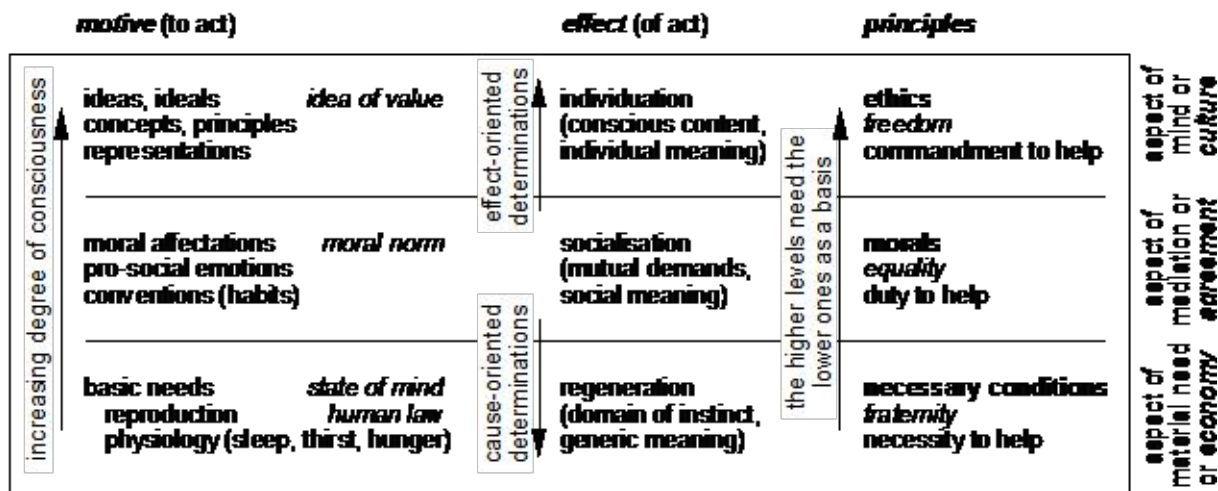
The question then is interesting whether the social body of humans can or should be understood as an organism that follows the same law. Attempts at thinking in this direction are very old. They start with Plato designing the ‘just state’ in an analogy of the state with the soul, featuring philosopher guardians as rulers, auxiliaries for the defence, and producers (today’s commentators, accusing Plato of totalitarianism, tend to forget the mind frame and personality development in classical antiquity).

The idea of the social body as a ‘living organism’ surfaces again in the 19th century with Emile Durkheim, basing his ideas of higher development on the complexity of the ‘organs’ of the social

organism, whose ‘health’ appears as their adequate interaction through culture, politics, and economics. The conception of ‘organismic society’ was developed further by Herbert Spencer and others. The basic idea is biological, and already Spencer noted important differences between biological organisms and the social body. Having gone through sections 1 and 2 we can assess why the biological model cannot fully be satisfactory for society: the biological view focuses on material organs in a view ‘from outside’, while society requires an understanding that encompasses all of the human potential for development and interaction, including its reasoning powers. But a mere material view can account only for what-has-already-become, not for the complete cycle of being of arising, existing for its time, disintegrating, and renewal (the ‘four seasons of being’).

But with Steiner and his universal categorial foundation the interpretation of facts can achieve a secure conceptual hold; Fig. 1 shows the social structure and the real scope of interactions.

**Fig. 1 The primal structure of social interaction**



The physical organization of living beings can also be understood along the lines of what they develop under the effect of needs for handling their existential situation. Depending on which side one wants to start with, one might first focus on the metabolic system (moving, intake and outlet), or the sensory-nervous system (sensing and processing), and the rhythmic mediation (breathing, circulation) – as in ectoderm, entoderm, and mesoderm. In developing themselves, the structures in nature follow indeed the dynamic law of nature with its threefold characteristics. They mould their way of being according to the structural necessities.

While biological views remain in this external view, which can end up in something ideological, Steiner sets out in a wider sense on the objective reality of spanning the realms of materiality (‘what is at disposal’), order as such (the fact that ‘reality is as it is’), and existential mediation (by what beings are actually doing). No man-made criteria define this statement of conditions, there is

nothing anthropocentric in it. And it is not necessary for all beings to know consciously about it, because existence can result from trial-and-error movements.

But the condition can be conceptualised, it can be known and understood fully, thereby getting away from mere trial-and-error. As mentioned, conceptualising can be learned directly by authentically being interested in interconnections; otherwise effects of neglecting them can be suffered and the process of conceptualising must then be achieved the hard way.

## **7. The material and the conceptual realms between the individual and society**

The material means for existence constitute a necessary condition for existence, but they are not the cause, the laws-and-forces. In disharmony, a need to secure material means can arise. Politicians keep believing economists who keep repeating that economic activity is a free human choice and eludes thus all laws of nature. Nevertheless there is an objective law that determines strictly all forms of economy, purely in terms of value. For becoming aware of this, one has to notice the root of economic action where the strict regularity is in evidence. It resides in the fact that the act of setting all resources into value by means of physical work on nature ('land' in the broadest sense) is the necessary and sufficient condition for sustaining the totality of the eco-social process. Since that act constitutes a necessary and sufficient condition, the correlation is a law, a strictly general regularity. The material result of the act ('primary product') allows – by providing all that is necessary for food, shelter, machinery, monetary system, etc. – all goods to be produced ('secondary production'), including all of management, distribution, consumption and disposal. It constitutes therefore objectively the fundamental form of capital ('that which allows all future action'), prior to any subjective assessment (in monetary or other terms) and to activities such as saving or investing.

If there were no division of labor, all people would have to participate in the primal act – and a division of labour is possible only because capable people are fully supported in their organizational work, on the ideational level by the 'primal act' and on the material level by the 'primary product'. This is why the fundamental performance 'behind' the division of labour is relevant to the whole of society (and not only according to physiocratic conceptions of value) as the compelling real value; all value judgments of people (especially those according to the 'theory of subjective economic value') – as in possession / ownership, interest, capital, labor, etc. – constitute only a layer of imaginary value, fantasized additionally. Any value seemingly added by dint of such imaginary values is always and inescapably dependent on the real value. The basic ideas of these interconnections stem from Steiner; details and consequences are presented in Caspar (1996) and Schaerer (2014).

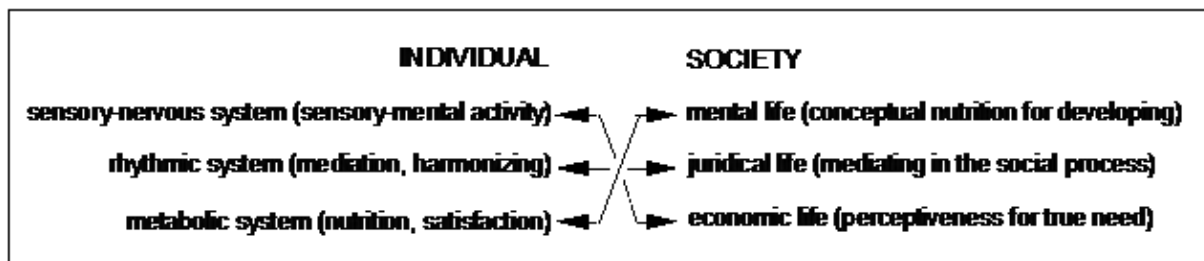
While on the material level of the individual the necessary elements for livelihood are allocated by the economic activity of the whole rest of the community through division of labour, on the

conceptual level the mental activity of the individual is the nourishing aspect of the community: no community can actually think, only its individual members can think and then communicate their thoughts through diverse channels (languages). Simultaneously, the framework of insights, ideals and methods on the conceptual level of the individual is what ultimately determines the material form of the society's economy (in this respect, aggregating individual acts has a point indeed). In short: on the collective level, economic life – and in fact all life of society – is carried by the contents of mental life, while mental life is carried by economic life only on the material level. This complex merits a closer look.

Human economic life entails using up resources, and therefore a certain form of death of the planet that is carrying humanity. This death of the carrying instance makes sense only as long as its material sacrifice is counterbalanced ('equilibrated' – recall section 3 'strict completeness through conceptual equilibration') by really having understood the universal coherence and differentiation. Cultivating awareness in this direction liberates increasingly the content of thought from bodily states and compulsions. This process towards a dynamic equilibration can only be achieved by human beings, by actually thinking in a truly complete way (i.e. in actively seeking to exclude no aspect of reality, including all of their own being).

A completely transparent conceptual grasp of the structural interconnections leads to an 'inversion' of the material and mental aspects between individual and society, or in other words to an intrinsic polarity – remember 'life-&-death', 'vigil-&-sleep', 'space-&-counter-space', section 6. This necessity of adequate conceptual polarizations for full understanding is not recognized in the presently debated theories, so as a result of the neglect their reach is always limited. The structure for individual and society can be illustrated as follows:

**Fig. 2 The structure of social interaction between individual and collective**



In comparison with the intrinsic law of the economic process as such, today's ruling form of economics produces an over-determined system by introducing imaginary values on top of the presented law of nature that determines any possible economy. The mainstream's conceptual intervention makes the intrinsic dynamism of the actual economic process become distorted instead of well-guided. Imaginary values may be forced to pay off for a while, but the resulting process between humans and nature cannot really be sustained for a long time: encroachments have corresponding dynamic effects ranging from unnecessary complications (producing a system that can allegedly only be 'complex') up to downright damage (erosion of its own substrate),



inducing corresponding backlashes and limits. The induced strain and stress penetrates the implied materiality, which on the palpable level is nature (all of it: the bodies of minerals, plants, animals, and human beings). The feedback between society and the ‘listening’ individual is therefore crucial. It is important not to confuse causes and necessary conditions. While shelter and food and health are necessary conditions for clear thinking, they should not causally influence thoughts. An organism is healthy by self-equilibrating itself and then precisely is free in its choices towards the adequate concepts for the given situation.

But today’s mainstream manifests itself by structures of thought that refer only to matter and man-made criteria – for example supposing that material facts constitute the only reality that needs to be considered and hence that empirical proof covers everything. Fostering an insight into the laws of impact and produced effects, Karma – not only in the naïve popular view, but in the intrinsic details that cover the doings of all beings – has been often one of the essential concerns, e.g. of Rudolf Steiner. This is why he does not consider only the naïvely perceivable part of existence, but the complete reality of the ‘four seasons of being’ – which requires clear and complete thinking. Indeed, processes of (scientific and profane) communicating, proceeding towards progress cannot be encouraged by some moralism, imposing prescriptive maxims, but only by fostering insight into objective laws of being and of development. There is thus an objective need to consider increasingly the conceptualisations as presented in Fig. 1 and 2.

Rudolf Steiner’s approach in three-folding allows a grasp of (a) the fact that all matter is directed spiritually, while for the time being most people do not realize the nature of spirit (which however does not liberate them from the fact), and by extension a reasonable method for acquiring insights and transposing them into organic reality, (b) the fact that the only existentially completely secure attitude is listening, because imposing always produces Karma as a mirror for allowing corrections. The Christ can be understood – essentially through his amazing process in consciousness on the Calvary – as the ultimate positive example of total clarity in actual cosmic oneness for avoiding a need to correct any act, and the Buddha as a precursor basing his global considerations on the totality of the human condition.

## **8. Conclusions**

As has been shown, for achieving social harmony it is advisable to harmonise first of all one’s approach to understanding the nature of understanding, which then opens up the path towards complete reality. Not only the worldly things and acts should adequately be thought, but in the same conceptual framework also the mind that is thinking them. Human life and in particular social interaction inevitably has to do with all the liveliness of the human beings in connection with others, and on the sidelines also with the rest of the universe, even if some of that may at first seem negligible. The learning process encompasses as much the approach to external things as the self-understanding, the self-concept, and therefore on the theoretical level also the dimensions of

complete self-reference (which elude mainstream philosophy and science). This is why the necessary categorial structure for allowing the interconnections to be addressed seamlessly and coherently have been presented in the first place.

On the level of actualizing social three-folding it should have become comprehensible that it cannot be successful merely by some ‘top-down’ dictate, like some sort of an ideology – as attempts in the early part of the 20th century have shown – but only ‘bottom-up’ through adding up personal awarenesses in individual three-folding through becoming oneself aware of one’s standing in the dynamics between ‘matter’ and ‘spirit’, having to conciliate their nature through one’s own life until achieving personal harmony, which then is helpful also for social harmony when fed back into the social fabric.

In a nutshell: As soon as people reach their own self, personal harmony and social harmony are a natural result. As is known, anarchy requires the highest degree of self-transparency. Or, the other way around: By achieving a high degree of self-transparency one becomes fully human, capable of understanding other beings. On that path one contributes to a type of harmony that allows even anarchy to lose the sting that it has for people who did not yet venture into the abysses of their own soul, and who are therefore in trouble when being confronted with any otherness in contrast to their narrow grasp. The fear, which was mentioned (especially towards the end of section 5) as the ruling force in today’s social dynamics, stems from such a lack of accomplishment. Those who fear will try to rule others by generating fear. But we can all continue learning and interacting fruitfully ....

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### **How Prisoners of War have to be protected**

**Catherine Maia, Robert Kolb, Damien Scalia: La protection des prisonniers de guerre en droit international humanitaire;**

*Editions Bruylant, Brussels/Belgium, 2015, 643 pages, 105,00 €. ISBN 9782802744962. In French language (Title: The protection of prisoners of war in international humanitarian law)*

The team of authors has compiled an excellent work on the protection of prisoners of war (POW) under international humanitarian law; there has been a gap in topical literature in this issue. The very comprehensive book on POWs and their legal protection discussed a lot of questions; this explains its scientific depth which is also indicated by several thousand of footnotes and about 80 pages of bibliography. It is indeed a standard reference for today's POW questions for international courts, their prosecutors and for defense attorneys, but also for research in universities, think tanks and NGOs, not to forget governments and armed forces, In particular for these it should be a compulsory training material, as they are - in the case if - called upon a correct treatment of POW in armed conflicts.

The basic text today is the Geneva Convention on the treatment of prisoners of war from 12.8.1949. This has been amended by the Additional Protocol on the protection of victims of international conflicts from 1977. However, this legal environment is not enough. The book merits of having examined, one by one, the principal armed conflicts since 1950, and, in an empirical way, the treatment of POW. After the definition of what a POW is follows a second grand chapter: the treatment of prisoners of war, and a third on how a POW finishes to be one, by liberation, by being exchanged, by evasion (or its attempt), or by repatriation. In the European Union, thanks to integration between Member States, prisoners of war are impossible today. But already in the EU Neighbourhood there are conflicts and therefore prisoners of war - and a need for the deal with this, according to the Rule of Law.

In particular, the necessary treatment of prisoners of war imposes many obligations on the relevant parties: the right to visits - by whom, how many times, the organisation of lodging, hygienic conditions etc., religious practices of POW, if they work their working conditions etc. - all this is kept in the memories of all prisoners of war, and it has to be taken into account. The permanent friction towards judgments and other literature is fully in the best tradition of francophone

literature in international public law. Although one wishes never to need this book, it is very good that it exists, following the needs of our imperfect world. The trio of authors, all professors of law with international background and activities, have all been active in places where this is formulated. Congratulations to such a round work.

*EUFAJ / SNV*

## **Russian foreign policy and identity**

### **Andrei P. Tsygankov: Russia's Foreign Policy: Change and Continuity in National Identity**

*Rowman & Littlefield Publishers, Inc., Plymouth, UK, 2013, 308 pages, € 27.48, ISBN: 978-1-4422-2002-7*

It is over two decades since the break-up of the Soviet Union. Yet, Russia is still in search of its identity and place in the global political space. Looking at the country's foreign policy vectors, continuities and changes, it is noted that Russia has turned from a defensive stance to a more confident, yet even aggressive position, evidenced with such events as the war with Georgia in 2008, let alone the annexation of the Crimea in 2014.

In this vein, the book "Russia's Foreign Policy: Change and Continuity in National Identity" by Andrei P. Tsygankov can serve as an instrumental compliment to the reader's knowledge and awareness of Russia's post-Soviet foreign policy. To fulfill this objective the author divides the book into eight logical chapters: Chapter 1 -Understanding Change and Continuity in Russias Foreign Policy, Chapter 2 - The Cold War Crisis and Soviet New Thinking, Chapter 3 - The PostCold War Euphoria and Russias Liberal Westernism, Chapter 4 - New Security Challenges and Great Power Balancing, Chapter 5 - The World after September 11 and Pragmatic Cooperation, Chapter 6 - US Regime Change Strategy and Great Power Assertiveness, Chapter 7- Global Instability and Russias Search for a New Direction, and Chapter 8 - Conclusions and Lessons. While each of the chapters serve as a coherent complement to the other one, they can also be viewed as separate studies. At the end of each chapter the reader can find a selected bibliography which not only ensures how complete the book is but also opens door for a more detailed research

Deploying the constructivist approach, the book provides a historic briefing of the Russia's foreign affairs and politics as well as sets a theoretical basis for understanding and defining the country's national interests, especially focusing on the relationship with the West.

To ensure the continual development of the foreign policy, Tsygankov reflects the period from 1985 to 2013, and this by utilizing various sources, including original Russian language documents. The strength of the book is that it does not view Russia's foreign policy as a separate aspect from the country's overall politics but rather connects it with the country's internal policies, ideologies and environment which directly influence as well as shape and make implications for the foreign policy. As such, the book observes various scenarios of Russia's stance in the global politics and, in this term, also its behavior in the world politics in the view of, among others, Russian Liberals, Balancers, Conservatives, Statists, Nationalists, etc, by which suggesting that Russia's foreign policy is deeply interwoven with its culture and identity but also with personalities of the presidents. Tsygankov unmistakably acknowledges that the Kremlin has shaped its foreign policy also based on the leader's perception of the so-called Russia's national interests. He also goes further discussing Russia's foreign policy achievements and setbacks in the view of the global political and economic challenges that may questions the country's endeavors to be asserted as a world power.

Thus, with its innovative approach, to-the-point case studies and wide-scope analysis, the book is undoubtedly from the series of must-reads for those who are interested in Russia and its politics but also for the political analysts and professors.

*Ofelya Sargsyan*



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