

Speech for EU-Asia Financial Service Roundtable

2 December 2020

Good Morning/ Good Evening

Let me begin by thanking the EU-Asia Financial Services Roundtable for inviting me and giving me this opportunity to interact with its distinguished membership. I am truly honoured and delighted. I am not sure to the extent that I can add to your awareness in the highly specialized areas that many of you represent.

I have been asked to speak on India-EU relations and I am frankly happy to focus on an area where I have some degree of bearing.

For India, our relations with the EU are longstanding. We established diplomatic ties with the EU as far back as 1962. Since 2000, we have had regular summit level meetings, and since 2004, we have upgraded our relations to a strategic partnership.

The merits of stronger relations between India and the EU hardly need much argumentation.

Based on India's rapid economic progress in the last three decades, India has emerged as yet another growth engine for the world. This in itself creates a definite imperative for close and intensive ties. The deep reforms and profound transformation that India is undergoing, and the pandemic period has seen some wide ranging reforms, further offers the EU, its member states and their businesses, growing and attractive opportunities.

Further, whether it is trade and investment or technology or best practices, the EU remains one of the world leaders. Not surprisingly, therefore, the EU is a leading partner for India in all of these areas. Given EU's economic and technological pre-eminence, it emerges naturally as a preferred partner for India's developmental endeavours. This is reflected in the leading role that the EU and its businesses continue to play in almost all of India's flagship development initiatives.

Yet another strong binding force between India and the EU is provided by the fact that they are the two largest democracies sharing values of freedom and rule of law. This lends an element of comfort in our interactions, which may not be present with others who adhere to different values or systems. They also provide the underpinning for our shared commitment to rules

based international order and form the foundation for our convergences whether it is on terrorism, climate change or digital economy.

There is also a new strategic context. With the EU seeming to go beyond its domestic preoccupations of the last decade and seeking to rediscover its geopolitical role, yet another plank for EU-India partnership appears to be emerging. This is more in the political, security, and strategic domain but clearly has the potential to impact and transform other traditional elements of our relations. The growing salience of Indo-Pacific among EU member states, closer partnership on connectivity and growing security and defence interactions are symptoms of this new and growing dimension. They also hold greater promise for our longstanding exchanges on counter terrorism, cyber security and law enforcement cooperation.

And finally, I think there is the global context and our ability to shape global outcomes. The deep disruption we have witnessed around the world, especially in the last decade, exacerbated by the recent Covid-19 pandemic, have also played a role in bringing us together. The rise of China, the relative retrenchment of the US, and the under-performance of the multilateral institutions, especially during the pandemic, have created a new context. We now share a common aspiration to strengthen multilateral system and promote their reform to make them more effective.

Overall, it is clear, today, that there is a new energy in our relations driven by the need for both to work together. On the EU side, it is reflected in its new India strategy released in 2018. On the Indian end, this manifests in a new interest at high political levels in deepening ties with the EU and its members.

Let me share some data points to make this point more strongly. There have been 16 visits by the Prime Minister of India and 17 visits by the President and Vice President of India to EU member states in the last 6 years. 4 of the 6 virtual summits, the Prime Minister has participated since the beginning of COVID has been with the EU and its member states. The new External Affairs Minister of India, who assumed office in May 2019, had visited Europe 8 times, including twice to Brussels, before the onset of COVID. Even after, 19 of his conversations have been with his EU counterparts either virtually or by telephone.

The successful outcome of the virtual summit on 15 July therefore clearly wasn't a surprise. Significant progress is reflected in a strong Joint Statement, which seeks to advance our strategic partnership in a wide range of areas, highlights our close convergences and emphasizes our shared

interest in a variety of areas, including our desire for reformed and strengthened multilateralism.

In terms of concrete outcomes, the summit saw the adoption of the Roadmap for cooperation for the next five years; a Joint Declaration on cooperation on resource efficiency and circular economy; signing of an Agreement on cooperation in the field of nuclear energy and renewal of another agreement on science and technology.

Our intent to strengthen stronger political and strategic ties is reflected in the launch of a new Maritime Security Dialogue, closer security and defence consultations and enhanced naval cooperation. We have also decided that the a working arrangement between Europol and its Indian counterpart, the CBI, should be concluded at the earliest.

On the economic side, one of the important announcements was the decision to hold a High-Level Trade and Investment Dialogue at the level of Minister on the Indian side and Commissioner for Trade on the EU side. As you know, since 2013, the negotiations have remained suspended. This was mainly a result of the EU's preoccupations and its preference for other FTA negotiations. We are happy that we are now agreed for this dialogue which will take a call on future approaches to our trade and investment agreements. India has clearly shown a preference for a fair and balanced agreement. We have proposed an early harvest deal to be followed by a more comprehensive agreement. But we also remain open to discuss all options.

The dialogue could also focus on cooperation on supply chain resilience following our respective experiences during the pandemic. India has already initiated a discussion on supply chains with Japan and Australia and would welcome a similar initiative with the EU as well. There are clear synergies between the EU's emphasis on strategic autonomy and our own self-reliant India strategy.

India's recent decision not to join the RCEP and its launch of the Atma Nirbhar Bharat or the Self-Reliant India initiative has given rise to speculation that India is turning away from free trade agreements. Let me clarify that Self-Reliant India is not about a self-centred India. It is an economic strategy to turn India into a manufacturing and supply chain hub. The result will be an India that contributes to stronger global resilience of supply chains and is more integrated to the global trading system. Our efforts over several years to open India and make it friendlier for business and the recent wide-ranging and sweeping reforms in India would confirm that we remain one of the most open economies in the world whether it is for making investments or doing business.

Similarly, the decision not to join RCEP was not driven by any generic antipathy to enter into new free trading arrangements. It was a product of objective calculations that the agreement as it had been negotiated worked against India's interests – that it did not address a number of India's key concerns. Even as we have not joined the RCEP, we remain interested in pursuing FTAs with our principal markets, which includes the EU.

Shifting gears a little, let me say that two other areas we saw a strong emphasis during the summit are - the issue of climate change and the digital economy - both with great potential. At the summit, as I have mentioned already, there was a joint declaration on resource efficiency and circular economy. We also have a Clean Energy and Climate Partnership with the EU, which was set up in 2016. India's recent impressive performance on Paris Climate Agreement commitments, where India seems to be on course to fulfill them ahead of the 2030 deadline, opens doors to new opportunities. In fact, India is the only G-20 country that is considered today as being on track to achieve the 2 degree compliance goal by 2030. India is also on the forefront in promoting the International Solar Alliance and has launched a global Coalition for Disaster Resilient Infrastructure.

Overall, India has adopted low-carbon and climate-resilient development practices across all its domestic flagship development initiatives.

The biggest leap has been in terms of increasing the use of renewable energy. At present, India's renewable power capacity is 4th largest in the world with installed capacity of 136 GW or 36% of our total capacity. India seems well on its way to achieving the target of 40% of its energy capacity or 450 GW from renewable sources, well before the target date of 2030 as per Paris Agreement.

You would imagine that this could not have been possible without significant investments. Since 2014, 64 billion dollars worth of investments have been made in the renewable energy sector in India. Given our growing needs, we are looking at much greater investments looking ahead. We have one of the most liberal foreign investment policies for renewables. India has also adopted several fiscal measures, such as taxes on carbon emitting sectors, and offering tax and non-tax incentives for financing green sectors. Financial Institutions such as SIDBI have introduced sustainable financing schemes. India has also entered into arrangements for sustainable financing with other countries to mobilise private capital into green investments, most recently with the UK and possibly in near future with Luxembourg. India is also cooperating with the EU as a member of the EU-led International Platform on Sustainable Finance. India also actively participates in the Sustainable Finance Study Group of the G20.

It goes without saying that given India's needs and emphasis on green development, a more concerned effort on sustainable finance is needed. The Reserve Bank of India has already acknowledged that "policy action is needed" to set up an enabling framework to promote green financing in India. The recent proactivity on sustainable finance in India is clearly visible and we can expect stronger outcomes, including in cooperation with the EU.

As regards the digital economy, the July Summit saw a distinct focus on advancing human-centric digitalization recognising this domain as an area of strength for both India and the EU. A decision to launch a task force on 5G and Artificial Intelligence was taken as also a decision to organise a Digital Investment Forum to promote cooperation between Startups, where India already has the second largest ecosystem in the world.

India also has broader ICT and Cyber Security dialogue with the EU. We are also working on the earliest possible recognition of data adequacy status for India by the EU. Our discussions have indicated that the current proposal for a data protection legislation in the Indian Parliament once enacted could form a basis for such a status. The process is ongoing and any discussion on its final outcome is at best speculative. However, access to data across national boundaries for law enforcement purposes is an important need. This has not been adequately addressed by current dispensations, including the MLATs. We remain engaged with the EU to find the best outcomes in these areas. Reports also indicate that India has the potential to create a digital economy worth a trillion dollars by 2025. With such anticipated exponential growth, I think there is a strong case for India to be seen as a viable destination for investments in data. Digital economy has grown in salience even more during the pandemic and are a distinct focus of the Atmanirbhar Bharat or the Self-Reliant Initiative of Prime Minister Shri Narendra Modi. This further underlines the need for stronger frameworks to protect data, ensure data privacy and overall safety, security and integrity of this domain.

To conclude, let me speak, as I was requested, very briefly on the Indo-Pacific. Indo-Pacific is a geographical area where the epicentre of global geopolitics and geoeconomics has shifted. It was enunciated by Prime Minister Narendra Modi in a speech in Singapore in 2018 as the SAGAR doctrine or "Security and Growth for All in the Region". This aspiration is about securing end-to-end supply chains in the region; ensuring a multipolarity and interdependence in the region; and ensuring prosperity for all nations. It believes in governance based norms and rules, freedom of navigation, open connectivity, and respect for the territorial integrity and

sovereignty. India has gone further and launched the Indo-Pacific Oceans' Initiative, which as recently articulated by Prime Minister Modi, rests on 7 pillars: (i) Maritime security; (ii) Maritime ecology; (iii) Maritime resources; (iv) Capacity building and resource sharing; (v) Disaster risk reduction and management; (vi) Science, technology and academic cooperation; and (vii) Trade connectivity and maritime transport.

The concept of Indo-Pacific has been mainstreamed by India and others such as the US and Japan. It is now increasingly being adopted by other countries and regions. In Europe, we have seen Germany, France and the Netherlands come out with their own articulation of this concept. We look forward to a broader acceptance of this new strategic concept in the EU.

I will stop here. I do look forward to your comments and questions, if any.

Thank you for your patience.