



India-Central and Eastern Europe Relations: Search for New Paradigm

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Introduction

Historically, India and Central and Eastern European countries (CEECs) shared multifaceted and dynamic relationship. Global structural transformation and changed economic policy orientation in the CEECs as well as India led to recalibration in their foreign policy priorities in the post Cold War era. Broader synergies in their external affairs and socio-economic development approach evolved during the era of the Soviet Union gradually evaporated. The CEE region could not make any substantial progress in the relationship with India in the last two decades. New Delhi's policy too remains focused on only major power centers in Europe. Despite the positive political perception and no serious normative difference, India-CEECs political interactions have not been frequent, and trade and investment are much below the potential.

With vibrant rule of law based democratic system, India and many countries in the CEE region have made considerable socio-economic progress. As a major emerging economy and achievements in information technology, space technology, etc; India's image has increasingly been changed in the 21st century. In the same line, the CEE has also been credited as one of the stable and growth oriented regions in the world. With policies of

gradual economic reforms, stable democratic polity, vision towards progressive scientific advancement, both the regions have been strengthening their political credentials in the global politics. Thus, domestic economic policies, compatible world view in India and CEECs have the potential to define new course of partnership in the future. While briefly analyzing the recent domestic and regional scenario, the policy brief attempts to bring perspectives from both India and CEECs to define a new paradigm in their partnership.

Political-Economic Scenario in India and CEE

The CEE region had witnessed strong economic growth since early 1990s to the beginning of economic crisis in 2008. The process of privatization and reforms in labour market fostered impressive economic progress, and if the economic reforms are further implemented, these economies are considered to have potential for faster economic growth in the future.ⁱ With integration in collective institutions of Europe, these countries may now look for greater access in the world market and global value chain. Domestic financial constraints also propel them to look for alternative sources of investment for infrastructure development and exports for boosting economic growth and employment generation. In this regard, it is pertinent to argue how China has made huge investments in the CEE countries, augmented by the 16+1 process. Greece has already defaulted on IMF repayment, and Greeks have backed the government approach to negotiate with international creditors, and voted in favor of “No”. After the long and hectic negotiation, Greece and Eurozone leaders agreed to the bailout deal. Athens needs to carry out ‘serious reforms’ in order to get ‘financial support’ from the European creditors. The deal is not well-received in Greece, and the Greek government’s coalition partner, *Independent Greeks* criticized the deal and associations and trade unions of civil servants, municipal workers, pharmacy owners have called for a strike. If the Greek economic crisis affects Eurozone recovery, it would have implications for economic growth in CEECs, and it is also feared that their economic worries may create uncertainties in the domestic politics.

As Narendra Modi’s government emphasis on economic reforms and looks determined to take decision on big ticket reforms, the prospects of high economic growth have been further brightened in India. Boasted with electoral success in General elections, the Modi government has been taking proactive policy measures to ease the process of

doing business. With a futuristic approach to economic development, the government has taken new initiatives, ranging from 'Make in India', 'Digital India', 'Clean India' to infrastructure development, which have the potential to unleash new growth momentum in the country. Society, government and industry appear in tandem to chart a new growth story in the country. The electoral verdict of General Election 2014 amply reflects the people's wish for development and good governance.

Both regions have domestic constituencies, which are more orientated towards democracy, development and peace. Their emerging institutional set-up and policy formation for social and scientific progress resemble the intrinsic virtues of globalization and inclusive human development. Such ideational symmetries would be fundamental in deepening the core of India-CEECs partnership in the future.

Emerging Geo-Strategic Dynamics in CEE

Regional geo-strategic scenario does not appear quite conducive in the CEE. The Eurozone economies have shown modest recovery. Due to decline in oil prices and Western sanctions over the Ukraine crisis, the Russian economy is also not in a good shape. After Ukraine crisis, strategic tension has been particularly high in the Baltic countries. Russia's annexation of Crimea in 2014 and its 'alleged' support to separatists in the eastern Ukraine inflated concern among NATO's Eastern European members. Reportedly, Poland and Romania are inclined to establish permanent base for the US army on their territories.ⁱⁱ The US decision to 'pre-position military equipment' in several CEE countries may create further tension with Russia.ⁱⁱⁱ As CEECs are quite sensitive to Russian assertiveness in the region, on the other hand, Russia also appears anxious to growing military presence of NATO on its borders. Therefore, prevailing strategic tension is likely to persist and Western economic sanctions on Russia are likely to continue, it can have some negative ramifications for CEECs as well.

The European Union seems to be divided on its policy towards Russia, e.g. Hungary and Greece criticized economic sanctions on Moscow. Hungarian Prime Minister said, 'We think that without cooperation with the Russians we cannot achieve our goals.'^{iv} Russian President visited Hungary in February 2015, which was his first state visit to EU country

after the Ukraine crisis. In the same line, Greek Prime Minister Alexis Tsipras also cautioned that European sanctions against Russia could lead to 'new cold war'.^{vu}

The CEECs and Link West

Evolving dynamics of India's foreign policy reflect that New Delhi has been making efforts to engage with the West in multiple ways. Prime Minister Narendra Modi has called for "Act East and Link West" approach in the external policy. The "Link West" approach emphasizes not only greater engagement with the West in the areas of trade, commerce and science & technology, but also deepening of political partnership at the global forums on issues of mutual importance. Europe is a crucial element in the entire ecosystem of 'Link West' policy. Although New Delhi's interactions with Europe are still focused on major powers, primarily on the 'big three', considering the past political relations, new economic momentum, people perception and, above all, their desires to engage with New Delhi, many countries of Central and Eastern Europe appear to be important constituents in India's 'Link West' approach.

The CEECs may provide crucial support to India's greater role in the global politics and international financial and political institutions. Eastern European countries hold very positive perception towards India entering as a permanent member in the UNSC. Their support will also be crucial in global negotiations on climate change, other multilateral forums and for membership of multilateral export control regimes. Today, CEECs do not have the image of "West of the East"^{vi}, but the region has a relatively smarter innovation base and research and development infrastructure. Their links with advanced European countries add to further advantage. They may not offer huge investment and advanced technologies for India's "Make in India" programme, but they have the potential to support for growth in manufacturing sectors, proliferation of digitalization, waste management and skill development in India. In this regard, Poland's *Go India* launched in 2015 is a positive example how they can expand cooperation with India.

India-CEE partnership may like to harness the potential of education and tourism sectors. Europe is the major destination for education as well as tourism, but it has been West Europe centric so far. Skill development is the key for the 'Make in India' programme. If the CEE countries provide cost effective education and skill development schemes, it

would be very useful for India. Considering the untapped potential, the CEE region and India receive very little tourists from each other. The major factors that hurt the tourism are lack of information and no direct air connectivity. The visa process is also not encouraging for promoting easy movement of tourists.

Policy Recommendations

1. Enhanced political interaction is the first prerequisite for strengthening the relationship with CEE region. Signing a strategic partnership with a CEE country would provide political importance to the region. Considering the history of political and economic relationship with Poland as well as its current initiatives, New Delhi may consider elevating its relationship with Warsaw to the strategic partnership level. This would provide another boost to India-EU relations and enhance New Delhi's 'Link West' approach.
2. India should evolve a sub-regional approach, like Japan and China, to engage with CEE countries. The *Visegrad 4* (V4) is the most prominent, though less institutionalized, sub-grouping in the region. It would be appropriate to focus on such grouping to increase the interactions and facilitate economic engagement.
3. Economic relations would be the key to shaping a new partnership with the CEE region in future. CEECs are more interested in accelerating cooperation in trade and investment with India. Improved political interactions would lead to expanding footprints of Indian Inc in CEE.
4. Science and technology, capacity development and education are also crucial areas of cooperation. These are critical elements for economic progress and human development, and facilitate the innovation process. Some countries from CEE region – for instance Czech Republic, Poland, Hungary - are ranked higher than India in the Global Innovation Index (GII), 2014. Long term cooperation in these areas would be important aspects of the relationship. India and CEECs should try to create multilayered research and development cooperation network.
5. India-CEE tourism has immense potential. India and CEECs need to take major steps in practical terms to tap the potential. Direct air links, easy visa process, ample information, etc. would facilitate tourism.

6. India needs better coordination in its economic-cultural diplomacy. There should be more academic exchange with CEE countries. Institutions like the Indian Council of World Affairs (ICWA) and the Polish Institute of International Affairs (PISM) should involve more organizations, such as the Institute of International Relations (IIR), Prague, and institutions from other countries should be brought into their fold to give academic cooperation and interaction a regional outlook.

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Endnotes

ⁱ Labaye, Eric et al, *A New Dawn: Reigniting Growth in Central and Eastern Europe*, McKinsey Global Institute, December 2013, http://www.mckinsey.com/insights/economic_studies/a_new_dawn_reigniting_growth_incentral_and_easter_n_europe (Accessed June 19, 2015).

ⁱⁱ DW, "NATO Implementing Biggest Defense Reinforcement Since Cold War", June 18, 2015. <http://www.dw.de/nato-implementing-biggest-defense-reinforcement-since-cold-war/a-18523682> (Accessed June 25, 2015).

ⁱⁱⁱ Chivvis, Christopher S. "The Baltic Balance: How to Reduce the Chances of War in Europe", *Foreign Affairs*, July 1, 2015.

^{iv} Reuters, "Hungary PM Orban Criticizes Tusk, EU Allies Seeking to Isolate Russia", February 18, 2015, <http://www.reuters.com/article/2015/02/18/us-hungary-eu-orban-idUSKBN0LM1TS20150218> (Accessed June 19, 2015)

^v Walker, Shaun, "Alexis Tsipras in Moscow asks Europe to End Sanctions against Russia", *The Guardian*, April 8, 2015, <http://www.theguardian.com/world/2015/apr/08/alexis-tsipras-in-moscow-asks-europe-to-end-sanctions-against-russia> (Accessed July 10, 2015).

^{vi} Furst, Rudolf, "Preface: China Creating an Additional Strategic Partnership with the Post-Communist Part of Europe", in *China's Comeback in Former Eastern Europe: No Longer Comrades, Not Yet Strategic Partners*, Rudolf Furst and Filip Tesar (eds.), Institute of International Relations, Prague, 2013, p. 9.
