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Research Report

Bolstering the India-Germany strategic partnership: Deepening commonalities, broadening the agenda, acknowledging differences

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Bolstering the India-Germany Strategic Partnership

Deepening commonalities, broadening the agenda, acknowledging differences

Christian Wagner and Shanthie Mariet D'Souza

In 2000, the Strategic Partnership between India and Germany symbolised new-found commonalities shared by the countries in the era of globalisation. More than two decades later, the agreement requires an upgrade in order to address the changing international, regional and national dynamics. This upgrade should include, first, further deepening of the strong pillars of the relationship, i.e. in the fields of trade, economics, science and technology. Second, the agenda should be broadened to accord greater priority to areas including defence, security, political relations and people-to-people contact. Finally, both sides should acknowledge their differences with regard to their respective national interests and foreign policy objectives, and should find ways to bridge the gap. The focus on common interests in specific policy areas should be the guiding principle for enhancing India-Germany bilateral and international collaboration.

Russia's war against Ukraine has had severe consequences for the international order. The invasion initiated a dramatic shift in Germany's foreign policy and defence orientation (often referred to as the *Zeitenwende*) when Chancellor Olaf Scholz announced a massive increase to the defence budget. India, in contrast, appeared to have initially been one of the countries reluctant to take sides in the conflict. Its abstentions from various votes condemning Russia at the United Nations (UN) raised concerns in Western capitals. Still, divergent positions over Russia cannot undermine the strategic convergence between India and the West vis-à-vis China's rise and its implications for

the Indo-Pacific and the global order. Moreover, the war in Ukraine may even initiate India's own foreign policy *Zeitenwende*. A Russia weakened by Western sanctions that is tilting towards China, and an emergence of a China-Russia-Pakistan axis may compel India to rethink its decades long military defence dependence on Russia. Western powers like the United States, France and the United Kingdom have already signalled their support for India's efforts to reduce arms imports from Russia. In this context, Germany can become an important partner in assisting India's modernisation of its armed forces.



Deepening commonalities

The 6th inter-governmental consultations (IGC) between India and Germany held in Berlin in May 2022 highlighted the strong basis of the countries' bilateral partnership primarily in the realms of trade and economic relations, and scientific and technological collaboration. Germany continues to support India's transformation towards a greener and sustainable economic model that will be better able to cope with the challenges posed by climate change.

Germany is India's largest trading partner in Europe and among its top ten trading partners worldwide. Bilateral trade between Germany and India in 2018 was valued at more than €20.41 billion. Germany has been the 7th largest foreign direct investor in India since April 2000. Its total foreign direct investment in India from 2000 to June 2020 amounted to approximately €11.3 billion. Indo-German collaborations and Indo-German Joint Ventures in operation are more than 1600 and 600 respectively. In April 2019, both countries signed a Joint Statement to set up a fast-track system for Indian companies in Germany.

A direct result of improving economic relations has been a remarkable increase in Indian investments in Germany over the last few years. Indian business corporations have invested over €6.5 billion in Germany's IT, automotive, pharma and biotech sectors. More than 200 companies from India are currently operational in Germany. Indeed, Germany has now become the third most favoured destination for Indian investment after the US and the UK.

However, economic cooperation between India and Germany is also facing new challenges. Indian companies will need to comply with Germany's new regulations for sustainable supply chains, and German companies will need to adapt to India's *Atmanirbhar Bharat* (Self-Reliance) Initiative, which aims at strengthening and protecting Indian industry. India is an attractive market for German companies, but not always the most preferred. German industry appreciates the economic opportunities but also

faces certain hurdles that constrain greater investment in India including inadequate infrastructure, cumbersome bureaucracies and legal regimes, and an overall lack of ease of doing business.

Science and technology comprise the second pillar of Indian-German bilateral relations with more than 150 joint science and technology research projects and 70 partnerships between Indian and German universities. In 2008, the jointly funded Indo-German Science & Technology Centre (IGSTC) was established in Gurgaon. India's collaboration with Deutsche Elektronen-Synchrotron (DESY) in conducting experiments in advanced materials and particle physics entered into its second phase in September 2019. In March 2022, the IGSTC and Tata Steel signed a memorandum of understanding to support collaborative research, innovative new technologies and human capital development. In the field of space technology, the Indian Space Research Organisation (ISRO) has launched 11 German satellites since 1999.

Nonetheless, scientific and technological cooperation seems to have plateaued over the last half decade or so. The last meeting of the Indo-German Joint Committee on Science and Technology was held in May 2017, and the ISRO launched its last German satellite in June 2017. The 6th IGC strongly emphasised renewable energies, sustainability and green technologies as the main arenas for future collaboration. One indicator of success in the education sector is the rising number of Indian students enrolled at German universities. The 2019–2020 academic year saw more than 32,000 Indian students studying in Germany. This represents the second largest group of foreign students in Germany, many of whom will enter the German workforce. Similarly, around 800 German students were studying or interning in India during this period. However, an overall lack of academic interest in and knowledge of each other's societies and cultures remains. This is especially apparent when observing that very few research institutions in India or Germany house specialised departments or experts

devoted to contemporary German or Indian area studies respectively.

Broadening the agenda

Germany's 2020 Indo-Pacific guidelines identified India as one of its most important partners in the region. Moreover, Germany aims to diversify its relations with other Asian powers away from China, as illustrated in Chancellor Scholz's decision to visit Japan – not China – as his first official visit to Asia in April 2022. India's Prime Minister Narendra Modi was the second head of government from Asia with whom Chancellor Scholz met, albeit this time during the IGC in May. Germany also invited India to the G7 summit in June 2022, underscoring its appreciation of India's role in global governance institutions.

Despite such high-level exchanges and visits, Germany's political relations with India are only a fraction of those it has with China so far. Still, India and Germany share a common interest with regard to maintaining a free and open Indo-Pacific and multi-lateral order. India has joined Germany's Alliance for Multilateralism, and Berlin became a member the International Solar Alliance (ISA) initiated by Paris and New Delhi. Nonetheless, it is interesting to note that Germany has engaged in less high-ranking political visits with India than with China – regardless whether exchanges include heads of state, ministers or parliamentary groups. A similar picture is also observed at the regional level. So far, only the German federal states of Bavaria and Baden-Wuerttemberg have partner agreements with states in India. There is also a lack of sister cities linking Germany and India, with notable exceptions being Mumbai and Stuttgart, Pune and Bremen, and Coimbatore and Esslingen. More twin towns and sister cities should be established.

The *Zeitenwende* in German foreign policy may also open the door for closer collaboration with India in the field of security. In 2006, the Indian and German defence ministries signed an agreement

envisaging deeper security and defence co-operation that could include the exchange and training of military personnel, increased technology transfer, and greater collaboration in developing joint defence projects. An outcome of this agreement was a High Defence Committee (HDC), co-chaired by the Indian and German secretaries of defence. The HDC meets annually, alternating between India and Germany, and works to approve programs that comprise approximately 30 to 40 projects per year. So far, ten HDC meetings have been held, the last one being held virtually in January 2021. In February 2019, both sides signed the "Arrangement on Implementation of the Agreement of 2006 concerning Bilateral Defence Co-operation". During the IGC of 2019, both sides agreed to deepen their security co-operation and to facilitate Germany's military exports to India. This closer military collaboration was symbolised by the visit of Germany's frigate *Bayern* to India last year.

Over the years, Germany has emerged as the fifth-largest exporter of arms and defence equipment to India, but it still lags behind other European countries such as France, which was the second largest exporter of arms and defence equipment to India between 2017 and 2021. Since 1999, Germany has exported parts to the Indian Navy for the construction of ships and submarines, and it has provided the Indian military with other technologies related to fire control systems as well as sonar and other forms of navigation. Other equipment includes aircraft parts, helicopters, tanks and other military vehicles. In 2016, the German defence manufacturer ThyssenKrupp Marine Systems (TKMS) signed a US\$38.4 million contract to modernise two Type 209/1500 diesel-electric attack submarines belonging to the Indian Navy.

Nonetheless, India's recent focus on indigenisation through the "Make in India" initiative appears to hinder German participation in defence projects. For instance, in 2020, India approved TKMS's US\$5.5 billion bid to manufacture Type 218 Invincible-Class submarines with air-independent propulsion (AIP) technology for the In-

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dian Navy; but in 2021, TKMS withdrew its US\$43 billion bid to build six P-75I diesel-electric submarines, citing reservations about the “high indigenous content proportion and nearly unlimited liability on the foreign technology partner”. Russian and French companies have also withdrawn their bids from the same project for the same reasons.

During Prime Minister Modi's visit to Germany in May 2022, both sides decided to revive the Defence Technology Sub-Group to help diversify India's acquisition of defence systems and technology. However, the extent to which German companies will be able to work within the confines of India's indigenisation parameters remains to be seen.

Acknowledging and bridging differences

India and Germany need to acknowledge their divergent perspectives with regard to international, regional and national developments, and in doing so, they can provide a solid foundation for their strategic partnership.

The Coalition Treaty for the new German government underlines Germany's support for democracy, human rights and robust civil societies. In this context, Berlin has been concerned with recent developments in India as illustrated in its falling position in democracy indices and increasing restrictions on non-governmental organisations (NGOs), which also affect German organisations and their partners.

India has also doubled down on its independent position with respect to various global issues. Regarding the war in Ukraine, for example, Indian Foreign Minister Jaishankar emphasised that the West's problems are not necessarily shared by countries of the Global South. Moreover, India appears to be more closely aligned with China and Russia when it comes to questions of national sovereignty, for instance in the field of global internet governance. India's approach to areas like data protection and surveil-

lance is diametrically opposed to that of Germany and the European Union.

These dissimilarities reflect differences in historical trajectories, national interests and foreign policy choices that are unlikely to be altered in the near term merely through trade and collaboration. Hence, both sides need to increase their dialogue on these problematic issues so that they do not impact the more successful aspects of their relationship.

Prospects: India and Germany in the age of the Indo-Pacific

It is often lamented in policy circles that India-Germany relations have yet to achieve their full potential. One of the reasons for this, possibly, is the mutual lack of understanding of one another's strategic cultures and domestic politics. The 2020 Indo-Pacific guidelines offer a good starting point from which to upgrade Germany's strategic partnership with India, but this will require more high-level political visits, increased exchange between parliamentarians, academics, media representatives, students and civil society groups, and stronger linkages on the subnational level between states and municipalities. The recent Indian-German agreement on triangular cooperation in third countries is a first step for closer collaboration on a sub-regional level that can be expanded into areas of common interest like Afghanistan.

Certainly, the war in Ukraine has highlighted divergences between approaches pursued by India and Germany. At the same time, the repercussions of the war for Germany and India — particularly with respect to its impact on supply chains and resultant economic downturn — may also be a catalyst for greater strategic, economic and security cooperation between the two countries. Enhanced bilateral cooperation with a focus on areas where interests converge will help to bridge the gap and upgrade the strategic partnership to a higher level.

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