

# SWP Comment

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## Expanding Germany's Relations with India

**Triangular Cooperation as the Next Step in the Strategic Partnership**

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**India is a central partner for German and European foreign policy in the Indo-Pacific. The German Federal Government's autumn 2020 guidelines and the November 2021 coalition agreement both emphasise the importance of expanding relations with India. To advance the common cause of a multilateral and rules-based order in the Indo-Pacific, both sides should – in addition to deepening their bilateral relations – extend their cooperation to third countries. Such triangular cooperation could herald a new phase of the Indo-German strategic partnership.**

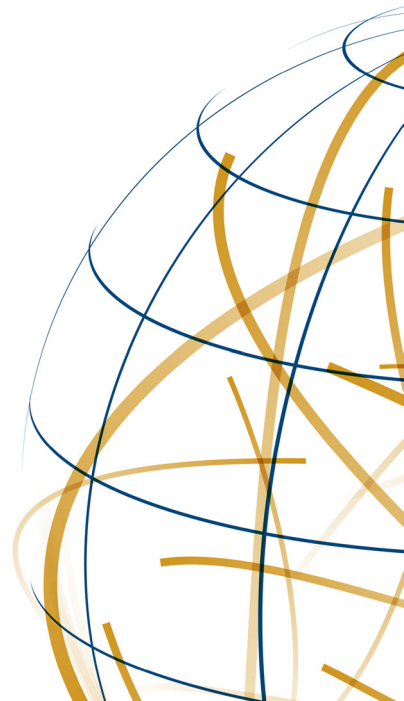
India plays a central role in Washington and Brussels' geopolitical considerations of the systemic rivalry between China and the United States (US). From the long-term perspective, it is considered the only country that could demographically and economically counterbalance China in the Indo-Pacific. In this context, the US has been strengthening its political, military and economic relations with India for years. The EU-India Roadmap to 2025, the Connectivity Partnership of May 2021 and the Indo-Pacific Strategy of autumn 2021 all testify to the strategic importance of India for European foreign policy in the region.

### Indo-German Relations: Opportunities and Challenges

Against the backdrop of geopolitical and economic change in the Indo-Pacific, Germany strives to intensify its relations with

India. In doing so, the German government must find a balance between its normative aspirations and geopolitical interests. This has been comparatively easy in the political sphere: as early as May 2000, Germany and India agreed on the "Agenda for the Indo-German Partnership in the 21st Century". Since 2011, the German and Indian governments have held bilateral consultations every two years. Both countries share fundamental convictions regarding the future structure of the international system. Among other things, they are committed to multilateralism and seek to reform the United Nations (UN) and its Security Council. They both also advocate for a rules-based order in the Indo-Pacific.

However, Indo-German political relations do not yet live up to their potential. For example, high-level political talks between Germany and India have occurred less frequently in recent years. One reason for this is Germany's persistently low trade volume



with India, which was less than 10 percent of its trade volume with China in 2020. More intensive dialogue between government representatives at the federal and state levels could further deepen the political common ground.

Germany is India's most important trading partner in Europe, but India is only Germany's fourth largest trading partner in the Indo-Pacific region. In recent years, India is the only country to have been selected twice as a partner for the Hannover Messe — one of Europe's largest industry and innovation expos. Indo-German economic interdependence has increased in recent times: in 2020, over 1,700 German companies provided over 400,000 jobs in India. At the same time, more than 200 Indian companies had registered offices in Germany, investing more than €6.5 billion in the country. Despite its problems, the Indian market continues to boast strong growth and offers significant prospects for cooperation with Germany, including in the areas of infrastructure, energy, and environmental and high technology. However, two issues could spell trouble in the future: on the one hand, German legislation on sustainable supply chains could impact German companies and their partners in India. On the other hand, in 2020, the Indian government announced that it would pursue a more independent economic policy as a reaction to the pandemic. This includes the promotion of domestic companies, and it could make it more difficult for small and medium-sized companies from abroad to access the Indian market.

In the field of security policy, Berlin and New Delhi share similar perceptions of major geostrategic challenges, especially with regard to China's future role in the region. In January 2022 Germany signalled its intent to strengthen security cooperation with India by sending its frigate *Bayern* to Mumbai. Still, Germany and India may have different expectations in the field of security policy. For example, India, due to its territorial conflicts with China and Pakistan, is pushing for closer cooperation

with Germany in the realm of armaments; but after the new German government announced a rather restrictive arms export policy, France will remain India's most important partner in Europe when it comes to the modernisation of its armed forces.

On the one hand, there is great potential for the expansion of Indo-German relations in the socio-political sphere, for example, in the form of new cooperation between German and Indian federal states as well as between universities, research institutions and sister cities. On the other hand, it is precisely in this sphere that controversies are likely to intensify. German foreign policy aims to promote democracy, human rights and vibrant civil society. In India, however, the quality of democracy has been deteriorating for several years, and fundamental rights such as freedom of expression are increasingly coming under pressure. Naturally this has affected German civil society organisations in addition to their Indian partners.

Expanding the relationship with India will require Germany's coalition government to repeatedly balance its political values and strategic interests. Here, growing geopolitical commonalities and economic potential are contrasted with growing socio-political controversies.

## Triangular Cooperation as a New Level of Cooperation

India and Western countries share a common interest in building a rules-based order in the Indo-Pacific. The broadening and deepening of bilateral relations is an important step to this end; but a new dimension of cooperation could be seen in acting jointly in third countries. Discussions of triangular cooperation emerged with the appearance of new donor states, especially the BRICS (Brazil, Russia, India, China and South Africa), and centred around cooperation between traditional donor states — usually members of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development

(OECD) — and one or more states of the Global South in a third country. Despite administrative challenges, initial German triangular cooperation projects have been developed with countries like Brazil and Mexico, for example in the form of a German-Brazilian anti-AIDS project in Latin America. In addition, Germany's Regional Fund for Triangular Cooperation in Latin America and the Caribbean is being used to offer targeted capacity-building courses in the field of development cooperation for Global South partners in order to train them in the implementation and administration of triangular cooperation projects. So far, however, triangular cooperation constitutes only a small portion of Germany's overall development cooperation. In recent years, it has only accounted for 0.047 percent of the total budget of the Federal Ministry for Economic Cooperation and Development (BMZ). In its position papers on global partnerships (2021) and on triangular cooperation (2022), the BMZ identified triangular cooperation as a key instrument to advancing German-promoted North-South cooperation.

## India's South-South Cooperation

Despite its economic growth, India remains one of the largest recipients of German development cooperation funding. In 2019, it received over €1.6 billion in aid, over 98 percent of which was provided through financial cooperation. For its part, India, through the Indian Technical and Economic Cooperation Programme (ITEC), has been providing education and training as well as loans and credit to countries of the Global South since the mid-1960s. The allocation of funds within this framework is not based on DAC criteria, but instead follows India's foreign, security and economic policy interests. ITEC initiatives are an important instrument of India's foreign and security policy and aim to promote New Delhi's economic interests abroad. Salient features of the Programme include that most of the offered trainings takes place in India and

that most attendees are political and administrative decision-makers from the Global South.

In response to China's growing involvement in South Asia and the Indian Ocean via the Belt and Road Initiative (BRI), India has adjusted its foreign policy. Recent joint projects with Western states in third countries signal India's overall interest in new forms of cooperation. This is exemplified in the number of programmes that have developed between Indian institutions and the United States Agency for International Development (USAID). One such programme is the South Asia Regional Initiative for Energy Integration (SARI/E), which aims to strengthen cross-border electricity trade and economic development in South Asia, including India. Also in cooperation with USAID, the Indian National Institute of Agricultural Extension Management (MANAGE) offers training programmes for Africans and Asians working in the field of agriculture. In addition, within the framework of the Global Research Partnership on Food and Nutrition Security, Health and Women (GRP), the establishment of a British-Indian scientific partnership with researchers from the Global South is being promoted in Nepal and Malawi, among other countries. The team works primarily on the development of evidence-based solutions in the areas of health and nutrition.

## Areas and Problem Areas of Triangular Cooperation

Several thematic areas can be identified for prospective Indo-German triangular cooperation. Indeed, attempts had already been made ten years ago to internationally market an Indian health insurance system which had been developed with the support of the Gesellschaft für Internationale Zusammenarbeit (GIZ). In recent years, India has significantly expanded its capacities in the field of e-governance, developing expertise that is of interest to many states in the Global South. Such digital capabilities also include, for example, electronic identity

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documents such as the Aadhaar card or the Unified Payments Interface (UPI), which integrates all online banking systems in one mobile app and allows money transfers to be carried out in real time. India has also engaged countries in the Indian Ocean region and East Africa, carrying out capacity-building projects that aim to promote the maritime economy, improve ecological coastal protections and counter rises in illegal fishing.

However, several problems could hinder the potential implementation of triangular cooperation. Firstly, political and bureaucratic hurdles need to be overcome. For example, by cooperating with another nation in this sense, Germany commits itself and the collaborating donor country — in this case India — to following DAC guidelines. However, India has been unable to commit to these rules yet. Secondly, cooperation partners in the Global South, including India, rarely have concrete DAC strategies. Thirdly, differences in procurement guidelines or the assessment and implementation of environmental and social standards also complicate cooperation and require greater coordination efforts between the parties involved. However, despite structural improvements in Indian institutions and a continuous increase in financial resources in the field of development cooperation, projects are managed slowly due to India's lack of institutional capacity. Finally, there is hardly any information on the effectiveness of ongoing and completed trilateral projects. Learning from prior experience and making corrections accordingly is thus nearly impossible.

## Outlook

Similar geopolitical perceptions form the foundation for the expansion of Indo-German relations. Economically, India continues to present great growth poten-

tial for German companies. It also has an overriding interest in expanding relations with Germany and is particularly focused on technology transfer. However, Germany will find it difficult to reconcile its values with its strategic interests particularly in the field of social policy.

In view of Germany's strategic interests in the Indo-Pacific, bilateral relations with India should be expanded to include triangular cooperation. This would be a qualitatively new step and would take the strategic partnership to the next level. Cooperation in third countries in the Indian Ocean or East Africa regions in fields such as e-governance or capacity building can work towards Germany and India's shared interest of shaping a rules-based order in the Indo-Pacific.

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