

From Emerging Market to Emerging Power: Rethinking Sweden's India Policy

Henrik Chetan Aspengren

Key points

- Prime Minister Narendra Modi's visit in April, and the coming EU policy for India, occasions a balancing of the Swedish-Indian relation through a broadening of Sweden's India policy. For a successful engagement with India, Sweden should acknowledge India not only as an emerging market, but more emphatically also as an emerging global power.
- Bilaterally Sweden should seek to complement the existing National Security Dialogue with reoccurring foreign policy dialogue on the level equivalent of state secretary or political director, and Inter-ministerial exchange in relevant sectors.
- Sweden should also assist India in its ambition to become a regional first responder through inter-agency and inter-departmental exchange on issues of disaster relief, reconstruction efforts and other relevant concerns.
- Using existing Nordic and Baltic Sea regional forums of cooperation, Sweden should promote people to people connectivity and a concerted research and innovation dialogue with India. Both existing research and innovation systems, universities, and research institutes as well as the Indian diaspora are assets.
- Within the EU, Sweden should work actively to ensure that the new India strategy takes a long-term perspective on how an EU-India partnership can help shape global and regional orders. The new strategy should define a small number of priority areas for the strategic partnership and clearly outline how the EU institutions will work to fulfil the strategy.



Sweden-India relations: From non-alignment and development to trade

Prime Minister Narendra Modi is set to visit Sweden 16-17 April. The visit is the first by an Indian prime minister since Rajiv Gandhi attended former Prime Minister Olof Palme's funeral in 1986. The visit by Modi is not framed as an exclusively bilateral occasion, but with an integrated "Nordic summit" with attendance from Nordic heads of government.

Sweden and India have enjoyed close relations throughout India's independence. The early bilateral relationship was much benefitted by the personal connection between Sweden's first ambassador to India Alva Myrdal and Prime Minister Jawaharlal Nehru. This paved way for a visit by Nehru to Sweden in 1957, followed by a longer visit to India by Prime Minister Tage Erlander in 1960. The onus of Swedish-Indian relations at this point was mutual support for non-alignment, and Swedish financial and expertise assistance to India's developing economy.

From the mid-1990s, however, the focus of the bilateral relation has clearly been on trade. Trade policy is also what has framed the interaction between the current Swedish Prime Minister Stefan Löfven and his counterpart Modi, which is reflected in their joint statement of 2016.¹ Yet although much political energy has been invested into promoting trade, trade promotion show mixed results. While a comprehensive EU-India Free Trade Agreement has been negotiated for some time and could if concluded very significantly contribute to bilateral trade, this paper suggests that Prime Minister Narendra Modi's visit occasions a widening of the scope of Sweden's engagement with India.

The actual trade performance

Official trade statistics are admittedly imprecise when it comes to describing the full extent of the Swedish-Indian commercial relation. Many Swedish companies in India, for example, use India as one out of several locations in global value chains.

The Indian commercial presence in Sweden is low. Indian direct investment in Sweden in 2017 was EURO 1,9 million, but have been negative for most years since 2009, except for 2015. The number of Indian companies in Sweden has increased to 51, yet the increase has been modest since 2009. The number of employees in Sweden by Indian companies are just above 2000. Trade statistics show a mixed performance in the trade relationship. While the import in services from India has continuously grown and almost quadrupled between 2009 and 2017, Swedish export of services to India amounts to less than SEK 3,5 billion, which is an actual decrease since 2009.

Imports in goods from India were worth just above SEK 6 billion, which is a slight increase since 2009. Export in goods from Sweden to India amounts to almost 11,5 billion in 2017, up with SEK 2 billion since 2016, but less than in 2009 and 2010. As a comparison, Sweden's exports of goods to China amounted to SEK 46 billion, imports to SEK 56 billion. When controlled for total import and export market size of China and India, the share of the Swedish-Indian trade performs slightly below the Swedish-China trade.

In one area, there is however a growing Indian presence in Sweden, and that is as employees. The number of approved work permits for Indians have more than doubled

from 2000 in 2009 to almost 4500 in 2017. The majority of Indian employees have higher education, and a large section has additional specialist education. Most Indians on work permit in Sweden are employed within IT, engineering or financial sectors.

There is an argument to be made that Sweden needs to increase its effort in order to do get more out of the trade relationship with India. From a long term Indian perspective, however, the issue of increased trade with Sweden and the Nordics tends to become consumed by the wider issue of how India can secure an increased prominence globally. If Sweden can engage with India on this very premise, it may also help to promote trade. Hence in order to engage with India strategically, we need to understand key aspects of current Indian strategic thinking.

Broadening the engagement: Thinking beyond trade

For a long term beneficial engagement with India, Sweden needs to (a) understand why India seek a more active role in world affairs; (b) why and how it could help promote India in its emergence as a global power and, (c), design a policy for doing so that aligns with Sweden's own foreign policy goals in Asia.

Since the late 1990s India has slowly shifted its foreign policy priorities in order to further its emergence as a prominent actor in global affairs. This shift was not easy after decades of great reluctance to act internationally. Yet, the process has accelerated since 2014. India is now increasingly pursuing a security and foreign policy that aims at actively shaping regional

relations and institutions. The debates in Delhi now evolve around one main question: How can India shape regional dynamics in ways that promotes its interests, while keeping our strategic autonomy intact?

Three factors are critical to this new thinking: (1) India's capacity to act in a wider region is gradually evolving, (2) India's interests are increasingly globalised, and (3) competition with China is increasing. The geopolitical arena where the competition intensifies is also evolving, which is reflected in strategic debates in Delhi and informs much of Modi's foreign policy initiatives. The Euroasian landmass is being linked into an interconnected region. In addition, the predominantly marine environment connecting the east coast of Africa with America's West Coast (the "Indo-Pacific") is also integrating into an imagined regional unit.

A driving force in this increased regional integration is China's ambitious but somewhat nebulous finance and infrastructure Belt and Road Initiative (BRI). India cannot compete with China in financing and executing large infrastructure projects abroad. Delhi has been critical of the model used for the BRI, and to specific projects in for example Pakistan, but is becoming more pragmatic to bilateral engagement with China. Delhi's priority is to ensure that China's rise does not restrict India's emergence as a global power.

Delhi has in various ways aimed at developing its own models of engagement, partly framed as alternatives to the Chinese model. Through deepened bilateral and multilateral collaboration, India has since 2015 attempted to strengthen its westward ties by courting the Indian Ocean region and

Persian Gulf countries, as well as to the East by further engaging South East Asia. The overtures have been diplomatic and political, but have also involved institution building and security arrangements. India has for example recently signed deals with the Seychelles and France, allowing access and even construction of military facilities in the Indian Ocean region.

Moreover, India has along with Japan promoted the “Asia-Africa Growth Corridor”, with the aim to enhance connectivity between India and Japan and Eastern Africa. India has also deepened its military cooperation with Japan, USA, and Australia. The initiative was first initiated in 2007, but was for various reasons postponed. A new effort was launched in 2017. Additionally, India is deepening the security dialogues with South East Asia through the so-called Delhi Declaration from earlier this year, as well as taking lead in regional multilateral organisations, in order to step up efforts to integrate the region and to promote its own interests.

India has also prioritised to develop capacity to become first responder to natural disasters and calamities in a wider region. This commitment was put to test during the earth quake in Nepal in 2015, where India contributed with disaster relief and rescue operations. It has made pledges to contribute to the rebuilding of war torn Iraq, as well as Afghanistan.

These policies can in part be understood as ways in which India intends to make possible its own emergence as a regional and global actor, without being restricted by China’s activities in Asia. Current developments in Asia, including increased competition between Asian actors, can possibly transform the regional institutional

architecture and normative frameworks that have previously existed. For example, the influence of existing multilateral institutions for finance and cooperation might be affected negatively. It is not certain that new forms of cooperation will allow for broad multilateral membership, which may restrict the possibilities for European participation.

If the norms and institutions that form the basis of international relations today are being challenged or overlooked in the emerging geostrategic arenas of Eurasia and the Indo-Pacific, then Europe’s future possibilities to participate in the shaping of processes in Asia might be negatively affected. Europe, and Sweden, will need partners in Asia in the emerging new strategic landscape, and India can possibly become an important partner in this regard.

As it happens, Sweden and the Nordics, as well as the wider Baltic Sea region can play a more important role for India. India has so far been slow to pick up and design a regional policy. In addition to high end research and innovation being conducted in the Nordic and Baltic Sea region, its proximity to the Arctic region as well as to Russia moreover makes it an important arena for powers that aspire to have a global role. China has actively been pursuing cooperation in the Baltic Sea littoral states, which has not gone unnoticed in Delhi.

A segmented approach to engaging India as an emerging power

For a successful engagement with Delhi, it is important that Stockholm positions itself as a strategic partner that encourages India’s emergence as a global power. Of course, our abilities to do so are limited, but where

possibilities exist, they should be explored. One way to design such a broadened engagement is through a segmented approach:

The bilateral segment. Sweden and India already conduct a National Security Dialogue, involving the respective National Security Advisor and concerned ministries. Currently occasional foreign policy consultations on the level of State Secretary in the Ministry of Foreign Affairs occur. Sweden should be consistent in its wish to have this dialogue expanded to include broader foreign policy and strategic issues. A yearly dialogue meeting on the equivalent of State Secretary or Political Director level should be aimed for. Sweden should also aim at assisting India in its effort to become a regional first responder by establishing inter-agency dialogue in sectors of disaster relief, rescue operations, and other relevant issues.

The Nordic and Baltic Sea region segment. The 2018 visit to Sweden by Prime Minister Modi is framed as a “Nordic Summit”. Sweden should seize the opportunity to shape a strong Nordic cooperation around certain aspects of the India relationship. Although there exist competition between the Nordic countries, joint efforts are clearly beneficial. The most prominent aspects could be people to people connectivity and research and innovation. There is a growing Indian community in the Nordic countries, which is well-educated and employed in high skilled jobs. The Indian diaspora in the Nordics could become an asset. Sweden’s prominent role in cooperation in the Baltic Sea region may also be used as a platform,

as Indo-Baltic ties are slowly picking up. The preservation or sustainable development of waterscapes, as well as other dimensions of marine life and livelihoods connected to it, may be areas for shared exploration. Issues related to maritime security is another possible area.

The European segment. EU and its member states are currently in the process of producing a new strategy for India. It will complement the EU-India Strategic Agenda 2020, which has been criticized for inefficiency. The new India strategy should take the wider geostrategic developments into account, by aiming to create an opening for Europe to participate in the shaping of the regional order in Asia. In addition, it is crucial that India adheres to its democratic constitution and respects human rights. Troubling tendencies of restrictions to Indian public debate, harassment of minorities by groups associated with the wider Hindu nationalist movement, and slow implementation of efforts to prevent violence against women may eventually have a negative impact on the state of Indian democracy. This could in turn affect the possibility for India to remain a strategic partner to the EU. Sweden should insist that EU continuously pays attention to human rights issues in its dialogues with India.

Dr. Henrik Chetan Aspengren is Research Fellow at the Asia Program at UI and coordinator of the UI-SASNET South Asia Initiative. He thanks Jacob H. Axelson for research assistance.

i

<http://www.government.se/statements/2016/02/joint-statement-by-prime-minister-stefan-lofven-and-prime-minister-narendra-modi/>

U**brief**



WOULD YOU LIKE TO KNOW MORE ABOUT UI?

The Swedish Institute of International Affairs (UI) is an independent platform for research and information on foreign affairs and international relations.

The institute's experts include researchers and analysts specialized in the field of international affairs. While maintaining a broad perspective, research at UI focuses on unbiased scientific analysis of foreign and security policy issues of special relevance to Sweden. UI as an organization does not take a stand on policy issues.

UI Briefs are short commentaries on international issues, events or trends related to UI's focus areas. They are written by UI staff, UI visiting researchers, or other experts associated with UI. UI Briefs do not require adherence to strict academic conventions. Selected lectures at UI are also occasionally published with the series. While the author is responsible for the text, UI staff has edited each manuscript.

For more information visit our website: www.ui.se, where you will find up-to-date information on activities at the Swedish Institute of International Affairs (UI). Here you can book seminar tickets, become a member, buy copies of our magazines, and access research publications. You can get in touch with us through email: **info@ui.se or +46-8-511 768 05**

Also, follow us on Twitter @UISweden or like us on Facebook!



SWEDISH INSTITUTE OF INTERNATIONAL AFFAIRS

Visiting Address: Drottning Kristinas väg 37, Stockholm

Postal Address: Box 27 035, 102 51 Stockholm

Phone: +46 8 511 768 05 Fax: + 46 8 511 768 99

Homepage: www.ui.se