

# Changing Gears on the Modi-Merkel Autobahn

## India must push for free trade pact with EU

Prime Minister Narendra Modi's visit to the three biggest economies of the European Union could not have been better timed. Uncertainty over the nature of US-EU relations, and an underlying discomfort with an aggressive China adds to the attraction of India as a long-term partner. The visit, close on the heels of a significant tax reform, the Goods and Services Tax (GST) on its way, provides demonstrable action of India's intention to augment this partnership.

India's bilateral trade with Germany is at €17.4 billion (\$19.74 billion) in 2016, a fraction of the value of Germany's trade with its No.1 trade partner, China. But the room to grow is immense, and Chancellor Angela Merkel gets this. This is a good opportunity to get the ball rolling on the EU-India free trade agreement, which has been stalled since 2013. Indications that talks will resume in July is welcome. With a slew of reforms and streamlined systems in place, India can now pitch for a bigger share of investments — German foreign direct investment in 2016 stood



at \$1.1 billion. In the context of China's One Belt One Road initiative, Modi and Merkel are converging on working together in Africa, focusing on renewable energy, connectivity, vocational training, and have called on businesses to collaborate on promoting trade and development. Climate change is an important focus area. India has made it clear it is committed to the Paris Agreement. The two countries remain committed to working with Afghanistan to tackle terrorism, thus containing Pakistan.

The Modi-Merkel meeting was about continuing with the partnership, and putting it on firmer ground. Both countries will work together on issues such as UN reforms, expansion of the UN Security Council, India's inclusion in export control regimes such as the Nuclear Suppliers Group, tackling terrorism, and the adoption of the Comprehensive Convention on International Terrorism. Modi and Merkel will have the opportunity to deepen this partnership when they meet for the G-20 summit in July in Hamburg. It will be another chance to demonstrate why India and Germany are good for each other.