

#21

May 2012

Poland-India: Potential for a Strategic Partnership

by Patryk Kugiel

The intensity and quality of political and economic cooperation between Poland and India have not reached their full potential in the past 20 years, despite largely positive historical relations between these nations. Both are among the top twenty world economies, and are among the political leaders in their respective regions, so Poland and India must now explore ways to upgrade bilateral cooperation in the emerging multi-polar world. The success of economic transformations initiated in the early 90s, and stable economic growth experienced in both countries in recent years despite the global financial crisis, alongside the growing political influence of Poland in the European Union on the one hand and India's rise on the world stage on the other, suggest a complementary relationship between these countries and promise extra benefits from closer links. The idea of a strategic partnership – an instrument deliberately employed in both countries' foreign policies in recent years – now deserves to be given serious consideration in New Delhi and Warsaw.

Scope for Strengthened Cooperation

In Polish-Indian relations, the realms of economy and politics both offer significant room for improvement. Firstly, the current level of economic cooperation, with trade turnover in 2010 of \$1.3 billion, cannot be considered satisfactory for either side. While Poland was, in 2010, nowhere to be found among India's top 50 trade partners, and only the 13th largest in the EU, India was ranked in 41st place among Poland's export partners, and 28th for imports. Mutual direct investments were equally insignificant. Up to the end of 2010, Poland had invested merely \$177 million in India, and Indian investments in Poland amounted to \$77 million – a tiny fraction of its investments in Europe overall.

In this context, the target agreed at the latest meeting in 2010 between Polish Prime Minister Donald Tusk and Indian Prime Minister Manmohan Singh, to double bilateral trade by 2014, is absolutely realistic, even modest, taking into account the size, potential and complementarities of both economies. Because of a long presence on the Indian market, Polish companies still have a chance to benefit from cooperation in traditional sectors, such as energy, mining and defence. A recent contract signed between Polish Bumar and Indian BEML Limited, worth \$275 million, to sell 204 WZT-3 armoured vehicles to India, proved that predictions of the demise of Poland as an arms supplier to India might have been premature. If the defence industries of both countries show more confidence and resolution to engage in joint projects, then research, development and technological cooperation in this sector can still regain its important position.

Moreover, new areas of promising business activity are also emerging. Bearing in mind the rich vein of human capital and low costs of labour, Poland and India could do much more in innovative sectors such as IT, business process outsourcing (BPO), pharmaceuticals and biotechnology. The success of some Polish companies in India (i.e. Bella India, producing hygienic products or Obram, providing Paneer cheese production lines), and of Indian BPO and IT companies in Poland (Infosys, Zensar, HCL, Wipro, for instance) offer a good outlook for other similar endeavours in the future. Also, the fact that both India and Poland are coal-based economies and hugely dependent on the import of energy resources, gives them common ground for strengthening cooperation in fields such as energy efficiency, renewable energy, green technologies and alternative sources of energy. For example, Indian global companies, which have already acquired shale gas fields in the U.S., may be interested

in shale gas exploration in Poland, which is considered to have one of Europe's largest reserves of this fuel. More joint initiatives on gas and oil exploration and mining in India could further strengthen bilateral ties.

Last but not least, Poland – India's largest trade partner in Central Europe, and the sixth largest economy in the EU – may be considered an important gateway to the European market. This means greater attractiveness for Indian investors, and new opportunities for Poland's growth. Indian companies seeking to expand on the global market should not miss the opportunity to participate in the privatisation of some of Poland's industries (shipyards, automobile, energy, etc.), or to make even more green-field investments in different sectors in order to expand their operations in Europe. At the same time, the rapid modernisation and development of India (around 8% GDP on average in the last decade) offers new prospects for Polish firms, especially in sectors such as energy, agriculture, food processing, sanitation and biomass. As previous successful projects proved, establishing joint ventures with Indian partners offers the best chances of prospering in a market that is difficult and still fairly closed.

While economic cooperation has seen an upward trend in recent years, political dialogue has lagged behind. Neither government has really been able to find out what to expect from the other side. After 1989, bilateral relations were downgraded in respect to both Poland's and India's foreign policy priorities, high level visits happened only sporadically, and states engaged on the most pressing strategic issues only rarely. This field, previously so neglected, can now offer even more opportunities for improvement. While bilateral cooperation will most probably concentrate on creating the environment most conducive to business activity, Poland and India share enough interests at regional and global levels to give real substance to an eventual strategic partnership. The list of areas for closer strategic dialogue includes UN system reform, stabilisation of Afghanistan, fight with the international terrorism, Indian-EU relations, and support for democratisation processes.

Poland could prove an important ally to India, in the latter's bid for a permanent seat on the UN Security Council. Poland generally supports UN reform, and backs Indian aspirations to play a more significant role in this forum. For a medium-sized country such as Poland, the preponderance of international law and strong position of global governance institutions are of the utmost importance. A Security Council that is more representative and better effective would serve Poland's interests. Similarly, Poland may be interested in pushing for a joint seat for the EU in the reformed Security Council, which could free up a place for emerging powers. Thus, active collaboration between Poland and India on UN reform, both at UN and EU levels, could become the cornerstone of a strategic partnership.

When it comes to Afghanistan, the lack of cooperation between Poland and India in the last decade may seem surprising. While Poland is the sixth largest contributor to stabilisation forces (ISAF), India has become the sixth largest bilateral donor of development assistance for the country. More importantly, both countries share a common interest in a "stable, democratic and prosperous Afghanistan". Past misperceptions of either side's aims and activities in Afghanistan need to be left behind, especially when withdrawal of NATO troops by the end of 2014 may put stability and peace in Afghanistan, and indeed the whole region, at risk. Dialogue on the future of Afghanistan, and exploration of joint initiatives in reconstruction and development of the country, may become yet another important element of strategic dialogue. An example could be that Poland and India develop a joint programme of training for Afghan administration officials – something they do today individually.

Support for democratisation processes is another area which deserves more attention. Relations with India - the world's largest democracy – are already free from the negative constraints that hamper cooperation with other rising powers such as China and Russia. Even though Indian policy on the promotion of democracy may differ substantially from that of Europe, and more discussions in this regard are necessary, there is still a great potential for practical cooperation in support of democratic reforms around the world*. For Poland, apart from Afghanistan another place in which it could engage India in relevant projects, is Myanmar - a country which has been undergoing rapid democratisation for a year. The visit of the Polish foreign minister to Myanmar on 9-10 May revealed that Poland is ready to lend a helping hand to Myanmar's reformists, and to share its experience of democratic transition. Still, Poland lacks many of the advantages which, thanks to historical and cultural ties, are

* Patryk Kugiel, *The European Union and India: Partners in Democracy Promotion?*, PISM Policy Paper No. 25, February 2012

possessed by India. Thus, trilateral development cooperation, encompassing Poland, India and a chosen developing country, may be yet another area for strategic cooperation between both sides.

Challenges Ahead

If there is such a potential for strategic cooperation, why has it not yet been recognised and realised? Naturally, in the aftermath of the Cold War, both governments have seen critical interests and major challenges in their immediate neighbourhoods, and in relations with world powers, and with the U.S. especially. Nowadays, the international environment is potentially more conducive to stronger ties between Poland and India. Now that India's increasingly pragmatic foreign policy has extended its reach around the world, from South-East Asia to Africa and Latin America, it is high time that long neglected relations with the Central Eastern Europe were developed. For Poland, now a member of the European Union and NATO, recent experience holding the presidency of the EU Council has provided necessary global exposure, and better prepared it to engage actively beyond the Euro-Atlantic arena. A Strategic Partnership with China, signed in December 2011, also indicates a growing interest of Poland in Asia. To take a similar step in relations with India, it would obviously require similar will in New Delhi. There are two fundamental problems which may stand in the way.

The first crucial fact complicating possible cooperation between Poland and India is the obvious discrepancy in their respective sizes and potentials. For a smaller partner it is always harder to attract the attention and interest of the larger one, and to engage in joint projects, both economic and political, as equal partners. Poland, with a population of 38 million, is in fact less populated and geographically smaller than are many of India's states, and the overall population of India is about 1.2 billion. While Poland is one of the largest states in Europe, India – a multi-ethnic and multi-religious federation – is a continent itself within the South Asia region.

While this difference is important and may indeed hamper cooperation in practice, its relevance should not be overestimated. Where economic potential is concerned, and even though the Indian economy is four times larger than Poland's (\$1,729 billion compared to \$467 billion in 2010), the latter is still ranked as the 20th largest economy in the world (India is 11th in nominal USD value). The total value of Poland's imports (\$174 billion in 2010) is slightly more than half that of India's (\$327 billion in 2010), and they are almost on a par regarding the annual exports (\$157 billion and \$220 billion respectively in 2010). Even a brief look at some 20 countries with which India currently has a strategic partnership reveals that many of them have in fact smaller economies, territories or political influences than Poland. On the other hand, huge differences didn't stop Poland from establishing strategic partnerships with the two largest world powers – the United States and China.

What then seems to be more important is that both partners have little awareness of the other's value, and thus have not recognised the potential benefits of strengthened ties. Political dialogue used to be irregular and usually at low level. While the Polish prime ministers went to India twice during last two decades (the last visit was by Donald Tusk in September 2010), no Indian prime minister has been to Poland since 1979. More frequent and balanced were official visits of the heads of state. Polish presidents Lech Wałęsa (1994) and Aleksander Kwaśniewski (1998) visited India, and the Indian presidents, Shankar D. Sharma (1996) and Pratibha Patil (2009), visited Poland. Polish foreign minister Radosław Sikorski's visit to India in July 2011 was the latest attempt to reinvigorate bilateral ties.

Such restricted contact was reflected vividly across other sectors. Economic cooperation has not expanded much beyond traditional areas and a small number of individual entrepreneurs. A rigorous visa regime, strengthened after Poland joined the EU in 2004, added a further barrier to people-to-people contacts between students, tourists and businessmen. Geographical distance, the lack of a significant Indian diaspora, and modest education programmes in each country reflecting modern life in the other, all made the task of overcoming historically-held stereotypes even more difficult. Occasional and under-resourced cultural and promotional events in both countries are not satisfactory means for overcoming indifference and creating new images of Poland and India as modern countries and strategic partners.

The list of challenges goes on, including limited resources both financially and in terms of diplomatic staff dedicated to bilateral relations, the structural differences between the two economies, relatively weak business links, and more. Nevertheless, changing the popular image of the partner country and noticing the vast opportunities latent in closer ties are the major hurdles to be overcome. Although some positive changes are already taking place (such as the Cultural Cooperation

Programme, signed in 2010, and the establishment of Contemporary India Research and Studies at the Warsaw University in 2009) much more needs to be done.

Roadmap for a Strategic Partnership

Once leaders in both countries recognise the potential for closer cooperation, there will be a number of practical steps which can be taken in order to reinvigorate ties and give substance to a proposed strategic partnership. The first would be to expand and strengthen bilateral dialogue through the regular exchange of high level visits, additional sectoral dialogues, and intensified track II diplomacy. Biannual Poland-India summits, with participation of heads of state or prime ministers, could be the main platform for setting the directions and aims of strategic cooperation. An annual consultation mechanism could be upgraded to ministerial level and would serve to put stated goals into practice and to launch joint initiatives. Current joint commissions on economic cooperation and defence cooperation may be supplemented with additional dialogues in specific pivotal sectors (such as energy and green technologies, and education). Ad hoc bodies for dealing with important strategic issues (i.e. the future of Afghanistan, UN reform) would be helpful in bridging the divides, and may pave the way for coordinated actions in these areas.

On top of this, more consultation between retired diplomats, parliamentarians, academics, experts and other professionals could strengthen an official track. Regular high-level Poland-India round table meetings organised at arm's length from the MFA could become a useful platform for discussing difficult subjects and finding innovative solutions and propositions for bilateral projects. Symbolic gestures may also help to upgrade bilateral ties and push them in a new direction. Poland should also engage more actively in forging EU policy on India, and use existing EU-Indian mechanisms of cooperation (such as the EU-Business Forum) to a greater extent. Both countries' close strategic relations with the US give them yet another opportunity to engage more often in trilateral dialogues, and to engage in important issues of shared concern (Afghanistan, Myanmar, green energy, etc.).

On the economic field, Poland is mainly interested in increasing and balancing its trade with India through more exports and attracting more Indian investments. This would require more political and financial support from the government, to facilitate business expansion in India. Small and medium enterprises – a major component of the Polish economy – should benefit from a targeted programme of export promotion to India, and special concessional loans for Indian partners could be offered. Scarce resources must be streamlined according to selected priority sectors and a few flagship projects. Both governments may consider establishing a joint Technological Fund to stimulate joint research and cooperation in innovative areas. Poland should also prepare its business community to take advantage of the EU-India Free Trade Agreement, which may be concluded soon, through an information campaign and facilitation of business contacts in India.

On the subject of cultural and social cooperation, there are several options for empowering people-to-people contacts. First, ongoing efforts to open the Polish Institute in New Delhi should be finalised as soon as possible. It would be the seventh cultural institute of an EU member state in India (after the British, German, French, Spanish, Italian and Hungarian) and, the main gateway to Polish culture. Apart from support for standard activities it should offer an extensive programme of study tours, exchanges and scholarships for artists, journalists and students. Simultaneously, Indian efforts to open the Institute of Indian culture in Warsaw must be supported. Additional financial resources would, however, be necessary in order to allow cultural cooperation to flourish. Multimedia projects documenting shared history (for example a film about Polish refugees in India during the second world war) could be established as a means of addressing the general public in both nations, and deserve government support.

Secondly, serious attempt to liberalise the visa regime is necessary if both nations are ever to develop closer ties. The objective constraints of the Schengen zone regulations, or the serious risk of illegal immigration, should not stop the potential benefits of more cooperation in sectors such as education, tourism or business. Poland and India, both beneficiaries of free trade and globalisation, should rebuff attempts to increase protectionism, and encourage free movement of people. India is already regarded as a great market for outbound tourism, and the Polish Tourism Organization named India as a priority country outside Europe for promotional activities. Similarly, many Polish universities see India as a potential source of commercial students when they face approaching demographical low domestically. Poland's government should launch a scholarship scheme for Indian nationals, in order to support educational cooperation and encourage attempts of Polish universities to draw

students from India. To further boost bilateral relations, both governments may encourage national airlines to consider resumption of direct flights connection between New Delhi and Warsaw. Even though the current level of bilateral visits (more than 20,000 Poles go to India annually, and around 10,000 Indians make the journey the other way) may be too little to make this profitable in the short term, the project may still be necessary if Poland wants to become a gateway to Central Europe for India in the longer term.

Conclusion

Poland and India share democratic values and have several converging strategic interests, as well as great untapped potential for economic cooperation. A history of friendly cooperation and lack of serious disagreements between the nations augur well for strengthened relations. Poland is well positioned to become India's fourth EU strategic partner (after the UK, Germany and France) and a major partner in Central Eastern Europe; India could become a pivotal counterpart for Poland in Asia. India can get additional gateway to the European market and a strategic ally in realising their global aspirations (such as UN reform), and Poland may be interested in a closer relationship with this rising power. In the multi-polar world order, closer cooperation between emerging world leaders and regional leaders is gaining in importance. The sooner policymakers in New Delhi and Warsaw realise this, the more benefits both countries could reap. The expected visit of the Indian prime minister to Poland, by 2013, the first such visit for more than 33 years, may be a crucial test of the feasibility of the proposed partnership.