

TAKING FORWARD THE **EU-INDIA** STRATEGIC PARTNERSHIP

JOINT RESEARCH PAPERS
PRODUCED BY THE EU INDIA
THINK TANKS TWINNING INITIATIVE



**EU PUBLIC DIPLOMACY THROUGH
POLICY AND OUTREACH PARTNERSHIPS, INDIA**

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This publication is a compilation of joint research papers written by experts from Indian and European think tanks in the framework of the EU-India Think Tanks Twinning Initiative 2018 – a public diplomacy project aimed at connecting research institutions in Europe and India funded by the EU. Its contents are the sole responsibility of the writers and do not necessarily reflect the views of the European Union.

All these papers are available on the website:

www.euindiathinktanks.com

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With the support of the EU Delegation to India, the EU-India Think Tanks Twinning Initiative aims to bring together leading scholars from the EU and India to develop together ideas on how the two can further strengthen their strategic partnership through cooperation in the fields of foreign and security policy, global governance and international affairs. The Initiative aims to foster interaction between leading Indian and European think tanks through a series of joint projects involving research publications and events. The aim of the Initiative is to bring the vibrant Indian and European think tanks communities together and enable them to help generate better understanding and awareness of the EU in India and vice versa. The goal is also to support a more continued and visible engagement of European think tanks in India, and vice versa.

The impact of their joint work aims to stimulate debate and discussion on important global, regional and bilateral issues, foster research and academic discourse, and provide policy analysis and informed guidance to leadership on both sides, thus contributing to enriching the EU-India strategic partnership.

The Delegation of the European Union to India launched the 'EU India Think Tanks Twinning Initiative' in 2015 which has successfully organized networking and working together of some leading think tanks from India and the EU during 2015-16. This initiative was taken forward in 2018 and five consortia of EU-India think tanks were selected for support during 2018-19. These think tanks are engaged in joint research, publications and events.

EU-India Think Tanks Twinning Initiative 2018 – 19

The following five proposals have been selected for support:

-  Clingendael – Netherlands Institute of International Relations with the Institute of Defence Studies and Analyses (IDSA), New Delhi, on “EU & India as continental partners: beyond bilateralism.”
-  Federal Trust UK (in collaboration with the Global Policy Institute, UK) with Jawaharlal Nehru University – Centre for Europe Studies, New Delhi, on “Developing EU and Indian Cooperative Responses to the Belt & Road Initiative.”
-  Chatham House the Royal Institute of International Affairs, UK, in Association with European Union Institute for Security Studies, Brussels, with Observer Research Foundation, New Delhi, on “The Indian Ocean: Opportunities for EU – India engagement.”
-  Global Public Policy Institute, Berlin, with Carnegie India, New Delhi, on “Charting EU-India Cooperation on Connectivity.”
-  Centre for International Relations, Warsaw, with Department of Geopolitics and International Relations, Manipal Academy of Higher Education, Manipal, on “Cooperation between EU and India on China/ One Belt One Road Initiative – EU and Indian responses.”

EU-India Think Tanks Twinning Initiative 2015 – 16

Four consortia of think tanks from the EU and India were supported under the EU Public Diplomacy and Outreach in India and in the SAARC project during 2015-16, and they carried out the research work as follows:

- a. ORF, Chatham House and EUISS produced three Background Papers covering West Asia, Maritime Security and Counter Terrorism and Countering Radicalisation. The consortium also held a Workshop and a Public Event in New Delhi in September 2016, as well as a final Public Event in Brussels in November. The public events were attended by a mix of officials, academics and think tank representatives.
- b. GPPI and Carnegie India produced four policy papers charting EU-India cooperation on global governance and security, on Regional Connectivity in Asia, Securing Afghanistan, Global Conflict Management, and Securing the Indian Ocean. The consortium organized two policy dialogues in Brussels and New Delhi respectively, which brought together policy makers, academics and think tankers from Europe and India. Supported by structured facilitation, the participants mapped out challenges and opportunities for EU-India cooperation in selected policy fields. In order to disseminate these findings to a broader audience, the consortium organized a large public event in New Delhi attended by European ambassadors, Ministry of External Affairs, India, think tanks and media. Another public event was organized at Vrije University, Brussels. All four policy papers were also published as an edited monograph.
- c. IAI and Gateway House delivered an Expert Discussion in Mumbai, a Seminar in Rome and a Concluding Presentation in Brussels between November and December. Publications were produced on “EU-India Defence Cooperation: A European Perspective”, “EU-India Cooperation on Cyber Issues: Towards Pragmatic Idealism?”, “EU-India: Starting a More Adventurous Conversation”, “Maritime Security and Freedom of Navigation from the South China Sea and Indian Ocean to the Mediterranean: Potential and Limits of EU-India Cooperation”, “EU-India Cooperation on Space and Security”, “Potential and Challenges of India-EU Space Cooperation”, “Maritime Security and Freedom of Navigation from the South China Sea and Indian Ocean to the Mediterranean”, “India-EU Cooperation on Cyber Security and Data Protection”, and “India-EU Defence Cooperation: The Role of Industry”.
- d. GRF and FES India delivered a Seminar on “EU-India Cooperation on Sustainable Urbanisation” in Pune, India, in September 2016, and produced a Policy Brief on “Charting a Sustainable Future: EU-India Platforms on Energy and Climate Change and Urban Development”, as well as one on “India’s View on Human Security: Citizens First, Holistic Urbanisation and Cooperation with the European Union”.

Public diplomacy project

The EU Public Diplomacy in India through Policy and Outreach Partnerships (EUPOP) was launched as part of the EU's efforts to enhance the visibility of the European Union as a whole, to promote a better understanding of EU's actions and positions and exert a positive influence on how the EU is perceived in partner countries.

The overall objective of the project is supporting the achievement of EU foreign policy objectives by strengthening the EU's ability to engage meaningfully with targeted audiences and stakeholders in India through Public Diplomacy. It should contribute to re-position the EU and its Member States as a reliable, useful and effective partner for India in both bilateral and global issues.

About the European Union (EU)

The EU, which consists of 28 countries, has the world's largest economy and its third largest population, after China and India. Though richly diverse, the countries that make up the EU (its 'Member States') are all committed to the same basic values: peace, democracy, the rule of law and respect for human rights. They have set up common institutions so that decisions on matters of joint interest can be made democratically at European level. By creating a frontier-free single market and a single currency (the euro) which has been adopted by 19 Member States, the EU has given a significant boost to trade and employment.

EU-India relations

For over 57 years the EU and India have worked together to reduce poverty, prevent disasters, expand trade, and promote joint research in energy, health, agriculture and many other fields of mutual interest. The EU is India's largest trading partner, accounting for 13.19% of India's overall trade in goods, ahead of China (11.66%) and the United States (9.68%). EU exports of goods to India in 2018 amounted to €53.59 billion and the total trade in goods stood at €91 billion. The EU is the second largest investor in India (after Mauritius), with an investment stock valued at €70 billion, and is the primary destination for Indian foreign investment. The EU unveiled a new Strategy on India in November 2018 which aims to further strengthen the Strategic Partnership by focusing on common responses to global and regional issues and on four focus areas: Sustainable modernisation, Climate Change, Trade and Investment, and Innovation.

More information at:

<http://eeas.europa.eu/delegations/india>

Papers I-V

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This paper was written in the framework of the EU-India Think Tanks Twinning Initiative 2018 – a public diplomacy project aimed at connecting research institutions in Europe and India funded by the EU. Its contents are the sole responsibility of the writers and do not necessarily reflect the views of the European Union.

Executive Summary

It is becoming clear that China's ambitious Belt & Road Initiative (BRI) linking Asia and Africa with Europe through a network of various transportation corridors could fundamentally reshape the geo-economics and geopolitics of the whole Eurasian region and beyond. As the initiative has huge implications for the EU and India; the paper has captured evolving European and Indian BRI narratives. It has covered wider perceptions, which go much beyond limited official narratives. In the context of changing scope of the BRI, perceptions are also evolving. Initially, till 2017, European perceptions were mainly shaped by national views. Since then a more coordinated European approach is evolving. These perceptions have been partly shaped by the importance of the EU-China bilateral relation as well as European plans towards Asian connectivity. Europe's developing strategic approach towards Eurasia has also affected these views. The EU greatly welcomes Chinese initiatives of increasing investments in cross-border infrastructure with the view that it should adhere to market rules, international financial and environmental norms. Through BRI, China has focused more on Central and Eastern Europe and the Mediterranean region. Some of the projects have led to concerns over the possibility of diluting European political unity or investments rules. There is, however, much room for greater political coordination amongst European countries, notably by being more proactive in promoting for example the infrastructure projects which the EU has already financed in Central and Eastern Europe and by generally seeking to promote the EU-Asia connectivity plans.

The sovereignty related issues concerning the China-Pakistan Economic Corridor (CPEC) and broader geopolitical implications within the Indian Ocean region have overshadowed other aspects of the BRI in the Indian narrative. Despite a major BRI focus on Europe and Central Asia, there is a relatively little Indian assessment of developmental implications within this wider region. Broader India-China ties have affected BRI discussions. A broad consensus seems to have emerged that the BRI is primarily a Chinese initiative and that it is difficult for New Delhi to endorse the CPEC. India's participation in the AIB, SCO and BRICS had relatively little impact on New Delhi's perception of the BRI. In fact, the BCIM corridor, which was graduated to Track I in 2013 has rather become victim of the BRI geopolitics. Although a large number of independent analysts have argued for a selective participation in the BRI, this has hardly been reflected in government policy. As the BRI progresses, the Indian focus is more on perusing its own connectivity plans (individually or with other partners) and also on showing how some of the BRI projects are creating difficulties for recipient countries. From earlier geopolitical and developmental aspects of the initiative, the focus is now shifting towards a political economy analysis of participating countries. Increasing difficulties faced by BRI projects in terms of debt trap, corruption, political controversies, negative environmental implications and overall sustainability of projects are also being analysed in India.

Overall, both European and Indian perceptions have shown the importance of BRI connectivity projects and their relevance in understanding economic opportunities and strategic challenges. Initially, Europeans focused more on the developmental aspect of the initiative, as integration and connectivity have been major objectives of the European integration project itself. In contrast, Indian policy makers have been very cautious towards the initiative from the beginning. Compared to Europe, official Indian narrative is still largely negative. Wider Indian perceptions, however, favour some selective engagement. These developments indicate possibilities of a

meaningful common understanding between the EU and India through wider consultations on the subject.

Introduction

It is becoming clear that China's ambitious One Belt One Road (OBOR) or Belt and Road Initiative (BRI) linking Asia and Africa with Europe through a network of various transportation corridors could fundamentally reshape the geo-economics and geopolitics of the whole Eurasian region and beyond. These developments have huge implications both for the European Union (EU) and for India. The BRI is not a formal policy but a broad evolving geopolitical strategic framework with wider economic, foreign policy and cultural implications. Although the scope of the BRI is still taking shape, it has already started affecting many countries in Europe and Asia. As a result, the BRI has also attracted attention during bilateral discussions between Indian and European policy makers and academia. The main focus of the paper is to capture evolving European and Indian perceptions of the Belt and Road Initiative. The findings of the paper are based on desk research, discussions, as well as a series of in-depth interviews held under the Chatham House rules both in Europe and in India. The paper has tried to cover wider perceptions, which go much beyond official narratives. As the EU and India are close strategic partners, this understanding may help in formulating possible responses and avenues for cooperation.

European Perceptions of the BRI

European perceptions of the New Silk Roads have evolved gradually since the official launch of the so -called Silk Road Economic Belt project and that of the Maritime Silk Road by President Xi Jinping five years ago, now commonly referred to as the BRI. The BRI is not a formal policy nor a clearly-defined geographical or geopolitical strategy. It is meant to be and is being promoted by China as an evolving narrative, which has been deeply rooted in the historical context of the old trading routes linking China to Europe. It has since then become an instrument of China's foreign policy in both the regional and global dimensions and has expanded its geographical scope much beyond Eurasia to include notably Africa and Latin America. To deliver further growth and maintain political and social cohesion internally, China is seeking ever greater access to new markets everywhere, but there is no doubting its special emphasis upon forging a deeper relationship with its immediate Asian neighbourhood, for reasons which are increasingly framed in strategic, and not simply economic terms¹. Thus, BRI which is seen by some scholars as an extremely ambitious initiative, serves several major Chinese objectives simultaneously: developing Chinese exports and international investment, promoting Chinese technology internationally, contributing to the economic development of West and Central China, and accelerating the internationalization of the renminbi².

¹ Karine Lisbonne de Vergeron (2015), *China-EU relations and the future of European soft power*, LSE Ideas, Strategic Update 15.4.

² Jean-Paul Larçon and Geneviève Barré (2017) in *The New Silk Road: China Meets Europe in the Baltic Sea Region*, ed. Jean-Paul Larçon, World Scientific Publishing Company, page 5.

There are clearly many challenges involved, but if China fully succeeds in implementing the BRI in the long run, it will no doubt, have the capability to significantly alter economic and social relationships across the whole of Eurasia and even reshape global trading patterns and dynamics. This is simply of paramount relevance for Europe, since the EU is still China's largest trading partner representing 15 per cent of China's total trade in 2017, before the United States, and has also become China's primary source of imports (13 per cent of all Chinese imports), ahead of South Korea and Japan. Meanwhile, China now represents one of the fastest growing markets for European exports and also accounts for 15 per cent of the EU external trade, second to the United States and up from 10 per cent in 2006. The deepening of the economic relationship between China and the EU has been in fact the defining feature of the bilateral relationship now for well over two decades, notwithstanding the fact that the EU is a major trade and investment partner also for all Asian countries.

Since the launch of the BRI framework, an extensive body of research has been conducted on European attitudes to the New Silk Roads, in particular the Joint report released in December 2016 by the European Think-Tank Network on China. The most significant response to BRI at that time by European governments, notably France, Germany and the UK, had been to join the Asian Infrastructure Investment Bank (AIIB) launched in 2014 and endowed with an initial capital of \$50 billion to support the development particularly of the new transport routes, although the bank is not a formal BRI institution³ and is not solely dedicated to its initiatives. Moreover, China's engagement with the EU on the BRI has evolved primarily through bilateral discussions with individual Member States rather than through EU institutions.

Towards a Pan-European Approach

A truly coordinated European approach has nonetheless been gradually emerging over the last few months. A European common position was reached in 2017 through the Member States' embassies in China, which led to the release of the first European common messages towards the BRI, in the wake of the first the Belt & Road forum for international cooperation, held in Beijing in May 2017. The European presence at the summit was limited with only five heads of governments (Hungary, Poland, Greece, Spain and Italy) and the Czech President attending the event. The European common position here confirmed in particular that the EU welcomes China's initiative to bring investments in cross-border infrastructures "at the centre of the debate". Official documents stated that European and Asian economies are increasingly economically interdependent and that "the EU supports cooperation with China on the BRI on the basis of China's fulfilling its declared aim of making it an open initiative which adheres to market rules, EU and international requirements and standards, and complements EU policies and projects, in order to deliver benefits for all parties concerned"⁴, all with a view to also increase interoperability between the existing and planned networks across Eurasia - be they maritime, land and air, energy or digital - and thus further facilitate trade benefits in both ways.

³ *Europe and China's New Silk Roads*, Edited by: Frans-Paul van der Putten, John Seaman, Mikko Huotari, Alice Ekman and Miguel Otero-Iglesias, European Think-Tank Network on China, December 2016, page 8.

⁴ European External Action Service, *Belt and Road Forum – EU common messages*, 14th May 2017.

This is particularly relevant when considering the EU-China Connectivity Platform, which was initially established in 2015 with the intention to find synergies between the EU connectivity initiatives and the BRI. The 2016 EU Strategy on China further highlighted that such Connectivity Platform should be used to pursue opportunities to improve transport, services and infrastructure links between Europe and Asia, “not least by working as a priority together towards an agreement on a list of pilot projects and identification of priority actions”⁵. This is becoming of increasing importance for the EU when considering that Asia will be facing a \$26 trillion infrastructure gap by 2030 – a momentum which should be further reinforced by the EU's upcoming Communication on EU-Asia connectivity due to be released later this year.

Overall, European perceptions of the BRI are also inevitably linked to the depth and breadth of the EU's relationship with China. The latest 20th Sino-European summit held in Beijing on 16th July 2018 thus saw the issuance of a joint statement with the two sides seeking “to continue to forge synergies between China's Belt and Road Initiative and the EU's initiatives, including the EU Investment Plan and extended Trans-European Transport Networks, and to promote cooperation in hardware and software connectivity”. It further stressed that “such cooperation should abide by the shared principles of market rules, transparency, open procurement and a level playing field for all investors, and comply with established international norms and standards, as well as the law of the countries benefiting from the projects, while taking into account their policies and individual situations.”⁶

Although the EU has had a 'strategic partnership' with China since 2004, as evidenced, for example, by the creation of the High-Level Economic and Trade Dialogue in 2007, the High-Level Strategic Dialogue in 2010 and the High-Level People-to-People Dialogue in 2012, national interests have remained of dominant importance both from a European and Chinese perspective. Many European experts express the concern that Europeans are not sufficiently unified in pursuing their global strategic interests and that China is too often able to play one member state against the other, according to its interests. Or, that competition between core individual European companies in the Chinese market remains the rule, although national interests would benefit from a better coordination. This is also true with regards to European answers to the BRI. Of particular relevance for Europe has been the signing by several EU Member States of a series of Memoranda of Understanding (MoUs) within the framework of BRI, notably Hungary in June 2015 followed by Poland, the Czech Republic, Bulgaria and Slovakia, before the joint position on EU common messages had been reached in 2017. To date, eleven EU Member States in Central Eastern Europe⁷ have signed a bilateral MoUs on the New Silk Roads with China. A number of Balkan countries, which are not member of the EU have also followed suit⁸. In addition, a specific

⁵ Outcome of Proceedings, General Secretariat of the Council, 18th July 2016, Brussels, 11252/16, available at: http://www.europarl.europa.eu/cmsdata/121922/ST_11252_2016_INIT_EN.pdf

⁶ Joint statement of the 20th EU-China summit, 16th July 2018, page 3, available at: <https://www.consilium.europa.eu/media/36165/final-eu-cn-joint-statement-consolidated-text-with-climate-change-clean-energy-annex.pdf>

⁷ These are: Bulgaria, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Rumania, Slovenia, Slovakia and the Czech Republic.

⁸ Notably Albania, Bosnia-Herzegovina, Kosovo, Montenegro and Serbia.

framework for cooperation between China and Central and Eastern European countries (the “16 + 1” format) has been implemented since 2012 as a means to enhance the development of the BRI in this part of Europe⁹.

The Economic and Geopolitical Dimension

There are two major components behind the shaping of European attitudes towards BRI. First is the primary focus of most European countries on direct economic national interests towards the initiative rather than initially considering a common European strategy. China has been more specifically targeting two regions in Europe: Central and Eastern European countries and the Mediterranean region with specific importance given to the Greek port of Piraeus, the Land–Sea Express Route between Greece and Central Europe, the China–Europe railway hubs in Poland and Belarus, the seaports of the Baltic states, and Madrid, through France, as the final destination of the longest China–Europe railway service. Of particular note in this framework has been in Central Europe the recasting of the existing Polish–Chinese projects under the BRI framework, in particular, the two cargo railway connections – the Lodz–Chengdu line, which was launched in April 2013, and the Warsaw– Suzhou line, which began in September 2013. The Lodz–Chengdu connection is rather unique compared to other Europe–China cargo trains, because it is an open and regular line

– trains depart regularly (once or twice a week)¹⁰. By contrast, the French city of Lyon only welcomed its first delivery of freight from the Chinese city of Wuhan three years after, in 2016, marking the opening of a 15-days rail link over 11.000 kilometres, which builds on a trunk line opened in 2012 between Duisburg in Germany and Chongqing in China. Though, in fact, most BRI projects in Europe have involved railways connections, which existed before the official launch of the BRI¹¹.

There are also diverging interests at city and port level when considering the maritime dimension of the roads. The port of Piraeus in Greece, leased by the China Ocean Shipping Company (COSCO) since 2009 for a thirty-five period, is the first component of the maritime part of the new Silk Road to European markets, the so-called “South Gate to Europe”. It shortened the time of transport of Chinese goods to Europe down by four to ten days, compared to alternative ports of Northern Europe such as Hamburg, Rotterdam and Antwerp. Piraeus has become the fastest growing container port worldwide: the annual throughput of COSCO's subsidiary Piraeus Container Terminal (PCT) nearly quadrupled between 2010 and 2015 with a global ranking rising from 93rd to 39th in terms of container capacity over the same period of time¹². Thus, though many Northern European hubs expect new business opportunities from expanding links with the

⁹ *The New Silk Route: Opportunities and Challenges for EU transport*, European Parliament Study, Directorate General for Internal Policies, 2018, page 16.

¹⁰ See also Peter Frankopan (2015), *The Silk Roads: A New History of the World*, London Vintage.

¹¹ Traffic between China and Europe has been gradually increasing to reach over 3,500 trains with an estimate of 5,000 in 2019, up from 400 in 2014.

¹² David Glass (2016), “The ins and outs of China Cosco's Piraeus Deal”, *Seatrade Maritime*, 15 April.

new BRI sea routes, they are also developing new strategies, in particular the port of Hamburg, to cope with this heavier competition from Southern Europe¹³.

Some European experts further feel that Europe may not have that much to gain from the Maritime Silk Road, except for investment in port infrastructure that will only exceptionally constitute game-changers for the foreign relations of the recipient country¹⁴, especially outside of Europe where most of the investment is estimated to go to Chinese contractors¹⁵. Others point out that the Maritime Silk Road plans are in fact key for Sino-European trade. Most of the goods currently exchanged are transported by maritime routes reaching Europe through the Mediterranean Sea via the Suez Canal. Overall Member States' perceptions of the BRI and of Sino-European cooperation along the new routes will increasingly partly depend on the quality of the cooperation at three different level: the EU, the national, but also the regional and local level and how these relate to a greater European common plan.

Second, has been the increasing concern, notably in Western Europe, that the BRI could possibility dilute European political unity and investments rules by increasing competition to attract Chinese investments. As we have seen, the BRI has been perceived very differently by European Member States pending on the degree of infrastructure developments and investments, especially in Central and Eastern Europe which is seen by China as a gateway into the European market. Obviously, the 16 + 1 format (of which 11 countries are Member States of the EU¹⁶) provides the framework in which such investments are fostered and promoted. At the core of this mechanism are the annual summits that involve China's Premier Li Keqiang and the leaders of sixteen CEE countries. China, thus, announced in November 2017 over €2 billion of financial loans in the region and the development of a China-CEEC interbank association for infrastructure developments. A new railway line was opened between Riga and Yiwu in November 2016 whilst the planned motorway between Serbia and Montenegro could gain new impetus through the funding of China's Exim Bank and ultimately link the port of Bar to the new roads¹⁷. There is also the modernization of the Budapest and Belgrade railway line agreed upon in November 2015 under a Chinese loan covering 85 per cent of the costs.

Other mechanisms for cooperation have been put in place with the development of two permanent secretariat, one in Riga and one in Belgrade, to coordinate cooperation in transport and infrastructure developments. A secretariat for maritime affairs was launched in Poland last year and a range of centres across Lithuania, Rumania, Slovenia, Poland and Slovakia dedicated to technology transfers but also cooperation in the field of energy, culture and forestry¹⁸ have been put in place. Over the last 2016 summit, China also proposed the launch of new financing

¹³ Jan Weidenfeld (2016), 'Germany wants Europe to help shape China's Belt and Road Initiative', *The Diplomat*, 17th December.

¹⁴ Matthieu Duchâtel and Alexandre Sheldon Duplaix, *Blue China: Navigating the Maritime Silk Road to Europe*, ECFR Policy Brief, April 2018, page 8.

¹⁵ James Kynge (2018), "Chinese Contractors Grab Lion's Share of Silk Road Projects", *Financial Times*, 24th January.

¹⁶ Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Lithuania, Poland, Rumania, Slovakia and Slovenia.

¹⁷ *The New Silk Roads*, Information Report n°520, French Senate, 30th May 2018, page 56.

¹⁸ Ibid, page 58.

instruments to further fund new projects, whilst the participation of Russia was even mentioned although no decision on the issue has been taken so far. In this context, the main concern for the EU is that some issues pertaining to trading matters, standards and norms, which are normally under exclusive competence of the EU, could be raised within a separate format (the 16 + 1 summit), thereby potentially questioning European common positions.

The Need for Greater European Unity

There is, however, much room for greater political coordination amongst European countries on all of this. Chinese investments through BRI and the 16 + 1 format in Central Eastern Europe remains overall limited when compared to the European structural funds in the region. Estimates show that China would have invested \$15 billion in all the 16 + 1 countries since 2012¹⁹, whilst EU funds amounted to €86 billion for Poland alone between 2014 and 2020 and some €25 billion for Hungary. A number of European experts also express the view that Europe should be more proactive in promoting the range of projects that the EU and the European Investment Bank (EIB) already finance in Central Eastern Europe and the Balkans and be more forceful about its own contribution both at government and civil society level. Europe could launch a “positive marketing” campaign about its own realisations in the region and link it to its future plans for greater EU-Asia connectivity to the benefits of both sides. Moreover, since the European Commission and the EEAS are both invited as observers to the 16 + 1 summits, they could be used by the Member States as a springboard to define, whenever necessary, common European positions with a greater coordination amongst European countries.

The need for greater unity of strategic analysis and planning has also been further reinforced at Member States level. According to some European experts, Germany has been increasingly advocating the use of the EU-China Connectivity Platform to ensure the conformity of Chinese BRI-related investments and EU rules and standards and as a tool to co-design the new European-Chinese economic corridors²⁰. Most specifically, the French President, Emmanuel Macron, made clear references to the new silk roads and BRI in his speech in Xian on 9th January 2018 during his first State visit to China, which was also the first visit of a European leader since the 19th National Congress of the Chinese Communist party. His speech clearly showed the core importance that France attaches to BRI and all the opportunities the initiative can foster. At the same time, like Germany, France believes that the silk roads success will be determined by its ability to promote balanced cooperation and social, environmental, financial, and anti-corruption norms, as well as the respect of intellectual property rights. There are also major opportunities to further cooperate in third countries on joint BRI projects at national level with China or, perhaps even also, with some degree of European coordination amongst EU Member States willing to do so.

The reduction in distance-related costs, which the BRI should induce will also in the long run have a major influence on the reorganization of the global value chain along the trade routes between China and Europe²¹. Chinese multinationals are expected to significantly gain from better

¹⁹ Estimates from the Centre for Strategic and International Studies in cooperation with *the Financial Times*.

²⁰ Jan Weidenfeld (2016), *Ibid*.

²¹ Jean-Paul Larçon (2017), *Ibid*, p. viii.

infrastructure conditions to enter into European markets but it could also bring significant opportunities for European companies in the mid and long run. This will, however, increasingly require to seek to maximise common European interests at all levels of cooperation to the greater overall benefit of both Europe and China.

Indian Perceptions of the BRI

As the whole initiative of the Chinese OBOR or the BRI has grown enormously in the last six years, Indian perceptions have also become diverse. These perceptions are articulated by the Ministry of External Affairs (MEA) briefings and official speeches; writings by retired diplomats; academic studies; media reports; op-ed commentaries and television discussions on current affairs.

The initial discussions focused mainly on two dimensions of the BRI. These included geopolitical and developmental implications of the initiative for India. Because of the overwhelming emphasis on the China-Pakistan Economic Corridor (CPEC) in Indian discussions, the perceptions were mainly shaped by geopolitical dimensions of the BRI rather than broader developmental aspects. The major focus has been on the geopolitical impact of infrastructural projects in the neighbourhood and in the Indian Ocean region. Assessments of the economic impact of the initiative beyond the CPEC are rather limited. Of late, the political economy dimension of the project is figuring prominently in discussions. Here, the emphasis is more on evaluating political, social, environmental as well as sustainability issues concerning Chinese funded projects.

The Context

Indian perceptions of the BRI have to be understood within the broader context of India-China relations. Like its counterparts in most other Asian countries, one of the biggest challenges for Indian policy is managing its relations with China. At the moment, there remains a huge asymmetry between two economies. As a result, the “Chinese are relaxed about the rise of India” but “the Indians are much more nervous about the rise of China.”²² Since both are rising powers in the same part of the world, there are bound to be tensions. Many scholars have posited that India-China relations consist of three Cs: conflict, competition and cooperation. One of the main sources of tension between India and China is their shared but disputed border. In 1993, an agreement on the maintenance of peace and tranquillity along the Line of Actual Control (LAC) was signed, and so far 19 rounds of talks on boundary question have been held. Incidents of Chinese troops crossing over to Indian territory are common but in the past, both governments played down these incidents. The 2017 military standoff at Doklam and strong statements from both sides, however, further vitiated already stressed ties. China has also forged strong relations with many of India's South Asian neighbours including an “all weather” friendship with Pakistan. Due to its centralized state control system and deep pockets, China is far more successful than India in its natural resource diplomacy. Bilateral economic relations have become stronger. With \$80 billion bilateral trade (2017-18), China has become India's number one trading partner. This

²² Charles Grant (2010), India's Response to China's Rise, CER Policy Brief (London: Centre for European Reform).

trade is hugely tilted in favour of China as Indian exports amounted to only \$13 billion²³. It is likely, however, that China may participate in expanding India's infrastructure. Expanding economic ties, however, have not necessarily reduced tensions. New Delhi believes that China has transferred nuclear and missile technology to Pakistan, so that India is bottled up in South Asia. With Pakistan further blocking India westwards, Indian access to Afghanistan and Central Asia becomes difficult. This provides China a relatively free space in Eurasia, as its rivalry with Beijing's ally Pakistan limits India's influence in and access to the region²⁴. New Delhi is also aware that "no single power – not even the U.S. – can offset China's power and influence on its own."²⁵ A strong push towards further strengthening its ties with the ASEAN countries²⁶ and revitalisation of the Quadrilateral Security Dialogue (or Quad)²⁷ involving the US, Japan, Australia and India are steps in that direction.

The Official Narrative

The Indian government's position on the OBOR project is more or less consistent since the initiative was first launched in 2013. The MEA has reiterated its stand through various official statements issued at different intervals. It can also be discerned from speeches made by Indian Foreign Secretary and Foreign Minister at various occasions. The Indian government has neither fully rejected the initiative nor endorsed it in a clear manner. At the same time, the government has clearly opposed CPEC activities. On the BRI initiative, at the floor of parliament, M J Akbar, the Minister of State for External affairs summarized Indian government's position as the following²⁸:

"Government is of firm belief that connectivity initiatives must be based on universally recognized international norms, good governance, rule of law, openness, transparency and equality, and must be pursued in a manner that respects sovereignty and territorial integrity."

²³ Export Import Databank, Ministry of Commerce and Industry, Government of India <http://commerce-app.gov.in/eidb/>

²⁴ Gulshan Sachdeva (2017) *India in a Reconnecting Eurasia: Foreign Economic & Security Interests* (Washington DC: Centre for Strategic & International Studies)

²⁵ Brahma Chellaney, (2016) "Upholding the Asian Order" 22 January, <http://www.project-syndicate.org/commentary/asian-powers-cooperation-for-regional-order-by-brahma-chellaney-2016-01>

²⁶ G.V.C Naidu and Gulshan Sachdeva (2017) "India & Southeast Asia: From looking to Acting East Policy" in David B H Denoon (Ed) *China, the United States and the Future of Southeast Asia* (New York: New York University Press).

²⁷ Tanvi Madan (2017) "The Rise, Fall, and Rebirth of the Quad", 16 November, <https://warontherocks.com/2017/11/rise-fall-rebirth-quad/>

²⁸ Question number 2735, Belt and Road Initiative of China, Rajya Sabha, 10 August 2017, http://mea.gov.in/rajyasabha.htm?dtl/28857/QUESTION_NO2735_BELT_AND_ROAD_INITIATIVE_OF_CHINA

The inclusion of the so-called China-Pakistan Economic Corridor (CPEC), which passes through parts of the Indian state of Jammu & Kashmir under illegal occupation of Pakistan, as a flagship project of OBOR reflects lack of appreciation of India's concerns on the issue of sovereignty and territorial integrity. Government has conveyed to the Chinese side, including at the highest level, its concerns about their activities in Pakistan Occupied Kashmir and asked them to cease these activities”

Earlier, in 2015, the then Indian Foreign Secretary S Jaishankar was categorical that as far as India is concerned, “this is a national Chinese initiative. The Chinese devised it, the Chinese created a blueprint ... and a national initiative is devised with national interests. It is not incumbent on others to buy it... if this is something on which they want a larger buy-in, then they need to have larger discussions, and those haven't happened”²⁹

In the background of growing debate on BRI and India's own plans of regional connectivity, the 2016 Raisina Dialogue was focused on Asian connectivity. Although government officials did not use OBOR or BRI, it was clear to every one what was being discussed. At the dialogue, the Indian External Affairs Minister gave importance to “cooperative rather than unilateral approach” to connectivity. She also argued that “creating an environment of trust and confidence is the pre-requisite for a more inter-connected world”³⁰. Building on the similar theme of 'consultative' versus 'unilateral' connectivity initiatives in Asia, Indian Foreign Secretary also asserted that “we cannot be impervious to the reality that others may see connectivity as an exercise in hard-wiring that influences choices. This should be discouraged, because particularly in the absence of an agreed security architecture in Asia, it could give rise to unnecessary competitiveness”. He argued further that “connectivity should diffuse national rivalries, not add to regional tensions”³¹.

About 120 countries including 30 top leaders participated at the BRI summit in Beijing in May 2017. It was claimed that close to 70 countries had already signed for the project. Although New Delhi was invited, there was no official participation. The official explanation for not attending the forum was that although India is in favour of enhancing physical connectivity, it believes that “connectivity initiatives must be based on universally recognized international norms, good governance, rule of law, openness, transparency and equality”. In addition, these projects also must follow “principles of financial responsibility to avoid projects that would create unsustainable debt burden for communities; balanced ecological and environmental protection and preservation standards; transparent assessment of project costs; and skill and technology transfer to help long term running and maintenance of the assets created by local communities”. It was also stated that New Delhi is urging Beijing to engage in a meaningful dialogue on the BRI

²⁹ Remarks following 21st IISS Fullerton Lecture “ India, the United States and China” by S Jaishankar, The International Institute of Strategic Studies (IISS), Singapore, 20 July 2015. <https://www.youtube.com/watch?v=et2ihw8jHaY>

³⁰ Speech by External Affairs Minister at the inauguration of Raisina Dialogue in New Delhi, 01 March 2016, http://www.mea.gov.in/SpeechesStatements.htm?dtl/26432/Speech_by_External_Affairs_Minister_at_the_inauguration_of_Raisina_Dialogue_in_New_Delhi_March_01_2016

³¹ Speech by Foreign Secretary at Raisina Dialogue in New Delhi, 2 March 2016, goo.gl/E9x6uD

and waiting for a positive response. Moreover, the CPEC is projected as a flagship project of the initiative and “no country can accept a project that ignores its core concerns on sovereignty and territorial integrity”³². The same position was repeated in April 2018³³.

In June 2018, when India participated for the first time as a full member of the Shanghai Cooperation Organisation (SCO), it was expected that New Delhi might soften its position on the BRI. However, when the Qungdao Declaration was issued, India was the only member country, that did not endorse the BRI project³⁴. At the summit, Prime Minister Modi asserted that India welcomes “new connectivity projects that are inclusive, sustainable and transparent, and respect countries' sovereignty and territorial integrity”³⁵. Earlier, at the 9th BRICS summit in Xiamen, China in September 2017, the BRI was not mentioned in any declaration. There are reports indicating that the whole paragraph on the BRI was removed due to Indian objection³⁶.

AIIB and BCIM

Despite not endorsing the BRI, New Delhi has participated in the Asian Infrastructure Investment Bank (AIIB) from the beginning. After China, India is now the second largest shareholder in the bank and seven out of 27 approved projects by the AIIB are from India. Out of total \$4.5 billion, the AIIB has committed about 1.2 billion investments to India. This makes India as the largest recipient of concessional finance from the bank. Many other Indian infrastructure projects amounting to \$2 billion are in the pipeline³⁷. The official explanation of New Delhi's participation in the AIIB is that India was approached for this initiative from the very beginning, which made all the difference.

Before the announcement of Bangladesh-China-India-Myanmar (BCIM) Economic Corridor as one important component of the BRI, the four countries were already working to materialize sub-regional cooperation for years. To integrate East and North-eastern India with South West China along with two least develop countries viz Bangladesh and Myanmar, a Track II BCIM regional Economic Forum was established in 1999 in Kunming. In 2013, the concept was officially endorsed and participating nations agreed to establish a Joint Study Group (JSG) to strengthen connectivity, trade and other linkages through the development of a BCIM Economic Corridor (BCIM-EC)³⁸. Along with the CPEC, however, when the BCIM-EC was also declared as an

³² Official Spokesperson's Response to a Query on Participation of India in OBOR/BRI Forum, Ministry of External Affairs, 13 May 2017. <https://goo.gl/1UxU8H>

³³ Official Spokesperson's Response to a Query on Media Reports regarding Possible Cooperation with China on OBOR/BRI, Ministry of External Affairs, 5 April 2018. <https://goo.gl/fmSLS3>

³⁴ Qingdao Declaration of the Council of Heads of State of Shanghai Cooperation Organisation, 10 June 2018. <http://eng.sectsc.org/load/454877/>

³⁵ English translation of Prime Minister's Intervention in Extended Plenary of 18th SCO Summit, June 10, 2018, Ministry of External Affairs, <https://bit.ly/2PcVDQO>

³⁶ Atul Aneja “India Wants China's Belt and Road Initiative and BRICS on Separate Tracks” *The Hindu*, 19 June 2017.

³⁷ “AIIB Ready to Pump in \$1.9 billion More into Various Indian Projects” *Moneycontrol*, 20 June 2018, <https://www.moneycontrol.com/news/business/aiib-ready-to-pump-in-1-9-billion-more-into-the-country-2613961.html> 20 May 2013.

important part of the OBOR/BRI initiative by China, it created difficulties for Indian policy makers³⁹. Although a few meetings of the JSG have taken place, progress is very limited. Since the BCIM was conceived much before the BRI, many argue that it should not have been subsumed with the larger Belt and Road strategy⁴⁰. The main Indian objective behind initiating BCIM-EC was to develop infrastructure and markets for its Northeastern region through sub-regional cooperation. In this way, these relatively isolated Indian States could take advantage from its look-East/Act-East Policy. Jointly building missing infrastructural links in the sub-region has been one of the major objectives of the initiative. Once parts of the larger BRI initiate, it actually could have given a new push to economic development in the Northeast. As the BCIM also became part of larger discourse on the BRI and the CPEC, the progress on this front has also stalled. Some analysts have even started raising concerns that if BCIM is implemented, the Northeast will be flooded with Chinese goods and illegal Chinese may start settling in the region⁴¹.

Other Perspectives

The ruling Bhartiya Janata Party (BJP)'s position is very close to the government. This is well articulated by its influential General Secretary Ram Madhav. He argued that essentially this is a Chinese project launched without wider consultation. In addition, there are serious sovereignty issues concerning CPEC⁴². Vinay Sahastrabuddhe, BJP's National Vice president also articulated similar ideas at a meeting in Beijing⁴³. The former Union Minister and spokesperson of the Indian National Congress, Manish Tewari, believes that although India's objections to the CPEC are valid⁴⁴, we should participate in the BRI and take advantage from it⁴⁵. Senior leader of the Communist Party of India –Marxist (CPI-M) Prakash Karat is of the view that by not participating in the BRI Forum, "India has isolated itself" and this is clearly in line with the US policy of "strategic containment of China".⁴⁶

³⁸ Joint Statement on the State Visit of Chinese Premier Li Keqiang to India, <http://mea.gov.in/bilateral/documents.htm?dtl/21723/Joint+Statement+on+the+State+Visit+of+Chinese++Li+K+eqiang+to+India>

³⁹ Patricia Uberoi, "Problems and Prospects of the BCIM Economic Corridor" *China Report*, 52 : 1, 2016: 19–44.

⁴⁰ Ashok K. Kantha, "Why India is Cool towards China's Belt And Road" *South China Morning Post*, 14 May 2017, <https://www.scmp.com/week-asia/opinion/article/2094167/why-india-cool-towards-chinas-belt-and-road>

⁴¹ Jayadeva Ranade, "Can China realise its One Belt, One Road dream?" *The Hindustan Times*, 6 June 2016, <https://bit.ly/2Pk9h4V>

⁴² Ram Madhav, "Turning Down China" *The Indian Express*, 17 May 2017, <https://indianexpress.com/article/opinion/columns/turning-down-china-one-belt-one-road-4659155/>

⁴³ Speech By BJP National Vice President, Dr Vinay Sahasrabuddhe at Asian Political Parties Special Conference on Silk Road, Beijing, 16 October 2015, <http://www.bjp.org/en/media-resources/press-releases/speech-by-bjp-national-vice-president-dr-vinay-sahasrabuddhe-at-international-conference-of-asian-political-parties-special-conference-on-silk-road-beijing>

⁴⁴ Manish Tewari, "OBOR is the Grandest Failure of Indian Foreign Policy" *The Indian Express*, 17 May 2017, <https://bit.ly/2MZHBAL>

⁴⁵ "India Should Participate in China's OBOR Project: Congress Leader Manish Tewari" *The New Indian Express*, 30 November 2017. <https://bit.ly/2w9QqAM>

⁴⁶ Prakash Karat, "Belt and Road Initiative: Blinkered View of Government" *People's Democracy*, 21 May 2017, http://peoplesdemocracy.in/2017/0521_pd/belt-and-road-initiative-blinkered-view-government

Going beyond the official narrative, the perceptions are much more diverse. Even most recently retired senior Foreign Service officers are not averse to selective engagement with the BRI. Former Foreign Secretary Shyam Saran feels that at the moment India lacks resources for any competing and alternate networks. Therefore, it may be useful to carefully evaluate those components of the BRI, which will improve India's connectivity to major markets and resource supplies⁴⁷. Shiv Shankar Menon, former Foreign Secretary and former National Security Adviser, is also of the view that except CPEC because of sovereignty issues, India should explore those portions of the BRI infrastructure or connectivity which "serve India's interest in improving connectivity and economic integration with the Asian and global economy". In addition, he argues that even limited implementation of the BRI "will markedly change the economic and strategic landscape within which we operate, and India must prepare for that change"⁴⁸. Ambassador Talmiz Ahmad argues that as both India and China accept the importance of expanding connectivity in Asia "there is no need to fear the OBOR– both the OBOR and China need India as a partner"⁴⁹. Compared to these views, former Foreign Secretary Kanwal Sibal is absolutely against India joining the initiative. He feels that BRI has formalised "China's ambition to dominate the Eurasian landmass in transition towards an equal status with the United States". He argues that the goal of the project is to "establish a China-centric system in Asia" that will marginalize other powers like India. And "if India joins, it will mean that it accepts the inevitability of China's supremacy in Asia"⁵⁰. Some others also feel that if India joins OBOR, it would become "Asia's permanent second-class power"⁵¹. Ambassador M K Bhadrakumar, however, argues that India is now surrounded by BRI projects and through these, China is trying to "leverage regional security and stability in South Asia". As New Delhi lacks resources for a counter strategy, he feels "all we are left with is our vacuous negative propaganda to malign the BRI for which there are no takers abroad"⁵².

Scholars working in the area of strategic studies still largely dominate the BRI discussions in India. Academic studies looking at the developmental and socio-economic aspects of the initiative are rather limited. As a result, the broad consensus appears to be that apart from economic and infrastructure development programme, "it is a long-term strategic initiative that seeks to convert China's current economic might into diplomatic influence"⁵³.

⁴⁷ Shyam Saran, "What China's One Belt and One Road Strategy Means for India, Asia and the World" *The Wire*, 9 October 2015, <https://thewire.in/external-affairs/what-chinas-one-belt-and-one-road-strategy-means-for-india-asia-and-the-world>

⁴⁸ Shivshankar Menon, "The Unprecedented Promises – and Threats – of the Belt and Road Initiative" *The Wire*, 24 April 2017, <https://thewire.in/external-affairs/the-unprecedented-promises-and-threats-of-the-belt-and-road-initiative>

⁴⁹ Talmiz Ahmad, "Who's Afraid of One Belt One Road?" *The Wire*, 3 June 2016, <https://thewire.in/external-affairs/one-belt-one-road-shaping-connectivities-and-politics-in-the-21st-century>

⁵⁰ Kanwal Sibal, "The Belt and Road Forum: India Hits the Nail" *Indian Defence Review* 7 June 2017, <http://www.indiandefencereview.com/the-belt-and-road-forum-india-hits-the-nail>

⁵¹ Ashok Malik, "OBOR: For India It is a Road to Subjugation" *The Pioneer*, 6 May 2017. <https://bit.ly/2nTS4CU>

⁵² M K Bhadrakumar "India isolated by One Belt One Road Initiative" 28 December 2017 <http://southasianmonitor.com/2017/12/28/india-isolated-one-belt-one-road-initiative/>

⁵³ Jabin T. Jacob, "China's Belt and Road Initiative: Perspectives from India", *China & World Economy*, Vol. 25, No. 5, 2017, p. 78.

Indian concerns related to the BRI are twofold. First, CPEC related sovereignty issues and secondly issues related to Maritime Silk Road where many commercial projects have strategic considerations.⁵⁴ Some in the academia feel that the initiative is clearly in conflict with the way India looks at multilateral projects⁵⁵. Others feel that in a rapidly evolving global and Asian order, India has to balance “its short term gains with long terms interests” in responding to the BRI⁵⁶. At the moment the dilemma India is facing is “between the inviting prospects of modernizing India's regional connectivity and the perceived negative political consequences of the initiative”⁵⁷. Some have analysed that “China's connectivity revolution” has pushed India to develop many responses. These include (a) stepping up India's own infrastructure development (b) implementing connectivity projects abroad on priority (c) working with outside powers like the US and Japan to offer alternatives to the BRI. Further, India may collaborate with China in some connectivity projects.⁵⁸

Many scholars who focus more on economic issues see BRI as an opportunity. It is argued that India could take advantage from China's overcapacity and infrastructure investment in Asia⁵⁹. Therefore instead of opposing, New Delhi should integrate some of the BRI initiatives into its own connectivity plans⁶⁰. This will significantly enhance India's access to Eurasia⁶¹. Some have even argued that New Delhi's involvement in the BRI is useful not only for India but also for the entire South Asian region as many of these economies are closely integrated with the Indian economy⁶². By joining BRI, India, it is argued, can play a leadership role in South Asia's infrastructure and economic integration⁶³. Further, a confident India can leverage the Chinese initiative to its own advantage in the areas of connectivity, manufacturing and higher education sector⁶⁴. There are others, however, who argue that Indian interests are best served by direct access to sea-lanes of communications in the Indian Ocean rather than alternate routes being developed under BRI. Moreover, India has either enough capacities of its own or can easily borrow from multilateral institutions⁶⁵.

⁵⁴ Dhruva Jaishankar, “India Feels the Heat From China's Belt and Road”, *The Interpreter*, 21 August 2017. <https://www.lowyinstitute.org/the-interpreter/india-feeling-heat-belt-road>

⁵⁵ Sriparna Pathak, “Indian Dilemmas” in Srikanth Kondapalli and Hu Xiaowen (Eds) *One Belt One Road: China's Global Road*, (New Delhi: Pentagon Press, 2017, 349-371)

⁵⁶ Harsh V. Pant and Ritika Passi “India's Response to China's Belt and Road Initiative: A Policy in Motion” *Asia Policy*, Number 24, July 2017, p. 95.

⁵⁷ Darshana M. Baruah and C. Raja Mohan, “Connectivity and Regional Integration: Prospects for Sino-Indian Cooperation, in Maximilian Mayer (Ed) *Rethinking the Silk Road: China's Belt and Road Initiative and Emerging Eurasian Relations* (Palgrave Macmillan, 2018), p. 93

⁵⁸ Ibid., pp. 94-95.

⁵⁹ Prem Shankar Jha, “Why India Must Embrace China's One Belt One Road Plan”, *The Wire*, 13 August 2016, <https://thewire.in/diplomacy/india-must-embrace-chinas-one-belt-one-road-plan>

⁶⁰ Gulshan Sachdeva, “India Should Consider the Right Road for Asian Economies” *The Hindustan Times*, 17 February 2016, <https://bit.ly/2MlyPRk>

⁶¹ P Stobdan, “Benefitting from China's Belt and Road Initiative” *IDSA Comment*, 22 November 2016. <https://bit.ly/2vWPWih>

⁶² Khanindra Ch. Das, “The Making of One Belt, One Road and Dilemmas in South Asia” *China Report*, 53 : 2 (2017), 125–142

⁶³ Sudheendra Kulkarni “BJP's Belt and Road Myopia” *The Indian Express*, 25 May 2017. <https://bit.ly/2L7KgXs>

⁶⁴ Ravi Bhoothalingam, “The Silk Road as a Global Brand” *China Report* 52, 1, 2016, 45–52

⁶⁵ Hemant Krishan Singh and Arun Sahgal, OBOR: China's Neo-Colonial Great Game, DPG Policy Note, Vol. 2, Issue 5, 9 May 2017 (New Delhi: Delhi Policy Group).

Many have made the argument that India was not consulted before announcement or more consultation is needed⁶⁶. Some other, however feel that “petulance should not drive our policy”⁶⁷. Analysts are still arguing about the real nature of the BRI. Some assert that OBOR is less about economics and more about “deployment of economic instruments in pursuit of geopolitical objectives” by China⁶⁸. Others, however, feel that major problem with Indian response is that it concentrate mainly on geopolitics of the initiative. Moreover, the primary goal of the BRI is to integrate the Chinese economy with Europe rather than South Asia⁶⁹.

Of late, many reports and analyses are appearing in Indian media concerning a growing discontent among the BRI participating countries, debt trap and project failures⁷⁰. Apart from other projects, the major focus is on problems faced by CPEC in Pakistan⁷¹ and the Hambantota port and airport projects in Sri Lanka. Some have already termed OBOR as “imperial overreach”⁷² and started questioning the viability of the project itself⁷³.

The broad Indian perception is that BRI is clearly a Chinese project with explicit objectives of infrastructure building and connectivity. Through this, China also wants to resolve its two major problems viz. capital surplus and industrial overcapacity⁷⁴. It is also increasing Chinese political influence in broader regions. It can help participating countries in bridging infrastructural deficits but their bargaining capacity is weak. For India, OBOR presents both threats and opportunities. However, making use of some of the economic opportunities will depend on “the institutional agency and strategic imagination India is able to bring to the table”⁷⁵. Moreover, moving away from an abstract single grand BRI narrative to specific connectivity projects could resolve many of the issues between India and China⁷⁶. At the moment, New Delhi's approach seems to be closely watching developments, peruse its own connectivity projects and advising countries in the region

⁶⁶ Ashok Sajjanhar, “China's Belt and Road Initiative: Prospects and Pitfalls” *IDS Comment*, 28 November 2017. https://idsa.in/idsacomments/china-belt-and-roadinitiative_asajjanhar_281117

⁶⁷ Srinath Raghvan, “India must Involve Itself in the China-Pakistan One Belt, One Road Initiative to Stay in the Game” *The Hindustan Times*, 23 March 2017, <https://bit.ly/2Mp7Swc>

⁶⁸ Sanjaya Baru “China's One-Belt-One-Road Initiative is Not Just about Economics” *The Economic Times*, 25 April 2017. <https://bit.ly/2003540>

⁶⁹ Manoj Joshi, “India Should Work with China on OBOR for its Own Economic Benefit” *The Hindustan Times*, <https://bit.ly/2Br9QXD>

⁷⁰ “A Scary Glimpse into How China's OBOR Can Ruin Small Countries” *The Economic Times*, 12 July 2018, <https://bit.ly/2vW617B>; “A Grim Reminder for Pakistan How it is Sliding into the Chinese Debt Trap” *The Economic Times*, 11 December 2017. <https://bit.ly/2ALrGAJ>; Brahma Chellaney, “China's Creditor Imperialism” *Live Mint*, 26 December 2017. <https://bit.ly/2whSerz>

⁷¹ Sushant Sareen, “Why CPEC could be the End of China-Pakistan Relationship” 27 April 2018, <https://www.orfonline.org/research/cpec-could-end-china-pakistan-relationship/>

⁷² Brahma Chellaney, “China's Imperial Overreach” *Project Syndicate*, 27 May 2017, <https://bit.ly/2w8mWTG>

⁷³ Jayadeva Ranade, “Can China realise its One Belt, One Road dream?” *The Hindustan Times*, 6 June 2016, <https://bit.ly/2Pk9h4V>

⁷⁴ Deepak Nayyar, “One Belt, One Road has No Basis in China's History” *Live Mint*, 9 June 2017. <https://bit.ly/2vUDFuA>

⁷⁵ Samir Saran and Ritika Passi, “Seizing the 'One Belt, One Road' Opportunity” *The Hindu*, 2 January 2016, <https://bit.ly/2wdNp2q>

⁷⁶ C Raja Mohan, “India's China Reset and BRI” *The Indian Express*, 10 April 2018, <https://bit.ly/2BugvAA>

about long term consequences of closely linking with the BRI⁷⁷. Some observers, however, are suggesting that there is a “likely little scope for two countries to collaborate on the BRI” and New Delhi must work together with Japan, US and others to provide an alternative to the Chinese connectivity plans.⁷⁸

Conclusion

In the context of changing scope of the BRI, European and Indian perceptions are also evolving. European perceptions have initially been shaped by national views up until 2017. Since then a more coordinated European approach has emerged. It has been gradually evolving since then towards a more united message and position. These perceptions have also overall inevitably been shaped by the importance of the EU-China bilateral relation as well as European plans towards Asian connectivity and Europe's developing strategic approach to Eurasia. The EU greatly welcomes Chinese initiatives through BRI of increasing investments in cross-border infrastructure and greater cooperation with China over the new silk roads with the view that it should adhere to market rules, EU and international norms whether financial, environmental or based on access to public tenders. Within the EU also, there has been diverse BRI projects completed from major port-related ones to developing railway connections with a particular Chinese focus on Central and Eastern Europe and the Mediterranean region as entry points into the European markets. Some of these have led to concerns over the possibility that the BRI-related initiatives could dilute European political unity or investments rules by forcing competition to attract Chinese investments, particularly in Central and Eastern Europe. There is, however, much room for greater political coordination amongst European countries, notably by being more proactive in promoting for example the infrastructure projects which the EU has already financed in Central and Eastern Europe and by generally seeking to promote the EU-Asia connectivity plans. Further analysis should be done in that direction given the on-going developments and what this could mean for European attitudes to the BRI in the long run.

The Indian narrative on the BRI is also quite rich and diverse. The sovereignty related issues concerning the CPEC and broader geopolitical implications within the Indian Ocean region have overshadowed other aspects on the initiative. Despite a large number of countries involved, the main thrust of the BRI has been on linking the Chinese economy with Europe through the Eurasian landmass. In India, however, there is relatively little assessment of developmental implications of the BRI within the broader Eurasian region. A broad consensus seems to have emerged that the BRI is primarily a Chinese initiative and it is difficult for New Delhi to endorse the CPEC. Developments in broader India-China ties (increasing trade deficit, Dokhlam standoff etc.) have obviously affected Indian perceptions. India's participation in the AIIB, SCO and BRICS had relatively little impact on New Delhi's perception about the BRI. In fact, the BCIM corridor, which was graduated to Track I in 2013 has become rather victim of the BRI geopolitics. Although a large number of independent analysts have argued for a selective participation in the BRI, this has

⁷⁷ Prashant Jha, “India will Adopt a Three-Pronged Strategy to Check China Influence” *The Hindustan Times*, 8 July 2018. <https://bit.ly/2Psb6Nd>

⁷⁸ Darshana Baruah, *India's Answer to the Belt and Road: A Road Map for South Asia*, 21 August 2018 (Carnegie India) <http://ceip.org/2LeiNmT>

hardly been reflected in any government policy. As the BRI progresses, the Indian focus is more on perusing its own connectivity plans (individually or with other partners) and also on showing how some of the BRI projects are creating difficulties for recipient countries. From earlier geopolitical and developmental aspects of the initiative, the focus is now shifting towards a political economy analysis of participating countries. Increasing difficulties faced by BRI projects in terms of debt trap, corruption, political controversies, negative environmental implications and overall sustainability of projects are being analysed in many writings. Since the official narrative is still negative, a more balanced analysis looking at both risks and opportunities with large number of case studies with possible impact of BRI on Indian trade, connectivity and value chains is still lacking.

Overall, both European and Indian perceptions have shown the importance of BRI connectivity projects and their relevance in understanding economic opportunities and strategic challenges. Initially, Europeans focused more on the developmental aspect of the initiative, as integration and connectivity have been major objectives of the European integration project itself. In contrast, Indian policy makers have been very cautious towards the initiative from the beginning. Compared to Europe, official Indian views are still largely negative. Wider Indian perceptions, however, are increasingly favouring some selective engagement in those projects which will help Indian connectivity. These developments indicate possibilities of a meaningful common understanding between the EU and India through wider consultations on the subject of connectivity and the Belt and Road Initiative.

Policy Recommendations

Four main recommendations emerge from our analysis:

-  The EU and India may establish a dialogue on sustainable connectivity in line with their respective connectivity strategies.
-  The EU's contribution in infrastructure development in Central and Eastern Europe should be better promoted. Europe could launch a “positive marketing” campaign about its realisation in the region and link it to its future plans for greater EU-Asia connectivity.
-  Wider consultations between Europe and India on the Belt & Road initiative should take place taking into account diverging and converging perceptions and focusing on selective engagement or cooperation projects in third countries.
-  Further research and analysis should be pursued both in Europe and in India to assess on-going developments on BRI and their implications for EU-India cooperation.

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Paper II

Charting EU-India Cooperation on Connectivity

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Introduction

While initially a response to the massive infrastructure deficit in Asia, today the term 'connectivity' is laden with strategic and political implications. This is largely a result of China's Belt and Road Initiative (BRI) and its very visible political, financial, and environmental impact across Europe and Asia. With its new Communication on Euro-Asian Connectivity, the EU aims to position itself as a global player in connectivity, looking to increase its engagement in Europe and Asia through building networks and new partnerships. It aims to re-shape the narrative around connectivity by focusing on sustainability, transparency, international standards, and building partnerships. India too is similarly realizing the importance of connectivity, as a way to implement long delayed regional integration. Focusing towards its East, India believes that connectivity must be based on "universally recognized international norms, good governance, rule of law, openness, transparency and equality, and must be pursued in a manner that respects sovereignty and territorial integrity." This paper examines the normative convergence between the EU and India's approach to connectivity and explores what this means for their cooperation on the ground. It argues that connectivity is a new avenue for strengthening the EU-India political partnership. While neither India nor the EU can match the funds brought to the table by China and BRI, by partnering together they can provide alternatives to smaller countries in Asia. As both focus on soft connectivity – in terms of standard setting, capacity building and technical assistance – they would fill an important gap in the connectivity needs in Asia.

Normative Convergence

Both the EU and India have a clear normative convergence in their understanding of connectivity – that it should be sustainable both financially and environmentally, be rules-based (based on international rules and norms including a level playing field) and should benefit both the sender and recipients of connectivity. This is largely because both EU and India have developed this approach to connectivity as a response to BRI and its consequences including debt traps, financially unsustainable projects, executed through bilateral Government-to-Government (G2G) agreements with built-in preference for Chinese companies, State owned enterprises (SOEs) and Chinese labour, and increasing Chinese political influence along the Belt and Road.

As a result, in the Joint Communication on Euro-Asian Connectivity¹, the EU clearly outlines its approach based on:

- 1) Sustainability – including environmental, fiscal, social, and economic sustainability. In particular, this approach is critical of debt-traps created by many BRI projects.
- 2) Rules-based – following international standards and promoting open and transparent investments. It stresses cooperation with partners both bilaterally and through existing international institutions, ADB development banks, Indo-Pacific, etc.

¹ Explaining the European Union's approach to Connecting Europe and Asia, Brussels September 19, 2018 http://eu-ropa.eu/rapid/press-release_MEMO-18-5804_en.htm

- 3) Comprehensive – the EU's approach to connectivity includes creating networks. This not only includes transport, energy, and digital networks, but also includes people-to-people links.

India's position on connectivity has been through its initiatives and partnerships. Delhi has partnered with Tokyo on a number of projects such as the Asia Africa Growth Corridor (AFGC) to promote regional connectivity and addressing infrastructure challenges. While Delhi is yet to articulate a position paper on connectivity, India has begun to actively voice the need for regional connectivity at home and abroad. India has however, also voiced its concerns regarding trans-border connectivity and infrastructure projects. India's strongest comments on connectivity have come in the form of its statement on the Belt and Road Initiative.² Delhi outlined its approach highlighting key areas important in its connectivity engagements.

The key areas are -

- 1) Sovereignty- India has placed great importance on the need to respect territorial integrity and sovereignty while developing transnational connectivity corridors. The China-Pakistan Economic Corridor runs through a disputed area between India and Pakistan, thereby undermining India's claims in the area. While India has made its stand clear that it will not engage with the Belt and Road for its violation of India's territorial integrity and sovereignty, Delhi is keen to ensure respect for sovereignty remains an important element in connectivity projects.
- 2) Sustainability - India is concerned that competition over connectivity and infrastructure development will create unsustainable debt with unrealistic interest rates. The government made its stand clear noting, "Connectivity initiatives must follow principles of financial responsibility to avoid projects that would create unsustainable debt burden for communities."³
- 5 Based on international rules and standards: As the security architecture continues to change, India has strongly voiced the need to maintain a rules-based order. Delhi has been a strong advocate of following international norms and rules to maintain peace and educe conflict over strategic connectivity projects.

As mentioned before, this normative convergence is a result of both the EU and India reacting to the adverse consequences of BRI. Europe's initial enthusiasm about the Belt and Road Initiative (BRI) is tempering, as it realizes the political, economic, and security implications – both on the

² "Official Spokesperson's response to a query on media reports regarding possible cooperation with China on OBOR/BRI," Ministry of External Affairs, April 5, 2018, <https://www.mea.gov.in/media-briefings.htm?dtl/29768/Official+Spokespersons+response+to+a+query+on+media+reports+regarding+possible+cooperation+with+China+on+OBORBRI>

³ Ibid.

Eurasian continent and on Europe's trade and energy routes in the Indo-Pacific.⁴ While a significant portion of BRI passes through Asia, most of its belts and roads lead to Europe. 35 Chinese cities are now connected to around 34 European cities via trade and transport links.⁵ Europe is a major recipient of Chinese investments in key sectors like energy, telecommunication, and real estate. Chinese political influence which has accompanied these investments is increasingly visible,⁶ with clear impact on EU internal cohesion. European policy makers are also beginning to realize the impact of the BRI on the balance of power in Asia and on the stability of the region. A majority of Europe's trade in goods transits through the Indian and Pacific oceans. And with more than 35% of all European exports go to Asia, and four of its top ten trading partners in the region, they are Europe's primary gateways to the Asian markets.⁷ As a result, the new EU strategy on India clearly articulates that "stability and security of Asia is increasingly important for European interests".⁸ By positioning itself as a player in connectivity, the EU aims to counteract some of the negative consequences of BRI in the region.

India on its part has serious concerns about Chinese led connectivity projects, especially in South Asia and the Indian Ocean region. Delhi is also worried about strategic implications of China's infrastructure development with a clear disregard for international rules and norms. Clarifying its objections on the BRI, India's Ministry of External Affairs stated: "Our position on OBOR/BRI is clear and there is no change. The so-called 'China-Pakistan Economic Corridor' violates India's sovereignty and territorial integrity. No country can accept a project that ignores its core concerns on sovereignty and territorial integrity."⁹ Moreover, Delhi is increasingly concerned about an expanding Chinese presence in its neighborhood, in particular within South Asia and across the Indian Ocean Region (IOR). Deepening military and commercial ties between Beijing and littorals such as Bangladesh and Myanmar as well as with island states such as Sri Lanka and Maldives have cautioned Delhi's political class against BRI. Developments such as docking of Chinese submarines in Colombo port in 2014 and leasing the Hambantota port for 99 years has strengthened Delhi's suspicions on China's dual use approach on connectivity projects. That China's commercial initiatives have underlying strategic implications aimed to boost Beijing's political and military presence across the Indo-Pacific theatre is a serious concern in Delhi.

⁴ Mohan (2018) "Europe's Response to the Belt and Road Initiative", German Marshall Fund. <https://www.gppi.net/2018/04/03/europes-response-to-the-belt-and-road-initiative>

⁵ "China's Pursuit of Europe Trade Links Powers Freight Rail Surge", Bloomberg News, 7 March 2018 <https://www.bloomberg.com/news/articles/2018-03-07/china-s-pursuit-of-europe-trade-links-powers-freight-rail-surge>

⁶ Benner, Gaspers et al (2018) "Authoritarian Advance: Responding to China's Growing Political Influence in Europe", GPPI-MERICS, Berlin. <http://www.gppi.net/publications/rising-powers/article/authoritarian-advance-responding-to-chinas-growing-political-influence-in-europe/>

⁷ Mohan (2018) "Engaging with the Indian Ocean", GPPI, Berlin. <https://www.gppi.net/2017/11/02/engaging-with-the-indian-ocean>

⁸ Elements for an EU strategy on India, Brussels, November 20, 2018. https://cdn5-eeas.fpfis.tech.ec.europa.eu/cdn/farfuture/MJxuGXlelnF8rvfq4cRLxzC1mUacEWgvfou13dMi4o/mtime:1542708985/sites/eeas/files/jc_elements_for_an_eu_strategy_on_india_-_final_adopted.pdf

⁹ "Official Spokesperson's response to a query on media reports regarding possible cooperation with China on OBOR/BRI," Ministry of External Affairs, April 5, 2018, <https://www.mea.gov.in/media-briefings.htm?dtl/29768/Official+Spokespersons+response+to+a+query+on+media+reports+regarding+possible+cooperation+with+China+on+OBORBRI>

The convergence of Europe and India's position on BRI, as well as the underlying norms and rules for connectivity projects as such, is a new and interesting opportunity for both partners. While Europe is keener on participating in BRI than India, both actors agree that investments in BRI should be transparent, sustainable, follow international norms and standards and should not have overlapping commercial and military uses. Europe's encounter with BRI mirrors South Asia's experience – particularly bad lending practices potentially endangering financial stability of smaller countries (example Montenegro, Hungary), dual use of civilian projects for military purposes, and attempts to undermine EU unity through political interference. All of these trends are visible from Pakistan to Sri Lanka. Many Indian policy makers, as a result, are keenly observing Europe's response to BRI.

India's Approach to Connectivity

India offers limited development assistance to its smaller neighbors although it is a key player in South Asia. Most of India's projects span across Multi-modal connectivity development such as road, rail links, energy cooperation, cross-border facilitation, shipping cooperation, financial assistance and lines of credit. Some of India's current projects in the neighborhood include India-Myanmar-Thailand Trilateral Highway, Kaladan Multi-Modal Transit Transport Project with Myanmar. Similarly, India has ongoing power plant, sewage treatment and bridge projects in Bangladesh. India is in conversation with Colombo over the Trincomalee project and is also looking to partner with Japan in developing the port. Moreover, India and Japan have identified Sri Lanka, Bangladesh, Myanmar and Kenya as areas for joint collaboration advancing connectivity and infrastructure requirements¹⁰. India is keen to expand its partnership on infrastructure projects and work in third countries within its immediate neighbourhood and in priority areas such as ASEAN, Africa and the Indian Ocean Region. While India is in conversation with its neighbours for further collaboration, new projects are yet to be implemented and materialise.

EU's Approach to Connectivity in South Asia

Both the EU and its Member States are already active in South Asia and India in supporting transport, energy, digital and people-to-people networks, as well as institutional rules, practices and standards. We argue that these projects easily fall under the umbrella of the Euro-Asia connectivity strategy, making the EU a de-facto player in connectivity in the region.

South Asia has huge needs for improving transport connectivity. India is working on improving transport networks both within the country and with its neighbors. The EU is involved in a number of soft infrastructure projects in India – including standard setting and technology aspects, while Member States have been fairly active in hard infrastructure projects. The EU extends financing loans for metro projects, green mobility initiatives and other transport initiatives within the Smart Cities projects in India, often through the EIB. This includes EUR 450 million for the Lucknow Metro and EUR 300 million for Bangalore Metro projects. The high-level visits of the EU Transport Commissioner in December 2017 resulted in establishing several dialogues on railway and

¹⁰ India-Japan Fact Sheet, Ministry of External Affairs, Government of India, October 29, 2018, <https://www.mea.gov.in/bilateral-documents.htm?dtl/30544/IndiaJapan+Fact+Sheets>

aviation sectors. The focus of these dialogues will be regulatory aspects - streamlining railway standards learning from the European experience and questions of safety, security, decarbonization and air traffic management. Similarly, DG DEVCO's Reinvest project will enhance cooperation and research collaboration between the EU and India to combine their expertise in the field of freight transport to make it more efficient and environment friendly. European companies like Siemens have also been active in partnering with State and Central governments on electrification signaling projects for Indian railways and metros. The EU and Member States are also involved in several such projects in India's neighborhood including Afghanistan and Bangladesh.

On energy, the EU has been working on renewable energy partnerships and financing initiatives across South Asia. In India it has several dialogue mechanisms like the Climate Change Dialogue and Joint Working Group on Energy Security, while EIB has been active in financing projects in the energy sector (worth EUR 1.3 billion since 2008). Again, instead of focusing on hard infrastructure like laying down pipelines, the EU focuses on technical cooperation and knowledge sharing. Member States like France and Germany are both active in creating energy networks across India. The French state-owned EDF and its subsidiaries are involved in several solar park projects (Rajasthan, Madhya Pradesh and Odisha), while German development agency GIZ and development Bank KfW have been involved in helping India integrate renewable energy into its grid infrastructure, solar mapping and monitoring, developing clean energy corridors and solar projects.

On digital connectivity, the ICT Business Dialogue and Start-Up projects done by EU and Member States in India can be scaled up. However, this would require ironing out of differences in approaches to data protection and privacy. EU and India also have several projects which fall under the category of people-to-people connectivity, particularly student and research exchanges. These are low hanging fruit with great scope for further improvement, including establishes exchanges of young professional, mid-career bureaucrats which will further improve both partners' understanding of each other's political systems.

Areas of Convergence

We argue that regional connectivity is an area of great potential for EU-India cooperation. With its Euro-Asia connectivity strategy, the EU has positioned itself as a player on connectivity in Asia.

The strategy still lacks details of funding, role of Member States, and resources the EU can provide to match or at least provide alternatives to the Belt and Road Initiative. However, we argue that the initiative is:

1. A good first step and an umbrella to frame activities the EU is already involved in. The EU Commission should consider bringing on-going projects dealing with transport lines and energy grids in South Asia under the 'connectivity' framing.
2. An opportunity for the EU to enter into partnerships with like-minded countries like India, Japan, Australia and other players in the region, and provide an alternative to BRI.

3. An excellent platform to voice their concern on regional connectivity issues and to lend support for a rules-based international order.
4. A starting point to explore collaborations on capacity building and sustainable development –an area of interest for both India and the EU and a gap that requires attention in the IOR.

Both EU and India have a clear normative convergence on what connectivity projects should look like. They should be transparent, sustainable, with a level playing field and following international rules and norms. Like the EU, India could consider developing its own strategy on connectivity which will make it easier for third partners to explore this normative convergence further in practice.

Both EU, its Member States and India should consider joint projects and partnerships in third countries as a testing ground for cooperation. A few promising areas include:

1. Countries and regions where both India and Europe are active – particularly Southeast Asia and within the ASEAN framework, and Indian Ocean island countries. BIMSTEC could be another promising venue, the EU is already working on improving LNG connectivity within BIMSTEC countries. The Indian Ocean Region and Africa could be other potential areas where EU and India could find converging interests and opportunities to support on-going projects. Blue Economy, digital connectivity and capacity building are key areas where India and EU could explore joint projects in the above-mentioned regions.
2. Sectors where both are active – both EU and India focus on soft infrastructure projects including standard setting, capacity building and trainings for building local capacity. While this is different from the hard infrastructure focus of BRI projects, it does fill a critical gap in infrastructure needs in Asia. Streamlining customs procedures, digitalization of networks for example would lead to huge improvements in connecting South Asia.

Policy Recommendations

Based on the findings above, the EU and India can undertake the following steps to increase their partnership on connectivity:

1. Launch the Euro-Asian Connectivity Strategy in India: In order to generate awareness of the EU's position and competencies on connectivity, the EU should consider launching the strategy through public diplomacy events in India. This will help to position the EU as a serious player on connectivity and increase an understanding of its approach in New Delhi. Along with the strategy, it could consider providing an overview of connectivity related projects it is already involved in, both in India and its neighborhood. While many in New Delhi understand similarities in India and Europe's approach to connectivity and their similar critiques of BRI, overall the EU is not seen as an important player in this sector. And while Japanese and Chinese investments in the region are well known, many are unaware of institutions like EIB and their significant funding for transport projects in India and the South Asian neighborhood.

2. **Establish a dialogue or working group on connectivity:** A dialogue or working group, similar to the EU-India working group on maritime security is the first step towards taking cooperation forward. The dialogue can be used to discuss big picture issues and concepts, as well as identifying concrete projects in third countries where India and EU can work on. The dialogue should also be a mechanism for the EU to clarify or clearly articulate the scope of connectivity partnership it envisions with India, clarify questions of funding, role of Member States etc.
3. **Blue-Economy:** The potential for India-EU partnership on connectivity remains centered in the Indian Ocean Region. The EU and India have their own policy of engagement with island states and there is scope to coordinate policies and collaborate on areas of common interest. India's approach to connectivity spans both physical and digital infrastructure, an area to further India-EU collaboration. There is a greater convergence in joint collaboration on technical know-how and training of personnel on capacity building programs. A specific area of possible collaboration in this space is blue-economy. India and EU can work together to build sustainable framework tapping into the potential of the ocean economy for the islands in the IOR. There could be coordination where EU could provide the technology or physical infrastructure to monitor fish stock and illegal fishing and India could provide training and personnel to carry out such programs. Blue Economy is an important and key area of interest in both New Delhi and Brussels' engagement strategy for the region.
4. **EU-India cooperation in Africa:** While the IOR remains the key area for collaboration, there is scope for EU and India to explore possible ways to cooperate in Africa. Both EU and India are present in Eastern Africa engaging with infrastructure development and business. As New Delhi and Brussels continue to chart out a connectivity strategy, Africa might offer a platform to further EU-India collaboration on connectivity and infrastructure development.

Conclusion

As India continues to shape its connectivity strategy, it is placing significant importance on the role of partnerships. Delhi sees value in collaborating with like-minded countries in maintaining a rules-based order while addressing an inherent gap in infrastructure requirements in the Indo-Pacific. While Japan has emerged as a key partner in India's connectivity approach, the convergence in New Delhi and Brussels' approach to infrastructure development creates a greater scope for collaboration between the two.

There is tremendous potential to work together on connectivity projects in South Asia, where India, in partnership with neighbouring countries, can profit tremendously from EU's experiences of implementing projects in its own neighbourhood. The EU could pool financial resources with that of its Member States and with multilateral organizations like the ADB to present alternative financing options. These partnerships could strengthen a rules-based multilateral approach to connectivity that benefits all.

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Summary

Connectivity initiatives are the latest geopolitical tool for advancing influence in international relations and diplomacy. Against the backdrop of an emerging connectivity conflict, the responsibility is on like-minded countries and organizations to promote initiatives that embody transparency and universalism in connectivity projects and that benefit citizens in the long term. The EU and India are two important actors in this regard.

This paper analyzes the scope of cooperation in the field of connectivity between the EU and India, arguing that they are two important strategic poles of the current world order with shared interests. Europe and India are key actors of the western and non-western democratic liberal, both aiming to strengthen an “open, transparent and rules-based system of international politics and economics.” Realizing this potential requires candid and engaged strategic and economic exchange between the two sides. Responding to the need for both hard and soft infrastructure systems, many governments have factored connectivity as the lynchpin of their foreign policy. China's Belt and Road Initiative (BRI) is only one of these, but it is the most developed of these initiatives by far. It could become the arch of the 21st-century world order. What is clear, is that this Chinese initiative challenges the current open and transparent rules-based system of international politics and economics advanced in the 20th century. Seen as a “manifestation of China's re-globalization ambitions,” the BRI raises expectations of economic and political opportunities at one level while inviting skepticism and doubt over its operational mode at another.

Set against this context, the United States, Japan, India, Australia and the European Union (EU) have started their own counter-initiatives to balance the Chinese outreach under the BRI.

By and large, these “like-minded” actors are yet to add real projects and funds to their proposed initiatives. Also lacking is a consensus on how to interrelate their connectivity propositions, which now largely run parallel at best and cross-purpose at worst. Obviously, there is dearth of substantive engagement about one another's strategic thought. The Trump administration's approach towards like-minded countries and its noncommittal approach towards Asia on global trade multilateralism have certainly not helped matters.

The EU and India are particularly affected by the ambitions of China's BRI, as the PRC is enhancing its political and strategic influence in Europe and around India's neighborhood. This provides strategic momentum and political imperative for the two sides to bind forces and promote sustainable connectivity as their overarching connectivity narrative. That means commercially viable and transparent, guaranteeing a level-playing field for businesses, a respect of labor rights and environmental standards, and avoiding financial dependencies. To deliver on-the-ground results, the EU and India can draw lessons from the Asia-Africa Growth Corridor (AAGC) as the approach to concrete projects. What should also be taken from the AAGC is its strength in adding interregional focus, explicating where the partners complement each other.

Introduction

The contest between unilateralism and universalism has become wide open in international relations and diplomacy.¹ Geo-economics is increasingly becoming the norm, and connectivity initiatives and sustainable infrastructure development play a crucial role herein. Responding to the need for both hard and soft infrastructure, many governments have factored connectivity as the lynchpin of their foreign policy.² China's Belt and Road Initiative (BRI) is by far the most developed of these initiatives, focusing on (hard infrastructure) corridors and promoting people-to-people connectivity across continents. But how sustainable are these Chinese initiatives? And (how) does sustainable connectivity provide for an impetus for the EU and India to cooperate, considering the fact that it is a priority for both and is a field where the two sides share interests and approaches?

The BRI in many ways could become the arch of the 21st-century world order. What is clear, is that this Chinese initiative challenges the current open and transparent rules-based system of international politics and economics advanced in the 20th century. Primarily aimed at promoting the national interests of the People's Republic of China (PRC) and its influence across the world, the trillion-dollar program is reinforcing its structural linkages with countries in Asia, Europe and Africa. More than five years after its official launch in 2013, a growing number of governments have developed mixed feelings about the BRI. Seen as a "manifestation of China's re-globalization ambitions,"³ the BRI raises expectations of economic and political opportunities at one level while inviting skepticism and doubt over its operational mode at another level. Obviously, through the BRI, the PRC is enhancing its political and strategic influence, including in Europe.⁴

Set against this context, the United States, Japan, India, Australia and the European Union (EU) have put forward their own counter-initiatives to balance the Chinese outreach under the BRI. This includes Japan's (Expanded) Partnerships for Quality Infrastructure (PQI and EPQI) and the Free and Open Indo-Pacific Strategy, the Asia-Africa Growth Corridor (AAGC), presented jointly by Japan and India, the Trilateral Partnership for Infrastructure Investment in the Indo-Pacific

¹ The research for and production of this paper has been facilitated by the Clingendael Institute-IDSa cooperation within the EU-India Think Tanks Twinning Initiative (TTTI, at <https://euindiathinktanks.com/>) as well as by the PROGRESS research framework agreement between Clingendael and the Netherlands Ministries of Foreign Affairs and Defence. Responsibility for the contents and for the opinions expressed rests solely with the authors.

² Andrew Korybko, "Competitive Connectivity is at the Core of the New Cold War," Sputnik News, May 29, 2017, at <https://sputniknews.com/columnists/201705291054092997-us-cold-war-obor/>, accessed August 17, 2018.

³ Nicholas Kwan, Director of Research at the Hong Kong Trade Development Council, is reported to be of this view. See Rupert Walker, "Is China's Ambitious Belt and Road Initiative a Risk Worth Taking for Foreign Investors?" South China Morning Post, March 11, 2018, at <https://www.scmp.com/business/companies/article/2136372/chinas-ambitious-belt-and-road-initiative-risk-worth-taking>, accessed August 17, 2018.

⁴ Jagannath P. Panda, "What the Inclusion of BRI in the Chinese Constitution Implies," IDSa Strategic Comment, November 7, 2018, at https://idsa.in/idsacomments/what-the-inclusion-of-bri-in-the-chinese-constitution-implies_jpanda_071117, accessed August 17, 2018. Idem, "Belt and Road's Real Aims? Expanding China's Global Influence and Military Presence, US Study Says," South China Morning Post, April 18, 2018, at <https://www.scmp.com/news/china/diplomacy-defence/article/2142266/belt-and-roads-aim-promote-chinese-interests-and>, accessed August 17, 2018.

among the U.S., Japan and Australia; the Quadrilateral of the U.S., Japan, Australia and India (popularly known as the Quad); and the EU's connectivity strategy, and the EU's push for sustainable connectivity in the context of the Asia-Europe Meeting (ASEM).

By and large, these “like-minded” actors are yet to add real projects and funds to their proposed initiatives. Also lacking is a consensus on how to interrelate their connectivity propositions, which now largely run parallel at best and cross-purpose at worst. Obviously, there is dearth of substantive engagement about one another's strategic thought. The Trump administration's approach towards like-minded countries and its noncommittal approach towards Asia on global trade multilateralism have certainly not helped matters.

Against the backdrop of this emerging connectivity conflict, the responsibility is on like-minded countries and organizations to promote initiatives that embody transparency and universalism in connectivity projects and that benefit citizens in the long term. The EU and India are two important actors in this regard. Many developing economies in Asia and Africa would certainly expect the EU, as a strong continental force, to take the lead in strengthening people-centric initiatives. Expectations in India are also mounting, especially given New Delhi's strong opposition as a leading democratic economy in Asia to the BRI. India's pluralistic foreign policy is becoming more global, factoring continental connectivity cooperation as a key aspect of its international outreach. This was aptly evidenced in Prime Minister Narendra Modi's speech at the Shangri-La Dialogue on June 1, 2018, where he stated: “Connectivity is vital. It does more than enhance trade and prosperity India is doing its part, by itself and in partnership with others like Japan in South Asia and Southeast Asia, in the Indian Ocean, Africa, West Asia and beyond.”⁵ Although the EU did not figure in Prime Minister Modi's speech, the idea of extending the India-Japan connectivity partnership beyond West Asia is worth considering, as this would bring the EU and India closer.

This paper analyses the scope of cooperation in the field of (sustainable) connectivity between the EU and India, arguing that they are two important

strategic poles of the current world order with shared interests. Europe and India are key actors of the western and non-western democratic liberal order that aim to strengthen an “open, transparent and rules-based system of international politics and economics.”⁶ Realizing this potential requires honest and engaged strategic and economic exchange between the two sides.

⁵ Prime Minister's Keynote Address at the Shangri-La Dialogue, June 1, 2018, Ministry of External Affairs (henceforth MEA), Government of India (henceforth GoI), at <https://www.mea.gov.in/Speeches-Statements.htm?dtl/29943/Prime+Ministers+Keynote+Address+at+Shangri+La+Dialogue+June+01+2018>, accessed September 3, 2018.

⁶ Maaïke Okano-Heijmans and Vishwesh Sundar, “Bridging the Gap: Sustainable Connectivity in EU-India Relations,” Clingendael Policy Brief, August 2018.

The Need for Strategic and Economic Cooperation

The EU and India are taking their partnership to a higher level through continuous diplomatic exchanges and political contacts. The scope for connectivity cooperation is becoming a natural corollary of the growing demand for a stable and secure India-EU partnership that would enhance people-centric initiatives to promote transparency and universalism. The EU is India's largest trading partner and its second-largest investor, accounting for more than 13 percent of India's overall trade and almost one-quarter of all investment flows into it. This is significant when compared with India's position in 2016-17, then being the EU's 9th-largest trading partner and the third destination for its foreign investments, after Singapore and Mauritius. Bilateral trade in commercial industries such as business services, ICT, transport and travel has almost trebled over the past decade. Total services trade increased from EUR 10.5 billion in 2005 to EUR 28.8 billion in 2016, with India's exports to the EU accounting for more than half that number.⁷ Yet India's trade contact with the EU is still unimpressive. China still holds far stronger and deeper trade relations with the EU. In fact, both Japan and India's combined trade with the EU falls short of China's respective trade with the union (see Figure 1).

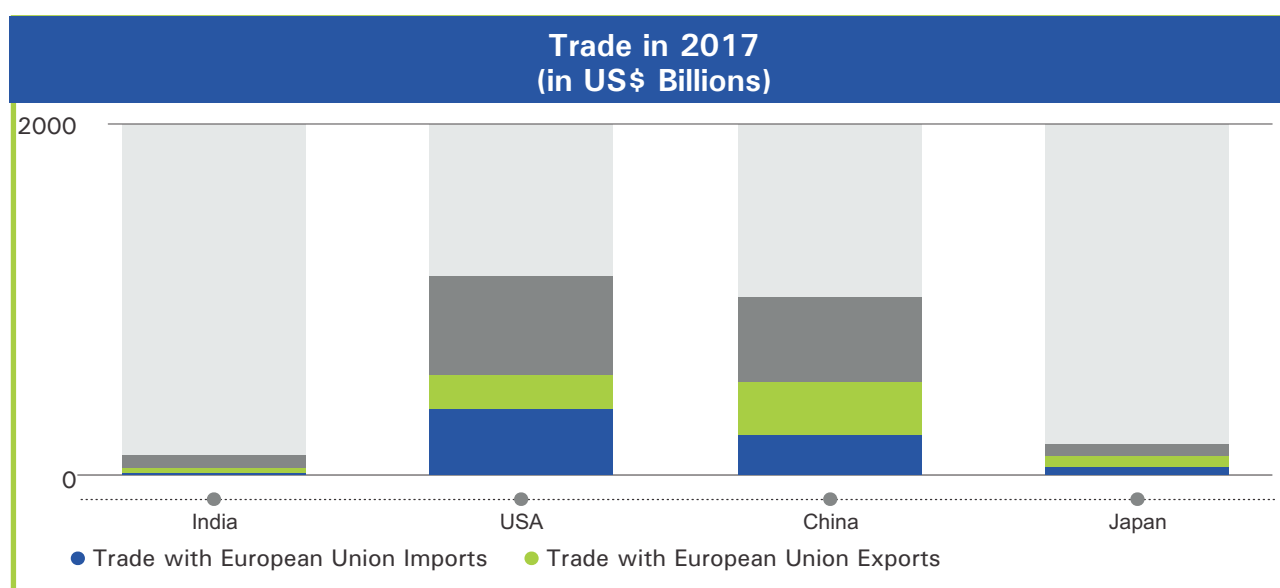


Figure 1. Major powers' trade with EU

Source: Eurostat

Trade is Not Just a Matter for Businessmen and Trade Negotiators⁸

Trade, geopolitical trade and geopolitical understanding have not featured high in India-EU relations. The joint statement that followed the EU-India Summit in New Delhi in October 2017

⁷ EU-India Relations, Fact Sheet, Brussels, June 20, 2018, at https://eeas.europa.eu/headquarters/headquarters-homepage/4010/eu-india-relations-fact-sheet_en.

⁸ Like other parts of this paper, these paragraphs draw substantially on Maaïke Okano-Heijmans and Vishwesh Sundar, "Bridging the Gap: Sustainable Connectivity in EU-India Relations," Clingendael Policy Brief, October 2018. Available at <https://www.clingendael.org/publication/bridging-gap-sustainable-connectivity-eu-india-relations>.

illustrates this. Trade and economic cooperation are mentioned only after sections on strategic partnership, foreign policy, security and global challenges. The leaders expressed their “shared commitment to strengthening the economic partnership between India and EU.” They also mention “the ongoing efforts of both sides to re-engage towards re-launching negotiations for an India-EU broad-based trade and investment agreement (BTIA), before introducing a variety of bilateral cooperative mechanisms on specific sectors and issues.”⁹ Only five out of the 53 paragraphs address global challenges and multilateral cooperation, including one in which the signatories reaffirm “the crucial role of the rules-based multilateral trading system.”

But while the context for a wider level of cooperation has been developed between the two sides, stronger trade and economic ties need to be nurtured between the two sides in wide-ranging areas of cooperation. That is to say, EU-Indian relations should go beyond traditional government-to-government and business-to-business relationships to that of strategic economic cooperation.

The aim should be to enhance complementarities and establish strategic consonance between the EU and India, ranging from economic to strategic and security issues. Enhancing trade cooperation will result in stronger economic relations and will also establish a stronger foundation for political and strategic cooperation. After all, trade today is about much more than just trade. Economic insecurities stemming from Brexit, Trump's trade war and competing value propositions on connectivity are clear evidences of this. But this is hardly accounted for in the EU-India bilateral relations, judging from their scant investment in strategic-economic cooperation. Formal processes like negotiations on BTIA are important but informal processes addressing economic integration and bilateral and multilateral cooperation in global economic governance are more pertinent in today's volatile world.

Though the EU and India have met in annual macroeconomic dialogues and WTO mini-ministerial meetings to discuss issues like the global economic outlook and the WTO deadlock, there is a need to deepen their cooperation. As geo-economic issues, including connectivity and global value chains, economic and financial governance and trade diplomacy rise in importance, more institutionalized cooperation on these matters is hardly a luxury. Discussions should also be held on mini- or multilateral efforts to protect and maintain the rules-based order, transparency and financial standards related to government procurement and state subsidies as well as climate and environmental cooperation and security challenges linked to connectivity such as digital economy and cyber-attacks.¹⁰

Although for many countries in Asia, the EU is a key trade and investment partner, these issues have not been on the agenda in a structured setting, including within EU-India relations. With this in mind, the European Commission Vice-President for Jobs, Growth, Investment and

⁹ <http://www.consilium.europa.eu/media/23515/eu-india-joint-statement.pdf>. Note that this is trying to break the deadlock on BTIA talks that were initiated in 2007 and put on hold in 2013 owing to insufficient progress.

¹⁰ The only two countries with which India has an institutionalized mechanism for annual summits are Russia and Japan, since 2000 and 2006, respectively. See <https://www.firstpost.com/world/why-japan-and-russia-are-indias-best-friends-874793.html>.

Competitiveness, Jyrki Katainen, proposed a high-level strategic and economic dialogue in Delhi in November 2016. But India's response was muted, and the initiative was not pursued. In this context, one Indian official rued that the EU and India today already have some 32 ongoing dialogues, which are currently being reviewed.¹¹ To others, however, this only confirms the need to rationalize and upgrade these dialogues while adding a strategic perspective.

The two partners, therefore, need to turn rhetoric into a framework for cooperation that incorporates a long-term vision with concrete action points for on-the-ground cooperation. After all, pragmatic cooperation that brings local, visible and quicker solutions to practical challenges will have greater effect if this forms part of a shared narrative on dealing with bigger issues such as regional power shifts and the acceptable financial and political costs of reaching it. Greater cooperation on connectivity provides that opportunity in EU-India cooperation, combining an appealing, long-term narrative with diverse opportunities to jointly develop concrete projects that deliver practical results on the ground and advance shared foreign policy objectives.

Connectivity Conflict in the Making

Launched in 2013, China's BRI is clearly the grandest connectivity proposition in the world today, backed by enormous funds.¹² The BRI, with a proposed USD 900 billion investment,¹³ is undoubtedly closely linked to China's future. President Xi, in his speech to the 19th National Congress of the Communist Party of China (CPC), acknowledged BRI's importance for the future of the Chinese economy. The BRI, he said, would further open China to the outside world and help it in "going global" in order to promote stable engagement with the international community. In other words, China's external engagement will be more BRI-centric in the years ahead.¹⁴ BRI's inclusion in the Chinese constitution was a deliberate attempt by Xi to bring more policy weight to its external engagement strategy.¹⁵

¹¹ An official from India's MEA at the "India Strategy Group," Lisbon, June 6, 2018.

¹² A domestically driven foreign policy strategy, the BRI is aimed at fostering change in the increasingly unsustainable Chinese economic and social model, as Chinese leaders and academics themselves admit, which is marred by production overcapacity, environmental degradation and soaring inequalities. See Maaïke Okano-Heijmans and Francesco Montesano, "Economic Diplomacy in EU-China Relations: Why Europe Needs its Own OBOR," Clingendael Policy Brief, The Clingendael Institute, The Hague, June 2016, at <https://www.clingendael.org/sites/default/files/pdfs/Policy%20Brief%20Economic%20Diplomacy%20in%20EU%E2%80%93China%20relations%20-%20June%202016.pdf>.

¹³ See Tom Hancock, "China Encircles the World with One Belt, One Road Strategy," Financial Times, May 4, 2017, at <https://www.ft.com/content/0714074a-0334-11e7-aa5b-6bb07f5c8e12>, accessed November 4, 2017.

¹⁴ See Jagannath P. Panda, "What the Inclusion of BRI in the Chinese Constitution Implies," IDSA Comment, November 7, 2017, at https://idsa.in/idsacomments/what-the-inclusion-of-bri-in-the-chinese-constitution-implies_jpanda_071117, accessed August 20, 2018.

¹⁵ The constitutional amendment to remove the limits on the presidential term indicates that Xi may continue to remain in power beyond 2022. See Jagannath P. Panda, "What the Inclusion of BRI in the Chinese Constitution Implies," IDSA Comment, November 7, 2017, at https://idsa.in/idsacomments/what-the-inclusion-of-bri-in-the-chinese-constitution-implies_jpanda_071117, accessed August 20, 2018. Also see Jagannath P. Panda, "Xi Jinping's Extended Presidency and India-China Relations," IDSA Issue Brief, March 27, 2018, at https://idsa.in/issuebrief/xi-jinping-extended-presidency-india-china-relations_jppanda_270318, accessed September 3, 2018.

But despite the PRC's continuous campaigning for the BRI, strategic concerns and skepticism have risen gradually over the BRI's operational modules. Established powers have seen it more as a competing initiative to their international projects and established standards. Some smaller powers have also started viewing it as China's "debt trap" strategy.¹⁶ To many, the BRI is a "marketing exercise" to export surplus materials in China's excessive industrial output in sectors such as iron, steel, cement plants, etc.¹⁷ Some even see the BRI as a Chinese masterplan to turn "Eurasian nations into tributary states" through investment, project funding and excessive capital pouring.¹⁸ James Mattis, the U.S. Defense Secretary, has questioned the BRI's universality. French President Emmanuel Macron has warned about the BRI's one-dimensional, "one-way" structure centers only upon China's interests.¹⁹

In Asia, Sri Lanka has reportedly handed over its strategically located Hambantota Port to Chinese firms because it is unable to repay its debt, which represents a case of how Beijing's financial stronghold ends up contributing to the PRC's coercive economic diplomacy under BRI.²⁰ In Malaysia, Prime Minister Mahathir Mohamad has halted a Chinese-funded project worth USD 22 billion, which includes a railway project on the east coast.²¹ There were allegations in Malaysia on how its previous government under Najib Razak offered lucrative financial offers to proceed with these projects. Furthermore, there are growing concerns in Myanmar and Pakistan over BRI projects and funding patterns.

However, despite the noticeable concerns of the BRI's implementation and operation there appears to be a lack of momentum in affected governments developing a truly effective and strategic response to it. This has a lot to do with the BRI's opaqueness. Not surprisingly therefore, Japan, China's direct neighbor and key strategic competitor and best placed to understand the PRC's non-western diplomacy, was among the first movers, operating at various levels in putting forward a counter-proposal. Japan is part, or instigator, of several counter-proposals to the BRI. Amongst its initiatives are the Expanded Partnerships for Quality Infra (EPQI and PQI) and Free and Open Indo-Pacific as well as the AAGC, which have been put forward by Japan and India, and Trilateral Cooperation (U.S., Japan, Australia). There is also the revamped Quad. As an ASEM member, Japan is also involved in pushing for sustainable connectivity, though this is clearly an EU-led initiative. Nevertheless, financially speaking these initiatives pale in comparison when seen next to the BRI.

¹⁶ Julien Girault, "China's 'Belt and Road' Project Runs into Debt Jam," *The Asian Age*, New Delhi, p. 9.

¹⁷ "China Has a Vastly Ambitious Plan to Connect the World," *The Economist*, July 26, 2018, at <https://www.economist.com/briefing/2018/07/26/china-has-a-vastly-ambitious-plan-to-connect-the-world>, accessed September 3, 2018.

¹⁸ *Ibid.*

¹⁹ *Ibid.*

²⁰ Brahma Chellaney, "Sri Lanka the Latest Victim of China's Debt-trap Diplomacy," *Asia Times*, December 24, 2017, at <http://www.atimes.com/article/sri-lanka-latest-victim-chinas-debt-trap-diplomacy/>, accessed September 3, 2018.

²¹ Mihir Sharma, "China's Silk Road Isn't so Smooth," *Bloomberg Opinion*, July 11, 2018, at <https://www.bloomberg.com/view/articles/2018-07-10/china-s-belt-and-road-initiative-has-stalled>, accessed September 3, 2018.

Japan and India as Binding Forces: From EPQI to AAGC

In an overt attempt to offer an alternative to the BRI, in 2015 Tokyo started offering PQI to countries around the world but primarily focusing on Southeast Asia. PQI emphasizes standards such as social and environmental concerns, high-technology assistance, local job creation and consideration for the recipients' financial situation. Tokyo also provides development assistance that bolsters their naval military strength and adduces its proposal of a Free and Open Indo-Pacific. Remodeled after the PQI, the EPQI seeks to encourage exporting high-quality infrastructure with partnering countries going beyond Southeast Asia, with a developmental framework. Apart from extending its geographic reach, more funds were allocated under the EPQI; in 2016, Tokyo allocated USD 200 billion under the EPQI for quality infrastructure investment. Japan's eventual aim is to have a better presence globally by promoting its quality infrastructure ahead of China's investments under the BRI.

Building on the EPQI, in May 2017, Japan and India launched the AAGC as a collaborative vision to promote development, connectivity and cooperation between Africa and Asia as part of a "liberal and value-based order."²² In Tokyo's view, the AAGC will enhance this order through transparent intercontinental consultative developmental investment, where endorsing universal values and norms is highlighted. AAGC has been co-envisioned under the Japan-India Indo-Pacific 2025 Vision.²³

Similar to the BRI, the AAGC focuses on intercontinental connectivity and infrastructure initiatives and several other developmental issues. Currently, a feasibility study is being pursued among different think-tanks in India, Japan and Indonesia to promote the AAGC (see Map 1 for an overview of AAGC's potential). Though will Europe, a continent overarching Asia and Africa, become a partner in the AAGC? Given AAGC's consultative character, three aspects suggest that it may. First, the commonality of perspectives that both Japan and India share with EU. Second, EU's forward-looking approach to promote a rule-based liberal order that AAGC advocates, a commonality of interests that India, Japan and EU share with and in Africa.

²² Jagannath P. Panda, "Asia-Africa Growth Corridor (AAGC): An India-Japan Arch in the Making?" Focus Asia, No. 21, August 2017, at <http://isdpeu/publication/asia-africa-growth-corridor-aagc-india-japan/>.

²³ Asia-Africa Growth Corridor: Partnership for Sustainable and Innovative Development, Vision Document, Africa Development Bank Meeting, Ahmedabad, India, May 22-26, 2017.



Map 1: Sustainable connectivity in the Asia-Africa continental context with Europe

Source: GIS Lab, IDSA

The AAGC was a decision by Japan and India to forge a cooperative understanding on connectivity and cooperation in northeast India during Prime Minister Modi's visit to Tokyo in September 2014, laying stress on infrastructure and development. Highlights of this partnership in northeast India range from connectivity to collaborative projects in areas such as energy, water supply, sewerage, health, agriculture, environment, and people-centric social projects. Japan has given a JPY 67,170-million loan for Phase I of India's North East Road Network Connectivity Improvement Project focusing on NH-51 in Meghalaya and NH-54 in Mizoram.²⁴ This project, which commenced in March 2017, is scheduled to be completed by June 2022. Several other connectivity projects are also in the making, where Japan will be an investor (see Annex for details).

²⁴ "Enhancing Connectivity for the North-East Region: JICA Extends ODA Loan of Approximately INR 4,000 crore for the North-East Road Network Connectivity Improvement Project (Phase I)," Japan International Cooperation Agency, March 31, 2017, at https://www.jica.go.jp/india/english/office/topics/press170331_01.html, accessed August 20, 2018.

The evolving Japan-India chemistry was evidenced when Tokyo offered unstinted support to India on the recent China-India Doklam border stand-off involving Bhutan.²⁵ Japanese Ambassador to India, Kenji Hiramatsu, acknowledged publicly India's stance on Doklam, signaling that China's road construction in the region unilaterally changes the status quo there. It was the boldest statement by any country on the Doklam stand-off, and one in India's favor.

Europe's Proposition: Sustainable Connectivity

Meanwhile, the EU had started to invest in a strategy of its own, seen by many as a response to China's BRI. The acceptance by some European governments of large-scale Chinese loans and investments relative to the size of their economy has raised eyebrows in Brussels and several EU member-states, wary of growing government debts and political influence by foreign actors within the EU as well as in (potential) EU candidate countries and in European Neighbourhood countries. Key examples of Chinese overtures in Europe are the over EUR 500 million of investment and majority stake of state-owned China Ocean Shipping Company (COSCO) in the Greek port of Piraeus; the Chinese-funded Bar-Boljare highway in Montenegro; and Chinese investments in Serbia, including the Kostolac thermo-power station, the "Pupin bridge" in Belgrade and highway projects.²⁶

The EU's Europe-Asia Connectivity Strategy of October 2018, aims to improve trade, business and finance flows between Europe and Asia, focusing on investments that are sustainable, comprehensive and rules-based.²⁷ Partnerships to promote sustainable connectivity feature prominently in the EU's approach. With this, the EU offers a competitive value-proposition of its own, recommending that connectivity-related activities should be sustainable in the broadest understanding of the word. That means commercially viable and transparent, guaranteeing a level-playing field for businesses, a respect of labor rights and environmental standards, and avoiding financial dependencies.

Importantly, building strong energy, transport and digital links to strengthen connections between Europe and Asia is now a prime focus. The Trans-European Network for Transport (TENT) framework involves a combination of sea, rail and inland waterways to encourage cross-border, multi-modal transportation between EU member states. While there are disparities in terms of technological expertise, the EU is keen to bridge that gap and develop economically viable and sustainable trade corridors between its own union and Asia. The North-South and the

²⁵ Jagannath P. Panda, "Why Japan Supports India and not China on Doklam," WION, August 18, 2017, at <http://www.wionews.com/south-asia/why-japan-supports-india-and-not-china-on-doklam-19186>, accessed August 20, 2018.

²⁶ Maaïke Okano-Heijmans, "Promoting Sustainable Connectivity in the Balkans and Black Sea Region," Clingendael Policy Brief, Clingendael Institute, The Hague, August 2018, esp. p. 3, at https://www.clingendael.org/sites/default/files/2018-08/PB_Promoting_sustainable_connectivity_BBS_region.pdf.

²⁷ On October 15, 2018, the European Council adopted conclusions on 'Connecting Europe and Asia – Building blocks for an EU strategy', following the joint communication of the Commission and the High Representative of September 19. Details available at <https://www.consilium.europa.eu/en/press/press-releases/2018/10/15/connecting-europe-and-asia-council-adopts-conclusions/#>.

East-West rail connections in this matter have experienced strong growth. The EU is already working with the appropriate rail transport organizations to offer safety management and technical specification courses. In the words of the Commissioner for Transport, Violeta Bulc, “Transport infrastructure is the lifeblood of EU-Asia connections, carrying both people and goods between the continents, on the wings of digitalization and decarbonization. Europe is sharing and engaging through one of the most developed transport networks and infrastructure financing programs in the world: the trans-European transport network. Connectivity matters!”²⁸

There are other new connectivity financing mechanisms such as the Investment Facility for Central Asia (IFCA), Asia Investment Facility (AIF) and the Neighbourhood Investment Facility (NIF). The AIF and the IFCA have alone generated more EUR 4.2 billion for infrastructure and connectivity from 2010 to 2018. There are opportunities for co-investments for Asian countries to deepen both economic cooperation and sustainable connectivity. To cite examples of the EU nurturing connectivity with Asia, first is the investment of EUR 35 million for the construction of the Žeželj Bridge in Novi Sad, Serbia, for the promotion of the (TEN-T) framework. The Electricity Transmission System (EIB) has invested EUR 70 million in Central Asian countries to share their surplus electricity access to the poorer Southeast Asian countries and combine their energy markets. Digitally, the EU seeks to collaborate with Japan to build the world's biggest area of safe data transfers having a high degree of personal data protection before 2018 ends. It is an endeavor towards creating new and innovative business models based on top-notch commercial applications. An impressive EUR 85 million has been directed towards ASEAN by the EU for the consolidation of the ASEAN community—boosting its market, trade and reducing non-tariff barriers. For improved people-to-people contact and community integration, a lot of scholarships have been bestowed upon Indian students—5,300 Indians have received the Erasmus Scholarship and 1,800 Indians have received the Marie Skłodowska Curie Scholarship since 2004.

As the EU moves towards implementation of its strategy, it needs to decide how to position itself in the hardening competition for connectivity value propositions, including the AAGC, free and open Indo-Pacific (FOIP) and the Quad 2.0. With their longstanding experience and presence in Africa, the EU and/or EU member-countries are attractive partners to Japan and India in the AAGC.²⁹ On their part, reasons for EU member-states to partner with India in relations with Africa include the presence of a large Indian diaspora in Africa (3 million people of Indian origin), plus the fact that India has no historical burden of colonialism in Africa. Furthermore, the AAGC is at the nexus of infrastructure development, sustainability, and Asia–Africa relations—as discussed during French President Macron's visit to India in March 2018.

²⁸ “EU steps up its strategy for connecting Europe and Asia,” European Commission Press Release, September 19, 2018, at http://europa.eu/rapid/press-release_IP-18-5803_en.htm

²⁹ Jagannath Panda, “Is there Space for Europe in the Asia-Africa Growth Corridor?” Asia Global Online, June 7, 2018, available at <https://www.asiaglobalonline.hku.hk/is-there-a-place-for-europe-in-the-asia-africa-growth-corridor/>.

However, the EU seems to be following a path of its own. In an attempt to promote multilateralism its proposition of sustainable connectivity, it used the EU strategy to feed into the Asia-Europe Meeting (ASEM) Summit, which brought together the leaders of ASEM's 51 member-countries (plus the EU and ASEAN) in Brussels, in October 2018.³⁰ While Brussels' push for sustainable connectivity was new, ASEM's efforts in the field of connectivity go back several years. At the ASEM 2014 Summit in Italy, leaders underscored the significance of connectivity between the two continents for prosperity and development. Subsequently, the 11th ASEM Summit agreed to make ASEM responsive to the emerging needs for connectivity. To this end, the ASEM Pathfinders Group on Connectivity was created and tasked with advancing ASEM's connectivity agenda. Currently on its agenda are; trade, economic cooperation, connectivity, sustainable development, climate change and security challenges.

Held under the theme of "Europe and Asia: Global Partners for Global Challenges," the 2018 ASEM Summit spearheaded the discussion towards sustainable connectivity. This included one, the launch of an "ASEM Sustainable Connectivity Portal", a data-set that should measure quantity and quality of connections; and two, a "Connectivity Inventory", an overview of lessons learned in the field from ASEM activities, matched with ideas for how to improve and deepen policies and action.³¹ The EU has played a crucial role in pushing this agenda: as the host of this year's summit, it has marketed both the data-set and the inventory as "gifts" to ASEM partners.

But what is sustainable connectivity? And can it address the "why" of EU-India relations, i.e. provide an impetus, a story as to why political momentum and investments from businessmen and citizens alike need to be made?

As depicted in Figure 2 (below), sustainable connectivity has three pillars; economic, institutional and people-to-people connections.³² It has five features; commercial, financial, social, environmental and reciprocal elements. Commercial sustainability centers on investing in projects that respond to a real public need and are economically viable. Financial sustainability implies ensuring that the countries involved do not fall into a debt trap and that infrastructure projects include long-term financial planning (e.g. the availability of funds for repair work or skills training). Social sustainability refers to infrastructure that contributes to institutions' quality and conforms to transparency and labor standards. Environmental sustainability recognizes that connectivity should consider its impact on the environment, i.e. that development should meet the needs of the present without compromising the ability of future generations to attain their own needs.³³ Finally, reciprocal connectivity is about maintaining a level-playing field between countries and governments, upholding international rules and regulations on government procurement and state aid.

³⁰ "ASEM Info Board," 2018, at <https://www.aseminfoboard.org>, accessed August 17, 2018.

³¹ For more details on the ASEM Sustainable Connectivity Portal, see here; for the Connectivity Inventory, see here.

³² This draws on the definition of connectivity presented in ASEAN's Master Plan on Connectivity of 2016. Economic connectivity concerns "hard" connections in diverse fields, including transport, energy and digital to trade services, including in the transport and agro-food sectors. Institutional or "soft" infrastructure is about facilitating cross-border connections through lowering trade barriers, such as easing of customs procedures and furthering market integration. Connectivity comprises a people-to-people dimension, enhancing contact between peoples through tourism, cultural centers and capacity-building initiatives.

³³ For the UN definition of the term, see <http://www.un-documents.net/ocf-02.htm>

The push for sustainable connectivity is a call for greater continental cooperation on these five aspects. The EU, Japan and India are key partners herein, as is China, which is also an ASEM member. In contrast with the lock-out approach taken by Japan and India in the AAGC, the EU and ASEM's counter-proposal to the BRI is thus an inclusive one that seems bent on including China in a set of connectivity standards that are different from the BRI.

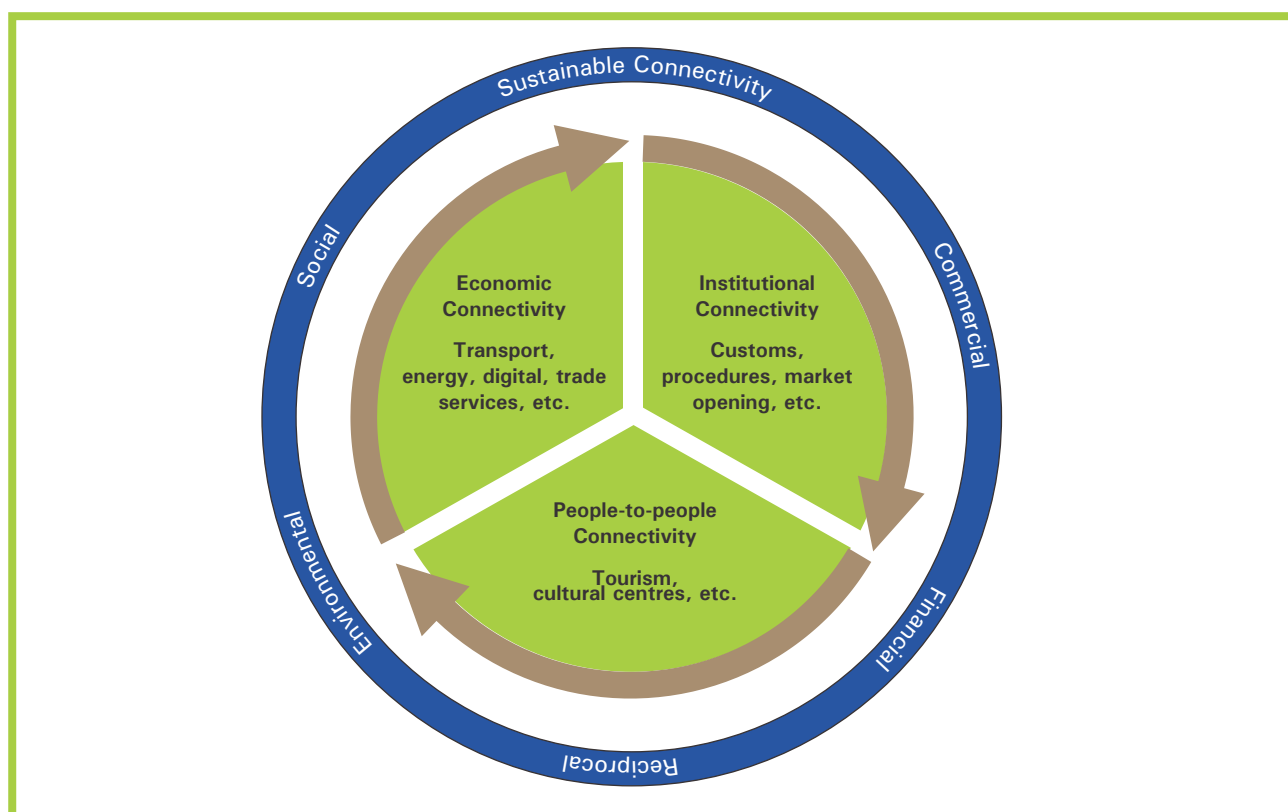


Figure 2. Connectivity's three pillars

Source: Okano-Heijmans and Sundar, 2018.

The EU is aided in its goal by the U.S.' withdrawal from the Asia-Pacific. Having dropped out of the Trans-Pacific Partnership, the U.S. has, in effect, relinquished its position as Asia's leading western partner. This presents a prime opportunity for the EU to take over that role and to ingratiate itself with Asia. The BRI outreach can be balanced through a focus on sustainable connectivity and, perhaps, the AAGC.

Towards a Shared Narrative on Connectivity Cooperation

As has been seen earlier, substantial differences exist between the EU and India's preferred connectivity counter-proposals regarding both sustainable connectivity and the AAGC. Key amongst these are the geographic scope (the former spanning the European and Asian continents and the latter focusing on Asia and Africa), approach to dealing with China (lock-out or inclusive) and pragmatism. However, the geographic and economic prospects of both the EU and India as strong continental actors prompt a case for cooperation.

Focus on connectivity can add a long-term enduring vision to EU-India relations. The two sides should bind forces to promote sustainable connectivity as their overarching connectivity narrative. Though sustainable connectivity may be an appealing vision, it is still too elusive to deliver on-the-ground results. Japan's EPQI should, therefore, be adopted as the approach to concrete projects. Also, what should be taken from the AAGC is its strength in adding interregional focus, explicating where the partners complement each other, especially in Africa.

The leading consideration in initiating projects should be to offer pragmatic solutions to real needs. For European companies in India, this means working from bottom-up rather than top-down. This is very much in line with Japan's EPQI, from which important lessons need to be drawn. Also, the Japanese approach of engaging with India could provide a roadmap. As one observer has commented, "Japan has shown to the world how to win Indian hearts—by stressing on sector-by-sector approach in the Indian infrastructural growth story."³⁴ Japan has made unstinted efforts to engage with local governments and has identified investment corridors in North, South and West India. The Japanese Embassy and the four Japanese Consulates in India have put major efforts in promoting investments in these corridors.³⁵ JETRO's³⁶ five offices have supplemented these efforts. It should be noted in this context that Japan is the only country in the world to have a special investment outreach in northeastern India.

India-Japan Confluence with EU

Both India and Japan share a common interest with the EU both within and outside ASEM to promote a "rules-based international order," democracy and an open and fair global economic order, which the AAGC also stresses. Japan has been advocating Asia-Europe cooperation for a long time now, emphasizing how ASEM could be a channel for cooperation between the two continents. In April 2018, the EU and Japan concluded negotiations for a Strategic Partnership Agreement (SPA),³⁷ illustrating the spirit to promote economic cooperation and to address the common challenges that both sides face on climate change, protecting energy supply and common security issues. The SPA together with the EU-Japan Economic Partnership Agreement (EPA), which was concluded in December 2017,³⁸ will provide a formal and legal basis for a more purposive economic and strategic engagement between the two. While the EPA aims to address trade barriers and rejects protectionism in global trade, the SPA promises to focus on disaster management, energy security, climate change, ageing population and cyber-crime. With its

³⁴ Rajeev Sharma, "Why Japan and Russia are India's Best Friends," First Post, June 17, 2013, at <https://www.firstpost.com/world/why-japan-and-russia-are-indias-best-friends-874793.html>.

³⁵ South: Chennai (Tamil Nadu), Bangalore (Karnataka), North: New Delhi, East: Kolkata (West Bengal); West: Mumbai (Maharashtra). See https://www.mof.go.jp/pri/international_exchange/kouryu/fy2017/ncaer201710_BTMU.pdf

³⁶ South: Chennai and Bangalore, West: Mumbai and Ahmedabad (Gujarat), and in New Delhi.

³⁷ "EU and Japan Conclude Negotiations for Strategic Partnership Agreement," European Union External Relations, April 26, 2018, at https://eeas.europa.eu/headquarters/headquarters-homepage/43526/eu-and-japan-conclude-negotiations-strategic-partnership-agreement_de, accessed August 19, 2018.

³⁸ "EU and Japan Finalize Economic Partnership Agreement," European Commission, December 8, 2017, at <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1767>, accessed August 19, 2018.

thrust on democracy, rule of law and human rights, the SPA aims to align with multilateral forums or organizations in order to address bilateral problems. Cooperation in the context of the AAGC can add far more substance to Japan-EU cooperation.

In July 2018, a notable change took place in EU-Japan relations with the signing of the EU-Japan Economic Partnership Agreement- the biggest ever negotiation by the EU. This agreement is supposed to facilitate an “open trade zone” by covering almost 600 million people.³⁹ It will have wide-ranging implications as it will remove 99 percent of trade tariffs paid by the European companies exporting to Japan. Export to Japan currently stands at over EUR 28 billion in services and EUR 58 billion in goods. The EPA along with the strategic partnership agreement clearly shows a deepening EU-Asia link and a stand against protectionism. It is expected that the EPA will increase the EU's export to Japan by EUR 13.5 billion or 13 percent, tripling the trade of textiles and dairy products.⁴⁰ Agricultural products, processed food, cars and machinery will also receive a renewed thrust. Many European countries have signed up for these, such as Germany, Sweden, France, Spain, Portugal, Poland, Romania, Bulgaria, Hungary and Finland among others. These agreements provide a formal basis for far-going cooperation between the two sides on a host of issues. Their eagerness to collaborate economically and strategically could very well extend to the AAGC.

India's relations with the EU also seem to be changing from the past, emerging as a partnership of opportunities.⁴¹ The two sides may not agree on a number of governance issues such as climate change and reform of global financial institutions, but there is no denying that India enjoys a better political acceptance in Europe on a range of people-centric issues that are linked to democracy and human rights, primarily in contrast to China. India's cooperative approach towards Europe was reflected in the 1960s, when India was among the first countries to establish diplomatic ties with the European Economic Community (EEC). In 2017, the EU was India's first trading partner. The India-EU strategic partnership, which was established in 2004, promises to expand their mutual cooperation in areas such as people-to-people contacts, skills development, employment, social policy, sustainable development, connectivity, mobility, transport and ICT, among others. The year 2017 saw the 14th India-EU Summit, at which the two sides affirmed their partnership in security, geopolitics, trade and investment.⁴²

For the EU, India was the tenth biggest importer and the ninth biggest exporter in 2017. Trade mostly involved manufactured goods. According to the Joint Communication released on the EU

³⁹ EU-Japan summit, Tokyo, July 17, 2018, at <https://www.consilium.europa.eu/en/meetings/international-summit/2018/07/17/japan/#>; also see, “EU and Japan sign Economic Partnership Agreement”, Tokyo, July 17, 2018, at <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1891> (accessed on December 9, 2018)

⁴⁰ EU-Japan Economic Partnership Agreement, European Commission, July 2018, at http://trade.ec.europa.eu/doclib/docs/2017/july/tradoc_155725.pdf.

⁴¹ “EU-India Summit: Strengthening our Strategic Partnership and Moving Forward with our Common Agenda,” Press Release, European Commission, Brussels, October 6, 2017, at http://europa.eu/rapid/press-release_IP-17-3728_en.htm, accessed August 19, 2018.

⁴² “EU-India Summit,” European Council: Council of European Union, New Delhi, October 6, 2017, at <http://www.consilium.europa.eu/en/meetings/international-summit/2017/10/06/>, accessed August 19, 2018.

Strategy on India 2018,⁴³ EU-India cooperation will have win-win impact on both. It will decrease India's resource constraints, enhance resilience to greenhouse gas emissions and climate change. It will also support the EU's investment opportunities, job creation and diversification and promote overall sustainable connectivity. For instance, for digital connectivity, the EU has launched a piloting initiative recently to foster innovation between entrepreneurs and incubators of both sides. The Department of Science and Technology (DST), NITI Aayog and Invest India have collaborated with European investors to develop an innovative framework for future projects.

The EU-India cooperation will contribute to reducing resource pressure and pollution, cutting greenhouse gas emissions and enhancing resilience to climate change. A strong modernization partnership between the EU and India should also support the EU's own job creation, growth and investment objectives, and help promote sustainable connectivity for Europe and Asia, in line with the EU's connectivity strategy.⁴⁴ EUR 15 million was earmarked for research in the health sector by the Department of Biotechnology (DBT) and its European counterpart under the program "EU's Horizon 2020".⁴⁵ The two sides also continue to pursue the EU-India Agenda for Action-2020, agreed upon at a previous summit. The agenda states that the two sides intend to "strengthen foreign policy cooperation in areas of mutual interest such as Asia, Africa, the Middle East/West Asia and Europe."⁴⁶

Including Europe in the AAGC is one of the ways in which a triangularity can be established in Eurasia. In fact, a greater Eurasia framework could emerge between the EU, India and Japan.⁴⁷ Proposed action could include the EU, Japan and India engaging at a strategic level with the relevant ministries, the EU providing technical expertise and mobilization of resources with the European Investment Bank, private and public investments and combining facilities of all the EU member-states. Organizing technical and exchanges to improve transportation issues, including railways, civil aviation, maritime transport and road safety is important here. At a more regional level, boosting city-pairing initiatives and sharing experiences in sustainable urban planning and urban governance is also possible. There is strong political will to enhance cooperation in the multilateral fora. Together, Japan, India and the EU can cooperate in Africa to effectively tackle

⁴³ Joint Communication to the European Parliament and the Council: Elements for an EU strategy on India, 20 November 2018, at https://cdn5-eeas.fpfis.tech.ec.europa.eu/cdn/farfuture/MJxuGXlelnF8rvfq4cRLxzC1mUacEWgvfout13dMi4o/mtime:1542708985/sites/eeas/files/jc_elements_for_an_eu_strategy_on_india_-_final_adopted.pdf

⁴⁴ "EU-India Innovation Meet – Innovation Platform Launched in New Delhi," EU Press release, October 11, 2018 at https://eeas.europa.eu/delegations/india/52023/eu-india-innovation-meet-%E2%80%93-innovation-platform-launched-new-delhi_en

⁴⁵ "EU-India launches EUR 30 million Joint Call on Research and Innovation to develop Next Generation Influenza Vaccine," August 28, 2018, at https://eeas.europa.eu/delegations/india/49760/eu-india-launches-eur-30-million-joint-call-research-and-innovation-develop-next-generation_en.

⁴⁶ "EU-India Agenda for Action-2020," EU-India Summit, Brussels, March 30, 2016, at http://www.mea.gov.in/Images/attach/EU_India_Agenda_for_Action_post_VC.pdf, accessed September 3, 2018.

⁴⁷ Jagannath Panda, "India-Japan embrace should stretch out to Eurasia", East Asia Forum, November 13, 2018, at <http://www.eastasiaforum.org/2018/11/13/india-japan-embrace-should-stretch-out-to-eurasia/>, accessed on December 2, 2018.

diverse global challenges, such as the Sustainable Development Goals which are important and common to all of them. Other mutual priorities include facilitating sustainable investment, encouraging and achieving the 2030 Agenda and South-South requirements.

Prospects in the Indo-Pacific: The EU and the Quad

The Quad is often seen as a strategic response to an increasingly powerful and competitive China. It was proposed by Japanese Prime Minister Shinzo Abe in 2007 but many believe it failed since Australia saw it as premature. The idea resurfaced in November 2017, as Quad 2.0 with a formal consultation meeting of the Quad country officials in Manila. More so than Japan and Australia, it is India which holds the key to the Quad's prospects. The Quad members are advocating a "Free and Open Indo-Pacific" (FIOP). During his September 2017 visit to India, Prime Minister Abe offered it as a central context in the Indian Ocean Region (IOR) and expressed the view that "a powerful Japan and powerful India can protect each other's interests." The U.S., in its National Security Strategy released in December 2017, noted that the U.S. will support India in a "leading global power" role in the IOR by expanding the India-U.S. strategic and defense partnership. Australia too has acknowledged India's importance in the Indo-Pacific strategic calculus.

Although the EU is yet to formally endorse the concept of "Indo-Pacific," its economic cooperation with the Quad countries should not be overlooked. The EU's hesitation to employ the concept of Indo-Pacific is more related to its strong relations with China as well as the central role that France—as one of the few remaining European naval powers—might adopt herein. Notably, Prime Minister Modi at the Shangri-La Dialogue said that "India does not see the Indo-Pacific region as a strategy or as a club of limited"⁴⁸ India's approach to the Quad is a statement of its pluralistic foreign policy arch while evolving the Indo-Pacific construct. Balancing China's growing outreach with consultation with the Quad while concurrently firming up bilateralism with Beijing explains India's strategic autonomy and the pluralism of its foreign policy. Alignment with the Quad does not necessarily suggest that India wishes to engage in a China-containment strategy in the Indo-Pacific. Rather, its alignment with the Quad is a strategic arch of firming its outreach in a liberal-order framework. India's and China's competing strategic interests in securing energy resources, protecting maritime interests and promoting national interests are bound to collide, coupled with India's age-old boundary disputes with that country. India's pluralistic foreign policy under Prime Minister Modi and President Xi's New Era foreign policy have shown that their national trajectories have been obstructionist towards each other's rise in Asia and the world at large. But for India, its relations with China are an imperative component of its plural and non-aligned foreign policy, which promotes strategic autonomy. India-China relations are currently taking on a definitive structure in the Indo-Pacific and New Delhi is more inclined to nurture them than repudiate them. Hence, India's approach to the Quad is not anti-China. The EU needs to note this. Hence, the EU's Asia strategy and the Quad's focus on the IOR could establish strategic convergence. The EU's approach to cooperate with the Quad does not have to be entirely anti-China. Cooperating with the Quad will only open new opportunities of cooperation for the EU in Asia and outside, mainly in the Indo-Pacific.

48 See n. 4.

The views and statements expressed by Japan, Australia and the U.S. are similar in tone to how the EU has started viewing India as a partner, which opens an opportunity for the EU to cooperate with India both within the context of the Quad and outside. This is primarily because both the EU and India have agreed that both sides “recognize their common responsibility towards ensuring international peace and security and an open and inclusive international order.”⁴⁹

The EU needs to note that the Quad is only a consultative forum. Its prime focus is to consult on sustainable infrastructure development across the Indo-Pacific. The EU could aim to board that as a factor in its outreach both towards the Indo-Pacific as well as in its Asia strategy. A consultative dialogue between the EU and the Quad both bilaterally and within the EU format would be helpful in pushing forward the universal need for growth and development.

Cooperation is very much a practicable arena for both the EU and the Quad. Two specific issues merit attention in this context, viz. maritime security cooperation and maritime economic cooperation. Ensuring a cooperative environment between the EU and the Quad on maritime security, particularly in the context of the Indian Ocean, needs to be explored. The Quad particularly emphasizes addressing non-traditional security threats. An example is the PASSEX Joint Exercise between the EU Naval Force and the Indian Navy across the Somalia coast. Blue economy is another promising area of cooperation between the EU and the Quad. From 2017 onwards, the European Commission has particularly emphasized maritime policy and blue economy, aiming to enhance the EU's blue-growth strategy.⁵⁰ Given the EU's economic volume and those of the Quad, this is an important consideration.

Practical Solutions for Real Needs

Sustainable connectivity and promotion of growth corridors depend on the realization of specific projects and interregional cooperation. This moves us away from the “why”, to “what” can be done and how to achieve it. The “what” offers several interregional opportunities. Some examples are, the International Solar Alliance (ISA) and the Africa-Bangladesh-Bhutan-India-Nepal (BBIN) waterways connectivity.

The International Solar Alliance

For the EU, the ISA constitutes a way to add substance to its institutional pillar of sustainable connectivity at the interregional and local levels. ISA has 121 members as prospective countries (see Figure 3). Spearheaded by India and France, its objective is to assist in renewable energy transition in countries that lie between the Tropic of Cancer and the Tropic of Capricorn, also called the Torrid Zone. Countries that do not fall in this zone can join ISA as partners but without voting rights. India is also considering expanding ISA's membership to other countries, thereby paving the way for other European countries to become a part of it.

⁴⁹ “India-EU Joint Statement,” 14th India-EU Summit, New Delhi, October 6, 2017, at <http://www.consilium.europa.eu/media/23515/eu-india-joint-statement.pdf>, accessed September 3, 2018.

⁵⁰ “Driving the Blue Economy Forward,” Maritime Affairs and Fisheries, December 2016, at https://ec.europa.eu/dgs/maritimeaffairs_fisheries/magazine/en/people/driving-blue-economy-forward, accessed September 3, 2018.

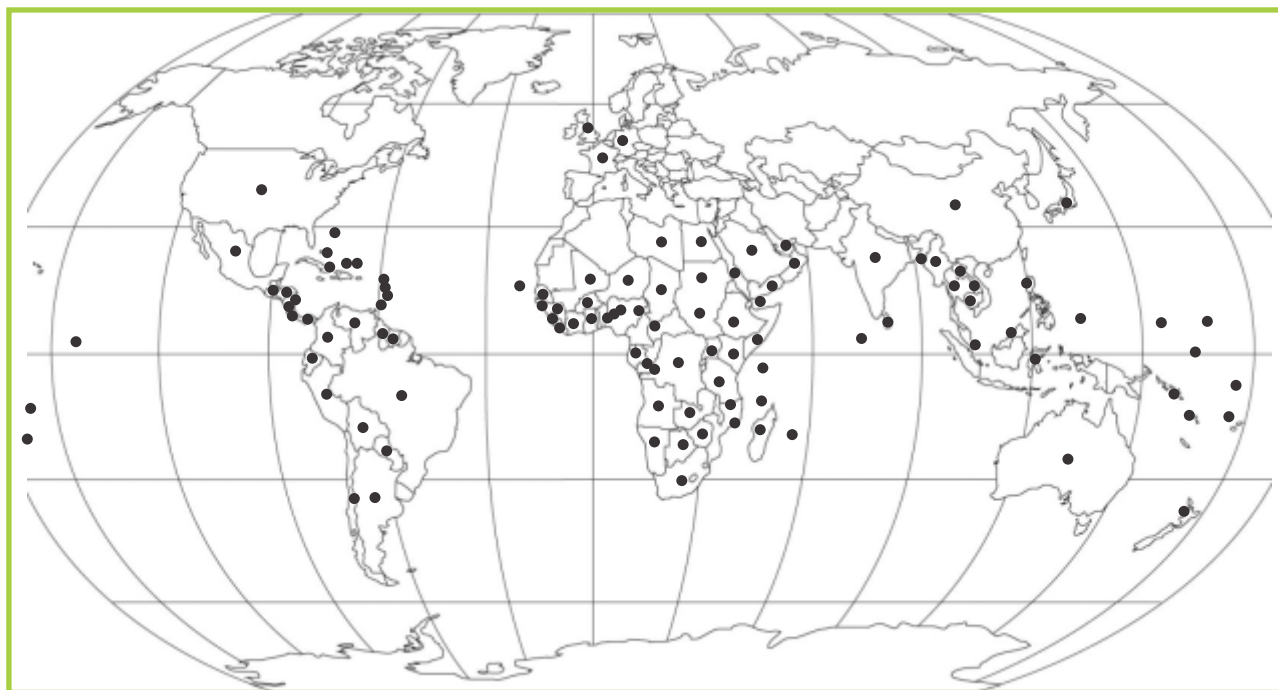


Figure 3. International Solar Alliance countries.

Source: Export-Import Bank of India, 2016.⁵¹

In addition to being ISA's host country, hosting the 2018 World Environment Day- one of the important events of the UN- was a big call on India's part to encourage worldwide awareness and action for protection of the environment. This indicated that India is positioning itself to become a leader in addressing climate change issues. India has been encouraged in taking up this role by certain western countries, especially France, which is a key partner and funder of the ISA. From a strategic perspective, the ISA helps India build Asia-Africa (South-South) relations. India also acts as a platform for facilitating the transfer of solar energy technology and information from developed to developing countries, which is in line with the "Common but Differentiated Responsibilities" approach that it adopts at climate change summits.

European countries like France and the Netherlands have joined the ISA for diverse reasons, which include climate change and economic and political considerations. As per the India-Netherlands joint statement signed during Prime Minister Rutte's visit in May 2018, the ISA provides an opportunity for Indo-Dutch collaboration in setting up research institutions and industries, including in third countries. This would additionally benefit the Dutch Caribbean islands in their transition towards greater sustainability. The framework presents a valuable opportunity to further global climate objectives, which is in the Netherlands' interest. Moreover, the ISA supports Dutch development objectives by assisting Indian access to green energy and peoples in other developing countries. Separately, the ISA membership is expected to benefit the Netherlands economically as almost all solar panels still have a Dutch technology component.

⁵¹ Export Import Bank of India, "International Solar Alliance: Nurturing Possibilities", Working Paper No. 53, 2016, p. 22, at https://mnre.gov.in/file-manager/UserFiles/International%20Solar%20Alliance_Nurturing%20Possibilities.pdf.

Hence, the ISA can further Dutch economic interests by contributing to the valorization of knowledge by the use of Dutch technology in solar systems and by creating broader market opportunities in the solar field. The Netherlands stands to benefit economically from the rapidly growing solar energy industry, with a market that has grown from about 1 gigawatt (GW) in 2004, to 39 GW in 2013.

India's Export-Import (EXIM) Bank has prepared an ISA cooperation matrix differentiating member-countries based on their adaptability to solar technologies. It lists the Netherlands as an important technology source and India as a manufacturing source. Both countries would benefit from the Netherlands' high-quality R&D and India's cheap manufacturing and labor costs. But a study by the Netherlands Enterprise Agency finds that substantial work is needed to enlarge the Dutch presence in India's solar energy sector. India for its part, faces a conflict of interest over prioritizing the goal of achieving its solar energy targets vis-à-vis anti-dumping duties. Meanwhile, the ISA has financial partnerships with several development banks, such as AfDB, ADB and the World Bank.

Investment in Africa

Currently, Africa is a preferred continent for investment and has strong economic ties to many countries such as China, Japan, India and some European countries. AAGC's prime intent is to forge an intercontinental growth and developmental corridor, establishing a chain of contacts between Asia and Africa. The EU is seeking a "partnership of equals" with Africa. Its relationship approach towards Africa has mostly been politically motivated, keeping its self-interest ahead. But its stance on critical issues such as migration, human rights, security and terrorism has been severely criticized in Africa. The EU, however, seems determined to change this narrative, stressing on development and engagement with Africa. Its official approach to Africa embraces AAGC's norms and values. Figure 4 presents various countries' trade figures with the African continent.

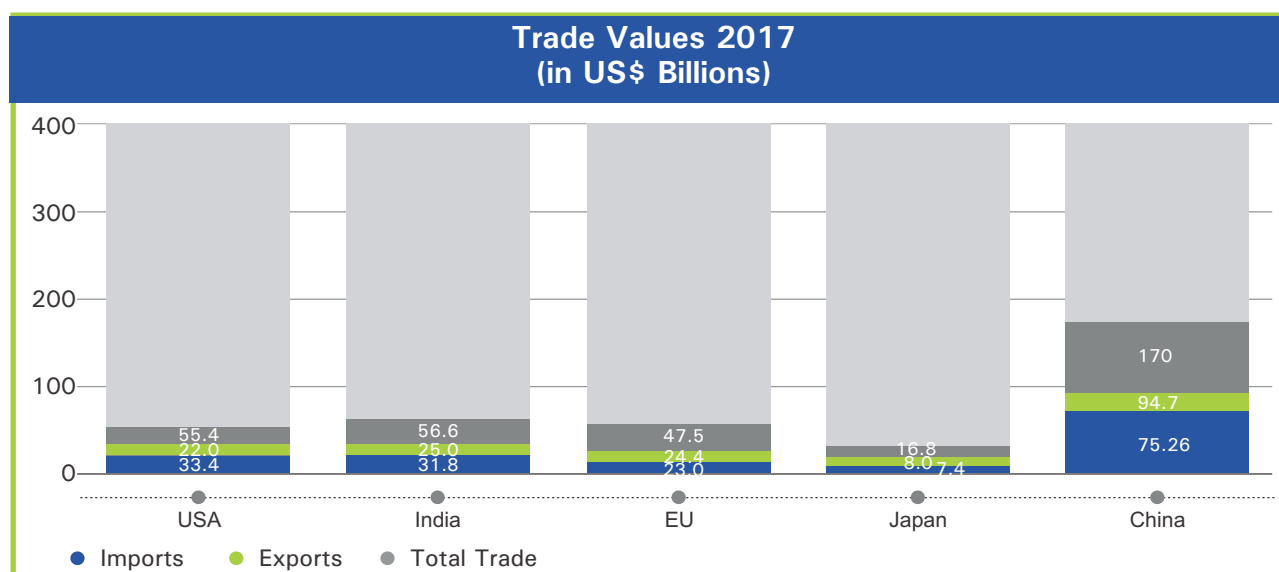


Figure 4. Major powers' trade with Africa

Source: Government websites

Officially, Africa-EU relations advocate “principles of ownership, partnership and solidarity” that the 2007 Joint Africa-EU Strategy (JAES) outlines with a spirit of complementary interests. Although the continent's relations with Europe are not a partnership based on equal terms, the partnership still promises openness and dialogue on major issues. With a people-centric partnership, JAES strives to forge stronger economic cooperation between Europe and Africa to promote sustainable development with the liberal values of upholding peace, prosperity, solidarity, and empowering democracy. Promoting a people-centric partnership between the two continents is an area of commonality that is equally echoed in the AAGC. Prime Minister Abe has shown a renewed commitment to Africa and has tried to institutionalize Japan's relations with that continent through the Tokyo International Conference on African Development (TICAD).

Japan has put stress on investing in quality infrastructure in Africa, with an eye on business efficiency while protecting human resources by focusing on development. In contrast with its earlier Focus Africa program, India is now approaching Africa as a multilateral partner on a range of global issues such as climate change, trade regimes and reform of the UN Security Council. These overarching areas promote a context of cooperation between the EU and the AAGC, taking Africa's concerns onboard. What could bring Japan, India and the EU together in this continent is the rising Chinese presence and influence there. China's increasing presence in the continent has severely affected Japanese and European economic interests more than of any other country or continent.

With an “infrastructure and connectivity first” approach, the BRI aims to position China as an investor and facilitator in different sectors across Asia and the world, which certainly affects India's interests. China's foreign policy concentrates heavily on the Indo-Pacific with its Maritime Silk Road (MSR), which is a key aspect of the BRI.

There is great merit in promoting an intercontinental framework aimed at bringing Asia and Africa closer. The AAGC advocates universalism and aims to base intercontinental cooperation on a prism of consultation embracing democratic values and norms, which the BRI overlooks, but it needs a greater continental context to bring onboard new actors like Europe. Intercontinental cooperation cannot happen in a vacuum. Europe can certainly bridge this need.

BBIN Waterways Connectivity

India's northeastern states are gateways to neighbors such Bangladesh, Bhutan and Nepal (BBIN). They (plus Sikkim) have land boundaries, in addition to BBIN, with China and Myanmar. These countries also act as gateways for accessing the Southeast Asian countries' markets. Despite this, their infrastructure and level of development is lower than in the rest of India.

However, the situation is changing. There has been an impetus to boost development in the northeast ever since India adopted its Act East Policy (AEP) in 2014. The AEP aims to increase India's ties with the Near Abroad and particularly with the Southeast Asian nations. Improved connectivity and communication infrastructure form the core of the AEP. The 1360-km-long India-Myanmar-Thailand Trilateral highway, to be constructed by 2019, is an example of this initiative. Many of these connectivity projects are funded by ADB loans. The road networks will not only facilitate closer economic ties but will also promote cultural exchanges and tourism. The

AEP is politically important as well, as it helps expand India's strategic influence from its South Asian neighbors to countries in Southeast Asia. Nevertheless, India would do well to explore the feasibility of BBIN waterways connectivity, which would strengthen the commitment of the countries involved to ensuring minimal water flow in the rivers for the passage of cargo vessels and the cleanliness of the water bodies.

The Indian government aims to develop 111 national waterways due to the fact that it is cheaper and greener to transport goods by water than by road or rail. The country's National Waterways Act, 2016, also supports the evolving a policy for the integrated development of inland waterways. Since not all places are accessible by water or have the capacity to be dredged due to environmental concerns, the national waterways would also be connected to road or rail networks. The waterways project can thereby be seen as part of a larger infrastructure project.

Shipping and inland waterways have featured on the bilateral agenda of India and individual member-states such as the Netherlands for several years now, but there has been a rejuvenated interest in the project especially after the passing of the 2016 Waterways Act. During a trade delegation's visit to India in May 2018, for example, the Dutch Minister for Infrastructure and Water Management expressed a desire to collaborate with India in developing port infrastructure and the inland waterways system. The Netherlands is a pioneer in port and hinterland connectivity infrastructure as well as possessing the largest inland shipping fleet in Europe. Nepal and Bhutan could also become maritime countries if such infrastructure projects were extended to them. Collaboration in this sector would be in line with the Dutch government's priorities of connectivity and infrastructure, sustainability and regional cooperation. The Netherlands could also explore the scope for expanding this cooperation in aiding the construction of an undersea tunnel linking India and Sri Lanka, similar to the one running through to the city of Rotterdam in the Netherlands.⁵² The ADB, which is committed to cross-border connectivity in South Asia, could be a possible funder of the project.

Binding Forces with Japan in Northeast India

As discussed earlier, New Delhi's openness in inviting Japan to the region on a range of infrastructure developmental initiatives highlights the strategic concerns it holds against China's assertiveness. India also has a renewed interest in factoring Japanese resources in developing inland waterways transport along the River Brahmaputra to the Bay of Bengal.⁵³ If EU member-states are serious about deepening their ties with India bilaterally and multilaterally, they need to note that the Japan-India cooperation is a strategic calculus to make India's northeast a unique model of cooperation.

The Japan-India Coordination Forum on the Development of North East India is a people-centric partnership, which encourages people-to-people exchanges. This agenda is based on youth

⁵² Elizabeth Roche, "India eyeing bridge or undersea tunnel to link Sri Lanka: Gadkari", Live Mint, 15 February 2016. Available online.

⁵³ "Japan Offers Support for Northeast Projects," Press Information Bureau, GoI, Ministry for Development of the North-East Region, May 17, 2017, at <http://pib.nic.in/newsite/PrintRelease.aspx?relid=161902>, accessed August 20, 2018.

empowerment, training and educational collaboration, making it a grassroots partnership. It is also based on the promotion of human security through a cooperative model. Promoting such a stable partnership in China's backyard is certainly a bold statement by Japan and India. The EU could possibly explore funding projects and engaging with India and Japan in programs related to human development in northeast India and also in the immediate Southeast Asian region.

Tweaking Europe's Approach to Connectivity Cooperation

It was in 2016 when the EU's Global Strategy identified connectivity, specifically, a “connected Asia” as significant for EU's prosperity and security. Its political, economic and security threads have now extended to make connectivity more responsible and sustainable. This is important because unsustainable borrowing, un-transparent and unfair trade and investment methods, and a piecemeal rules-based approach can become roadblocks to comprehensive cooperation. In this regard, the EU has found two like-minded partners in Japan and India. So far, cooperation between them has been cross-sectoral, integrated and based on a level-playing field. There are opportunities for businesses to thrive also in the fields of education, innovation, research and tourism.

Between 2014 and 2020, EUR 8 billion of funding has been directed towards Asia, specifically for regional and bilateral initiatives. For the coming budget of 2021-2027, the European Commission has decided to increase the amount to EUR 123 billion, an increase of 30 percent. This will involve both the governmental and private sector teaming up for enhanced connectivity.

By complementing Japan and India's concerted efforts to increase connectivity cooperation with likeminded partners, EU member-states certainly stand to benefit. Further cooperation would upscale the size of India's, Asia's and Africa's endeavors. Ideally, one EU member-state would take the lead in a field it excels in, even if this involves political compromises. France, for example, is Europe's gateway to India and could, therefore, easily collaborate in multiple areas with India such as climate change mitigation (including through the ISA) and trilaterally with partners in Africa, and on security in the Indian Ocean. The Netherlands could take the lead in the field of water management, ports, infrastructure and environmental technology; Germany can build on its strength in trade and skill development. Visegrad countries – formed by the Czech Republic,

Hungary, Poland and Slovakia – also are interesting new markets for India as they bind forces to improve regional cooperation, energy safety and competitiveness of internal markets.

Next, EU member-states need to ensure funds' availability, including through the European Investment Bank (EIB). The Dutch Entrepreneurial Development Bank (FMO), for example, could bring the volumes needed to succeed in India. Binding forces in this field, resulting in greater volume and best-practice exchanges, can also help address the challenge of competition with Chinese financiers, who do not play by the rules accepted under international transparency norms. The biggest challenge for the European stakeholders when operating in India, for both governments and businessmen is, perhaps, intensifying cooperation with Indian counterparts at the state level.

Connectivity or Convergence?

If India and the EU are to capitalize on the political momentum for increased cooperation that exists today, a focus on geo-economics must take place. This means devising a framework for cooperation that bridges the political and economic fields, while incorporating a long-term vision with concrete action points for collaboration.

Sustainable connectivity—as per the EU's new Connectivity Strategy and discussed in this paper—makes for such a vision, as it addresses a field where both sides really share interests, approaches and prioritization. Much needed now, is practical on-the-ground cooperation within this framework. This can be pursued in each of the three connectivity pillars to deliver local, visible and quicker solutions to practical challenges. Regarding economic connectivity, enhanced cooperation on the ground in Africa appears to have great potential. The ISA provides a good opportunity to strengthen institutional connectivity both for economic and politico-strategic reasons. Although more technically and politically challenging, BBIN waterways' connectivity would enhance the economic and institutional elements of trade. Finally, people-to-people connectivity maybe strengthened by greater investments from the European side in sub-national diplomacy. Moreover, Track 1.5 and Track 2 dialogues between generalists and specialists can contribute to mutual understanding, and help identify other avenues and approaches for joint action within the framework of sustainable connectivity.

The main hindrance to EU-India joint partnerships in connectivity seems to be the limited economic engagement between the two entities, especially in comparison to the EU's trade with China or the U.S. For the EU and India to jointly undertake overseas projects, there needs to be an increase in their strategic trust and economic weight, which can come about only through increased trade and investment with each other. Both should increase their investments in strategic and economic cooperation to take their relationship forward. France can lead the way for Europe since it has already achieved a niche for itself in the Indian set-up, through its extensive cooperation with the Indian defense forces as well as in spearheading the ISA. There are opportunities for other EU states as well, such as the Netherlands which can invest in India's blue economy as well manufacturing industries. The EU can also collaborate with Japan to explore the dynamics of investing in India. For people-to-people connectivity to increase between the two continental actors, dialogue at all levels should also be enhanced to deepen mutual understanding and identify avenues for joint collaborations. Recent dialogues have revealed a growing convergence between European and Indian stakeholders on issues of promoting a rules-based international order, strengthening a multipolar Asia, and prioritizing connectivity. Now is the time to capitalize on this momentum.

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Abstract

The paper seeks to identify key trade linkages in Indian Ocean littoral states in East Africa along with Indian Ocean island states as a means of understanding the scope for India and the European Union to cooperate in establishing transparent rules-based norms for supply chains in the region. Both India and the European Union are key trading partners for the African nations analysed in this paper, and as the region develops economically, the trade regime in the Indian Ocean will witness substantial changes. The paper sources data on the trade in commodities between India and the European Union with eight African nations in the Indian Ocean, and analyses the data to reveal key commodities traded between them. The paper identifies vital trends in the trade while noting the lack of commonalities. The recommendations in the end are suggested accordingly.

Introduction: Intersecting Requirements

The motivation for this paper emerges from three economic and strategic factors:

-  Africa is poised for an economic take-off, driven by its youth bulge and the prospects for energized internal and external trade.
-  The Indian Ocean and its littoral states are going to be a major focus for great power competition in the decades to come.
-  India and Europe have a shared stake in creating and sustaining supply chains that nurture their economy while simultaneously ensuring that an open, transparent and rules-based trading, maritime and investment global order is maintained, particularly given the launch of the Chinese Belt and Road Initiative (which extends to Eastern Africa), and the expansion of Chinese economic activity across the African continent.

At the intersection of these three requirements lies co-operation between India and the European Union in the African states that abut the Western Indian Ocean.

What form, however, could this co-operation take? India is generally unwilling to open up its bilateral relationship with any other developing country; and Europe's stakes in East Africa have differed historically compared to India's. Any possible scenario for Indo-EU collaboration in the area must therefore be informed by the actual structure of the economic engagement between India, Europe, and East Africa. To that end, this paper collates and analyses recent trade data between these entities, to examine the existing structure of supply chains, and questions whether co-operation can take advantage of these existing economic ties or must rise above them. The paper therefore bases its conclusions on what the figures reveal. The numbers are not presented from an Indian nor from an EU perspective. It is the trade volumes and values revealed, as well as the composition and durability of trade which allow for neutral and shared conclusions to be drawn.

Research Methodology

Aim:

The aim of the study is to enable EU-India cooperation in developing an integrated and sophisticated supply chain for commodities, with minimal trade barriers, in the Western Indian Ocean. The second aim was to identify key pressure points in the Indian Ocean trade regime related to Africa, and if there was any scope for the EU and India to collaborate in those areas. The third aim behind the data collection was to better understand how trade figures in the calculus of countries in East Africa along with Indian Ocean island states.

Sourcing the Data:

The project collected data on the trade in commodities between India and eight East African countries that have an exclusive economic zone in the Indian Ocean, hereby referred to as IOA-8, and data on trade in commodities between the European Union (28 countries), hereby referred to as EU-28, and the same eight nations. The data was a time-series collection for the year 2015, 2016 and 2017. The data on the overall trade in commodities was further divided into exports to these countries and imports from these countries, into separate datasets. All the data was sourced from the United Nations Comtrade Database.¹ This allowed for seamless comparison and analysis, as the data source was unbiased and a trusted source for international trade statistics. Another source for analyzing the data was the website 'Trade Map' operated by the International Trade Centre (ITC), joint agency of the World Trade Organization and the United Nations.² The 'Trade Map' website helped us in ranking and separating the products using The Harmonized Commodity Description and Coding System.³ Our final dataset however deviated from the Harmonized System and is classified under broader categories. All trade figures are denoted in US dollar, as it is the dominant global reserve currency.

Segregating the Data

This collected data was further segregated into the different classification of products that form the bulk of exports and imports. This was done by ranking the trade value of each product for a particular year in terms of the percentage of total trade (by value) it constituted from that particular year. Using 2015, as the base year, the top five products from each year (both export and import) were arranged, and their percentage share in total trade calculated for all three years (2015-2017). If any new product started faring in the top 5 products by percentage share, they were also included in the dataset. The ranking of this new product was however according to their position in trade share by value during the base year of 2015. This allowed the dataset to showcase how trade has changed over the period of three years, and how commodities have fared in the time. For example, in 2017, Sugar made for more than half of India's imports from Djibouti, 50.48 percent to be precise. Yet, the commodity saw zero value of imports in the preceding years 2015 and 2016. This allows us to analyze if a certain commodity is a staple of the trade regime between those two nations, or has only figured in that particular year, further helping us to recommend suitable policies for the upgradation of the trade practices between the two nations or nation-groups.

¹ For more information see the United Nations Comtrade official website: <https://comtrade.un.org/>

² For more information see the Trade Map official website: <https://www.trademap.org>

³ European Commission, EU product classification system, European Commission Trade Helpdesk: <http://trade.ec.europa.eu/tradehelp/eu-product-classification-system>

ANALYSING THE DATA: What does trade look like?

Analysing the Data: What does trade look like?

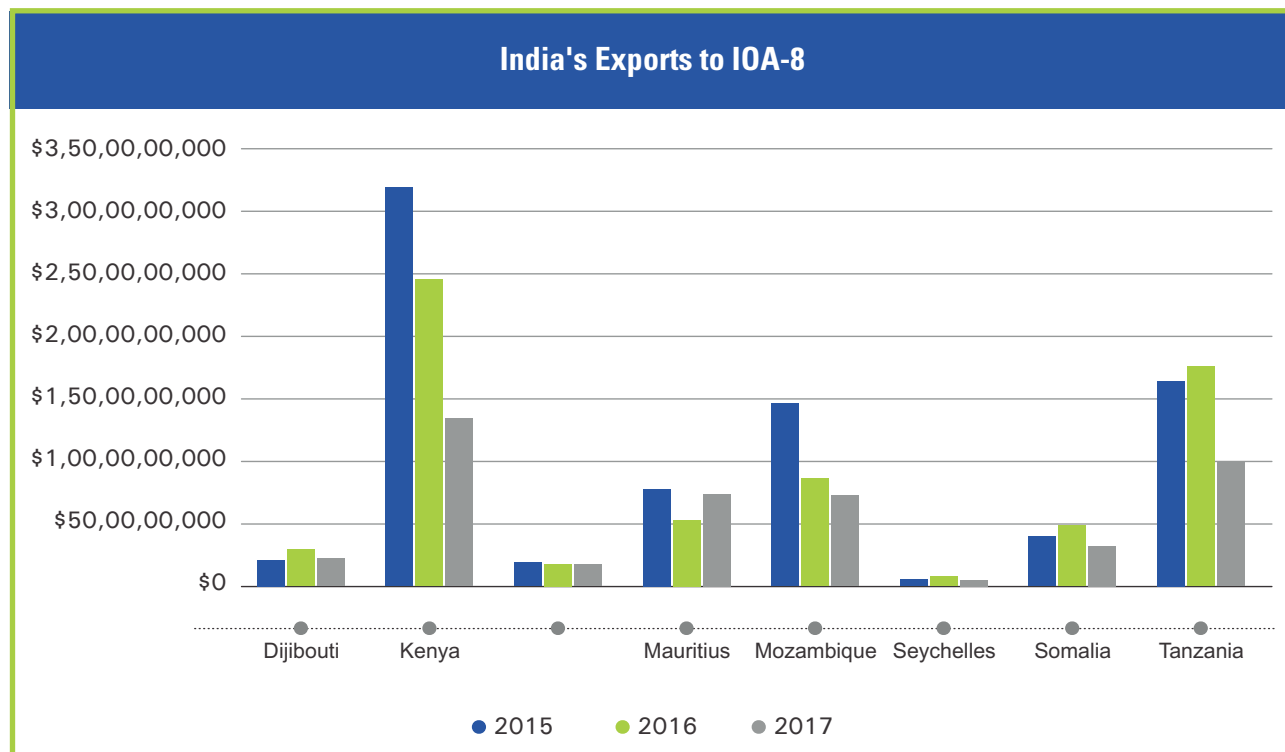


Figure 1.1 – India's Exports to the IOA-8 nations (2015-2017) (by value) (in USD)

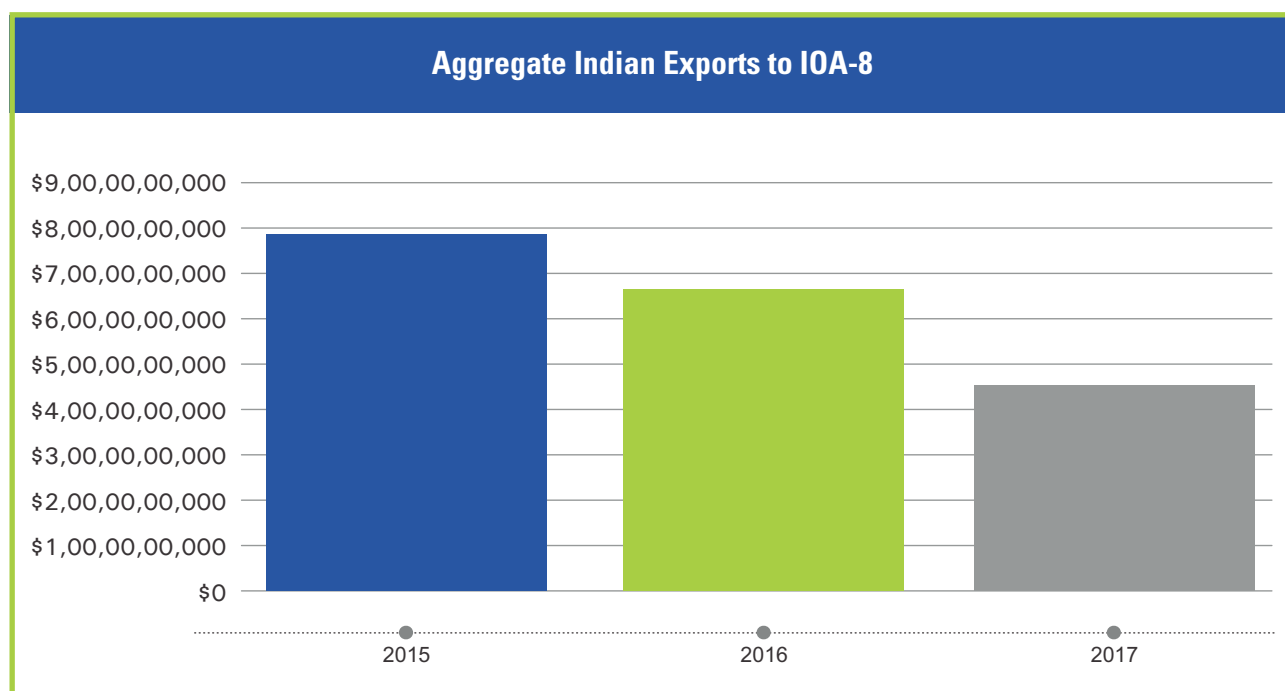


Figure 1.2 – Aggregate of India's Exports to all the IOA-8 nations (2015-2017) (by value) (inUSD)

The trend in Figure 1.1 and Figure 1.2, suggests a continued decline in the total value of commodities exported by India to the IOA-8 nations. Between 2015 and 2016, exports decreased by 16.4 percent and between 2016 and 2017, there was a further decreased in export value of 32.5 percent.

As seen in Figure 1.1, India's exports to the IOA-8 is mostly concentrated around Tanzania, Mozambique and Kenya, all countries with close political ties to India.⁴ These countries are also moderately sized and have a larger Gross Domestic Product (GDP) (nominal) compared to the other nations.⁵ Kenya and Tanzania both figure in the top 10 African economies by GDP and have comparatively better trade infrastructure.⁶ However, given the fact that East Africa is the fastest growing economic region in the African continent, it is surprising to see that exports from India to the IOA-8 has reduced by gross value over the course of the three years.⁷

Across the three-year period recorded within this dataset, there are instances of India's trade activities with certain East African nations fluctuating drastically. Notably, between 2016 and 2017, India's combined imports and exports to Kenya decreased by nearly 50 percent, while similarly, in Somalia, between 2016 and 2017, substantial decreases in exports were noted. Tanzania is another country where exports decreased drastically between 2016 and 2017. India's exports to Tanzania dropped from \$ 1,766,864,783 to \$ 1,006,031,268, a 43 percent drop.

⁴ Ministry of External Affairs, Government of India, India-Tanzania Relations, August 2017 https://www.mea.gov.in/Portal/ForeignRelation/Tanzania_August__2017.pdf; Ministry of External Affairs, Government of India, India-Kenya Relations, January 2012 <http://www.mea.gov.in/Portal/ForeignRelation/Kenya-January-2012.pdf>; Ministry of External Affairs, Government of India, India-Mozambique Relations, https://www.mea.gov.in/Portal/ForeignRelation/Mozambique_Oct_2017.pdf

⁵ International Monetary Fund, World Economic Outlook, April 2018 <http://www.imf.org/external/datamapper/datasets/WEO>

⁶ International Monetary Fund, World Economic Outlook, April 2018 <http://www.imf.org/external/datamapper/datasets/WEO>; African Development Bank Group, East Africa Economic Outlook 2018, March 12, 2018 <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African-Economic-Outlook-2018-East-Africa.pdf>

⁷ African Development Bank Group, East Africa Economic Outlook 2018, March 12, 2018 <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African-Economic-Outlook-2018-East-Africa.pdf>

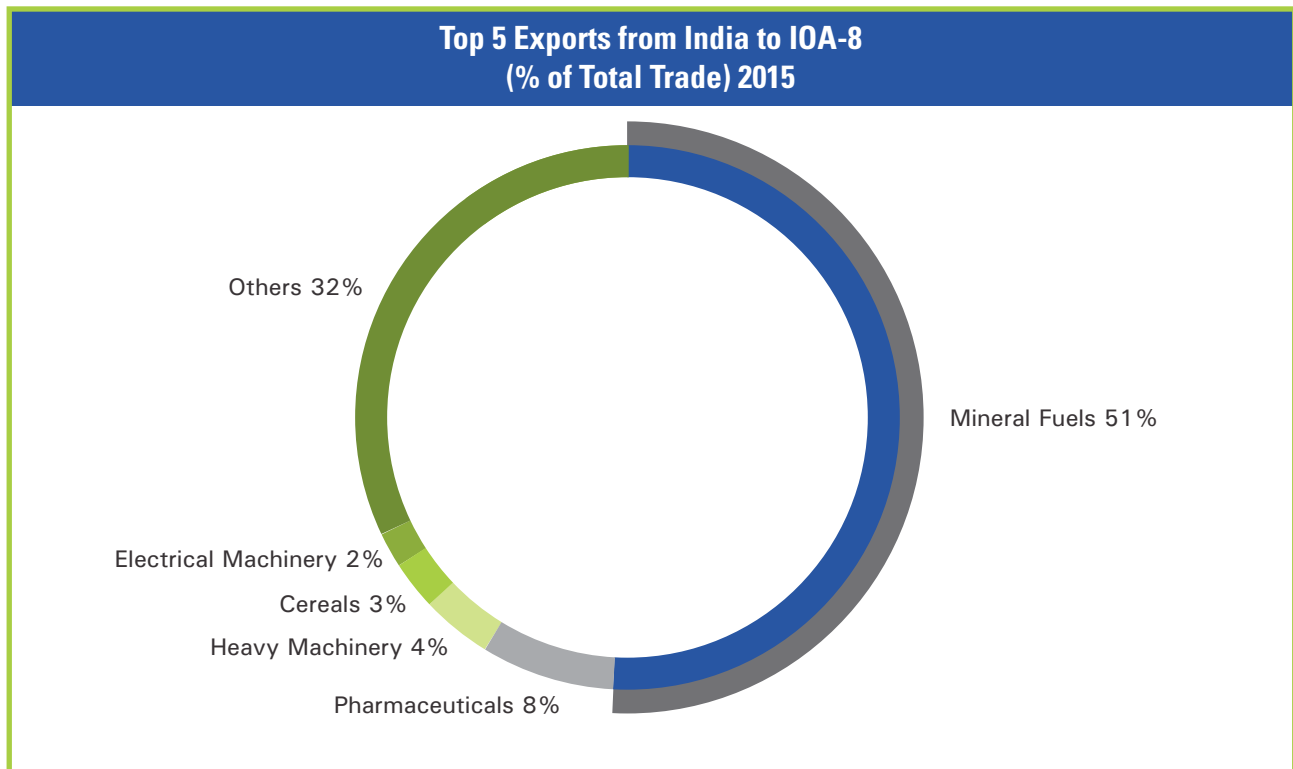


Figure 1.3 – Breakdown of India's Top Five Exports to all the IOA-8 nations (2015) (by value) (in USD)

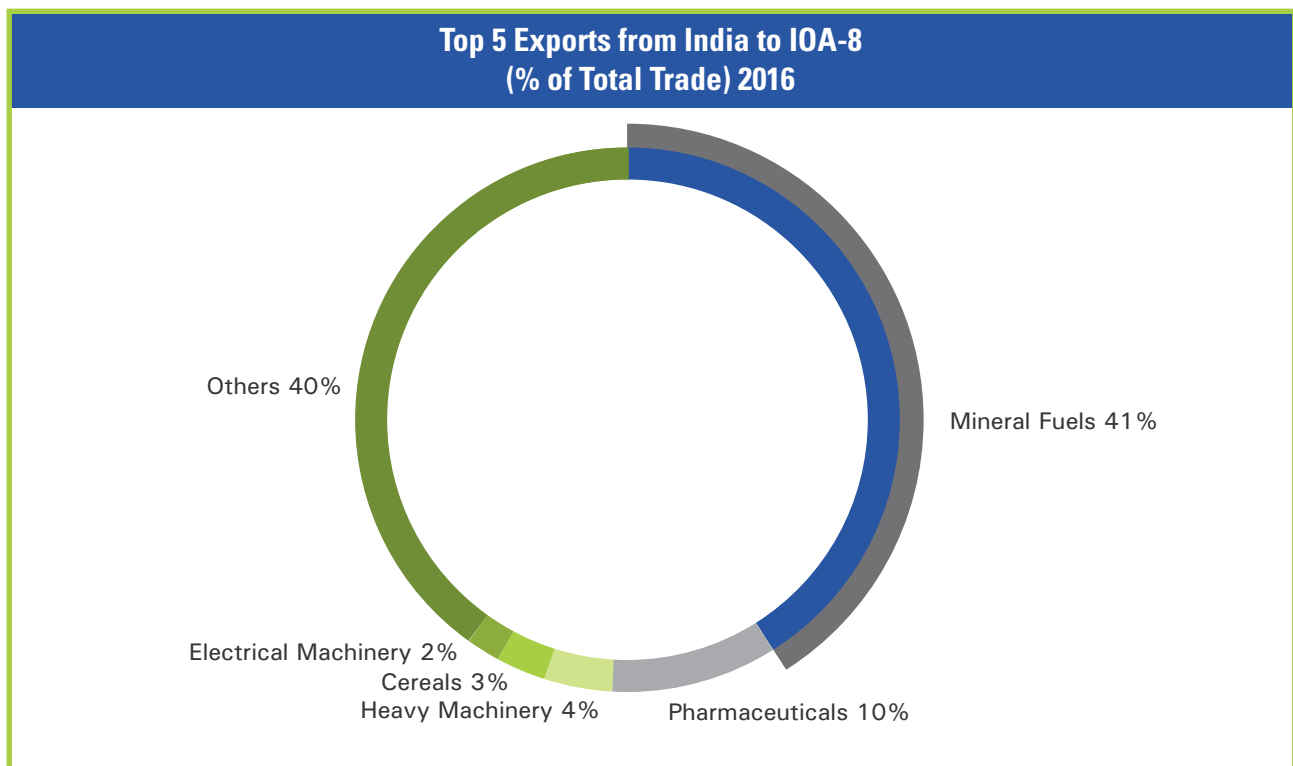


Figure 1.4 – Breakdown of India's Top Five Exports to all the IOA-8 nations (2016) (by value) (in USD)

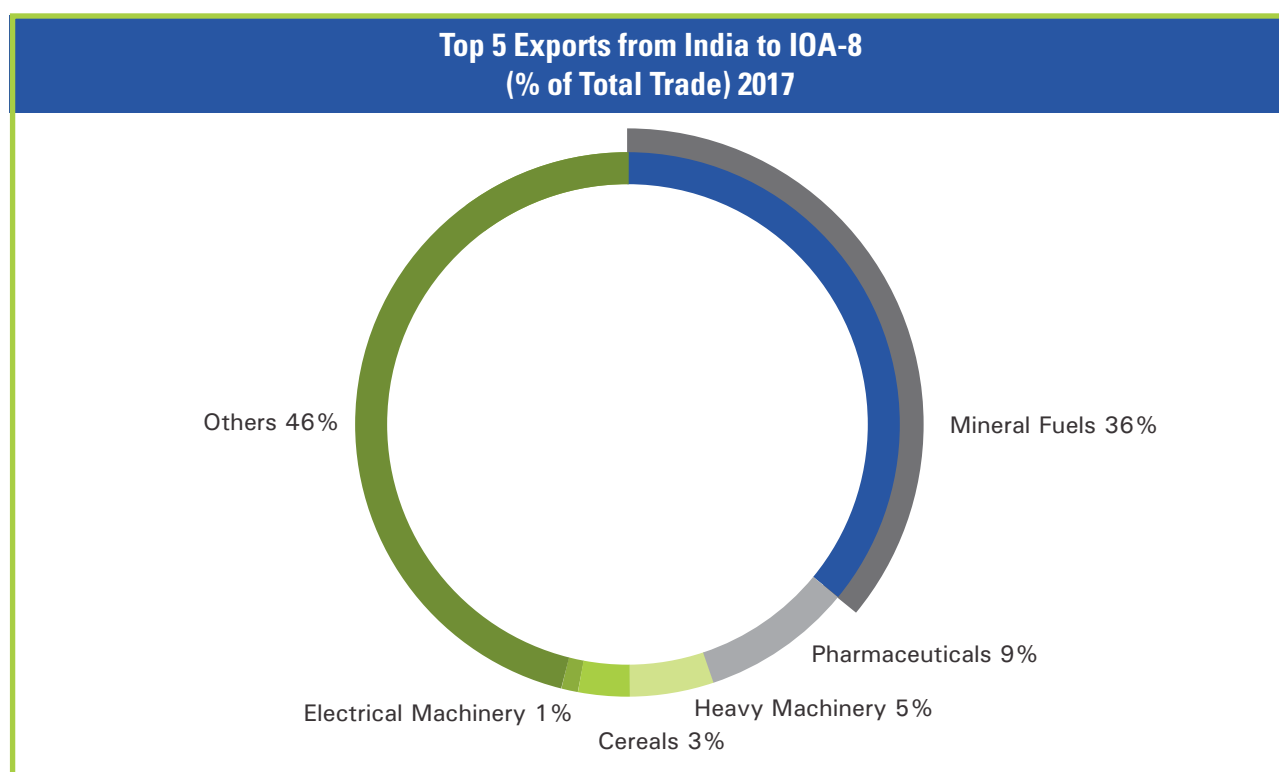


Figure 1.5 – Breakdown of India's Top Five Exports to all the IOA-8 nations (2017) (by value) (in USD)

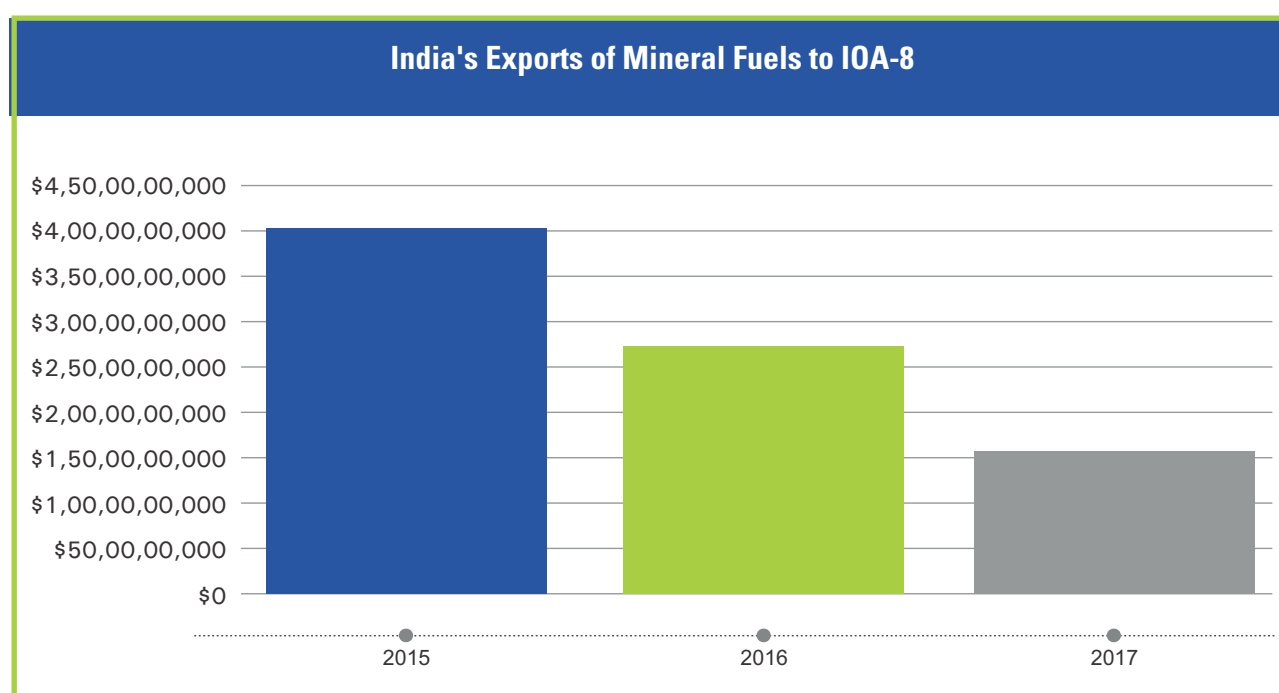


Figure 1.6 – Aggregate of India's Export of Mineral Fuels to all the IOA-8 nations (2015-2017) (by value) (in USD)

In respect to India's exports to the relevant East African nations, there has been a noticeable shift in the proportions of the types of commodities traded between 2015 and 2017. Notably, in both

absolute and relative terms, the role of mineral fuels in India's exports has deteriorated. As seen in Figure 1.6, in 2015, combining the exports to all eight nations, India exported a bit over 4 billion dollars' worth of mineral fuels, composing approximately 51.8 percent of India's total exports to these nations. In 2016 this reduced to 2.7 billion dollars and 41 percent, while in 2017 it reduced further to 1.6 billion dollars and 36 percent. While there was a general decrease in Indian exports at large to the region to accompany this, the decrease was by 44 percent of the total value as opposed to the decrease by 61 percent that was noted for mineral fuels. However, it is important to note, that countries like Kenya that have imported the bulk of mineral fuels from India during the three-year term, have fluctuating trade value in mineral fuels.

Pharmaceuticals are the second-biggest export from India to the IOA-8 nations and this can be attributed to the general growth of India's pharmaceutical industry over the years, and India's success in manufacturing low-priced generic medicine.⁸ As Figures 1.3, 1.4 and 1.5 showcase, the share of other commodities outside the 'Top 5' has fluctuated from 32 percent in 2015 to 40 percent in 2016 and then to 46 percent in 2017. This indicates that India has been unable to establish a niche in select exports to the IOA-8 market. The declining share of mineral fuels in exports plays a huge role in skewing the data in this regard. This makes it difficult for India to establish specific commodity linked infrastructure in this region.

A fact to note, however, is that India is a big exporter of services all around in the world, and in the absence of a unbiased and consistent database on the trade in services between India and the IOA-8 nations, trade in services data cannot be factored into the trade linkages between the two parties. India's success in the service sector in the past two decades, especially in information and technology will offer a clearer picture for the future.⁹ Moreover, India can utilize this specialization for skill developmental assistance in the IOA-8 nations, and market its service sector products to other African nations.

⁸ Indian Brand Equity Foundation, Indian Pharmaceuticals Industry Analysis, July 2018 <https://www.ibef.org/industry/pharmaceutical-india.aspx>

⁹ Arpita Mukherjee and Avantika Kapoor, India and Trade Facilitation in Services (TFS) Agreement: Concerns and Way Forward, Indian Council for Research on International Economic Relations, Working Paper No. 347 http://icrier.org/pdf/Working_Paper_347.pdf

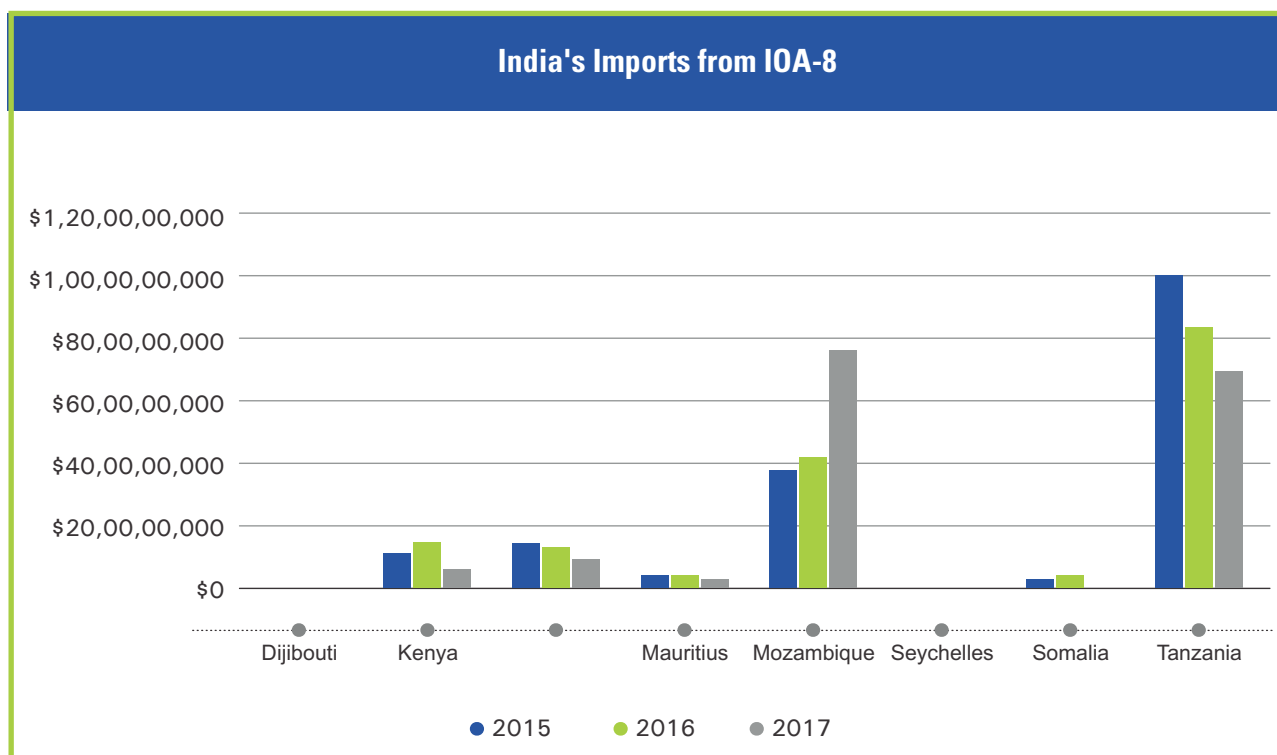


Figure 2.1 – India's Imports from the IOA-8 nations (2015-2017) (by value) (in USD)

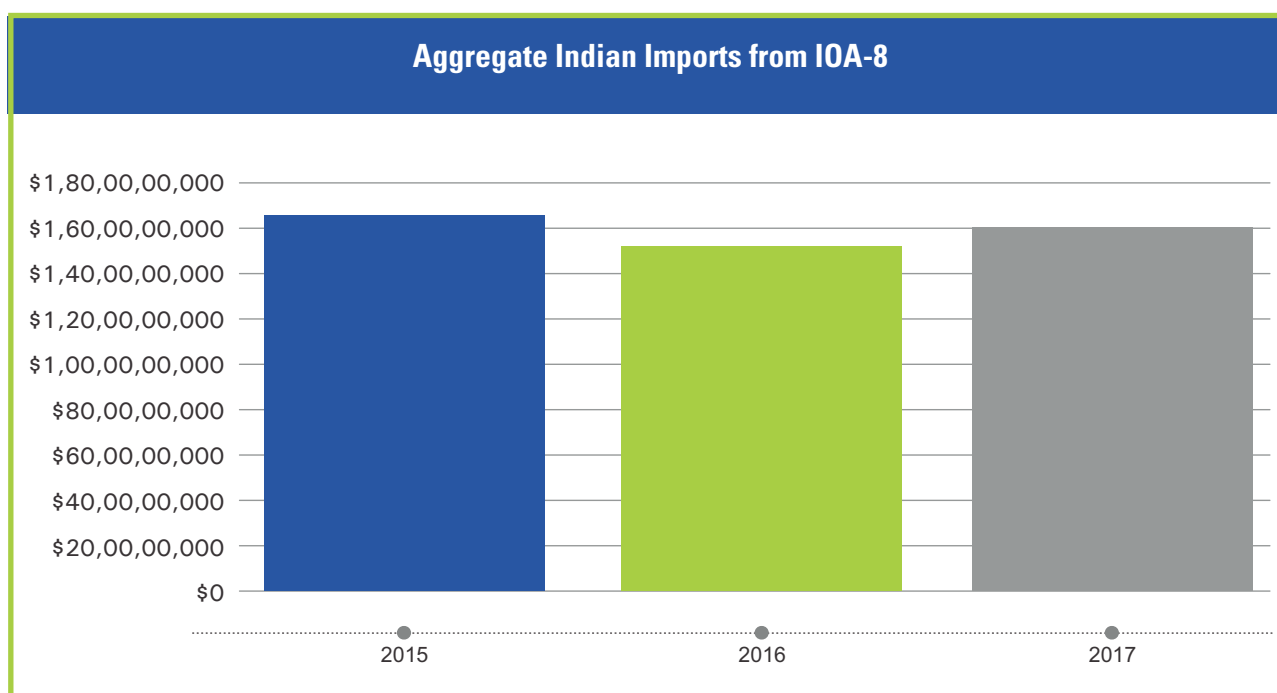


Figure 2.2 – Aggregate of India's Imports from all the IOA-8 nations (2015-2017) (by value) (inUSD)

The trends in the data suggest an overall consistency when it comes to the overall value of the commodities imported by India from IOA-8 nations. Between 2015 and 2016, there is a drop of 7.3 percent, while in comparison, between 2016 and 2017, there is an uptick 6.3 percent in the total value of commodities imported by India. The data however also shows, the import of commodities is not equally divided among the eight East African nations. The majority of the commodities imported from India come from Tanzania and Mozambique, which account for more than 80 percent of the total imports. As Figure 2.1 shows, only once did Indian imports from these nations touch the \$1 billion mark, when in the year 2015, Tanzania exported \$1,004,389,133 worth of commodities to India.

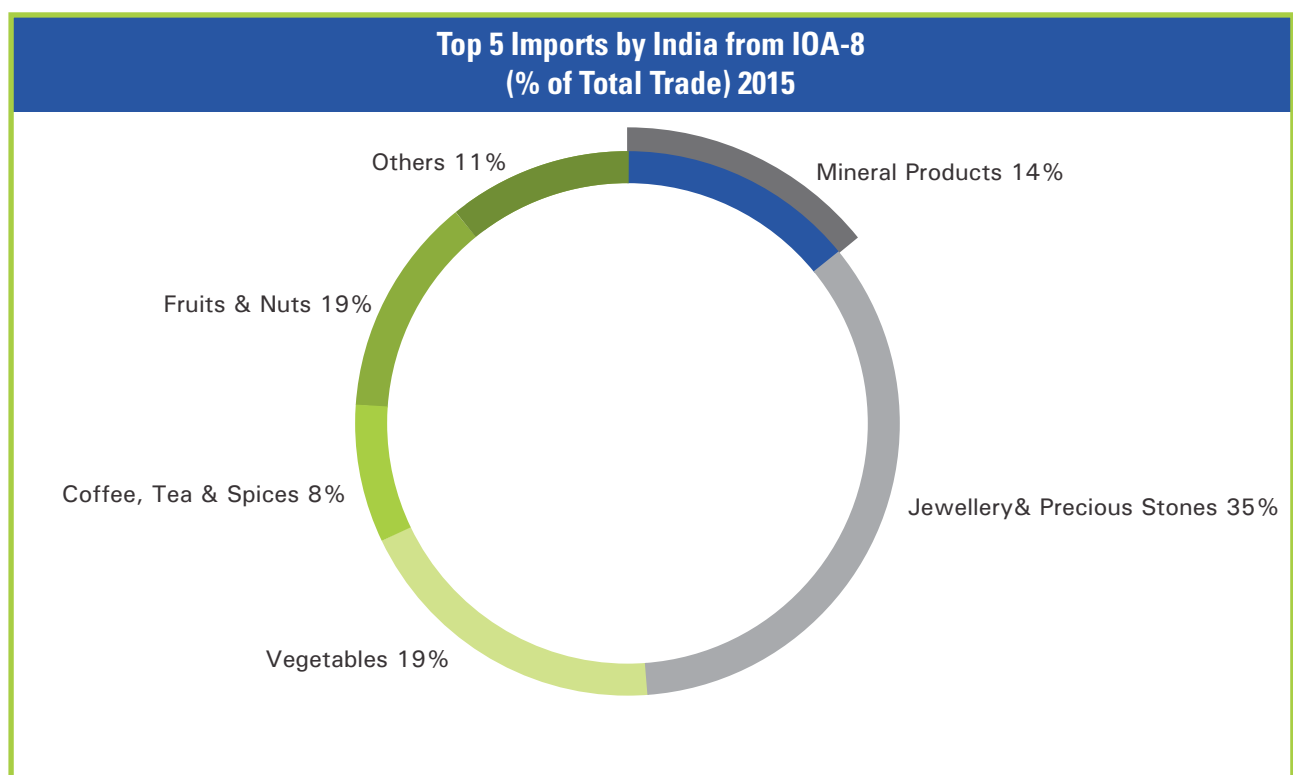


Figure 2.3 – Breakdown of India's Top Five Imports from the IOA-8 nations (2015) (by value) (inUSD)

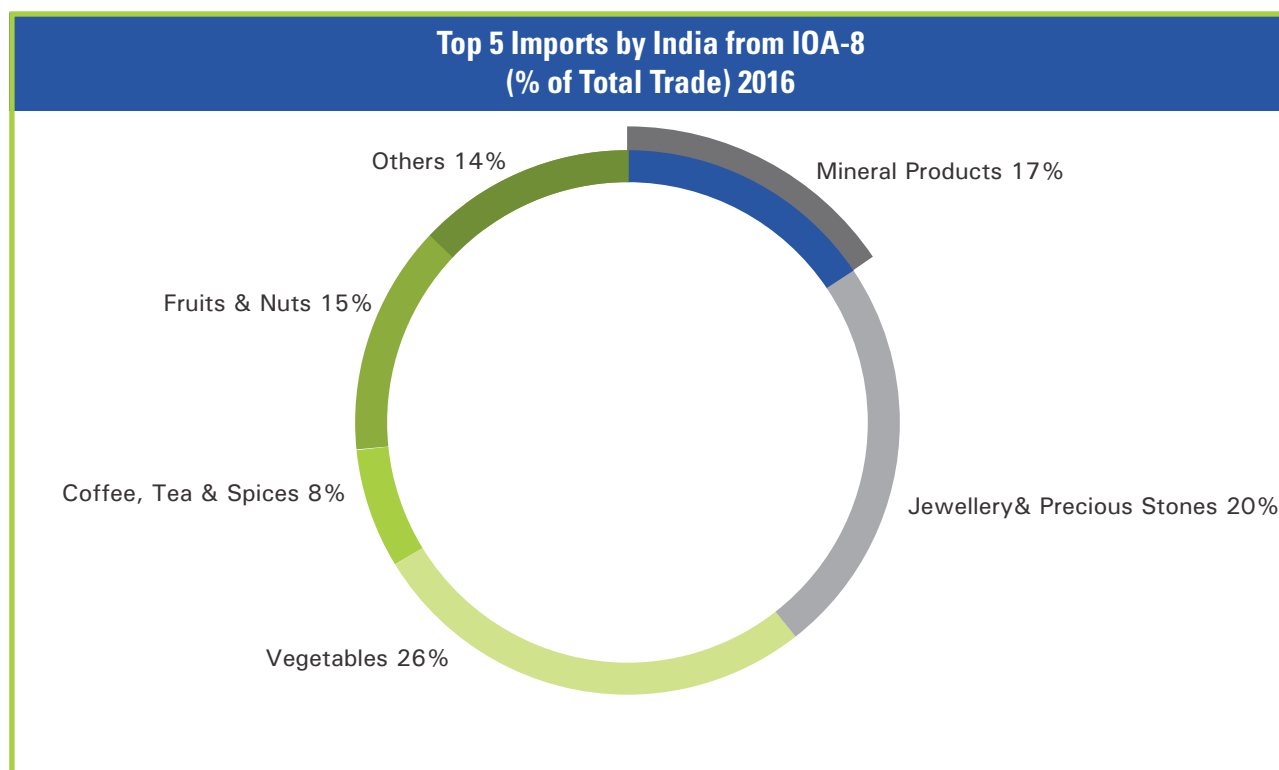


Figure 2.4 – Breakdown of India's Top Five Imports from all the IOA-8 nations (2015) (by value) (in USD)

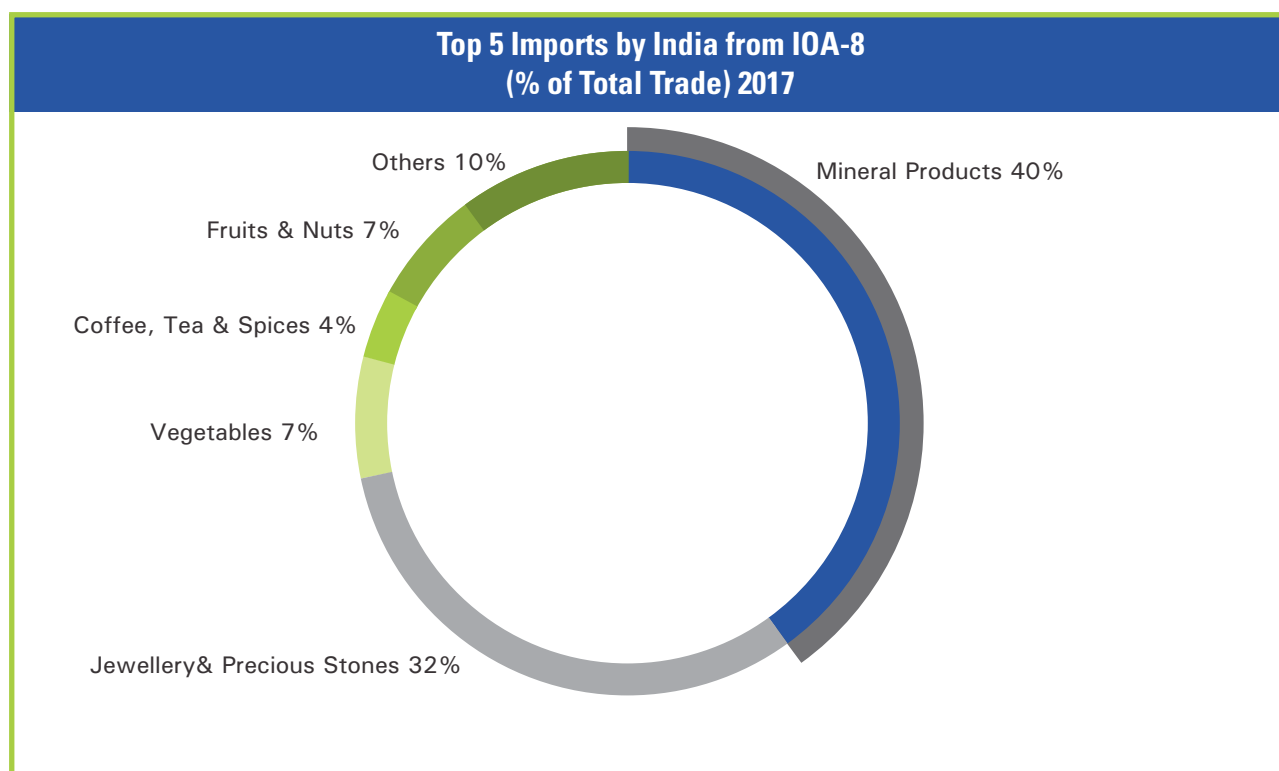


Figure 2.5 – Breakdown of India's Top Five Imports from all the IOA-8 nations (2015) (by value) (in USD)

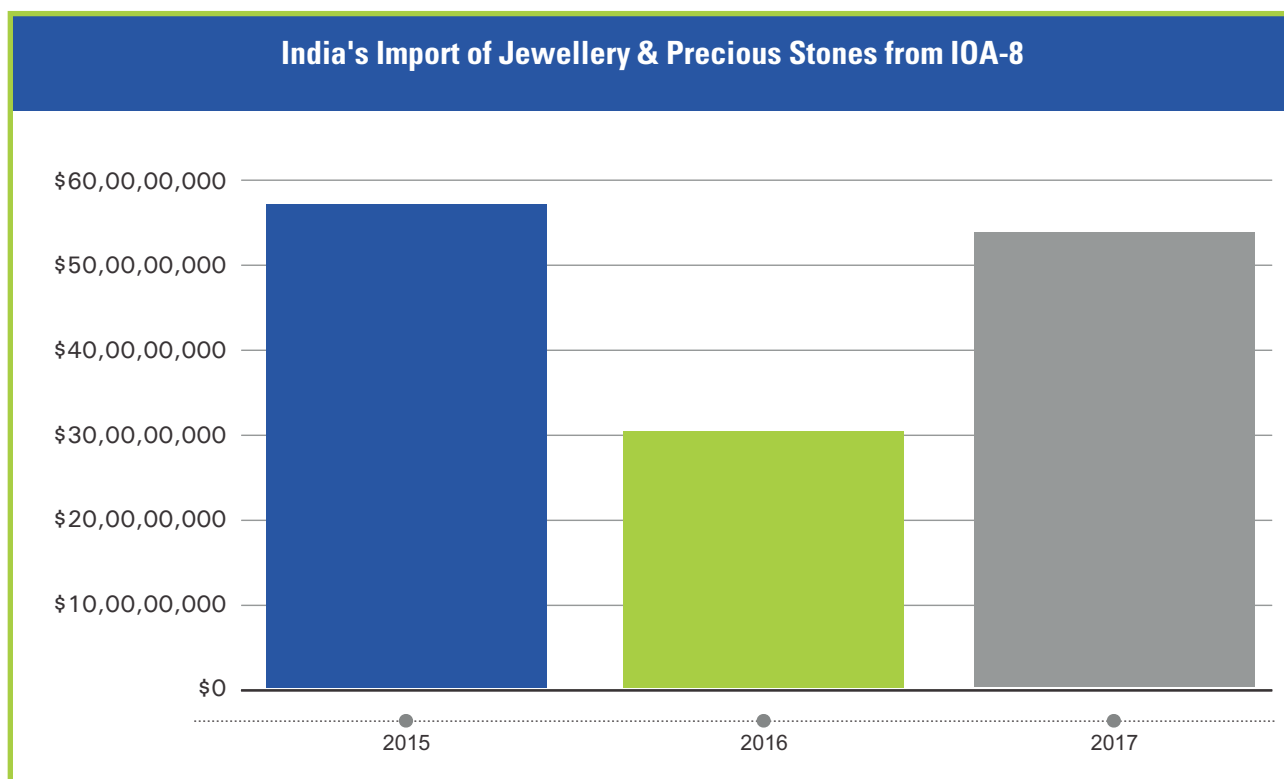


Figure 2.6 – Aggregate of India's Import of Jewelry & Precious Stones from all the IOA-8 nations(2015-2017) (by value) (in USD)

As, Figures 2.3, 2.4 and 2.5 show, the commodity group imported by Indian from the IOA-8 in the highest proportion by aggregate value over the three years is jewelry and precious stones. However, the figure of percentage of total trade fluctuates between 35 percent in 2015 to 20 percent in 2016 to 32 percent in 2017. Mineral Products account for the second largest imported commodity by value, and in the year of 2017 was the highest imported commodity by India from the IOA-8.

There is an overall consistency in the break-up of goods imported by India, with commodity groups such as vegetables, fruits and nuts, and coffee, tea and spices, all being traded in similar proportions. The value of jewelry and precious stones however, is attributable to Tanzania. Other products are consistently in the range of 10-41 percent of imports by India. This is opposite to the trend noticed among the export in commodities between the two groups. Therefore, while trade linkages in specific imports are well established, there is an overall lack of consistency in exports. Such inconsistency in the exported commodities and imported commodities begs the question, if all other trade indicators, as later showcased, are consistent over the period of three years, except Indian exports to the IOA-8 nations, there is a need for India to come up with a specialized trade policy and initiative for its exports to these nations.

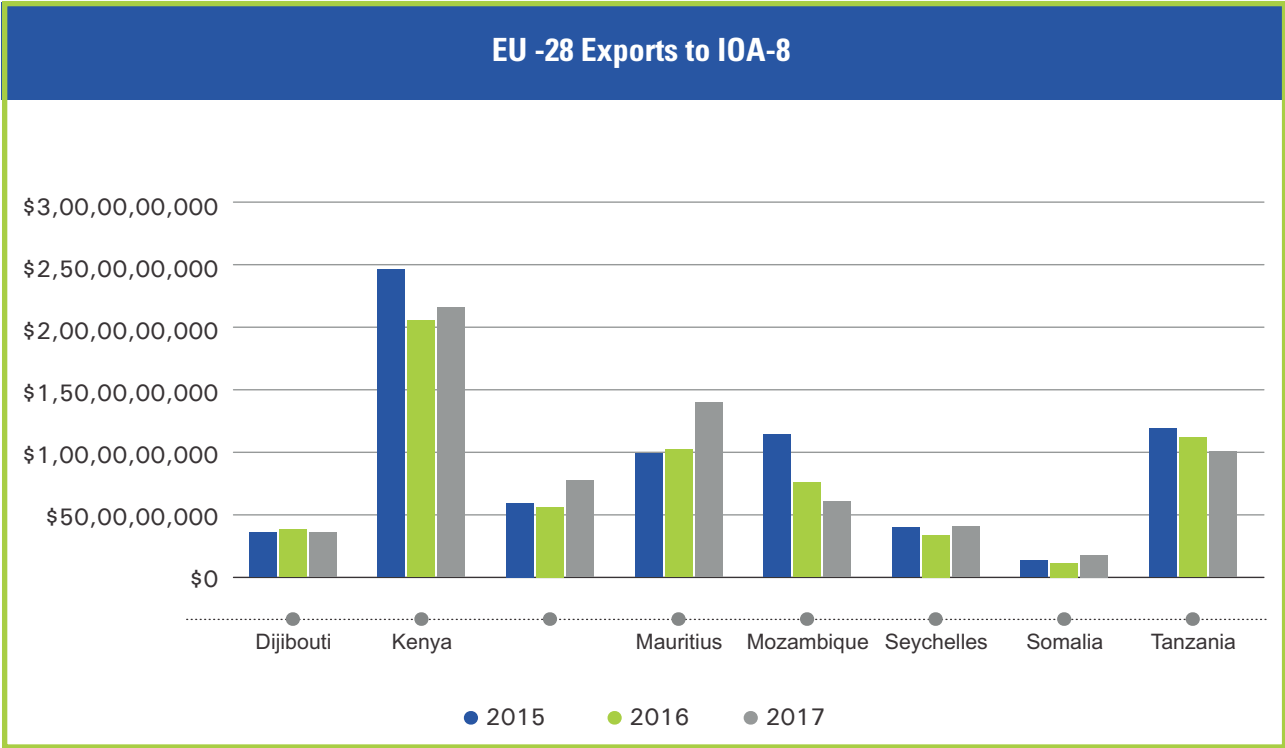


Figure 3.1 – EU-28's Exports to all the IOA-8 nations (2015-2017) (by value) (in USD)

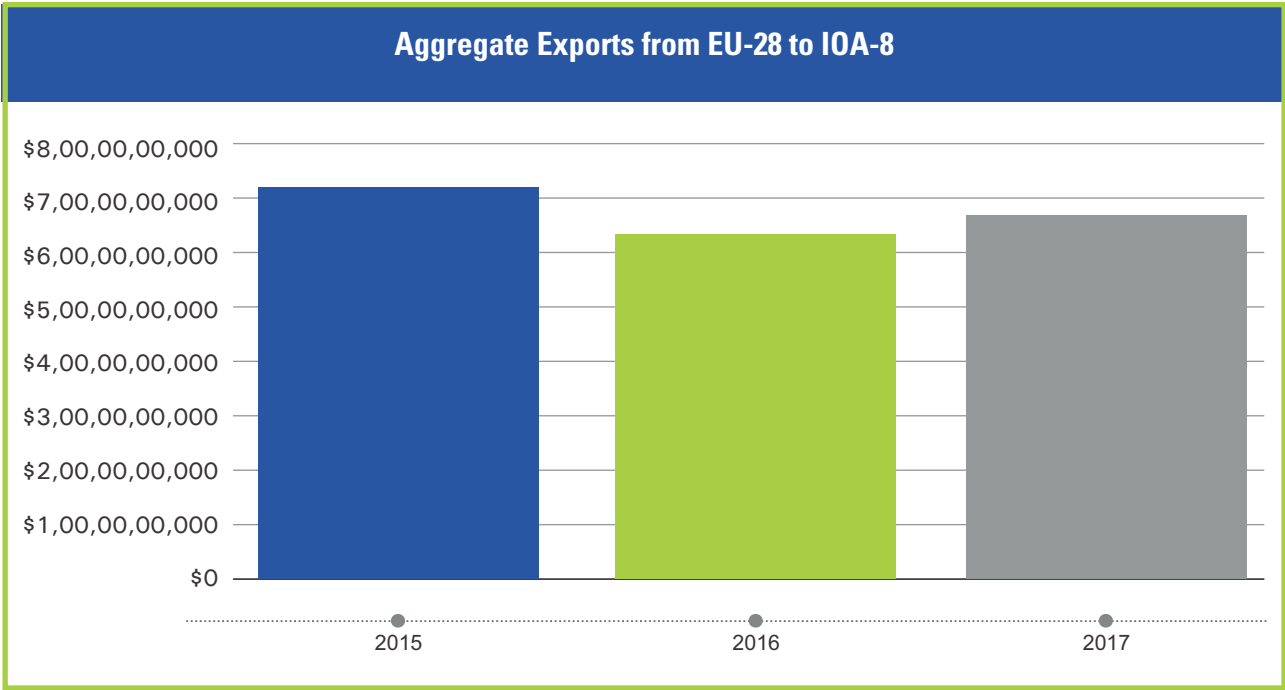


Figure 3.2 – Aggregate of the EU-28's Exports to all the IOA-8 nations (2015-2017) (by value) (in USD)

The trend in the data suggests an overall consistency in the value of commodities exported from the European Union (28) to the IOA-8 nations. There was an 11 percent decrease between 2015 and 2016, but then increased by 7.7 percent between 2016 and 2017. Kenya, which makes up for bulk of the European exports to these nations accounts for the fluctuation. Compared to India, the European Union enjoys a higher value of exports to countries like Seychelles and Mauritius.

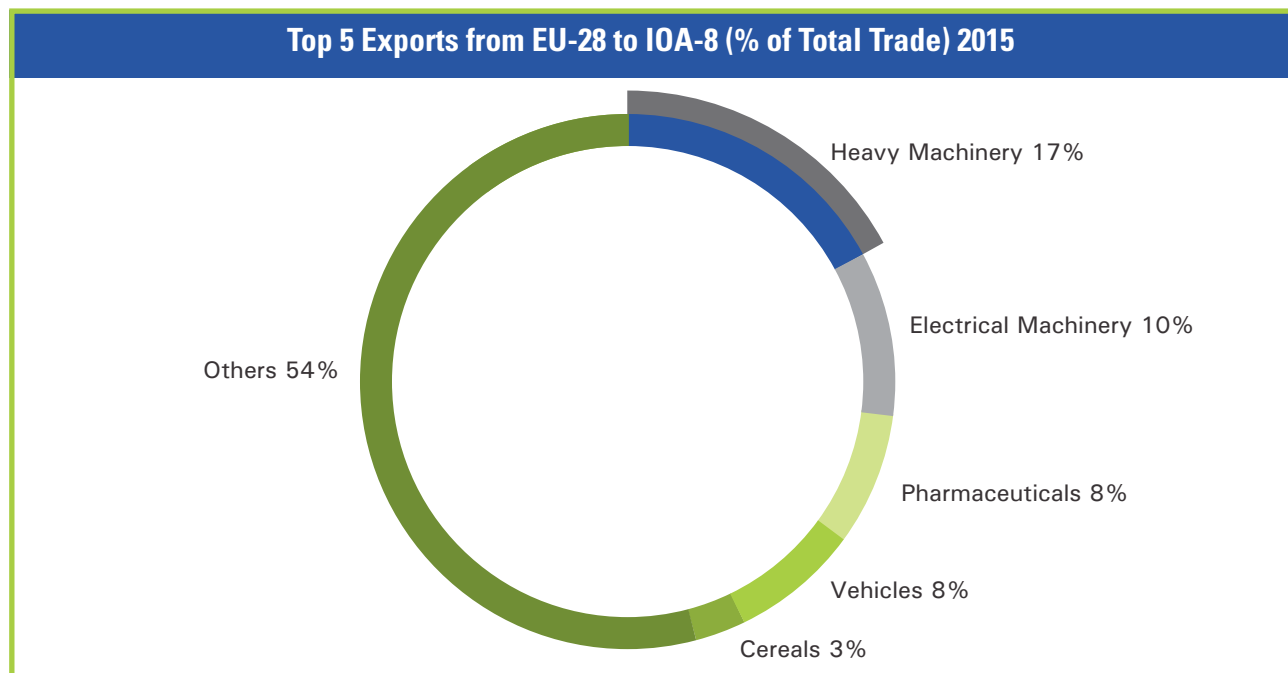


Figure 3.3 – Breakdown of EU-28's Top Five Exports to all the IOA-8 nations (2015) (by value)(in USD)

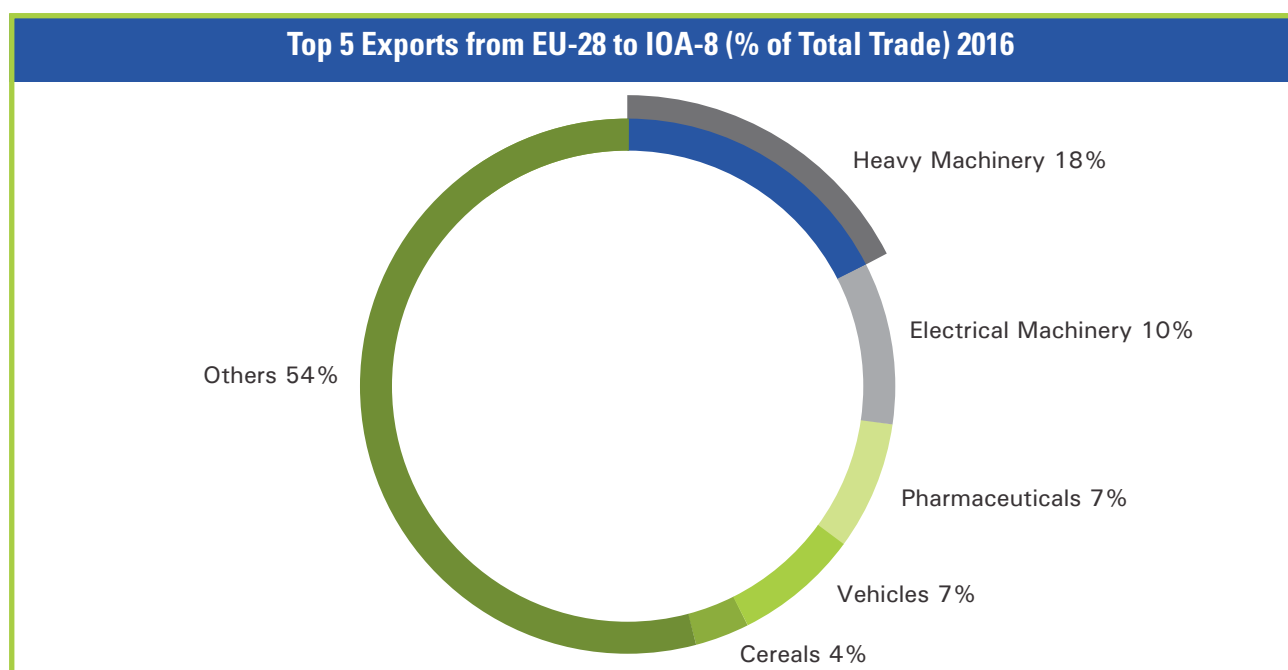


Figure 3.4 – Breakdown of the EU-28's Top Five Exports to all the IOA-8 nations (2015) (byvalue) (in USD)

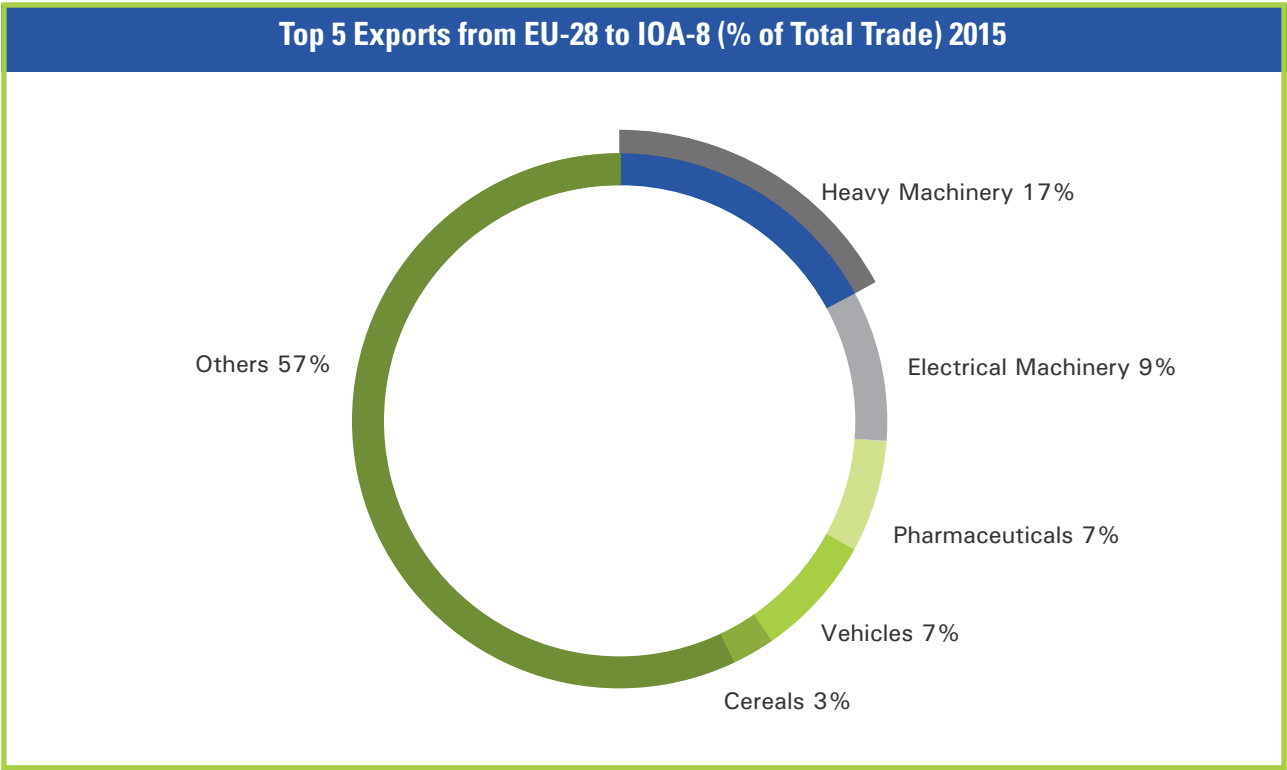


Figure 3.5 – Break-up of the EU-28's Top Five Exports to all the IOA-8 nations (2015) (by value) (in USD)

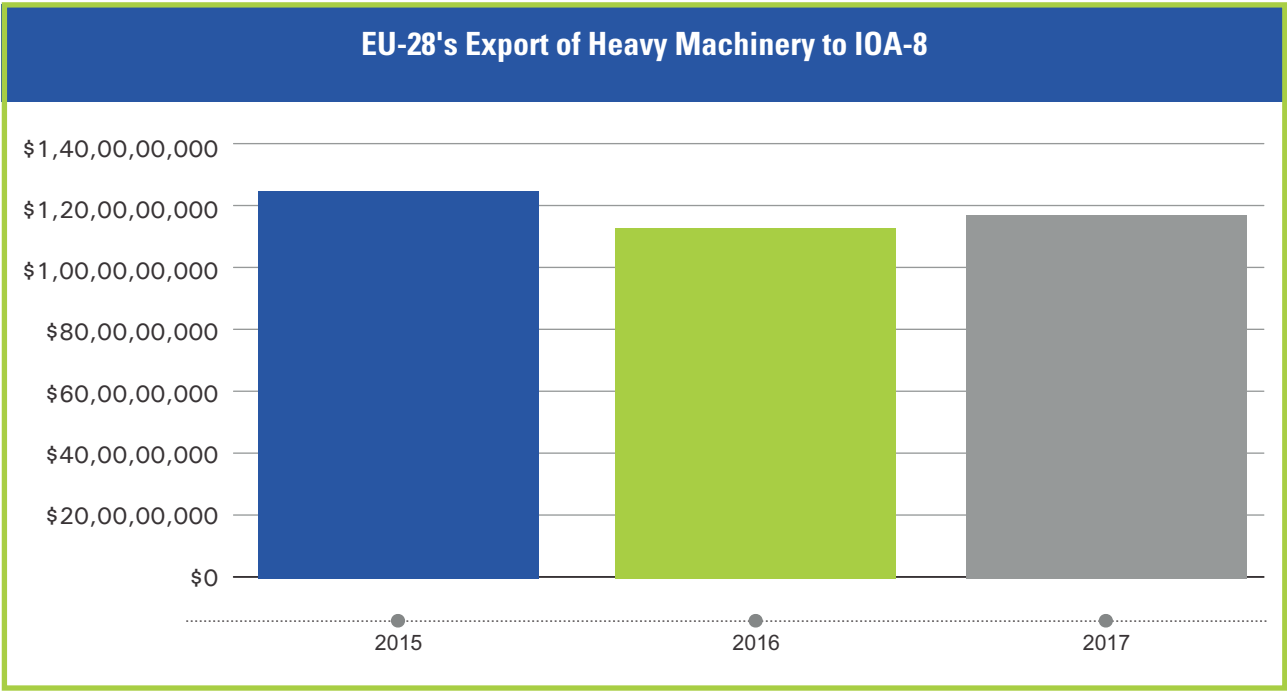


Figure 3.6 – Aggregate of EU-28's Export of Heavy Machinery to all the IOA-8 nations (2015-2017) (by value) (in USD)

As seen in Figures 3.3, 3.4 and 3.5, Heavy Machinery is the top exported commodity from the EU-28 to the IOA-8 nations ~ 17 percent. The African nations under analysis do not possess highly developed industrial bases, and therefore are unable to manufacture some of the machines required in factory sized production.¹⁰ Similarly, electrical machinery is the second largest exported commodity from the European Union to these countries ~ 10 percent. An agreement to establish a technology park in one of the IOA-8 nations could help the EU-28 and India in boost their respective trade in the heavy machinery and electrical machinery sector by establishing direct business to business contacts.

Pharmaceuticals is another sector that sees trade between the European Union and the IOA-8, constituting ~ 7 percent trade in overall value over 2015, 2016 and 2017. At a time when societies in the IOA-8 nations are developing and there is greater demand for healthcare products, the pharmaceutical industry should see consistent growth in the long run.¹¹ India is also a key exporter of pharmaceuticals to these nations. This could provide a possible avenue for collaboration between India and the EU to design better medical infrastructure in these countries through developmental assistance, subject to concerns about competition between the two exporting sectors.

The share of trade among different commodities exported by the European Union is seen to be very consistent over the three years, even though trade values of these exports have fluctuated over time. This indicates that the European Union have established a concerted market of specific exports. While other commodities apart from the 'top 5' mentioned above account for more than half of the exports of the EU to these nations (54 ~ 57 percent), they widely vary from country to country. This indicates that the EU-28 nations have developed distinct trade linkages between themselves and individual IOA-8 nations.

¹⁰ John Page, Africa's Failure to Industrialize: Bad Luck or Bad Policy? Brookings Institution, November 20, 2014 <https://www.brookings.edu/blog/africa-in-focus/2014/11/20/africas-failure-to-industrialize-bad-luck-or-bad-policy/>

¹¹ Edwin Ngarari Africa's Massive Healthcare Opportunity Is Underestimated, The Nerve Africa, August 18 2017 <https://thenerveafrica.com/12548/africas-massive-healthcare-opportunity-is-underestimated/>

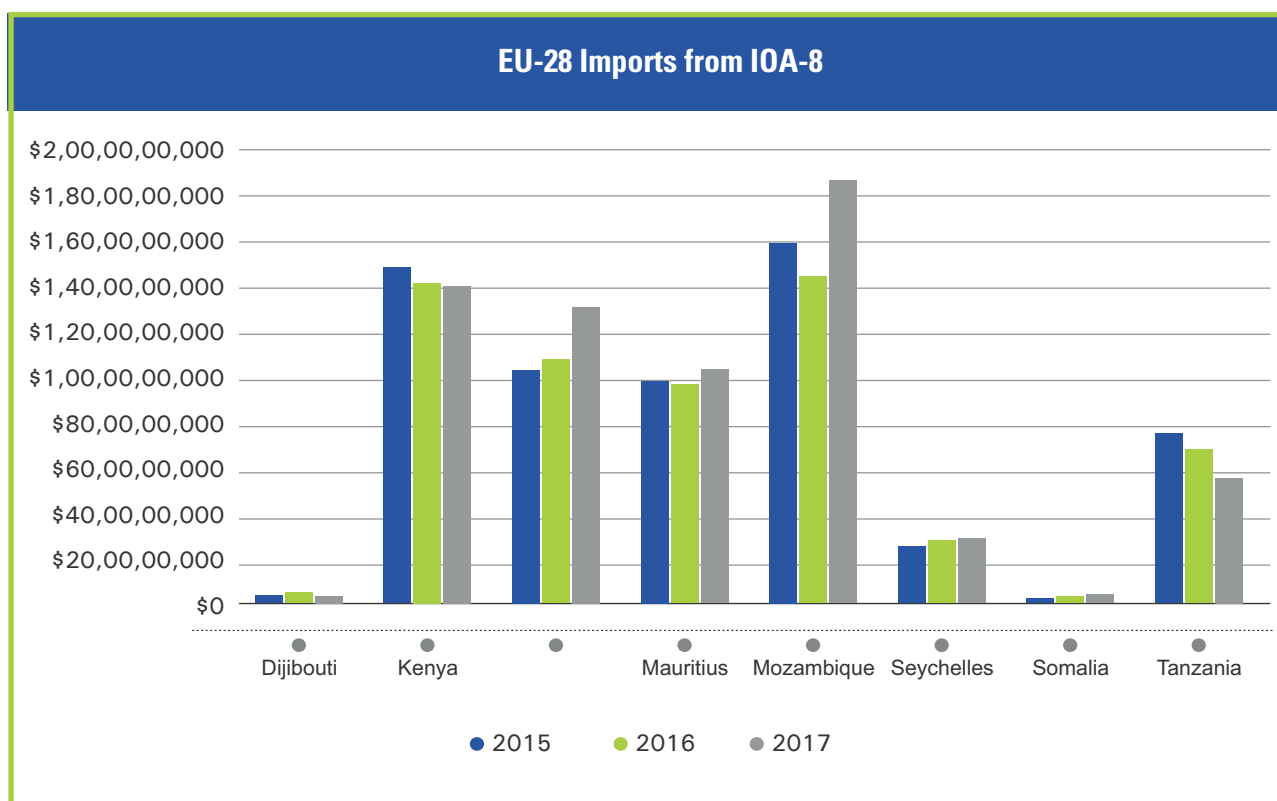


Figure 4.1 – EU-28's Imports from all the IOA-8 nations (2015-2017) (by value) (in USD)

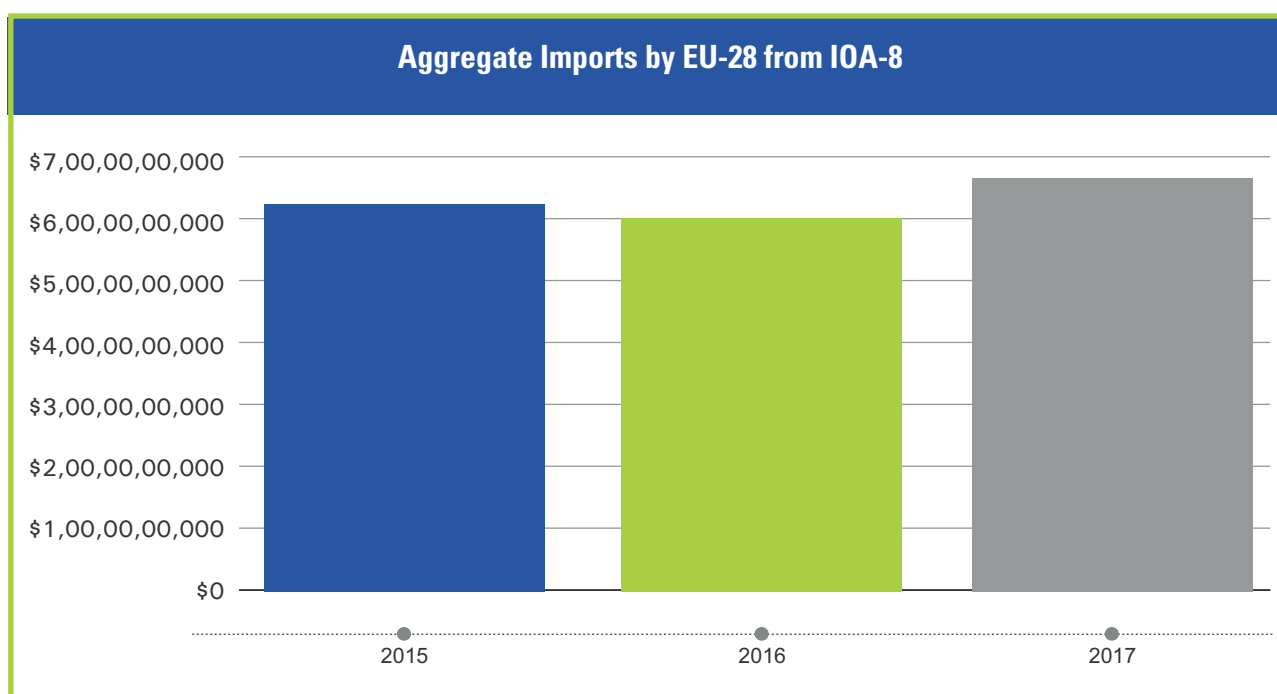


Figure 4.2 – Aggregate of EU-28's Imports from all the IOA-8 nations (2015-2017) (by value) (inUSD)

The trends in the data suggest an overall consistency in the value of commodities imported by the European Union (28) from the IOA-8 nations. There was a 3.5 percent decrease between 2015 and 2016, but then increased by 10 percent between 2016 and 2017. Mozambique accounted for the majority of commodities exported by the EU-28 from the IOA-8, while the other nations consistently exported commodities to European Union. As show in Figure 4.1, Kenya, Madagascar and Mauritius exported commodities in the excess of \$ 1 billion for the three years studied.

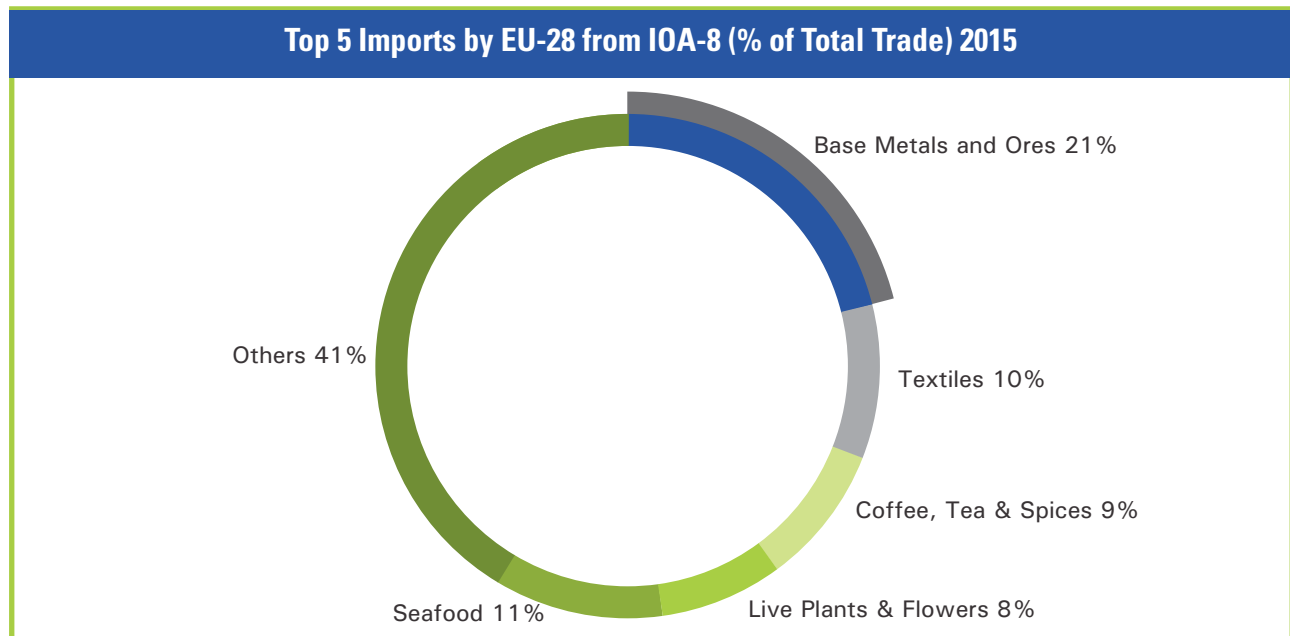


Figure 4.3 – Breakdown of EU-28's Top Five Imports from all the IOA-8 nations (2015) (byvalue) (in USD)

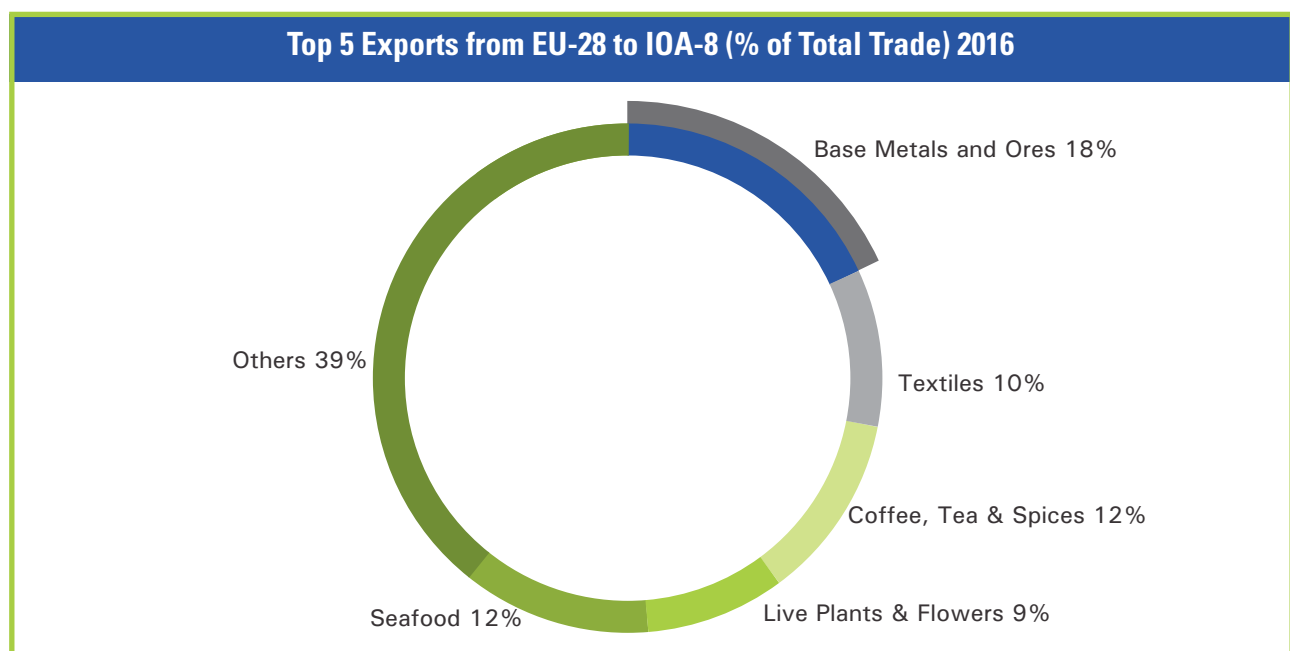


Figure 4.4 – Break-up of the EU-28's Top Five Imports from all the IOA-8 nations (2015) (byvalue) (in USD)

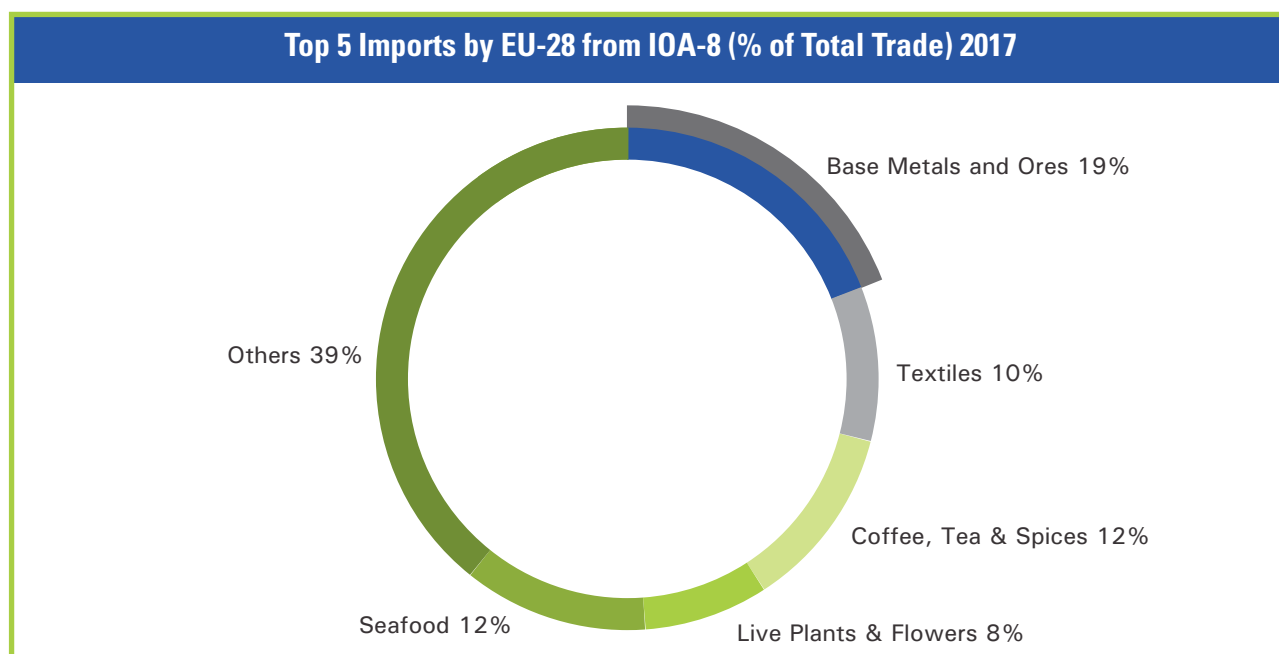


Figure 4.5 – Breakdown of the EU-28's Top Five Imports from all the IOA-8 nations (2015) (byvalue) (in USD)

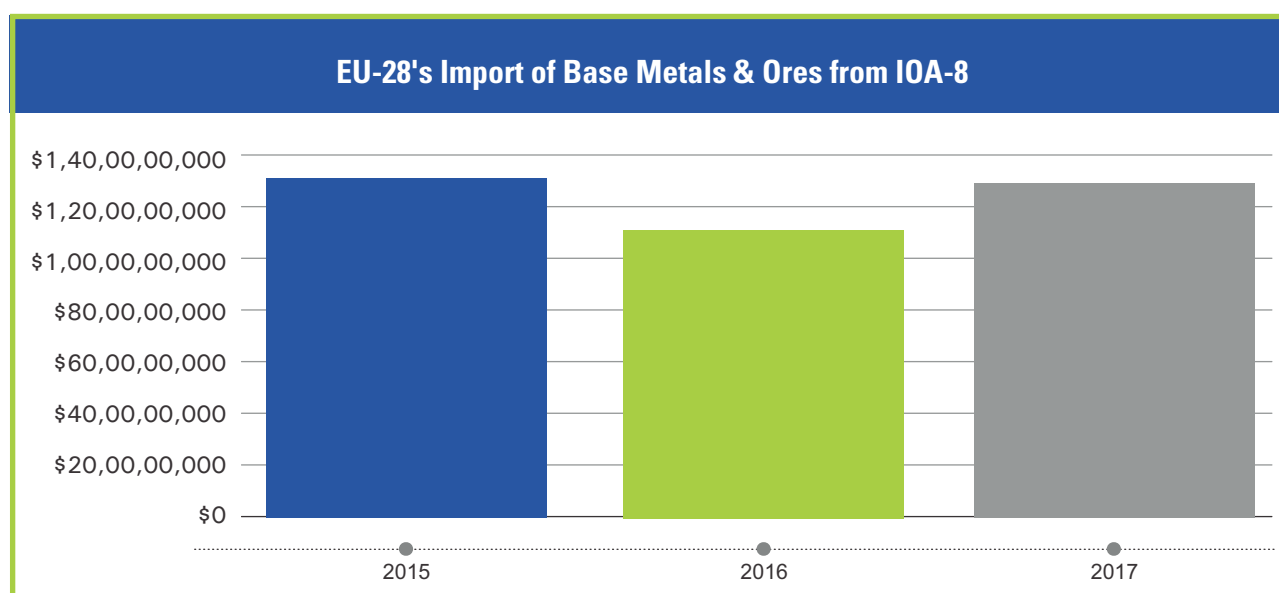


Figure 4.6

The commodity group imported by the EU-28 from the IOA-8 countries in the highest proportion by aggregate value is base metals and ores. However, the figure of percentage of total trade hovers between 18 ~ 21 percent. Seafood and prepared Seafood foodstuffs are the second biggest imported commodity by the EU. However, the import of seafood is mostly from the island nation economies Seychelles and Mauritius. Live plants and flowers are the fifth largest imported commodity, but this can be attributed completely to Kenya, whose trade value in the product

alone surpasses the trade value of many other products like vegetables that are imported from two or more of the IOA-8 nations. Other products are consistently in the range of 39-41 percent of imports by the European Union. This suggests a similar trend noticed in the export of commodities between the two groups. Trade linkages in specific products with specific countries are well established and there is overall consistency in the nature of good exchanged. Such consistency in the nature of goods helps plan proper trade infrastructure geared towards a certain group of commodities.

The Overall Trends

Naturally, it is important while analyzing overall trade trends in the region to consider the unique circumstances of each individual nation in the region. For example, the relative individual trade activity of each of these nations is inevitably impacted by their economic size. It is clear when evaluating the total trade (imports + exports) divided by the GDP of each nation that certain countries' economies rely more on trade with the EU-28 and India. Notably, the proportion of the Seychelles' total trade with the EU-28 to their GDP is around 15 times that of Somalia or Tanzania, and around 9 times Kenya's. Similar trends exist with India's trade activity.

In 2015, India's export volume to the IOA-8 was higher, but in generally it appears that the EU enjoys a larger trade volume (both exports and imports) with these countries, and this is visible in both 2016, and in 2017. India has generally failed to capitalize on its geographical proximity to East Africa; perhaps a trade policy that continues to de-prioritise or arbitrarily control African imports is responsible. At the present moment, India's exports to these nations exceed its imports by large margins, thus creating large trade deficits for the IOA-8 nations with India.

A straightforward comparison of the combined import and export quantities of India and the EU-28 to East Africa reveals a substantial difference in absolute terms. The EU-28 has generally maintained a significantly higher trade volume consistently over the period; Trade with the EU has greater volume in absolute terms in all but two of the six nations studied (Somalia and Tanzania). However, adjusting for the higher cumulative GDP of the EU-28 compared to India (~ 17 trillion vs 2.2 trillion), India's trade, relative to GDP, is of a greater volume than the EU-28's. When normalized by GDP in this manner, India trades at greater volumes in all but two of the eight relevant East African nations (Seychelles and Madagascar).

Going forward, it is likely that the Indian Ocean littoral states will become gateways into Africa for competitive Asian manufacturing products. It is also likely therefore that the norms of trade in the IOA-8 will be a big influence on the trade policy around which Eastern African free trade will be set up. East Africa is the fastest growing region in the African continent for the past 3 years, and many projections agree that it will keep growing at over five percent in the coming years.¹² Thus the EU-28 and India will manage their economic relationship with these countries will be very

¹² African Development Bank Group, East Africa Economic Outlook 2018, March 12, 2018 <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African-Economic-Outlook-2018-East-Africa.pdf>

important for its economic relationship with Africa as a whole, as the Tripartite Free Trade Area is operationalized.¹³

Data shows the comparative advantage the EU-28 holds in electrical and heavy machinery goods to these countries. As automation enters the next economic cycle, and becomes a global supply chain staple, the EU-28 will become the key supplier and benefactor around which the region could modernize. The demand for heavy machinery and electrical machinery is high among the countries analyzed.

It is important to note that these trade flows are far from static. In fact, they are likely to rapidly change and evolve. At a time when negotiations are going to establish a Continental Free Trade Area, countries in Eastern Africa facing the Indian Ocean, especially IOA-8, will have greater access to markets inside Africa. Subsequently, a free trade area encompassing all of Africa could mean a decrease in the trade many perishable and consumer commodities along with natural resources that African nations trade with the rest of the world. At which point many of the IOA-8 states could become the gateway for only specialized products entering from Asia, especially mineral fuels, machinery, textiles, automobiles, and exiting of perishables and organic products from other parts of the continent.

Conclusion: An Integrated Indian Ocean Trade Regime?

It is clear that an objective analysis of available trade data suggests that there are considerable differences in the pattern of trade that East Africa has with the European Union and with India. In this context, we will examine several alternative scenarios of India-EU co-operation in the Western Indian Ocean, to see which is likely to create buy-in among all stakeholders given the pre-existing pattern of trade.

The wide-angle scenario: Building trade infrastructure

In many cases, the greatest institutional resistance to co-operation on trade in the Western Indian Ocean is likely to come from the Indian side. This is for understandable historical reasons. India is seeking to build up its influence in Africa more broadly and also in the Indian Ocean littoral states; thus unless there are strong and compelling reasons for it to seek synergies with another country or grouping, it will not want to dilute its influence and work bilaterally.

Yet there are also reasons to suppose that this traditional resistance is no longer as tight a constraint as it was earlier. The Indian government's rhetorical commitment to the Asia-Africa Growth Corridor, which is essentially a bilateral project with the government of Japan, is a useful and relevant example of this relaxation.¹⁴ The AAGC's focus is clearly on extending both countries' influence in the Indian Ocean Region. India has enthusiastically sought avenues for co-

¹³ Calestous Juma and Francis Mangeni, The Benefits of Africa's New Free Trade Area, The Belfer Center for Science and International Affairs, Harvard University, June 11, 2015 <https://www.belfercenter.org/publication/benefits-africas-new-free-trade-area-0>

¹⁴ Economic Research Institute for ASEAN and East Asia (ERIA), Asia Africa Growth Corridor: A Vision Document, May 2017 <http://www.eria.org/Asia-Africa-Growth-Corridor-Documents.pdf>

operation with Japan in the Indian Ocean, with an eye more on a strategic convergence between the two countries than on immediate results; the question is whether there could be any rationale for a similar engagement with Europe in the region.

The data shows that both India and EU import a substantial number of organic products from these nations. Any new Indian Ocean trade regime needs to improve on the current problems with the slow delivery of perishables – a reduced turnaround time at ports, and better port infrastructure, roads, and railways would help. The East Africa Community (EAC) operates five modes of transport systems consisting of road, rail, maritime, air transport and oil pipeline. India and the EU can support the EAC in reforming the infrastructure sector and reduce logistical costs in the long-run. Proper regulatory authorities and operational agencies are required to this end.¹⁵ Fiber-optic cables and a unified information resource center can help manage the logistical information of trade in commodities between IOA-8 and the rest of the world.

Yet it is possible, given the above data analysis, that the existing economic linkages are insufficient for co-operation to emerge organically. While the European Union has more developed supply relationships with East Africa than India does, the crucial common supply chains that would provide an impetus to co-operation are missing. In particular, the volatility in Indian imports from East Africa makes it difficult for a sustained relationship capable of co-operating on, say, infrastructure development, to form without an external political impetus. This does not mean that there is no reason for such a relationship. In fact, the opposite is true. However, it does increase the barriers to co-operation and raise the level of political engagement that would be necessary for a productive three-way relationship.

To choose a concrete example, consider the export of pulses – a staple food in India – from East Africa. The production of pulses is highly variable across time, and domestic prices in India are extremely responsive to supply shocks. On occasions when Indian production is insufficient to meet the growing demand for protein-rich pulses domestically, imports from East Africa in particular spike. Yet the next year, trade in that very commodity may shrink – indeed, partly as a response to non-tariff barriers being imposed by the Indian government. A longer-term perspective on commodity trade of this sort is required. Variability in trading volumes is not a sign of unimportance; in fact, of the opposite, since trade may be essential for a steady supply of an essential commodity. Yet volatility in volumes – and thus in the profits of traders – makes it difficult to form a steady political bloc that could argue for the expenditure involved in the creation of trade-enhancing infrastructure – such as, for example, more modern warehousing to serve Indian Ocean trade.

This then must be a major aim for India's partners in the Indian Ocean Region (IOR). Their own steady trading volumes gives them an advantage in creating a constituency for investment in infrastructure. Synergies with existing Indian Ocean initiatives like the Asia-Africa Growth Corridor need to be exploited. When these factors are considered together with the strategic reasons for co-operation in the IOR, it is possible that both India's traditional unwillingness to

¹⁵ For more information see the East African Community official website: <https://www.eac.int/infrastructure>

dilute its influence and its schizophrenic attitude to trade will be overcome. India's own reputation on the delivery of such projects – such as in Afghanistan or in Myanmar – has not always been positive, and certainly bears scope to be expedited. Again, therefore, its partners will have to initially take on the responsibility of ensuring a catalytic amount of energy and of finance. India's strategic commitment to increasing connectivity in the Indian Ocean Region is unquestionable. But for “hard” infrastructure to be built, the co-operation of like-minded trading nations, including Japan and the European Union, is essential. From the European side, it might reasonably be assumed that there is a possibility of some resistance to grand joint initiatives, particularly by former European Member States with historical/colonial ties or current territories in the region. However, this problem might be avoided by the use of smaller, focused initiatives that supplement the special trade arrangements made between the EU and littoral states..

The focused scenario: Governance, health and regional development

Both India and the European Union have expressed a clear interest in enabling governance effectiveness in Africa. The question that emerges from an analysis of trade patterns is whether there is a specific and common direction that could be imparted to governance assistance in such a way that the private sector is turned into a stakeholder in Indian and European efforts in East Africa.

One possibility, in particular, is in the healthcare sector. India is rapidly developing expertise in providing health care of reasonable quality with a cost structure that is appropriate to African conditions. Meanwhile, both India and Europe export pharmaceuticals to the countries studied above. While in general pharmaceuticals have been a source of competition, especially in the trade policy field, between India and Europe, there are also spaces that could be found here for co-operation. For one, Indian and European pharma exports are likely at different levels of quality and price. Thus there is no immediate reason why a shared approach to raising East African access to healthcare should only benefit one end of the spectrum and not the other. A shared commitment to investment in, and the development of, downstream medical care would thus be in both Indian and European interest, as well as being good for the people of East Africa. It is also the case that Indian pharma is seeking to move up the value chain, and to counter counterfeiting of drugs. A bilateral focus on increasing access in East Africa to effective medication – rather than a narrow view of intellectual property on the one hand or an anything-goes enabling of adulteration on the other – would be in both Indian and European industries' interests.

Specific countries also stand out as locations for possible co-operation between India and the EU. India's engagement in the island nations of Mauritius and Seychelles, for example, emerges from the data. In addition, it appears that the EU is of particular (relative) economic importance in the

Seychelles, while India has strategic interests in the archipelago. It is seemingly therefore the among the more obvious location for any focused collaborative project that could serve as a pilot for India-EU co-operation in the region. One possibility is to share the responsibility for turning Seychelles into a tech hub for the Western Indian Ocean. The Indian private sector has considerable experience with IT-enabled services, and the growth of the African market clearly serves as a motivating factor for its buy-in to any such project.

The long-term scenario: Building shared norms

In many cases, the greatest space for co-operation between India and the European Union is in the creation and development of shared norms, informed by a common heritage as liberal democracies with private sector-led economies and a “partnership” view of development assistance. The norms underlying trade and those that determine the nature of infrastructure investment are the two broad fields in which the Western Indian Ocean could transform co-operation between India and the EU.

On trade norms, India and Europe have had their differences in the past. Even aside from its specific bilateral frictions with the European Union on trade, India has been resistant to the notion of “behind the border” standards and requirements in any trade negotiations.¹⁶ It is important to note that, however, engagement with East Africa might help interrogate this position. It is an area in which non-tariff barriers are a particularly strong deterrent to intra-regional trade; and, more importantly, one in which India need not automatically see itself as a “loser” from the introduction of common standards addressing, for example, commodity or pharmaceutical quality. This is, of course, the likely preconception about standards when it comes to direct India-EU trade. It is noteworthy that there has already been movement on creating common standards for agricultural products in East Africa as a pre-requisite for trade – for example the East Africa Grain Council has harmonized official standards for grain and pulses trade across several of the relevant countries.¹⁷ Indian and European engagement in this field will serve to keep standards appropriate, and to ease both into an understanding of each other's constraints and requirements when it comes to behind-the-border trade policy – with unquestionable benefits for the bilateral relationship more broadly.

Norms regarding open, transparent, affordable, and end-user-determined infrastructure investment are also a vital location for co-operation between India and the EU in East Africa. The elephant in this room is, of course, China's giant Belt and Road Initiative, which aims to reshape connectivity in Africa and Eurasia. While accepting the possible benefits of increased infrastructure investment from the BRI, it falls to players committed to higher-quality and more democratically accountable investment finance, such as India, the EU and Japan, to create a persuasive alternative model. It may not be of the same scale as the BRI promises; but it should be more sustainable. When combined with the need to create a sustainable backstop for trade, including in commodities – as discussed above – it is clear that there may be benefits even to co-operation on a smaller “hard” infrastructure building project, especially at a point when intra-African trade is poised to take off.

Most importantly, a focus on building shared norms for both trade and investment goes to the heart of why India and the European Union seek a closer relationship. They are both trading regions with vast and disparate internal markets, which are committed to the values of liberal

¹⁶ Arpita Mukherjee and Avantika Kapoor, India and Trade Facilitation in Services (TFS) Agreement: Concerns and Way Forward, Indian Council for Research on International Economic Relations, Working Paper No. 347 http://icrier.org/pdf/Working_Paper_347.pdf

¹⁷ Food Business Africa, East Africa moves to harmonise staple food standards, boost trade, February 12, 2018 <https://www.foodbusinessafrica.com/2018/02/12/east-africa-moves-to-harmonise-staple-food-standards-boost-trade/>

democracy, an equitable and open global order, and private sector-led development and growth. No two other large entities share these points of commonality. A future in which East Africa prospers economically is one in which trade operates with less friction and more focus on shared standards and procedures; in which international capital is domestically accountable; and in which infrastructure investment is sustainable both financially and environmentally. This is also the future that would emerge from the values that India and the EU already share. The question is whether the economic realities of the Indian Ocean, and the resource constraints faced by the powers relevant to the region, will allow that future to come into being.

One of the proposals of the recent Joint Communication 'Elements for an EU strategy on India' was to 'Establish regular bilateral, as well as trilateral dialogues on/with Africa, to discuss inter alia security, economic issues, as well as connectivity.' The main outcome of the research is that prospects for trade engagement between the EU and India in this region is actually less than may have been originally envisaged. This is a disappointing but important finding, given that EU-India cooperation will only take place on areas of substantive overlap.

However, as noted in the report, prospects for engagement on specific issues of shared interests were found, in particular in the Indian Ocean island states such as the Seychelles. Broader, grander narratives about trade cooperation in the region should therefore, for now, be nuanced and a more granular approach adopted. The most immediate and useful shared direction for policy makers to consider in the short term, therefore, is country-specific tech-related initiatives.

Paper V

China's Belt and Road Initiative (BRI):
India's and EU's Perspectives

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Introduction

The concept, or vision of Belt and Road Initiative (BRI), presented in autumn 2013 by the Chinese leader Xi Jinping, came as a surprise even in China, which had been following a low-profile strategy (taoguangyanghui) proposed by the “father of reforms” Deng Xiaoping for the two previous decades. Simultaneously, it came as an even bigger surprise to the outside world, including USA, Japan, India and the European Union (EU), its institutions and member states. No one seemed to be ready to accept a new, assertive and expansive China, proposing its new role as a power centre, like it was for centuries, up to the upheaval of Opium Wars (1839-60) and the following disasters of internal instability and external pressure. China treats the era from 1839 till 1949, which is till the proclamation of People’s Republic of China – PRC, as the “one hundred years of national humiliation” (bainianguochi). Using the term “making justice to history”, and the slogan of “return to its proper place on global scene”, China wishes to settle accounts with the previously stronger states and simultaneously to be placed at the centre of the world again. The BRI, combined with the ambitious aims of Xi Jinping’s administration (“fifth generation of leaders”) on domestic scene known as “two centenary goals”, present a new, assertive China, ready to be one of the major global center of powers, if not the center alone. Especially after achieving a second goal that is known as “great rejuvenation of the Chinese nation”, which - inter alia - requires a peaceful reunification with Taiwan.

This study presents India’s and EU’s perspectives on the BRI, identifying both convergences and divergences between the two on China’s BRI.

China’s Strategic Objectives as Reflected in BRI: Historical Context

The BRI, initially known as One Belt One Road (OBOR) often touted as China’s most prestigious regional and global economic programme is in essence one of the personal initiatives of Xi Jinping. While most countries participating in the BRI consider it a great project, India has expressed serious reservations about BRI and has refused to be part of it not only in the region but elsewhere too. India does not see the BRI as a purely economic initiative but considers it as a security and strategic agenda by Beijing which is cleverly camouflaged as an economic partnership engagement. It has also indicated the assumption of China’s probable leadership for the world.

When Secretary General of the Communist Party of China (CPC) and Chinese President Xi Jinping announced the Silk Road Economic Belt in a speech on 7 September 2013 at the Nazarbayev University in Kazakhstan and the Maritime Silk Road during his visit to Indonesia, the following month, the two initiatives evoked mixed reactions from the members of the strategic communities of the world. India was cautious towards commenting on it but was categorically clear that it will not participate in any such programme. The only set of people who were perhaps caught unawares by this sudden announcement by Xi Jinping were probably his own economic and strategic advisors in Beijing, who read about the BRI only months later.

There is a reason why New Delhi was not very surprised by the ostensibly sudden announcement of the BRI. As far back as 1999, China vigorously pursued the Bangladesh-China-India-Myanmar Forum for Regional Cooperation (BCIM). This initiative had two unique features as far as China was concerned. One, that it involved the Chinese province of Yunnan playing an important role in the project. The other feature was that it was a case of opening up China’s frontier regions to neighbouring countries as a way of increasing the economic development prospects of the former

– of Chinese products finding wider markets on the one hand and learning from best practices and experiences elsewhere, on the other. The BRI was just a bigger and a grand version of BCIM that started in 1999.

The BCIM was slowly converted to BCIM-Economic Corridor (EC) thus, making it BCIM-EC when China's Prime Minister Li Keqiang visited India in May 2013. Although there was no official acceptance or rejection of the proposal, New Delhi kept the project under cold storage and kept it out of all official comments about the Prime Minister's visit and subsequent meetings on trade or otherwise. BCIMEC has many security implications for New Delhi and there was no way in which it could have been accepted in the form and manner it was handed out to New Delhi. Besides, China cannot boast of robust economic development in provinces on its border nor can it effectively sell the idea that such a project has any built-in capacity to make it a success. India's silence was taken as an approval and a willingness by Beijing, which surely did not wait to confirm New Delhi's opinion and saw a window of opportunity to draw India into China's larger trade orbit. Subsequently, the announcement of the BRI later in 2013 was made in a dramatic manner. While BRI had huge security implications for India and its neighbouring countries, it also incorporated the BCIM-EC within the BRI without any consultations with New Delhi whatsoever. Needless to say, New Delhi rejected both the BCIM-EC as well as the BRI. The strategic ambitions of China got reflected and became visible to the world in general and India in particular because of these many changes which occurred while China was developing a strategy on BRI.

Originally, the BRI was geographically structured along the following six corridors having the landmass connectivity in addition to the proposed Maritime Silk Road (MSR) which includes:

- 1) New Eurasian Land Bridge, running from Western China to Western Russia through Kazakhstan;
- 2) China–Mongolia–Russia Corridor, running from Northern China to Eastern Russia;
- 3) China–Central Asia–West Asia Corridor, running from Western China to Turkey;
- 4) China–Indochina Peninsula Corridor, running from Southern China to Singapore;
- 5) China–Myanmar–Bangladesh–India Corridor, running from Southern China to Myanmar; and
- 6) China–Pakistan Corridor, running from South-Western China to Pakistan.

The MSR running from the Chinese Coast through Singapore to the Mediterranean was the seventh corridor. It is generally believed that 50 Chinese state-owned companies are said to have invested an estimated five trillion US dollars in about 1700 BRI projects in already almost 70 countries across Asia, Europe and Africa.

In the last decade and a half, China has managed to steam role some of its strategic initiatives that were conceived in keeping with Beijing's avowed agenda of "China's peaceful rise" (Zheng Bijian). Under the BRI umbrella, by bringing large territories of alien lands and governments into

one infrastructure project China effectively bypassed regional and global trade institutions and bilateral understandings in the region. What is significant, even earlier Beijing realised the opposition to its ambitious goals and choice of words and quietly changed the usage of terminology and replaced "peaceful rise" into "China's peaceful development" agenda. However, China's attitude towards the Permanent Court of Arbitration ruling on the South China Sea, followed by the other international dealings in the Asia-Pacific region on Indian Ocean, it was difficult for India to accept China's pronouncements at face value.

India's Perspective on BRI

Understanding the motivations behind China's BRI has always been a complicated task at a time when China has been showing its assertiveness across the globe as well as reflecting its strategic ambitions to be accepted as the world leader. Hence, it cannot be assumed that China's BRI is merely for economic reason and connectivity. It is much beyond economics and dwells into the geopolitics part of it largely. India seems to have understood the game plan of China and for various geopolitical reasons; it has kept itself away from becoming a part of it.

In response to a query on media reports regarding India's possible cooperation with China on BRI, the official spokesperson at India's Ministry of External Affairs (MEA) said that India's BRI is clear and there is no change. The so-called "China-Pakistan Economic Corridor (CPEC)" violates India's sovereignty and territorial integrity. No country can accept a project that ignores its core concerns on sovereignty and territorial integrity.¹ It was emphasized that connectivity initiatives must be based on universally recognized international norms, good governance, rule of law, openness, transparency and equality, and China must pursue all its strategy with regard to connectivity in a manner that respects sovereignty and territorial integrity. The research paper has made a modest attempt in assessing China's BRI from India's prism. It has also attempted to analyse the ramifications of China's BRI for the rest of the world. The feasibility of BRI has also been examined mainly from the perceptions of various member countries which have become a part of this ambitious project.

It is very unlikely that China will give up on the CPEC even though it is facing severe challenges in its implementation. In such a scenario, New Delhi has no option but to keep away from CPEC and all other OBOR projects. China has also been airing the view that India's non-participation in OBOR will eventually distance New Delhi from the developmental aspects of these countries.

India will have to take a cautious approach towards BRI. India's participation is seen as very important by China for two reasons. One is that the BRI requires huge investments with minimum return on investments (RoI). There is no reason why India should invest in BRI projects and strengthen China's strategic presence at India's cost. Another reason why Beijing needs India's participation in BRI is that India enjoys greater credibility in most of these 60 odd countries than what China does.²

¹ Official spokesperson's response to a Query on media reports regarding possible cooperation with China on OBOR/BRI, Media Briefings, New Delhi, 5 April 2018. For details, see www.mea.gov.in/media-briefings.htm, accessed on 22 August 2018.

When India decided not to participate in the Chinese President Xi Jinping's inaugural Belt and Road Forum held in 2017, there emerged a dominant feeling among the supporters of BRI that New Delhi would be isolated. India never hesitated to share its concerns and always stood the ground. India's position on China's BRI since then seems to have vindicated and the concerns articulated mainly on the lack of transparency and financial sustainability are being noticed in the current context.

It must be emphasized here that Sri Lanka which has been one of the early backers of BRI, now seems to owe China more than \$10 billion. Whether China's BRI is proving to be a debt trap remains a part of the strategic discourse in Geopolitics. The implications of these were far too many. Sri Lanka has transferred control of its Hambantota port to a Chinese company on a 99-year lease.³

The other member of China's BRI, Myanmar has also shown dissatisfaction with China's BRI. The Government of Myanmar has announced that it will be reviewing the terms of the Chinese projects. A number of other member countries of BRI including Malaysia have expressed similar concerns. Malaysia has reflected their concerns on repaying Chinese loans and suspended a \$20 billion high speed rail project. The ongoing CPEC projects have also been seen passing through a rough weather even with China's all-weather friend Pakistan. The current regime in Pakistan led by Imran Khan has been questioning on the transparency of CPEC projects.⁴ Whether Pakistan can afford to continue with CPEC remains a moot question. Pakistan has been confronting a severe economic crisis. The fall out of the CPEC would be far too many.

China's BRI has certainly added new dimensions to the debates and deliberations on the strategic implications of China's rise. When the Belt Road Forum (BRF) was held in China last year, around 60 countries sent their representatives to the forum including from the United States of America.⁵ In India, as mentioned elsewhere the BRI is certainly not seen as having only economic intent but having a larger strategic orientation to increase China's influence through both the continental as well the maritime projects. The strategic challenges in the maritime domain are going to be complex in the emerging geopolitical reality.

The MSR idea of China will certainly bring instability and the maritime domain will become complicated. How the major powers including India would converge and cooperate in the foreseeable future remains an issue for debates and discussions. The competition among major powers started when the United States' declared re-balancing of its Asia strategy and created its

² Interaction with a Keen China Watcher and Political Commentator, Sri Seshadri Chari during 30-31 August 2018 at the Department of Geopolitics and International Relations, Manipal Academy of Higher Education (MAHE).

³ "India's BRI Bet Pays Off", India Today, June, 2018, See online, www.indiatoday.in/magazine/up-front/story/20180806-india-s-bri-bet-pays-off1297697-2018-07-27, accessed on 28 August 2018

⁴ A Wall Street Journal report on July 22, 2018 revealed that Chinese power companies had been given a guarantee of 34 percent annual returns on their investments from CPEC projects.

⁵ Shannon Tiezzi, "What Did China Accomplish at the Belt and Road Forum?" The Diplomat, May 16, 2017, <https://thediplomat.com/2017/05/what-did-china-accomplish-at-the-belt-and-road-forum/> (accessed on 21 August 2018).

sphere of influence in the whole of Asia-Pacific. The Indian Ocean dimension of America's Pacific balance is critical to its Pivot Strategy. Now, the debate seems to be enlarging from the Asia-Pacific to the Indo-Pacific. The Indo-Pacific region is being perceived as an engine of global growth. Hence, the onus lies on the major powers to make the environment conducive so that the region is not only economically secured but also peaceful and stable. India would require to take the lead in forging cooperative security and partnerships. India finds the MSR impeding the whole process of peace and stability in the larger maritime domain.

One of the major points of objection made by India with regard to China's BRI is largely seen in the way BRI got evolved. There was no formal consultation with India on BRI in the beginning. It seems China completely kept India out of the loop and there was no formal channel initiated by China where India could have got to know China's ambitious project. According to India's MEA, India has been "urging China to engage in a meaningful dialogue on its connectivity initiative, 'One Belt, One Road'". Reflecting on India's response to CPEC, the MEA said, "No country can accept a project that ignores its core concerns on sovereignty and territorial integrity."⁶ Such responses are in line with India's national interest.

Despite the fears and concerns that have been expressed regarding China's OBOR, Chinese officials does not seem to have given up, on trying to change India's approach to it. China first approached India to become a part of the BRI in 2015. Since, India's concerns have not been addressed, it had not shown any interest in becoming a part of the BRI. India wants China's BRI to be a multilateral initiative. India has joined the China backed Asian Infrastructure Investment Bank (AIIB) in 2016 without any hesitation. It is only because all the concerns were addressed by China and the AIIB was made multilateral and it kept other members on equal footing with China.

China despite being a stakeholder has no veto power. The redressal of India's concerns by China provided a leeway to India to negotiate as an equal partner. There seems to be concern that China's BRI and the geographical scope of the project, at least in the Indian Ocean region (IOR) will not succeed unless and until India supports the BRI, even if in a piecemeal manner, through coordination in individual projects. For instance, talking about the BRI, Zhang Jun, China's Assistant Minister of Foreign Affairs, emphasised the value of diplomatic initiatives like the recent Wuhan Summit between Prime Minister Narendra Modi and President Xi Jinping. Asked to

⁶ "Official Spokesperson's response to a query on participation of India in OBOR/BRI Forum," May 13, 2017, Ministry of External Affairs (Government of India), 13 May 2017, <https://mea.gov.in/media-briefings.htm?dtl/28463/Official+Spokespersons+response+to+a+query+on+participation+of+India+in+OBOR+BRI+Forum>(accessed on 5 July 2018) and Official Spokesperson's response to a query on media reports regarding possible cooperation with China on OBOR/BRI, April 05, 2018, <https://www.mea.gov.in/media-briefings.htm?dtl/29768/Official+Spokespersons+response+to+a+query+on+media+reports+regarding+possible+cooperation+with+China+on+OBOR+BRI>(accessed on 5 July 2018).

comment specifically on the CPEC, Mr. Zhang commented that, "CPEC is an economic initiative. Implementing CPEC does not jeopardise China's position on Kashmir."⁷

However, to what extent, such public rhetoric will translate to a change of China's approach to using Pakistan as a proxy against India's rise remains to be seen. China's nexus with Pakistan as seen in the realm of strategic cooperation, for instance, China's assistance to the Pakistani nuclear weapons programme, ballistic missile capability as well as many military modernisation efforts is well known to the global strategic community. Moreover, China's heavy investments in the Gwadar port, which a significant nod, of the CPEC continues to remain an eyesore for India.⁸ Speaking at the China's Global Times, India's Ambassador to China, Gautam Bambawale said, "The CPEC passes through Indian-claimed territory and hence violates our territorial integrity. This is a major problem for us...We need to talk about it, not push it under the carpet. I believe, the more we talk to each other, the easier it will become to resolve problems."⁹

In response, China's Foreign Ministry spokesperson Hua Chunying commented, "Regarding the CPEC, China has reiterated its position. As to the differences between China and India, China stands ready to communicate and talk with India to seek a proper solution so that these differences don't affect our general national interests." "The CPEC is merely an economic cooperation project, it is not targeted at any third party. We hope the Indian side can put this in perspective," Hua said.¹⁰ Unsurprisingly, both the Chinese and the Pakistan governments have denied any plans by the Chinese to build a military base in Pakistan, particularly near the Gwadar port in Baluchistan province, which is also close to the Chabahar port which is a result of India-Iran-Afghanistan partnership.¹¹

⁷ Atul Aneja, "Wuhan spirit should spur 'natural partner' India to join Belt and Road initiative: China," *The Hindu*, 27 August 2018, <https://www.thehindu.com/news/international/wuhan-spirit-should-spur-india-to-join-belt-and-road-initiative-china/article24794815.ece>(accessed on 30 August 2018).

⁸ "China-Pakistan sign new deals for Gwadar port's development: CPEC may turn out to be India's security and strategic problem," *First post*, 31 January 2018, <https://www.firstpost.com/india/china-pakistan-sign-new-deals-for-gwadar-ports-development-cpec-may-turn-out-to-be-indias-security-and-strategic-problem-4328317.html>(accessed on 12 July 2018).

⁹ "Be clear not to change status quo in Doklam: Indian envoy to China," *Hindustan Times*, 26 January 2018, <https://www.hindustantimes.com/india-news/be-clear-not-to-change-status-quo-in-doklam-indian-envoy-to-china/story-3RLmLgHyjMjnF7gcvQUHWO.html>(accessed on 15 July 2018).

¹⁰ Sutirtho Patranobis, "Ready for talks with India on differences over corridor with Pakistan: China," *Hindustan Times*, 29 January 2018, <https://www.hindustantimes.com/india-news/ready-for-talks-with-india-to-resolve-cpec-differences-china/story-EQrEzAPzOqasMmxAGINbJ.html>(accessed on 29 August 2018).

¹¹ "China denies reports of plans to build military base in Pakistan, terms them 'unnecessary speculation'," *First post*, 9 January 2018, <https://www.firstpost.com/world/china-denies-reports-of-plans-to-build-military-base-in-pakistan-terms-them-unnecessary-speculation-4294645.html>(accessed on 22 August 2018) and "Pakistan denies reports of Chinese military base near Gwadar port," *The Indian Express*, 4 January 2018, <https://indianexpress.com/article/pakistan/pakistan-denies-reports-of-chinese-military-base-near-gwadar-port-5011975/>(accessed on 22 August 2018).

India has been fairly categorical in terms of opposing the BRI, not sending any representative to the BRF held last year in China, and more recently, refusing to endorse the BRI at the Shanghai Cooperation Organisation (SCO) in Qingdao, China where India participated for the first time as a member.¹² However, India's neighbours including Pakistan, Sri Lanka, Bangladesh, Myanmar reportedly signed as much as 20 infrastructure deals with China during the BRF. Moreover, even Afghanistan which is seen to be a close strategic partner of India, has also been considering assistance from China towards advancing infrastructure, power, banking and finance sectors.¹³ China's increasing forays into the IOR in the form of investments in ports infrastructure and the entry of Chinese nuclear and conventional submarines; and the Sino-Pakistan nexus towards capability enhancement have been of much strategic concern in India. Many of the ports in the Indian Ocean littorals wherein the Chinese have invested have raised concerns, as having strategic implications despite the Chinese claim that they are meant for commercial purposes. The maritime aspect of China's BRI, also called the Maritime Silk Road is often called the Indo-Pacific with Chinese characteristics, because it traverses the same geographical region that the Indo-Pacific construct envisions. Many of the countries in the Indo-Pacific region, are deficit in infrastructure and investments and hence easily fall into the lap of Chinese economic largesse. However, the Chinese projects have often been accused of opacity and lack of consultations with stakeholder countries, and for Chinese intentions to extract foreign policy leverage from the indebted countries.¹⁴

India's former National Security Advisor, Shivshankar Menon, writing for *The Wire*, commented, "...making clear that sovereignty aspects of the CPEC as presently proposed are unacceptable, we might explore which portions of the public goods that the BRI creates – whether infrastructure or connectivity – serve India's interest in improving connectivity and economic integration with the Asian and global economy."¹⁵ So, is the CPEC such a strong resistance point for India, that it will continue to boycott any discussions related to BRI, with the Chinese, or else India will explore the ways and mechanism to work with China depending on the specific terms and conditions? India has also kept itself away from a joint initiative launched by the United States, Japan and Australia to fund infrastructure projects to counter China's BRI in the Indo-Pacific region. It was

¹² "India refuses to endorse China's BRI," *The Times of India*, 10 June 2018, <https://timesofindia.indiatimes.com/india/india-refuses-to-endorse-chinas-bri/articleshow/64530284.cms> (accessed on 1 August 2018).

¹³ "Even as India snubs OBOR forum, 6 neighbours, from Nepal to Sri Lanka, sign 20 infrastructure deals with China," *Financial Express*, 16 May 2017, <https://www.financialexpress.com/economy/even-as-india-snubs-obor-forum-6-neighbours-from-nepal-to-sri-lanka-sign-20-infrastructure-deals-with-china/670556/> (accessed on 13 July 2018).

¹⁴ Abhijit Singh, "China's Maritime Silk Route: Implications for India," 16 July 2014, IDSA COMMENT, https://idsa.in/idsacomments/ChinasMaritimeSilkRoute_AbhijitSingh_160714 (accessed on 12 July 2018) and Michael J. Green, "China's Maritime Silk Road: Strategic and Economic Implications for the Indo-Pacific Region," Center for International and Strategic Studies, 2 April 2018, <https://www.csis.org/analysis/chinas-maritime-silk-road> (accessed on 15 July 2018).

¹⁵ Shivshankar Menon, "The Unprecedented Promises – and Threats – of the Belt and Road Initiative," *The Wire*, 24 April 2017, <https://thewire.in/external-affairs/the-unprecedented-promises-and-threats-of-the-belt-and-road-initiative> (accessed on 28 August 2018).

mainly to highlight India's firm belief in multi-polarity in the Indo-Pacific region. India has always been very strongly emphasizing on a non-bloc security architecture for the Indo-Pacific region.¹⁶

Besides India's political investment in the Indo-Pacific, which is often seen by China as a way to contain China's rise, India has equally invested in a number of sub-regional formations like the Bangladesh–China–India–Myanmar Forum for Regional Cooperation (BCIM) or the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) grouping wherein, India can explore cooperation with China and Southeast Asian partners. Though, the so-called “Quad” was revived in November 2017, India has been working seriously to stabilize ties with China. More importantly, both India and China are showing signs of constructive and positive engagements.¹⁷

There are other connectivity projects wherein India is involved like the India-Japan vision of the Asia-Africa Growth Corridor (AAGC) which is geared towards “development of industrial corridors and industrial network for the growth of Asia and Africa, which will benefit various stakeholders in the Indo-Pacific region including Africa.” The emphasis on “quality infrastructure” and the “development and use of connectivity infrastructure in an open, transparent and non-exclusive manner based on international standards and responsible debt financing practices, while ensuring respect for sovereignty and territorial integrity, the rule of law and the environment” could be apparently read in the context of major criticism against the BRI of being non-transparent, non-consultative and exploitative in nature.¹⁸ Moreover, Japan has been showing interest in investing in certain components of India's Act East Policy, there are certain American envisioned projects like the Indo-Pacific Economic Corridor (IPEC) and the New Silk Road Strategy and there is the International North–South Transport Corridor (INSTC).

In an indirect reference to China's connectivity projects, Prime Minister Narendra Modi speaking at the Shangri La Dialogue said:

'Connectivity is vital. It does more than enhance trade and prosperity. It unites a region. India has been at the crossroads for centuries. We understand the benefits of connectivity. There are many connectivity initiatives in the region. If these have to succeed, we must not only build infrastructure, we must also build bridges of trust. And for that, these initiatives must be based on

¹⁶ It is being perceived by India that the United States' led trilateral partnership is aimed at funding projects, “to build infrastructure, address development challenges, increase connectivity and promote economic growth in the countries in the Indo-Pacific region. The United States' has separately committed \$ 113 million to support digital economy, energy and infrastructure development projects in the region.

¹⁷ The informal summit conducted at Wuhan between the two leaders has shown the dynamism and the “will” to move forward on building the convergences and explore ways and means to building trust at all levels including the two armies. Avoiding military face offs such as the one at Doklam seems to be of greater necessity.

¹⁸ The Minister of State in the External Affairs, Gen. Dr. V.K. Singh (Retd.), “Question No. 4223 Asia Africa Growth Corridor,” Ministry of External Affairs (Government of India), 21 March 2018, <https://mea.gov.in/lok-sabha.htm?dtl/29697/QUESTION+NO4223+ASIA+AFRICA+GROWTH+CORRIDOR> (accessed on 25 July 2018) and “Asia Africa Growth Corridor: A Partnership for Sustainable and Innovative Development, A Vision Document,” http://www.africa-platform.org/sites/default/files/resources/asia_africa_growth_corridor_vision_document_may_2017.pdf (accessed on 3 July 2018).

respect for sovereignty and territorial integrity, consultation, good governance, transparency, viability and sustainability. They must empower nations, not place them under impossible debt burden. They must promote trade, not strategic competition. On these principles, we are prepared to work with everyone. India is doing its part, by itself and in partnership with others like Japan – in South Asia and Southeast Asia, in the Indian Ocean, Africa, West Asia and beyond. And, we are important stake-holders in New Development Bank and the Asian Infrastructure Investment Bank'.¹⁹

Geopolitically, the implications of the emerging ties between China and India's immediate neighbours will have consequences different than India's expectations. Are China's forays into India's neighbourhood in the form of investments necessarily counterproductive for India? Has China been encircling India? Are there other factors that India has to take into consideration? All these questions remain a major part of the discourse. Understanding China's strategic imperatives for its economic engagement with the countries of India's immediate neighbourhood will be essential for the key policy community. The time has come where India has to work independent of China in its vicinity and see how best it can build trust and confidence.²⁰ To what extent, India can create its own space to protect and promote its interest despite China's entry which forms a major part of the discourse. How can India's evolving ties with China, and also with its neighbours be managed to the emergence of a win-win scenario in terms of regional peace, stability and where prosperity is being given the priority.

EU's Perspective on BRI

China is an extremely important economic and trade partner for the European Union (EU). The EU is currently China's largest trading partner, while China is the EU's second largest trading partner, after the US. In 2017, the EU exported to China 198 billion euro of goods (and 38 billion of services), while imported from China 375 billion euro (30 billion in services), and the daily trade bilateral trade turnover surpass was 1.5 billion euro.²¹ Prior to BRI's announcement, the EU was already concerned with the high trade imbalance between China and the EU. Since 2016, China's investments in the EU have surpassed EU's investment in China. Hence, China is not only an exporter of goods or services but also capitals, especially under the BRI umbrella. China also had the strategy of 16 + 1 that came up in 2012 to build cooperation of post-communist countries in Europe, starting from the Baltic republics, through Visegrad Group, down to the Balkans.

What is more significant is that the Chinese investments in 2016 were more than three times larger than the European investments in China, reaching the record level of 34.9 billion euro. In 2017 they dropped by 17 percent, but the Chinese investment remained at 28.4 billion euro

¹⁹ "PM Speech at Shangri La Dialogue," <https://www.mea.gov.in/Speeches-Statements.htm?dtl/29943/Prime+Ministers+Keynote+Address+at+Shangri+La+Dialogue+June+01+2018> (accessed on 22 July 2018).

²⁰ India's Prime Minister Coinage "Security and Growth for All in the Region (SAGAR)" has been an important initiative in this direction.

²¹ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/china/>

which was still the second largest in history of the bilateral relationship.²² Thus, China has become an important and visible player on the European markets, a new phenomenon the European partners must to adjust to.

Unfortunately, the major EU institutions have been slow in responding to the new Chinese initiatives, including the BRI. The response from the EU has been surprising given that the continental as well the maritime projects of the BRI are directed westward, extending up to Europe (maritime in Pireus or Venice; and land in Rotterdam or Hamburg). Officially, the EU has been implementing its strategy “EU-China 2020 Strategic Agenda for Cooperation”²³ started in 2003, proposing enhancement of bilateral Comprehensive Strategic Partnership established in 2003 and declaring “synergy” and win-win results of this cooperation. According to the strategy, there are three pillars of this cooperation which includes the annual meetings of High-Level Strategic Dialogue, High Level Trade and Economic Dialogue and the bi-annual People-to-People Dialogue. The implementation of the Strategy has led to a proper institutional framework of EU-China relationship. There has been a rise in sectoral dialogues between the EU and China from 17 in 2004 to around 60 till date. The most essential element of the bilateral relationship still remains trade and commerce, with the Chinese side as of late, pushing for more cooperation on science, technology and innovation.

The initiation of the BRI and the investments following it has brought forth a new chapter in this relationship. The EU now is no longer the stronger partner anymore, as its ability to dictate its will or values (in human or minority rights, peace and security issues, maritime safety and security, or humanitarian aid and climate change) to China has been increasingly constrained with the latter rising and growing more powerful. This new situation coincides, unfortunately, with internal upheavals in the EU like the Eurozone crisis, internal (migrants, refugees, and terrorist attacks) security problems relating to migrants, refugees, terrorist attacks and external challenges like that of Crimea and Ukraine, and ISIS (Daesh).²⁴ Moreover, EU member states has been grappling with questions pertaining to: how to be safe and secure, and what to do next? In EU member states, a number of clashes and conflict of interest remain challenges such as the one between liberals and illiberal forces, adherent Christian Democrats and Conservatives with liberals and followers of open society. The whole EU project and edifice seems to have been crumbling under the growing challenge of Eurosceptic forces, sometimes described even as an “anti-liberal revolution”, or “counterrevolution” against the current order.

China, unlike Russia, does not seem to exploit those European uncertainties to its own strategic purposes. Recently, China informally proposed an idea of a united front against the mercantilist and isolationist course of President Donald Trump, identified with his “America First” slogan.

²² “Chinese FDI in Europe in 2017”, <https://www.merics.org/en/papers-on-china/chinese-fdi-in-europe> See also: <https://www.economist.com/graphic-detail/2018/10/10/chinese-investment-in-europe-is-increasing>

²³ https://eeas.europa.eu/delegations/china_en/15398/EUChina%202020%20Strategic%20Agenda%20for%20Cooperation

²⁴ More details: Manuel Castells et al. (Eds.), *Europe's Crises*, Polity, Cambridge 2018; Ivan Krastev, *After Europe*, The University of Pennsylvania Press, Philadelphia 2017.

Nevertheless, economic pressure and constantly growing Chinese investments or activities in the EU urgently need a proper reaction.

In June 2016, when the BRI had already been declared and the implementation phase had commenced, although not necessarily in Europe, the European External Action Service (EEAS), responsible for foreign policy of the EU, published a new document boldly introducing “A Stronger Europe” on the global scene.²⁵ The message of the document was optimistic in contradiction with the not so optimistic domestic situation in the EU. This document, authorized by the High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the Commission Federica Mogherini concentrated on the EU tasks and goals but did not mention the Chinese BRI – and the European response to it. Talking about Asia, it mentioned security issues mounting there, but failed to refer even briefly to the constantly growing role of (East) Asia (or “emerging markets”). West Asia, Russia, Ukraine, Africa and even Central Asia were mentioned and elaborated in the document. The whole neighbourhood policy, starting from “closer Atlantic” and “strong bonds by the Atlantic” (including NATO, CETA, TTIP, and CELAC) were undermined, but the growing role of Asia was clearly neglected. In a brief note on Asia, the document paid some attention to ASEAN and ASEM as the crucial framework of mutual cooperation, while the sentence on China was only one: “The EU will engage with China based on respect for the rule of law, both domestically and internationally”, later supplemented only by an intent to “deepen trade and investment” with China. Thus, prosperity, democracy, partnerships and the global role of the EU were disconnected from the visible power shift – from the Atlantic towards Asia-Pacific region.

Probably due to this neglect, around the same time, two of EU's most important institutions, the Parliament and Council, in June 2016 presented another important document “Elements to the EU new strategy on China”.²⁶ In it, finally, a proposal for a new strategy on China was openly declared, as “the rise of China has happened with unprecedented scale and speed”. Thus, the former approach, “trade for all”, has been finally announced as outdated and stipulated that new visions should include, among others, “new openings”, bigger engagement and reciprocity mixed with greater connectivity. In addition, a new Comprehensive Agreement on Investment (and not a Free Trade Agreement, pushed by the Chinese side) should be prepared and implemented.²⁷ Only thereafter, the important goal of promoting the rule of law and human rights were mentioned.

Finally, “greater cohesion” on the EU's side was demanded in the situation, when “China is seeking space and voice”.

However, the references to China in the document seemed like a response to the former Chinese strategy “going global” pronounced in 1999, rather than on the BRI. Ambitious new Chinese

²⁵ “Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Common Foreign and Security Policy”, see https://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf

²⁶ “Joint Communication to the European Parliament and the Council: Elements for a new EU strategy on China”, see http://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the_council_elements_for_a_new_eu_strategy_on_china.pdf

²⁷ “Council Conclusions on EU Strategy on China, see <http://www.consilium.europa.eu/en/press/press-releases/2016/07/18/fac-china-conclusions/>

initiatives like “Made in China 2025” (from 2015, promoting creation of an innovative China) and “Internet +”, with the aim to create digital and innovative society were mentioned.²⁸ However, the whole document confirmed that the Chinese were still being viewed as a nation state “to be educated” by the Europeans (in market rules, property rights, etc.). However, the BRI's implementation has been conditioned in the in mentioned above Council Conclusions the same, old way: as an initiative, which “should be dependent on China fulfilling its declared aim of making it an open platform which adheres to market rules and international norms in order to deliver benefits for all”.

In all, a certain patronizing tone was still visible in the EU document, just at the time when Xi Jinping was coming out with more and more bold initiatives, both on the domestic (“two centenary goals”, leading towards peaceful reunion with Taiwan and “great rejuvenation of the Chinese nation” until 2049 at the latest)²⁹; and on the international scene, as proved by his famous speeches on the Economic Forums in Davos (January 2017)³⁰ and in Boao (April 2017).³¹ In these forums, he openly declared, anticipating events, that “there will be no winner in any trade war”. The Chinese leader presented China as a country open to globalization, free trade and stronger cooperation, perhaps contesting Trump's anti-global and isolationist message, as seen through his “America First” slogan.

Unfortunately, the need to produce a new EU strategy on China, which was supported by the Council on July 18, 2016 has not been realized yet. There is the absence of a “a strong, clear, and unified voice” of the EU towards China.

The 20th anniversary EU-China Summit held in Beijing on July 16, 2018 shows, both sides are committed to strategic partnership, rules-based trade (and “not to start trade wars”), deeper cooperation in climate change and clean energy, as well as discuss “foreign and security cooperation and the situation in their respective neighbourhoods”.³² It seems, that in political and economic sense, both the sides see this cooperation as indispensable.

As a result of the economic tensions generated due to US-China trade war, China has been seen to turn towards the EU. The EU, so called normative or soft power based on rule of law, rules-based liberal global order, has softly rejected this proposal, dictated by lack of trust and proper knowledge of the Chinese intent. It is not surprising that one of the previous Summits did not produce even a document, and as late as in April 2018, the EU ambassadors in Beijing (with the exception of Hungary) produced a joint unofficial position, expressing concerns on growing

²⁸ Chinese assessment and evaluation: <http://www.techworksasia.com/assessing-impact-made-china-2025/> Western perspective: https://www.merics.org/sites/default/files/2017-09/MPOC_No.2_MadeinChina2025.pdf

²⁹ Xi Jinping, *The Governance of China*, Foreign Languages Press, Beijing 2014, p.38

³⁰ <https://america.cgtn.com/2017/01/17/full-text-of-xi-jinping-keynote-at-the-world-economic-forum>

³¹ “Work Together to Build the Silk Road Economic Belt and The 21st Century Maritime Silk Road”, Full text of President Xi's speech at opening of Belt and Road forum, Xinhua News Agency, 14 May 2017-
http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm

³² “EU-China Summit, Beijing”, see <http://www.consilium.europa.eu/en/meetings/international-summit/2018/07/16/>

China's influence on the continent and denouncing the BRI as "the global infrastructure project for hampering free trade and giving an advantage to Chinese companies".³³

The hesitation and concern of the European elites is probably expressed by some of the major European think tanks. Located in Berlin, the Mercator Institute on China Studies (MERICS) has produced not only a mapping of the BRI, but also several well-researched and documented studies, strongly confirming the new Chinese engagement and impact in Europe.³⁴ The studies have also express skepticism if the BRI projects would be implemented according to the high environmental, social, and economic standards followed by Europe.

In one of its studies, MERICS proposed intelligence sharing on the new Chinese infrastructure projects and business activities, proposing establishment of local networks, including think tanks, academia, business circles and even the EU delegations, especially in the BRI priority countries (like Greece, Germany, Poland, etc.). This kind of exercise will definitely need some extra budget.

However, one of the most important factors is clear-cut: unfortunately, "the EU is lacking both the institutional capacity to deal with the BRI and a coherent narrative to compete with it".

MERICS has also provided a data file on the new Chinese investment in the EU, while the prestigious European Council on Foreign Relations (ECFR) with the head of its Asia program Francois Godement in late 2017 has produced a study, or almost a fact file, based on rich variety of interviews, absolutely crucial to understand the new Chinese activity on the continent. Aptly titled "China at the Gate. A New Power Audit of EU-China relations", the study very strongly concluded: "China is now inside Europe".³⁵

Godement, as seen from his commentaries, is convinced that "Trump cannot bring Europe and China together". In one of his co-authored works, Godement has mentioned the new Chinese investments, fusions and business activities, with all details gathered together during study tours and interviews conducted in the EU member states. The authors have quoted then Foreign Minister of Germany, Sigmar Gabriel, who said: "if we do not succeed in developing a single strategy towards China, then China will succeed in dividing Europe".

Among the fresh ideas elaborated in "China at the Gate" came out a proposal, quickly implemented in early 2018, which was to complete the construction of an EU-wide system of investment screening. Like in many other documents, the necessity to "replace of dispersion with common strategies" was also strongly underscored as one of the EU priorities. The authors

³³ Ravi Prasad "The EU Ambassadors Condemn China's Belt and Road Initiative", <https://thediplomat.com/2018/04/eu-ambassadors-condemn-chinas-belt-and-road-initiative/>

³⁴ "Responding to China Belt and Road Initiative: Two steps for a European strategy," see <https://www.merics.org/en/blog/responding-chinas-belt-and-road-initiative-two-steps-european-strategy>

³⁵ Francois Godement and Abigail Vaseellier, "China at the Gate: A new power audit of EU-China relations", see https://www.ecfr.eu/publications/summary/china_eu_power_audit7242

agreed that “China's game with Europe is seldom directly confrontational”. The question regarding whether EU needed to engage or confront China, according to the authors, would remain a crucial challenge in near future. The EU-China relationship remains a challenging one, as China's new investments in Europe should be measured and scaled according to another dimension: opportunity versus security. The Chinese proposal are ambiguous – and remain as a source of concern. The EU has different trajectories, different interests, and Chinese “win-win” proposals, so frequently displayed, cannot mean: 2:0 to China.

However, the scenario has been undergoing a change. Two other experts of the European Council on Foreign Relations (ECFR), Angela Stanzel and Mathieu Duchatel also argued in their work released in mid-2018 that the major European countries, Germany, UK, France and Italy, will

adopt an investment screening mechanism soon, and strengthen their economic defense against China.³⁶ One of the most important Polish (and Central European) think tanks, the Centre for Eastern Studies (OSW), which also prepared a meticulous report on Chinese railway proposals,³⁷ in one of its recent analysis has openly stated that the German government in mid-2018 had changed its strategy and is ready to defend the German companies more assertively against the Chinese takeovers. It remains to be seen how these policy proposals will pan out in reality.

Another important European voice is the Brussels based economic think tank Bruegel, which initiated a cooperation of four leading think tanks (Chatham House, the China Centre for International Economic Exchanges and the Institute of Global Economics and Finance at The Chinese University of Hong Kong) and published an important study on “EU-China Economic Relations to 2025. Building a Common Future”.³⁸ Since it was not only a European initiative and perspective, the arguments used were found to be different – and not so antagonistic to China – like the ones produced by MERICS or ECFR. This seems to be an appeal of bigger EU-China cooperation “with the rise in global uncertainties”. This relationship involves the second and the third economies, who are ready to take responsibility for global affairs and challenges, and more importantly to uphold the rules-based, global free trade system. Thus, China is seen in this perspective not as a challenger, but as a rich source and opportunity for fruitful cooperation in such multiple and diversified areas as trade and investment; infrastructure; energy, the environment and the Paris climate change agreement; science, technology, innovation and industrial cooperation; financial services; people-to-people exchanges; and global governance. How to make the relationship stable, strong, balanced and sustainable remains a major part of the discourse. According to the authors of the report, both sides should remove the obstacles, including mutual lack of knowledge, stereotypes and prejudices.

³⁶ A.Stanzel,M.Duchatel"Europe'sChinavetoos", https://www.ecfr.eu/article/commentary_europes_china_vetoos_investment

³⁷ Jakub Jakóbowski, Konrad Popławski, and Marcin Kaczmarek, “The Silk Railroad. The EU-China rail connections: background, actors, interests”, see <https://www.osw.waw.pl/en/publikacje/osw-studies/2018-02-28/silk-railroad-eu-china-rail-connections-background-actors>

³⁸ “EU-China Economic Relations to 2025. Building a Common Future”, see <http://bruegel.org/2017/09/eu-china-economic-relations-to-2025-building-a-common-future/>

Benefits and Risks – A Comparison

Rising China seems to be too big to fail. With its current 17.5 percent of global GDP share and continuing high growth rate (not double digit anymore, but still more than 6 percent in recent years) it not only quickly catching up to the US (around 22 percent of global share), but also the EU, which as a result of Brexit (to be finalized at the end of March 2019) will no longer be a bigger economic entity than China. The EU no longer seems to be in a position to dictate terms to China on normative (human or minority rights, legal requirements) or economic issues. It is necessary to adjust to this new situation.

Like in every democracy, opinions concerning the BRI in the EU are diversified: some see it as opportunity, some as a threat, still another as a chance or challenge. However, it seems, that the Chinese initiative can be judged as a proposal giving a chance but one that is accompanied by some risks as well.

Eventual benefits are mostly economic by nature, starting from – already established – China-EU Co-investment Fund (CECIF) – of 600 million euro, targeting 1.2 billion euro, which has a task to develop a synergy between BRI and so called the Juncker Plan from November 2014 o “EU Infrastructure Investment Plan” of about 315 billion euro. Here, the aims and goals of both sides are compatible.

Complimentary for both sides are new market opportunities and mutual commitments to give market a more decisive role, even if the trade balance is so unequal and not so beneficiary for the European side.

There are challenges being perceived to the West dominated liberal order from countries like China and Russia, supported by the unconventional approach and behaviour of President Donald Trump on the global arena. The world is not unipolar, Western, Atlantic or liberal anymore, but it seems to be in a time of transition and change. Whatever be the final result of this change, China's role in it is constantly growing – and probably will be keep growing at least in the near future, as there is no outside danger for the PRC, except many domestic challenges (from quantity to quality change, destroyed environment and pollution, inequalities – social, regional and economic, growing authoritarian tendencies, quick urbanization effects, peaceful reunification with Taiwan, etc.).

As a re-emerging giant China seems to be more and more indispensable as a partner and player both in creation of a new global order, as well as in humankind fighting against the so-called global challenge, starting from nuclear proliferation, through environmental issues, up to climate change or use of rare earth elements in high tech and innovation process.

From this perspective the Chinese commitment to combat climate change and investment in clean energy is very positive, even if most feasibility studies of the BRI projects do not include transparent statements in this respect. How to create compatibility and build consensus between China's and EU's approaches remains a challenge.

A number of risks seems to be associated with the eventual implementation of the BRI when seen through the EU's perspective. These risks include property rights and legislation, issues related to

engaging Chinese state-led companies as well as its workers or engineers. As it was openly stated in the letter of the EU ambassadors in Beijing mentioned above: China under the BRI umbrella is “pursuing domestic political goals like the reduction of surplus capacity, the creation of new export markets and safeguarding access to raw materials”.

The new Chinese investments, implemented or only declared, combined with a strong push for fusion and mergers, especially in the high-tech field, is producing a new set of concerns – that of new division lines. In effect, as the response towards the BRI in the EU member states is highly differentiated (Germany and Italy for cautious cooperation,³⁹ Hungary and Czech Republic for stronger links, with Poland or Baltic states, with their security concerns and American-oriented policy, almost indifferent to the Chinese proposals). The latter, more and more frequently, see the BRI as “an unfair” proposal and something the Europeans, need to worry about.

Conclusion and Policy Recommendation

Indian Perspective

It must be made clear that China's BRI will not come on the way of an effective bilateral Sino-Indian engagement. There are serious efforts being made by both the leaders of India and China to move forward and evolve a robust constructive engagement. After the informal summit in Wuhan in April 2018, the two leaders had met on two other occasions during the SCO Summit at Qingdao and in the BRICS Summit at Johannesburg in South Africa in June and July 2018, respectively. In a multipolar world, India has been attempting to balance its relations with all the major powers. China certainly figures prominently in India's radar screen in building mutual trust and confidence. Whether President Xi's signature political move launched as the BRI will contribute to global public good is being debated across the globe? India shall pursue an independent path in its foreign policy orientations and preserve the strategic autonomy in the decision-making process.

China remains India's largest trading partner and it works largely as a zero-sum game because of export-import ratio. India's trade deficit with China during 2016-2017 was \$51 billion. India would require to work with all concerted effort in bringing more Chinese investments as well as increase exports with China to make a win-win situation irrespective of its decision on not joining the BRI. The onus on India lies in working with like-minded countries which have similar apprehensions and perceptions like the European Union and help build the new global order.

India strongly believes that China shall follow international norms and respect territorial sovereignty of other countries. India's approach to BRI, by and large, is being guided by the concerns emanating from CPEC. There are countries like Bangladesh which openly has put economic considerations over sovereignty. The differing perspective on China's BRI is evident. The United States' and Japan have shown their apprehensions on China's ascendancy through

³⁹ Konrad Popławski, “Germany: New Barriers for Chinese Capital” see <https://www.osw.waw.pl/en/publikacje/analyses/2018-08-08/germany-new-barriers-chinese-capital>

this connectivity project and the BRI might institutionalise a China-centric regional order. The EU has differing perspective on BRI. There are countries like Greece, Hungary, Poland and many others in the EU, which have shown a high degree of enthusiasm in China's BRI. Others like Germany and France are skeptical of the BRI's success and raise serious doubts on the nature of the funding for the connectivity project. Whether China will commit to the institutional norms remains a major part of challenge. China has found a great support from the Southeast and the Central Asian countries in addition to the South Asian countries minus India.

The enthusiasts of China's BRI would require to wait unless and until the connectivity project gets culminated from intangible to tangible. Undoubtedly, the BRI remains a highly ambitious project where China has not only been committing to enhance connectivity across spectrum whether it is rail or road connectivity in addition to building ports to create their sphere of influence but it has

demonstrated that the parties to the BRI would get connected digitally and culturally. China will be technically attempting to build the "Digital Silk Road" which ultimately will promote e-commerce among the member states.

Many of the supporters of China's BRI have unfortunately not done the feasibility study of the connectivity project. The requirements of the three trillion-dollar investment by China will certainly need a comprehensive study on the viability. The actual investment by Chinese companies in many of these identified connectivity projects will require a cost-benefit analysis. A number of countries party to China's BRI have poor governance as well as there seems to be a lack of an effective institutions to work with. Such issues will come on the way of Chinese companies to make the investments and realise the goals of China.

India has to be pro-active in maintaining its strategic influence independent of China's entry in a big way both in its vicinity as well as its extended neighbourhood. The parties to China's BRI should understand the implications of such initiative. India shall intensely think of stepping up all its efforts in promoting connectivity with its neighbours. India in the current era of geopolitics should be open enough to all the ideas which would help protect its interests. Sooner or later, both India and China would be required to assume the responsibilities to lead the world affairs.

India's broader concerns could be amenable if China makes the BRI completely multilateral. It should not be a single grand initiative. The blueprint of BRI should have been written by both India and China. The initial consultations with India should have been given priority and taken as a mandatory requirement by China. Each and every dimension of the BRI should have been jointly spelt out by both India and China. There is a dominant view that if the BRI has to be successful then India has to be a part of it.

EU Perspective

As per the EU perspective, it must be emphasized here that the BRI was never properly defined, even by the Chinese, who claim that it is rather "a vision" than a mere infrastructure program. The West, including the EU, up to now is accepting it as a kind of development strategy focused on connectivity and – mainly economic – cooperation of the Eurasian states. China has been claiming a "new era" and also scheduling a road map towards the Great New Renaissance of the

Chinese nation with the articulated benchmarks by 2021 (middle class society), 2035 (innovative society)

and 2049 (full Rejuvenation). Thus, it seems like a new power centre is going to emerge across the globe. China has been reflecting its assertiveness and articulating ambitious goals to claim its supremacy. China's strategy towards the BRI will complement its desired goal in declaring its ascendancy. The EU has to assess this vision of China more cautiously.

With BRICS, Shanghai Cooperation Organization (SCO), AIIB and Silk Road Fund, China emerged as a renewed Eurasian player, ready to build ports, roads, tunnels, high-speed railways, and other forms of infrastructure, boosting economic, financial and trade cooperation. As Xi Jinping said at the Boao Forum– “new technologies, new products, new business patterns, and new business models” should form a preferred mode of strategy. The Middle Kingdom has come out with practically global ambitions in scope, proposing in fact a new global order led by its inherent economic and military strengths.

Europe and the EU should realize this as soon as possible, and craft a set of strategy to promote the larger interests. China now, unlike few years ago, seems to play the role of a “responsible stakeholder”, ready to fight for common (humankind) goals of non-traditional security threats such as terrorism, climate change or environmental pollution. China in addition to other emerging economies will have to evolve a set of recommendations to address the challenges emanating across the globe. It seems the world has started to realize that the old liberal and Atlantic dominated global order is coming to an end. Hence, the onus will also be on the EU to remain united and preserve the integrity and the old liberal order.

However, it is more than obvious that Europe and the EU needs to build a solid understanding of the BRI,⁴⁰ combined with an urgent – and strongly neglected earlier – task of preparing a common strategy towards China, its new global role and the BRI (16 + 1) inside. One is witnessing a real power shift – from the Atlantic to the Asia-Pacific region, with a prominent role of China (followed by Japan, South Korea, “four economic tigers”, but also Indonesia and India) in the process. The time has come to adjust to it, even if this exercise is painful (and shocking sometimes) to current powers. China will be on its spree of achieving its strategic ambitions to become a global power.

⁴⁰ Jeff Smith, “China's Belt and Road Initiative: Strategic Implications and International Opposition”, The Heritage Foundation Backgrounder, 9 August 2018, see <https://www.heritage.org/asia/report/chinas-belt-and-road-initiative-strategic-implications-and-international-opposition>

Conclusion

The research study has identified both convergences and divergences in terms of understanding India – EU perspectives on China's BRI.

Convergences

- 1 China's BRI came as a real surprise, it was - and still is - a vision, or concept unexpected, non-transparent, distinct but vague.
- 2 By announcing the BRI China has been posing the challenges to a number of major powers including the power centres of the globe.
- 3 On both sides the real response strategy to the BRI is missing, which is an important missing link, as China has pronounced and announced its global vision and geostrategic blueprint. There is lack of a well-articulated strategy to respond to the BRI.
- 4 China's BRI seems to be potentially dangerous because both India and the EU's geopolitical interests are at stake.
- 5 The landmass connectivity (Silk Road Economic Belt) across continents is being viewed differently by India and the EU.
- 6 The 21st Century Maritime Silk Road, relatively less important to the EU, seems to be highly ambitious geostrategic project of special attention of India, as in India's opinion through its implementation China even could create its own sphere of interests among the Indian Ocean littoral states.
- 7 The economic and technical feasibilities of both lines of the BRI are yet to be properly understood. However, five years of experience with their implementation leads to - more and more convincing - conclusion that it is largely for geostrategic and geo-economic games which could help push for a new global order.
- 8 China's official claim of "win-win" solution frequently leads to "China 2:0" scenario, that is that China, its companies, workers and engineers are the primarily winners of the investment proposed under the BRI umbrella.

Divergences

- 1 The members of EU are divided on the issues relating to China's BRI. Economics becomes the key aspect of EU's strategy for potential cooperation. On the other hand, India's objection to BRI completely rests on its sovereignty.
- 2 The EU member states are divided in their assessment of the BRI, undermining and weakening the EU's institutions positions on it, while India so far has shown its deep conviction to get out of it if not completely dissociated from this array.

- 3 Even if the EU would have accepted China and India coming together, for instance under the BRICS or Emerging Markets umbrella, the BRI is completely different than the way China has been portraying prior to its announcement.
- 4 The EU does not share India's - widely accepted - position, that the real intent of China is mainly on encircling India.
- 5 The respective understanding by both India and the EU on what China - and its BRI - really means for Eurasia is completely different, partially due to its completely different geographical location, partially due to its different interests.

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