

# Charting EU-India Cooperation on Connectivity

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## Introduction<sup>1</sup>

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.

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As a result, in the Joint Communication on Euro-Asian Connectivity<sup>1</sup>, 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.
- 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.<sup>2</sup> 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.”<sup>3</sup>

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<sup>1</sup> Explaining the European Union’s approach to Connecting Europe and Asia, Brussels September 19, 2018 [http://europa.eu/rapid/press-release MEMO-18-5804 en.htm](http://europa.eu/rapid/press-release_MEMO-18-5804_en.htm)

<sup>2</sup> “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>

<sup>3</sup> Ibid.

- 3) 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 Eurasian continent and on Europe's trade and energy routes in the Indo-Pacific.<sup>4</sup> 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.<sup>5</sup> 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,<sup>6</sup> 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.<sup>7</sup> As a result, the new EU strategy on India clearly articulates that “stability and security of Asia is increasingly important for European interests”.<sup>8</sup> 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

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<sup>4</sup> 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>

<sup>5</sup> “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>

<sup>6</sup> 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/>

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

<sup>8</sup> Elements for an EU strategy on India, Brussels, November 20, 2018. [https://cdn5-eeas.fpfis.tech.ec.europa.eu/cdn/farfu-structure/MJxuGXlInF8rvfq4cRLxzC1mUacEWgvfout13dMi4o/mtime:1542708985/sites/eeas/files/jc\\_elements\\_for\\_an\\_eu\\_strategy\\_on\\_india\\_-\\_final\\_adopted.pdf](https://cdn5-eeas.fpfis.tech.ec.europa.eu/cdn/farfu-structure/MJxuGXlInF8rvfq4cRLxzC1mUacEWgvfout13dMi4o/mtime:1542708985/sites/eeas/files/jc_elements_for_an_eu_strategy_on_india_-_final_adopted.pdf)

on sovereignty and territorial integrity.”<sup>9</sup> 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.

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 potential 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 requirements<sup>10</sup>. 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.

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<sup>9</sup> “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>

<sup>10</sup> 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>

## **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 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:

- 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.
- 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.
- An excellent platform to voice their concern on regional connectivity issues and to lend support for a rules-based international order.
- 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:

- 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.
- 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.