

Regional Connectivity in Asia: New Avenues for EU-India Partnership

By GARIMA MOHAN

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Promoting a rules-based, multilateral global order is a central goal of the EU global strategy on foreign and security policy, 2016. However, with the global shift of power towards Asia, the established multilateral system and international organizations are under increasing pressure. China is at the center of this challenge. Beijing-led multilateral arrangements have economic and geopolitical implications for Europe and India alike: they threaten Europe's centrality in the Eurasian neighborhood and markets, and could posit China as the primary actor in India's near neighborhood. And yet neither partner has found an effective approach to deal with these challenges. Looking closely at regional connectivity projects including the One Belt, One Road (OBOR), or Belt and Road initiative, this policy brief argues that they present similar opportunities and challenges for the EU and India alike. By building on these convergences, the two can revive their flagging strategic partnership and gain greater influence in shaping the regional order in Asia.

Policy Recommendations

Garima Mohan is a research associate at the Global Public Policy Institute (GPPi), Berlin.

- **Promoting multilateralism:** The EU needs to develop a strategy for proactively engaging with new multilateral arrangements in Asia. To do so, it must utilize its strategic partnership with India more effectively, focusing especially on the emerging regional governance architecture in Asia.
- **Coordinating positions:** Common concerns on initiatives like OBOR offer new opportunities for deepening EU-India cooperation. Building on these strategic and normative convergences, European member states and India can develop coordinated positions in platforms such as the Asian Infrastructure Bank (AIIB), which will be used to fund OBOR projects. Similar strategy can be deployed when the New Development Bank (NDB) starts accepting members in 2017. However, this would require the EU to first develop a coordinated position among member states on dealing with new institutions.
- **Regional connectivity beyond OBOR:** India is in the process of articulating its position on regional connectivity and integration, which in rhetoric at least it is similar to the EU's vision. As India pushes for connectivity and infrastructure development within South Asia and with Southeast and East Asia, the EU can play a role through investments and capacity building to support regional integration. There is also significant scope for infrastructure development within India. While partners like Japan have used this opportunity to deepen their strategic partnership with India, the EU is yet to capitalize on it. Given rapid urbanization and initiatives like 'Make in India' which presuppose quality and resilient infrastructure, the EU can play an important role and increase its visibility in India by investing in infrastructure development and linking to initiatives like Smart Cities.

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Introduction

According to its new Global Strategy on Foreign and Security Policy, the EU’s “primary foreign policy goal is to promote a rules-based global order with multilateralism as the key principle and the UN at its core.”¹ Embedding the EU’s interests and values in the international system directly supports European security, prosperity, and growth. However, as the geopolitical focus shifts towards Asia, the established multilateral system, including the Bretton Woods institutions, no longer reflects the modern geopolitical terrain. For these emerging powers, newer, more flexible platforms like BRICS, BASIC (Brazil, South Africa, India and China) and the India-Brazil-South Africa Dialogue Forum (IBSA) are a useful counterbalance to the Western-dominated institutions. Much closer to a bricks-and-mortar reality in their focus on infrastructure development, the Beijing-led One Belt, One Road initiative and the AIIB are redrawing the map of the Asian continent, and are in direct competition with existing development banks and investment schemes. If the EU is to achieve its foreign policy goal of safeguarding a single, rules-based multilateral order, it will have to engage more proactively with these new arrangements.

This policy brief argues that as the EU engages with Asia, it needs to work with member states to invest in developing a more coherent approach towards new developments like OBOR and AIIB. At the same time, the EU should focus on reinvigorating its strategic partnerships with other countries in Asia, and in particular, India. As the other emerging Asian power, India views China-led initiatives with considerable trepidation. Like Europe, India is wary of the implications of OBOR, which will position China as an important actor in its neighborhood. But India also seeks to benefit from the opportunities that enhanced regional connectivity would provide. Given the similar opportunities and challenges both actors face, this policy brief argues that regional connectivity initiatives open new avenues for deepening EU-India cooperation. Not only could the two develop joint positions on key issues within institutions like the AIIB and on OBOR projects, but the EU could also cooperate on infrastructure initiatives pushed by India within South and Southeast Asia, thereby reinvigorating the EU-India strategic partnership.

Competing Multilateralism and the EU

The EU promotes a rules-based multilateralism, which differs from the more relational forms emerging in the Asia-Pacific and espoused by emerging power constellations. The EU’s doctrine of multilateralism is characterized by a preference for legally binding commitments and international regimes as outcomes and instruments of cooperation.² These binding rules cover all policy fields – economic, environmental and social, as

1 Keukeleire, S. and B. Hooijmaaijers, “The BRICS and Other Emerging Power Alliances and Multilateral Organizations in the Asia-Pacific and the Global South: Challenges for the European Union and Its View on Multilateralism,” *J Common Mark Stud*, 52 (2015): 582–599.

2 Schmidt, Juliane, “The EU’s Multilateralism as Proactive Engagement” in *The EU Global Strategy: going beyond effective multilateralism?*, ed. Balazs Ujvari. (European Policy Centre, 2015): 13-16.

well as the internal organization of member states³ – although participating states do not view them as an assault on national sovereignty. The EU had hoped this model of effective multilateralism would eventually become the global standard, with the EU at the core.⁴

The emerging powers, on the other hand, have opted for a fundamentally different kind of multilateralism based on a purely intergovernmental approach, as seen on platforms like BRICS. This form of multilateralism is characterized as ‘relational’ since it employs informal mechanisms for building consensus among like minded partners; it includes decision-making by consensus, absence of treaty obligations, respect for national sovereignty, prioritizing growth and development, and a reluctance to restrict economic growth with regulations on environment and human rights. In general, formal institutions play a much weaker role, with member states connected by relational rather than rules-based governance.

Yet, even if they do not generate binding rules, they do provide emerging powers with platforms to coordinate positions at international negotiations. Unsurprisingly given the unequal economic and political clout among the various “emerging” powers, China is increasingly taking a leadership role: it is consolidating its leadership of existing groups like BRICS while lobbying for the establishment of a permanent G20 secretariat in Beijing.⁵ In the coming years, Chinese diplomacy will continue to promote more informal and flexible forms of cooperation, gradually reshaping global governance. At the same time, China will focus on regional leadership in Eurasia, raising concerns for Europe.

Despite the significant changes underway, the EU has yet to develop an effective policy to deal with the shifting power balance. In its engagement with emerging powers, so far the EU has used the instrument of strategic partnerships with individual BRICS countries. These partnerships, however, have not helped to overcome the different views and interests of the EU and emerging powers.⁶ This gap is especially acute in Asia, where the EU has yet to play a significant role as a strategic actor, and where it is all too-often crowded out by its member states.

Geopolitics of Connectivity

A driving force behind Asia’s growth in the global economy is its investment in infrastructure and regional connectivity – facilitating both international trade and foreign direct investment on the continent.⁷ However, major infrastructure deficits

3 Keukeleire and Hooijmaaijers, 591.

4 European Security Strategy, *A Secure Europe in a Better World* (Brussels: European Union, 2003), <https://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>.

5 Ekman, Alice, *China’s multilateralism: higher ambitions* (Brussels: European Union Institute for Security Studies, 2016), http://www.iss.europa.eu/uploads/media/Alert_2_China.pdf.

6 Renard, Thomas and Sven Biscop, “Conclusion: From global disorder to an effective multilateral order: an agenda for the EU” in *The European Union and Emerging Powers in the 21st Century. How Europe Can Shape a New Global Order* by Sven Biscop, ed. Thomas Renard (Routledge, 2012).

7 Biswa Nath Bhattacharyay, Masahiro Kawai, and Rajat M. Nag, eds., *Infrastructure for Asian Connectivity* (Cheltenham: Edward Elgar, 2016), <https://www.adb.org/sites/default/files/publication/159325/adbi-infra-asian-connectivity.pdf>.

in the region remain, particularly in cross-border infrastructure. As a result, regional connectivity initiatives are on the rise in Asia. China's OBOR initiative, which aims to create a modern-day 'Silk Road' connecting Asia, Africa, and Europe over land and via sea routes, stands out as a particularly important development. Building on Xi's New Security Concept, which states that economic development is a precondition for security, it has been called "the most ambitious infrastructure-based security initiative in the world today."⁸ And not without merit: it promises to unlock the vast potential of unexplored markets by building new infrastructure, institutions and inter-linkages. In

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fact, China has successfully prioritized infrastructure development not only on its own foreign and domestic agendas but also on the agendas of many multilateral institutions including the New Development Bank (NDB) and the AIIB – the latter especially cannot be decoupled from OBOR.

Reaching beyond Asia, OBOR posits China as the primary engine of economic development globally as well. Thus, the initiative has both economic and geopolitical implications: First, it is meant to favor China's geostrategic position and bring benefits to Chinese enterprises. Second, with financial integration and policy coordination as its two main pillars, there is also concern that OBOR may create a relationship of dependency between amongst China and several Asian countries. Although the EU and India each view the initiative with a degree of caution, neither has developed a coherent policy response to it. However, the similarity of the challenges and advantages facing both actors presents new avenues for cooperation within Asia that could benefit both.

For the EU, there is the concern that OBOR might threaten the centrality it holds in its Eurasian neighborhood – capturing market share and promoting regional frameworks developed in Beijing. Especially as China pursues a proactive policy towards less-developed countries both inside and outside the EU,⁹ the scramble for Chinese FDI could further divide an already fraught union. In 2012, for instance, China launched a new framework dialogue with Central and Eastern European (CEE) countries, including EU members, under the 16+1 Summit. These annual meetings with heads of governments are now combined with OBOR – as seen in case of the fourth summit held in Hangzhou last November. The 16+1 Summit is neither bilateral nor

8 van der Putten, Frans-Paul and Minke Meijnders, *China, Europe and the Maritime Silk Road* (The Hague: Clingendael, 2015). <http://www.clingendael.nl/sites/default/files/China%20Europe%20and%20the%20Maritime%20Silk%20Road.pdf>.

9 Lisbonne de Vergeron, Karine. "India and the EU: what opportunities for defence cooperation?" (2015) http://www.iss.europa.eu/uploads/media/Brief_24_EU-India_defence.pdf.

European and could prevent Brussels from developing a common policy response to OBOR. There is also a possibility that such frameworks could emerge in other parts of Europe.¹⁰

Benefitting from “better connections with Asia’s dynamic economies,”¹¹ the EU also stands to gain from OBOR, especially by way of increased market access and the development potential of the countries along the route. So far, the EU has attempted to align OBOR with Europe’s own infrastructure initiatives, but a cohesive, strategic collaboration has yet to be reached. The EU wants China to participate in the general infrastructure framework operated by the European Fund for Strategic Investments (EFSD), while China would obviously like to work with its own platforms. Moreover, there remain normative concerns about OBOR projects’ potential to undercut existing multilateral standards for governance – especially the technical and environmental requirements the EU would like enforced. China’s willingness to offer ‘attractive’ financing which might lead to market loss for EU companies, and of course there are broader strategic implications of China setting the rules in Eurasia.¹²

For India too, the initiative raises a number of strategic concerns. Foremost are concerns over national security raised by the planned China-Pakistan Economic Corridor (CPEC), which will pass through Indian-claimed territories. Further projects in India’s near neighborhood, including Sri Lanka, the Maldives and the Indian Ocean Region – where India wants to play a leading role – are also cause for apprehension, as they encroach on India’s perceived strategic domain. Thus, “the Indian view on OBOR is no longer one of indifference, but of concern.”¹³

While India has yet to formulate an official strategy and response to the One Belt, One Road initiative, it has raised questions about the kind of regional order China has in mind. New Delhi rejects Beijing’s characterization of OBOR as a physical connectivity project that will benefit all those involved, arguing instead that it was instituted without consulting those who would be affected by it. On several occasions, India has gone so far as to call OBOR a “national Chinese initiative” that is “unilateral” and that it is not “incumbent upon other countries to buy (into) it.”¹⁴ This is echoed in Indian concerns about “hardwiring” norms and conditions into the region’s economy without building broad-based consensus.¹⁵ Effectively, New Delhi complains that it is being denied its rightful place at the table of Asian geopolitics, elbowed out by China’s “unilateral” approach. To ensure its position, India is crafting an alternative approach to regional connectivity – differing from China’s and already at work in a number of

10 Ibid.

11 Jean-Claude Juncker, interview by Shuai Rong and Yan Lei, “Europe to benefit from China’s One Belt, One Road initiative: EC chief,” March 19, 2015, Xinhua, http://news.xinhuanet.com/english/2015-05/07/c_134219349.htm.

12 Pavličević, Dragan, “China, the EU and One Belt, One Road Strategy” *China Brief* 15, no. 15 (2015), http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=44235&cHash=9dbc-08472c19ecd691307c4c1905eb0c#V7quE5h96Ul.

13 Sukumar, Mohan Arun, “How India is Running the Race for the Asian Century,” *The Wire*, April 5, 2016, <http://thewire.in/27104/how-india-is-running-the-race-for-the-asian-century/>.

14 Foreign Secretary S. Jaishankar, “India, the United States and China,” speech at IISS Fullerton, 2016., Youtube, <https://www.youtube.com/watch?v=et2ihw8jHaY&feature=youtu.be&t=46m27s>.

15 See remarks made by Foreign Minister Sushma Swaraj and S. Jaishankar at the Raisina Dialogues, http://www.mea.gov.in/Speeches-Statements.htm?dtl/26432/Speech_by_External_Affairs_Minister_at_the_inauguration_of_Raisina_Dialogue_in_New_Delhi_March_01_2016.

Indian connectivity initiatives in its neighborhood and Southeast Asia, as shown in the sections below.

Some within the strategic community in New Delhi are calling for a more nuanced approach to OBOR, and argue that India should take advantage of the infrastructure and trade benefits beyond the more controversial projects. For instance, they contend that India should get on board with strategic initiatives that stand to benefit the country – particularly the satellite imaging center in Vietnam, the Iran railway corridor, and the North-South Transport Corridor.¹⁶ Moreover, OBOR is seen as a valuable way for India to gain reliable access to inner Asia, especially as Pakistan continues to refuse access to Afghanistan and Central Asia. India has long viewed Iran as its main gateway to these regions, as well as to Russia and Europe – OBOR projects give it an opportunity to build this gateway through enhanced road and rail connectivity in Iran. As India develops the Iranian port of Chabahar, it could also cooperate with China in developing other commercial links to Central Asia.

Normative & Strategic Convergences Create Room for EU-India Cooperation

Spurred into action by the Belt and Road initiative, New Delhi is already reaching out to other interlocutors in Asia, voicing concerns over a unilateral Chinese approach and stating it will not be a “passive recipient of outcomes.”¹⁷ While China champions the ‘Asia for Asians’ narrative to keep out established powers like the US, it is not in India’s interest to have a unipolar Asia. As India steps up its engagement with other actors like the US, Japan and Southeast Asia, there might be space for re-engaging with Europe.

Within this context of regional connectivity projects and an emboldened Chinese leadership, the EU and India’s strategic interests often converge – offering a viable path to reviving their partnership. Albeit nascent, India is attempting to articulate its own policy on connectivity which, in rhetoric at least, is closer to the EU’s vision. As seen in recent diplomatic interventions,¹⁸ India has stressed the importance of existing multilateral frameworks like ASEAN, choosing to focus on the primacy of regional and sub-regional actors in norm-setting within Asian institutions, distinct from Xi’s top down approach for the Asian century.¹⁹ In its engagements in the region, India has been endorsing a multilateral cooperation in the Indian Ocean Region, showing a renewed interest in regional integration, and adopting norms that regulate the behavior of individual states in Asia.²⁰

Building upon these convergences, regional connectivity initiatives could be an opportunity for the EU and India to find common ground. Doing so would also lend an element of strategic cooperation to the EU-India partnership, a goal that has been

16 Sukumar.

17 Jaishankar.

18 Sukumar.

19 Ibid.

20 See Prime Minister Modi’s speeches on multilateralism in the Asia Pacific, specifically addressed at the International Fleet Review (2016), available at <http://pib.nic.in/newsite/mbErel.aspx?reId=136182> and 37th Singapore Lecture (2015), available at <http://pib.nic.in/newsite/PrintRelease.aspx?reId=131821>.

stressed many times in documents such as the Joint Action Plan and the Agenda for Action 2020, but has yet to be achieved.

As the EU looks to promote its vision of multilateralism in Asia, India could be an important ally. What this means in practical terms, beyond developing a common vision for Asia, could be coordination on voting in platforms within institutions such as the Asian Infrastructure Bank, which will fund many OBOR projects. While China is the largest shareholder in AIIB, with 26 percent of voting rights, India is the second-largest shareholder with 7.5 percent of the voting rights, as the US and Japan refused to be founding members. European members together account for 21.8 percent.²¹ If the European states were to collectively cooperate with India on key issues, Europe and India could gain a powerful voice in the bank.²² To do so, the partners need to develop a shared agenda, especially on setting standards for finance, democratic governance of staffing and best practices for OBOR projects, which are also important for India. A similar strategy for EU-India cooperation could also be deployed in the NDB when it starts accepting members in 2017. However, the EU will first need to generate internal consensus among member states and formulate a common policy for dealing with new institutions such as the NDB.

China's increasing presence in nearly every South and South East Asian country is "causing New Delhi to rethink and reimagine its neighborhood approach,"²³ heightening its focus on social and physical infrastructure as a means of promoting closer cooperation within South Asia, and with Southeast Asia.²⁴ As the South Asian Association for Regional Cooperation (SAARC) hits its usual roadblocks, India is reviving old institutions like the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), which met on the sidelines of the BRICS summit in Goa this year. India is pushing for expanding the focus of the group beyond technical cooperation to include infrastructure development and connectivity between the countries. Additionally, India is involved in a number of connectivity initiatives in the North East, especially involving Myanmar, Bangladesh, and Thailand.²⁵ India recently announced a \$5 billion investment in regional connectivity projects in South Asia – which remains one of the least integrated regions in the world – to help facilitate trade and deal with infrastructure deficits that hinder integration. These include establishing integrated customs ports with Bangladesh, Nepal, Bhutan,²⁶ and developing economic corridors with the support of ADB. Since the EU's larger goal in South Asia is to support regional integration, it could work with India in supporting these connectivity projects. The EU's specific competencies lie in trade integration and

21 Peterson Institute for International Economics, "Who will hold the power in AIIB?" (2015), <https://piie.com/research/piie-charts/who-will-hold-power-aiib>.

22 See also Kundnani, Hans "Is Europe out of Sync with India – and Asia?", *German Marshall Fund*, 2015, <http://www.gmfus.org/blog/2015/10/06/europe-out-sync-india-%E2%80%94-and-asia>.

23 Malik, Ashok, "Urgent need for new architecture for India's neighborhood policy," *Observer Research Foundation*, October 10, 2016, <http://www.orfonline.org/expert-speaks/urgent-need-new-architecture/>.

24 Asian Development Bank, "Regional Transport Connectivity in South Asia," <https://www.adb.org/sites/default/files/linked-documents/47341-001-sd-01.pdf>.

25 Paragraph 15.20, page 198, Twelfth Five Year Plan 2012-2017, Economic Sector, Government of India

26 "India to develop regional connectivity projects worth \$5 billion in South Asia," *The Hindu BusinessLine*, May 10, 2016, <http://www.thehindubusinessline.com/economy/policy/india-to-develop-regional-connectivity-projects-worth-5-billion-in-south-asia/article8581464.ece>.

export of regulatory frameworks; capacity building in South Asia through connectivity projects could be one way of supporting regional integration, as well as investments and technical cooperation.

In addition to the rise of China, the perceived withdrawal of the US is setting the stage for a revitalized EU-India partnership. Conscious of the void left by the US, India is seeking new partners in the region, but lacks the capacity to execute a grand OBOR-

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like project in the region on its own. By collaborating with the EU on investments and capacity building for its own infrastructure development projects, it could enhance connectivity within India and beyond its borders.

And finally, there is much scope for investment in infrastructure development within India. With the final destination and markets for OBOR remaining in Europe, India does not really stand to benefit from them. Instead, India has collaborated with countries like Japan to build infrastructure within the country, particularly in the northeastern region, which will eventually become a hub for regional connectivity in South East Asia. As a response to OBOR, Modi and Abe have pointed to the “synergies” between India’s Act East policy and Japan’s Partnership for Quality Infrastructure (PQI).²⁷ Japan’s footprint is already visible in India through projects such as high speed rail, industrial corridors and urban mass rapid transport systems. While PQI clearly adds a strategic dimension to Japan’s economic assistance programs, it also answers to Indian ambitions of playing a larger regional role. Collaborating on these initiatives has strengthened Indian-Japanese bilateral ties and their strategic partnership significantly, and presents a model that the EU could emulate in its own relationship with India.

Given India’s rapid urbanization, expanding markets, and policy priorities such as ‘Make in India’ which presuppose good and resilient infrastructure – infrastructure development is a vital and currently unexplored area for stepping up the EU-India technical cooperation. If it is linked to already established programs like the Smart City initiative or to infrastructure initiatives in politically important states such as Uttar Pradesh, it can also provide higher visibility and political capital to the EU in India.

Conclusion

Up until the summit in March 2016, the EU-India partnership has remained stagnant, with each actor appearing indifferent to the other. Policy makers in India do not perceive

27 Mohan, C. Raja, “Raja-Mandala: A new way to Act East,” *The Indian Express*, December 15, 2015, <http://indianexpress.com/article/opinion/columns/a-new-way-to-act-east/>.

the EU as an important strategic partner; meanwhile, Brussels has established a better working relationship with China than India. But changing regional dynamics in Asia provide an opportunity for the two actors to break away from this trend. Regional connectivity is of immense importance to India in order to secure its growth, increase trade and expand its role in the region. Furthermore, development as infrastructure is a norm championed by most emerging countries including the BRICS. By partnering with India on regional connectivity as well as infrastructure development within the country and in its extended neighborhood, the EU and India can emerge as important partners.

As India develops its own approach to regional integration, it could emerge as an important partner for the EU. European cooperation with India until now has focused mostly on trade liberalization, while other strategic aspects were largely ignored. Given the change in Indian foreign policy and its more proactive approach towards shaping the regional dynamics in Asia, the time is ripe for the EU to align its interests more closely with the country. This is crucial not only to revive the flagging EU-India partnership, but also for the EU to achieve its aim of promoting effective multilateralism. ●

Global Public Policy Institute (GPPi)

Reinhardtstr. 7, 10117 Berlin, Germany

Phone +49 30 275 959 75-0

Fax +49 30 275 959 75-99

gppi@gppi.net

gppi.net

Carnegie India

Regus Grandeur Offices Pvt. Ltd.

St. 403, Lower Ground Floor, Shivaji Stadium Metro Station

Airport Express Line, New Delhi-110001, India

carnegieindia@ceip.org

carnegieindia.org