



# European and Indian Perceptions of the Belt and Road Initiative

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## 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 AIIB, 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.

# European and Indian Perceptions of the Belt and Road Initiative

## 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 terms<sup>1</sup>. 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 renminbi<sup>2</sup>.

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

<sup>2</sup> 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 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 institution<sup>3</sup> 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"<sup>4</sup>, 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.

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<sup>3</sup> *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.

<sup>4</sup> European External Action Service, *Belt and Road Forum – EU common messages*, 14<sup>th</sup> 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”<sup>5</sup>. 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 20<sup>th</sup> Sino-European summit held in Beijing on 16<sup>th</sup> 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.”<sup>6</sup>

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 Europe<sup>7</sup> 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 suit<sup>8</sup>. In addition, a specific framework for cooperation between China

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<sup>5</sup> Outcome of Proceedings, General Secretariat of the Council, 18<sup>th</sup> July 2016, Brussels, 11252/16, available at: [http://www.europarl.europa.eu/cmsdata/121922/ST\\_11252\\_2016\\_INIT\\_EN.pdf](http://www.europarl.europa.eu/cmsdata/121922/ST_11252_2016_INIT_EN.pdf)

<sup>6</sup> Joint statement of the 20<sup>th</sup> EU-China summit, 16<sup>th</sup> 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>

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

<sup>8</sup> Notably Albania, Bosnia-Herzegovina, Kosovo, Montenegro and Serbia.

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 Europe<sup>9</sup>.

### *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)<sup>10</sup>. 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 BRI<sup>11</sup>.

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 93<sup>rd</sup> to 39<sup>th</sup> in terms of container capacity over the same period of time<sup>12</sup>. Thus, though many Northern European hubs expect new business opportunities from expanding links with the new BRI sea routes, they are also developing new

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

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

<sup>11</sup> 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.

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

strategies, in particular the port of Hamburg, to cope with this heavier competition from Southern Europe<sup>13</sup>.

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 country<sup>14</sup>, especially outside of Europe where most of the investment is estimated to go to Chinese contractors<sup>15</sup>. 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 EU<sup>16</sup>) 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 roads<sup>17</sup>. 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 forestry<sup>18</sup> have been put in place. Over the last 2016 summit, China also proposed the launch of new financing 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

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

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

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

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

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

<sup>18</sup> *Ibid*, page 58.



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 2012<sup>19</sup>, 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 corridors<sup>20</sup>. Most specifically, the French President, Emmanuel Macron, made clear references to the new silk roads and BRI in his speech in Xian on 9<sup>th</sup> January 2018 during his first State visit to China, which was also the first visit of a European leader since the 19<sup>th</sup> 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 Europe<sup>21</sup>. Chinese multinationals are expected to significantly gain from

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

<sup>20</sup> Jan Weidenfeld (2016), *Ibid*.

<sup>21</sup> Jean-Paul Larçon (2017), *Ibid*, p. viii.

better 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.”<sup>22</sup> 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 Dokhlam 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

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<sup>22</sup> Charles Grant (2010), *India’s Response to China’s Rise*, CER Policy Brief (London: Centre for European Reform).

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 trade is hugely tilted in favour of China as Indian exports amounted to only \$13 billion<sup>23</sup>. 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 region<sup>24</sup>. New Delhi is also aware that "no single power – not even the U.S. – can offset China's power and influence on its own."<sup>25</sup> A strong push towards further strengthening its ties with the ASEAN countries<sup>26</sup> and revitalisation of the Quadrilateral Security Dialogue (or Quad)<sup>27</sup> 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 following<sup>28</sup>:

*"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.*

*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*

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

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

<sup>25</sup> 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>

<sup>26</sup> 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).

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

<sup>28</sup> 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](http://mea.gov.in/rajyasabha.htm?dtl/28857/QUESTION_NO2735_BELT_AND_ROAD_INITIATIVE_OF_CHINA)

*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”<sup>29</sup>

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”<sup>30</sup>. 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”<sup>31</sup>.

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 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”<sup>32</sup>. The same position was repeated in April 2018<sup>33</sup>.

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<sup>29</sup> 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>

<sup>30</sup> 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](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)

<sup>31</sup> Speech by Foreign Secretary at Raisina Dialogue in New Delhi, 2 March 2016, [goo.gl/E9x6uD](http://goo.gl/E9x6uD)

<sup>32</sup> 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>

<sup>33</sup> 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/fmSL53>

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 project<sup>34</sup>. 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”<sup>35</sup> Earlier, at the 9<sup>th</sup> 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 objection<sup>36</sup>.

### *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 pipeline<sup>37</sup>. 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)<sup>38</sup>. Along with the CPEC, however, when the BCIM-EC was also declared as an important part of the OBOR/BRI initiative by China, it created difficulties for Indian policy makers<sup>39</sup>. 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

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

<sup>35</sup> 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>

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

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

<sup>38</sup> Joint Statement on the State Visit of Chinese Premier Li Keqiang to India, 20 May 2013. <http://mea.gov.in/bilateraldocuments.htm?dtl/21723/Joint+Statement+on+the+State+Visit+of+Chinese++Li+K+eqiang+to+India>

<sup>39</sup> Patricia Uberoi, “Problems and Prospects of the BCIM Economic Corridor” *China Report*, 52 : 1, 2016: 19–44.

have been subsumed with the larger Belt and Road strategy<sup>40</sup>. 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 region<sup>41</sup>.

### *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 CPEC<sup>42</sup>. Vinay Sahastrabudde, BJP's National Vice president also articulated similar ideas at a meeting in Beijing<sup>43</sup>. The former Union Minister and spokesperson of the Indian National Congress, Manish Tewari, believes that although India's objections to the CPEC are valid<sup>44</sup>, we should participate in the BRI and take advantage from it<sup>45</sup>. 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".<sup>46</sup>

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 supplies<sup>47</sup>. Shiv Shankar Menon, former Foreign Secretary and former National

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<sup>40</sup> 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>

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

<sup>42</sup> 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/>

<sup>43</sup> Speech By BJP National Vice President, Dr Vinay Sahasrabudde 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-sahasrabudde-at-international-conference-of-asian-political-parties-special-conference-on-silk-road-beijing>

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

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

<sup>46</sup> 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](http://peoplesdemocracy.in/2017/0521_pd/belt-and-road-initiative-blinkered-view-government)

<sup>47</sup> Shyam Saran, "What China's One Belt and One Road Strategy Means for India, Asia and the World" *The Wire*, 9 October 2015.

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”<sup>48</sup>. 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”<sup>49</sup>. 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”<sup>50</sup>. Some others also feel that if India joins OBOR, it would become “Asia’s permanent second-class power”<sup>51</sup>. 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”<sup>52</sup>.

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”<sup>53</sup>.

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.<sup>54</sup> Some in the academia feel that the initiative is clearly in conflict with the way India looks at multilateral projects<sup>55</sup>. 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

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<https://thewire.in/external-affairs/what-chinas-one-belt-and-one-road-strategy-means-for-india-asia-and-the-world>

<sup>48</sup> 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>

<sup>49</sup> 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>

<sup>50</sup> 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>

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

<sup>52</sup> 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/>

<sup>53</sup> Jabin T. Jacob, “China’s Belt and Road Initiative: Perspectives from India”, *China & World Economy*, Vol. 25, No. 5, 2017, p. 78.

<sup>54</sup> 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>

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



to the BRI<sup>56</sup>. 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”<sup>57</sup>. 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.<sup>58</sup>

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 Asia<sup>59</sup>. Therefore instead of opposing, New Delhi should integrate some of the BRI initiatives into its own connectivity plans<sup>60</sup>. This will significantly enhance India’s access to Eurasia<sup>61</sup>. 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 economy<sup>62</sup>. By joining BRI, India, it is argued, can play a leadership role in South Asia’s infrastructure and economic integration<sup>63</sup>. Further, a confident India can leverage the Chinese initiative to its own advantage in the areas of connectivity, manufacturing and higher education sector<sup>64</sup>. 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 institutions<sup>65</sup>.

Many have made the argument that India was not consulted before announcement or more consultation is needed<sup>66</sup>. Some other, however feel that “petulance should not drive our policy”<sup>67</sup>. 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

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<sup>56</sup> 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.

<sup>57</sup> 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

<sup>58</sup> *Ibid.*, pp. 94-95.

<sup>59</sup> 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>

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

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

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

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

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

<sup>65</sup> 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).

<sup>66</sup> Ashok Sajjanhar, “China’s Belt and Road Initiative: Prospects and Pitfalls” *IDSA Comment*, 28 November 2017. [https://idsa.in/idsacomments/china-belt-and-roadinitiative\\_asajjanhar\\_281117](https://idsa.in/idsacomments/china-belt-and-roadinitiative_asajjanhar_281117)

<sup>67</sup> 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>



geopolitical objectives” by China<sup>68</sup>. 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 Asia<sup>69</sup>.

Of late, many reports and analyses are appearing in Indian media concerning a growing discontent among the BRI participating countries, debt trap and project failures<sup>70</sup>. Apart from other projects, the major focus is on problems faced by CPEC in Pakistan<sup>71</sup> and the Hambantota port and airport projects in Sri Lanka. Some have already termed OBOR as “imperial overreach”<sup>72</sup> and started questioning the viability of the project itself<sup>73</sup>.

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 overcapacity<sup>74</sup>. 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”<sup>75</sup>. Moreover, moving away from an abstract single grand BRI narrative to specific connectivity projects could resolve many of the issues between India and China<sup>76</sup>. At the moment, New Delhi’s approach seems to be closely watching developments, peruse its own connectivity projects and advising countries in the region about long term consequences of closely linking with the BRI<sup>77</sup>. 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<sup>78</sup>

## 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.

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<sup>68</sup> Sanjaya Baru “China’s One-Belt-One-Road Initiative is Not Just about Economics” *The Economic Times*, 25 April 2017. <https://bit.ly/20O3540>

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

<sup>70</sup> “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>

<sup>71</sup> 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/>

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

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

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

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

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

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

<sup>78</sup> 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>

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 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

Three main recommendations emerge from our analysis:

1. The EU and India may establish a dialogue on sustainable connectivity in line with their respective connectivity strategies.
2. 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.
3. 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.
4. 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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