

Managing Connectivity Conflict: EU-India Cooperation and China's Belt and Road Initiative

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Managing Connectivity Conflict: EU-India Cooperation and China's Belt and Road Initiative

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Summary

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

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

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

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

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

Introduction

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

The BRI in many ways could become the arch of the 21st-century world order. What is clear, is that this Chinese initiative challenges the current open and transparent rules-based system of international politics and economics advanced in the 20th century. Primarily aimed at promoting the national interests of the People's Republic of China (PRC) and its influence across the world, the trillion-dollar program is reinforcing its structural

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

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

linkages with countries in Asia, Europe and Africa. More than five years after its official launch in 2013, a growing number of governments have developed mixed feelings about the BRI. Seen as a “manifestation of China’s re-globalization ambitions,”³ the BRI raises expectations of economic and political opportunities at one level while inviting skepticism and doubt over its operational mode at another level. Obviously, through the BRI, the PRC is enhancing its political and strategic influence, including in Europe.⁴

Set against this context, the United States, Japan, India, Australia and the European Union (EU) have put forward their own counter-initiatives to balance the Chinese outreach under the BRI. This includes Japan’s (Expanded) Partnerships for Quality Infrastructure (PQI and EPQI) and the Free and Open Indo-Pacific Strategy, the Asia-Africa Growth Corridor (AAGC), presented jointly by Japan and India, the Trilateral Partnership for Infrastructure Investment in the Indo-Pacific among the U.S., Japan and Australia; the Quadrilateral of the U.S., Japan, Australia and India (popularly known as the Quad); and the EU’s connectivity strategy, and the EU’s push for sustainable connectivity in the context of the Asia-Europe Meeting (ASEM).

By and large, these “likeminded” actors are yet to add real projects and funds to their proposed initiatives. Also lacking is a consensus on how to interrelate their connectivity propositions, which now largely run parallel at best and cross-purpose at worst. Obviously, there is dearth of substantive

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

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

engagement about one another's strategic thought. The Trump administration's approach towards likeminded countries and its noncommittal approach towards Asia on global trade multilateralism have certainly not helped matters.

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

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

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

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

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

The Need for Strategic and Economic Cooperation

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

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



Figure 1. Major powers' trade with EU

Source: Eurostat

Trade is Not Just a Matter for Businessmen and Trade Negotiators⁸

Trade, geopolitical trade and geopolitical understanding have not featured high in India-EU relations. The joint statement that followed the EU-India Summit in New Delhi in October 2017 illustrates this. Trade and economic cooperation are mentioned only after sections on strategic partnership, foreign policy, security and global challenges. The leaders expressed their “shared commitment to strengthening the economic partnership between India and EU.” They also mention “the ongoing efforts of both sides to re-engage towards re-launching negotiations for an India-EU broad-based trade and investment agreement (BTIA), before introducing a variety of bilateral cooperative mechanisms on specific sectors and issues.”⁹ Only five

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

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

out of the 53 paragraphs address global challenges and multilateral cooperation, including one in which the signatories reaffirm “the crucial role of the rules-based multilateral trading system.”

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

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

Though the EU and India have met in annual macroeconomic dialogues and WTO mini-ministerial meetings to discuss issues like the global economic outlook and the WTO deadlock, there is a need to deepen their cooperation. As geo-economic issues, including connectivity and global value chains, economic and financial governance and trade diplomacy rise in importance, more institutionalized cooperation on these matters is hardly a luxury. Discussions should also be held on mini- or multilateral efforts to protect

and maintain the rules-based order, transparency and financial standards related to government procurement and state subsidies as well as climate and environmental cooperation and security challenges linked to connectivity such as digital economy and cyber-attacks.¹⁰

Although for many countries in Asia, the EU is a key trade and investment partner, these issues have not been on the agenda in a structured setting, including within EU-India relations. With this in mind, the European Commission Vice-President for Jobs, Growth, Investment and Competitiveness, Jyrki Katainen, proposed a high-level strategic and economic dialogue in Delhi in November 2016. But India's response was muted, and the initiative was not pursued. In this context, one Indian official rued that the EU and India today already have some 32 ongoing dialogues, which are currently being reviewed.¹¹ To others, however, this only confirms the need to rationalize and upgrade these dialogues while adding a strategic perspective.

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

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

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

Connectivity Conflict in the Making

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

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

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

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

¹⁵ The constitutional amendment to remove the limits on the presidential term indicates that Xi may continue to remain in power beyond 2022. See Jagannath P. Panda, "What the Inclusion of BRI in the Chinese Constitution Implies," IDSA Comment, November 7, 2017, at https://idsa.in/idsacomments/what-the-inclusion-of-bri-in-the-chinese-constitution-implies_jpanda_071117, accessed August 20, 2018. Also see Jagannath P. Panda, "Xi Jinping's Extended

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

In Asia, Sri Lanka has reportedly handed over its strategically located Hambantota Port to Chinese firms because it is unable to repay its debt, which represents a case of how Beijing's financial stronghold ends up contributing to the PRC's coercive economic diplomacy under BRI.²⁰ In Malaysia, Prime Minister Mahathir Mohamad has halted a Chinese-funded project worth USD 22 billion, which includes a railway project on the east coast.²¹ There were allegations in Malaysia on how its previous government

Presidency and India-China Relations," IDSA Issue Brief, March 27, 2018, at https://idsa.in/issuebrief/xi-jinping-extended-presidency-india-china-relations_jppanda_270318, accessed September 3, 2018.

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

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

¹⁸ *Ibid.*

¹⁹ *Ibid.*

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

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

under Najib Razak offered lucrative financial offers to proceed with these projects. Furthermore, there are growing concerns in Myanmar and Pakistan over BRI projects and funding patterns.

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

Japan and India as Binding Forces: From EPQI to AAGC

In an overt attempt to offer an alternative to the BRI, in 2015 Tokyo started offering PQI to countries around the world but primarily focusing on Southeast Asia. PQI emphasizes standards such as social and environmental concerns, high-technology assistance, local job creation and consideration for the recipients' financial situation. Tokyo also provides development assistance that bolsters their naval military strength and adduces its proposal of a Free and Open Indo-Pacific. Remodeled after the PQI, the EPQI seeks to encourage exporting high-quality infrastructure with

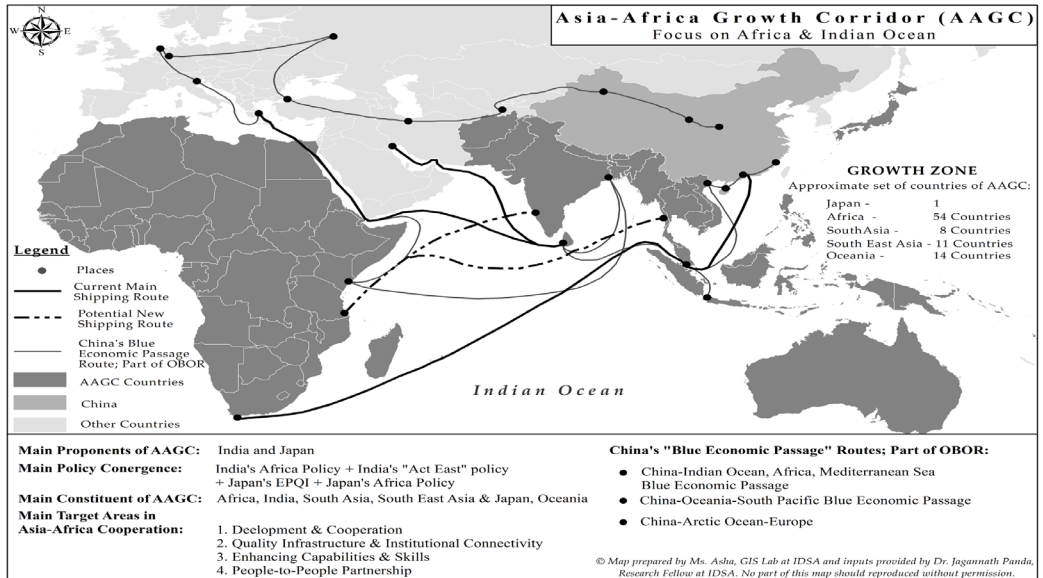
partnering countries going beyond Southeast Asia, with a developmental framework. Apart from extending its geographic reach, more funds were allocated under the EPQI; in 2016, Tokyo allocated USD 200 billion under the EPQI for quality infrastructure investment. Japan's eventual aim is to have a better presence globally by promoting its quality infrastructure ahead of China's investments under the BRI.

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

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

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

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



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

Source: GIS Lab, IDSA

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

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

June 2022. Several other connectivity projects are also in the making, where Japan will be an investor (see Annex for details).

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

Europe's Proposition: Sustainable Connectivity

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

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

thermo-power station, the “Pupin bridge” in Belgrade and highway projects.²⁶

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

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

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

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

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

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

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

students—5,300 Indians have received the Erasmus Scholarship and 1,800 Indians have received the Marie Skłodowska Curie Scholarship since 2004.

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

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

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

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

trade, economic cooperation, connectivity, sustainable development, climate change and security challenges.

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

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

As depicted in Figure 2 (below), sustainable connectivity has three pillars; economic, institutional and people-to-people connections.³² It has five features; commercial, financial, social, environmental and reciprocal elements. Commercial sustainability centers on investing in projects that respond to a real public need and are economically viable. Financial sustainability implies ensuring that the countries involved do not fall into a debt trap and that infrastructure projects include long-term financial

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

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

planning (e.g. the availability of funds for repair work or skills training). Social sustainability refers to infrastructure that contributes to institutions' quality and conforms to transparency and labor standards. Environmental sustainability recognizes that connectivity should consider its impact on the environment, i.e. that development should meet the needs of the present without compromising the ability of future generations to attain their own needs.³³ Finally, reciprocal connectivity is about maintaining a level-playing field between countries and governments, upholding international rules and regulations on government procurement and state aid.

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

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



Figure 2. Connectivity's three pillars

Source: Okano-Heijmans and Sundar, 2018.

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

Towards a Shared Narrative on Connectivity Cooperation

As has been seen earlier, substantial differences exist between the EU and India's preferred connectivity counterproposals regarding both sustainable connectivity and the AAGC. Key amongst these are the geographic scope (the former spanning the European and Asian continents and the latter focusing on Asia and Africa), approach to dealing with China (lock-out or

inclusive) and pragmatism. However, the geographic and economic prospects of both the EU and India as strong continental actors prompt a case for cooperation.

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

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

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

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

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

India-Japan Confluence with EU

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

In July 2018, a notable change took place in EU-Japan relations with the signing of the EU-Japan Economic Partnership Agreement- the biggest ever negotiation by the EU. This agreement is supposed to facilitate an “open

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

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

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

India’s relations with the EU also seem to be changing from the past, emerging as a partnership of opportunities.⁴¹ The two sides may not agree on a number of governance issues such as climate change and reform of global financial institutions, but there is no denying that India enjoys a better political acceptance in Europe on a range of people-centric issues that are linked to democracy and human rights, primarily in contrast to China. India’s cooperative approach towards Europe was reflected in the 1960s,

³⁹ EU-Japan summit, Tokyo, July 17, 2018, at

<https://www.consilium.europa.eu/en/meetings/international-summit/2018/07/17/japan/#>; also see, “EU and Japan sign Economic Partnership Agreement”, Tokyo, July 17, 2018, at

<http://trade.ec.europa.eu/doclib/press/index.cfm?id=1891> (accessed on December 9, 2018)

⁴⁰ EU-Japan Economic Partnership Agreement, European Commission, July 2018, at

http://trade.ec.europa.eu/doclib/docs/2017/july/tradoc_155725.pdf.

⁴¹ “EU-India Summit: Strengthening our Strategic Partnership and Moving Forward with our Common Agenda,” Press Release, European Commission, Brussels, October 6, 2017, at

http://europa.eu/rapid/press-release_IP-17-3728_en.htm, accessed August 19, 2018.

when India was among the first countries to establish diplomatic ties with the European Economic Community (EEC). In 2017, the EU was India's first trading partner. The India-EU strategic partnership, which was established in 2004, promises to expand their mutual cooperation in areas such as people-to-people contacts, skills development, employment, social policy, sustainable development, connectivity, mobility, transport and ICT, among others. The year 2017 saw the 14th India-EU Summit, at which the two sides affirmed their partnership in security, geopolitics, trade and investment.⁴²

For the EU, India was the tenth biggest importer and the ninth biggest exporter in 2017. Trade mostly involved manufactured goods. According to the Joint Communication released on the EU Strategy on India 2018,⁴³ EU-India cooperation will have win-win impact on both. It will decrease India's resource constraints, enhance resilience to greenhouse gas emissions and climate change. It will also support the EU's investment opportunities, job creation and diversification and promote overall sustainable connectivity. For instance, for digital connectivity, the EU has launched a piloting initiative recently to foster innovation between entrepreneurs and incubators of both sides. The Department of Science and Technology (DST), NITI Aayog and Invest India have collaborated with European investors to develop an innovative framework for future projects.

The EU-India cooperation will contribute to reducing resource pressure and pollution, cutting greenhouse gas emissions and enhancing resilience to climate change. A strong modernization partnership between the EU and

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

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

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

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

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

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

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

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

cooperation in the multilateral fora. Together, Japan, India and the EU can cooperate in Africa to effectively tackle diverse global challenges, such as the Sustainable Development Goals which are important and common to all of them. Other mutual priorities include facilitating sustainable investment, encouraging and achieving the 2030 Agenda and South-South requirements.

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

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

Although the EU is yet to formally endorse the concept of "Indo-Pacific," its economic cooperation with the Quad countries should not be overlooked. The EU's hesitation to employ the concept of Indo-Pacific is more related to its strong relations with China as well as the central role that France—as one of the few remaining European naval powers—might adopt herein. Notably, Prime Minister Modi at the Shangri-La Dialogue said that "India does not see the Indo-Pacific region as a strategy or as a club of limited

members.”⁴⁸ India’s approach to the Quad is a statement of its pluralistic foreign policy arch while evolving the Indo-Pacific construct. Balancing China’s growing outreach with consultation with the Quad while concurrently firming up bilateralism with Beijing explains India’s strategic autonomy and the pluralism of its foreign policy. Alignment with the Quad does not necessarily suggest that India wishes to engage in a China-containment strategy in the Indo-Pacific. Rather, its alignment with the Quad is a strategic arch of firming its outreach in a liberal-order framework. India’s and China’s competing strategic interests in securing energy resources, protecting maritime interests and promoting national interests are bound to collide, coupled with India’s age-old boundary disputes with that country. India’s pluralistic foreign policy under Prime Minister Modi and President Xi’s New Era foreign policy have shown that their national trajectories have been obstructionist towards each other’s rise in Asia and the world at large. But for India, its relations with China are an imperative component of its plural and non-aligned foreign policy, which promotes strategic autonomy. India-China relations are currently taking on a definitive structure in the Indo-Pacific and New Delhi is more inclined to nurture them than repudiate them. Hence, India’s approach to the Quad is not anti-China. The EU needs to note this. Hence, the EU’s Asia strategy and the Quad’s focus on the IOR could establish strategic convergence. The EU’s approach to cooperate with the Quad does not have to be entirely anti-China. Cooperating with the Quad will only open new opportunities of cooperation for the EU in Asia and outside, mainly in the Indo-Pacific.

The views and statements expressed by Japan, Australia and the U.S. are similar in tone to how the EU has started viewing India as a partner, which opens an opportunity for the EU to cooperate with India both within the context of the Quad and outside. This is primarily because both the EU and

⁴⁸ See n. 4.

India have agreed that both sides “recognize their common responsibility towards ensuring international peace and security and an open and inclusive international order.”⁴⁹

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

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

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

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

Practical Solutions for Real Needs

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

The International Solar Alliance

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

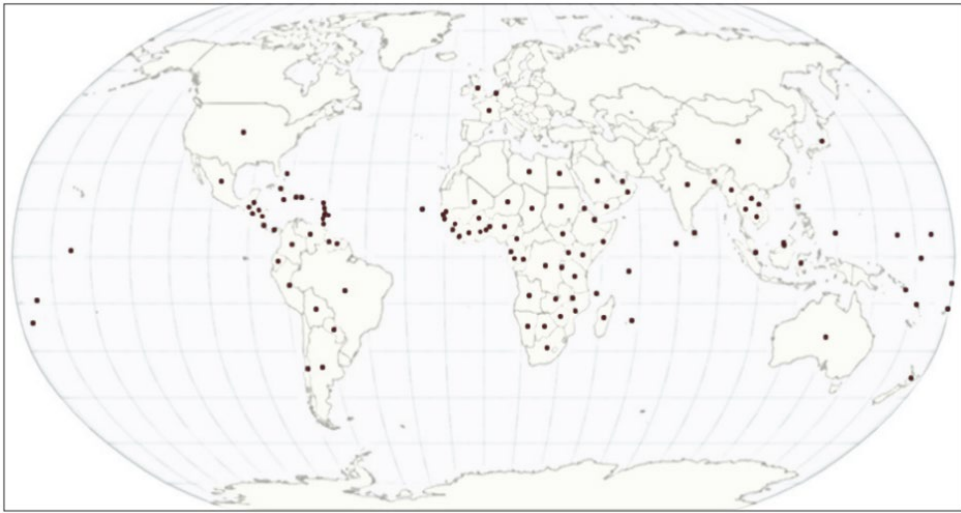


Figure 3. International Solar Alliance countries.

Source: [Export-Import Bank of India](#), 2016.⁵¹

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

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

European countries like France and the Netherlands have joined the ISA for diverse reasons, which include climate change and economic and political considerations. As per the India-Netherlands joint statement signed during Prime Minister Rutte's visit in May 2018, the ISA provides an opportunity for Indo-Dutch collaboration in setting up research institutions and industries, including in third countries. This would additionally benefit the Dutch Caribbean islands in their transition towards greater sustainability. The framework presents a valuable opportunity to further global climate objectives, which is in the Netherlands' interest. Moreover, the ISA supports Dutch development objectives by assisting Indian access to green energy and peoples in other developing countries. Separately, the ISA membership is expected to benefit the Netherlands economically as almost all solar panels still have a Dutch technology component. Hence, the ISA can further Dutch economic interests by contributing to the valorization of knowledge by the use of Dutch technology in solar systems and by creating broader market opportunities in the solar field. The Netherlands stands to benefit economically from the rapidly growing solar energy industry, with a market that has grown from about 1 gigawatt (GW) in 2004, to 39 GW in 2013.

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

Investment in Africa

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



Figure 4. Major powers' trade with Africa

Source: Government websites

Officially, Africa-EU relations advocate "principles of ownership, partnership and solidarity" that the 2007 Joint Africa-EU Strategy (JAES) outlines with a spirit of complementary interests. Although the continent's

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

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

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

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

BBIN Waterways Connectivity

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

However, the situation is changing. There has been an impetus to boost development in the northeast ever since India adopted its Act East Policy (AEP) in 2014. The AEP aims to increase India's ties with the Near Abroad and particularly with the Southeast Asian nations. Improved connectivity and communication infrastructure form the core of the AEP. The 1360-km-long India-Myanmar-Thailand Trilateral highway, to be constructed by 2019, is an example of this initiative. Many of these connectivity projects are funded by ADB loans. The road networks will not only facilitate closer economic ties but will also promote cultural exchanges and tourism. The AEP is politically important as well, as it helps expand India's strategic influence from its South Asian neighbors to countries in Southeast Asia. Nevertheless, India would do well to explore the feasibility of BBIN waterways connectivity, which would strengthen the commitment of the

countries involved to ensuring minimal water flow in the rivers for the passage of cargo vessels and the cleanliness of the water bodies.

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

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

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

committed to cross-border connectivity in South Asia, could be a possible funder of the project.

Binding Forces with Japan in Northeast India

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

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

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

Tweaking Europe's Approach to Connectivity Cooperation

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

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

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

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

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

Connectivity or Convergence?

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

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

The main hindrance to EU-India joint partnerships in connectivity seems to be the limited economic engagement between the two entities, especially in comparison to the EU’s trade with China or the U.S. For the EU and India to

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

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