

6. Facing Global China: India and the Belt and Road Initiative

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India and China have a long and ambivalent relationship that has often been described in contradicting terms ranging from conflict and containment to competition and cooperation¹. The Doklam incident in summer 2017 has underlined again that the unresolved border issue continues to be a constant source of bilateral tensions. China's close relations with Pakistan, the expansion of China's naval power in the Indian Ocean, and India's intensified both bi- and multilateral cooperation with Japan, the United States, and Australia in the context of the Quadrilateral Dialogue (Quad) are part of the mutual efforts of balancing and competition that both countries are pursuing in the wider Indo-Pacific region. However, it should not be overlooked that both countries have established new forms of cooperation in recent years. Economically, China is India's largest trading partner. Politically, both countries are members of the BRICS grouping (Brazil, Russia, India, China, South Africa) and the Shanghai Cooperation Organisation (SCO).

¹ T.V. Paul (ed.), *The China-India rivalry in the globalization era*, Washington, Georgetown University Press, 2018; C. Ogden, *China and India: Asia's emergent great powers*, Cambridge, Polity Press, 2017; J. Panda, *India-China Relations: Politics of Resources, Identity and Authority in a Multipolar World Order*, London-New York, Routledge, 2016; J.M. Smith, *Cold Peace: Sino-Indian rivalry in the twenty-first century*, Lanham, Lexington Books, 2014.

India is among the few countries in Asia that have refused to participate in the Belt and Road Initiative (BRI) from the beginning. India is also the only country that has justified its opposition against the BRI with the violation of its national sovereignty. The China-Pakistan Economic Corridor (CPEC), which is the flagship project of the BRI, runs through the Pakistan controlled part of Jammu and Kashmir that was claimed by India since the accession of the former princely state in October 1947. But Indian policymakers have also voiced their concerns over the rising debt of countries that joined the BRI and the lack of transparency of many BRI projects. There is a strong consensus in India in the opposition against the BRI². Compared to this, there are only very few voices promoting at least a partial participation of India in the BRI³.

India's relationship with the Belt and Road Initiative, however, is more complex and includes a variety of dilemmas and challenges on the national, regional, and global level. The argument is that even if India continues to reject this project, it may be slowly drawn into its networks, which are permeating neighbouring countries. The first part of the chapter tries to identify some of these dilemmas and challenges on the different levels; the second part will look at India's new strategies and initiatives that came up as a reaction to the BRI.

The National Level: Security vs Development

The Indian discourse on China is shaped by two diverging positions. On the one hand, China is India's largest bilateral trading partner; on the other hand, China is also seen as India's main

² T. Madan, *What India thinks about China's One Belt, One Road initiative (but doesn't explicitly say)*, Brookings, 14 March 2016; for an overview of the Indian debate see G. Sachdeva, "Indian Perceptions of the Chinese Belt and Road Initiative", *International Studies*, vol. 55, no. 4, 2018, pp. 285-296.

³ See for instance S. Kulkarni, "It's time to reimagine South Asia: On India-China-Pakistan cooperation", *The Hindu*, 6 March 2018; T. Ahmad, "India Needs to Take a Fresh Look at the Belt and Road Initiative Proposal", *The Wire*, 2 July 2018.

strategic challenge. The most important controversial issue is the unresolved border question. India's humiliating defeat in the Border War of 1962 continues to shape the conversations in India's strategic community. The territorial conflict encompasses Indian demands for the Aksai Chin region in Kashmir whereas China claims the Indian state of Arunachal Pradesh as South Tibet. China regularly protests against the visits of high ranking Indian politicians to this region and has repeatedly denied visas to Indians from Arunachal Pradesh⁴. Moreover, the activities of the Dalai Lama in India pose an important bilateral security issue for China. Since his flight from Tibet in 1959, the Dalai Lama and large parts of the 150,000 strong Tibetan diaspora are staying in India.

After their rapprochement in the late 1980s, both sides set up a joint working group (JWG) on the border issue which has held 21 meetings until 2018⁵. Moreover, both sides signed various agreements in order to strengthen the status quo on the un-demarcated border. But border incursions like Doklam in 2017 have always marred the bilateral relationship. India viewed the construction of Chinese roads in this area as a strategic challenge to the Siliguri corridor, which is India's only land connection to its states in the Northeast. The crisis could be solved diplomatically and started off a new phase of collaboration after the informal Wuhan summit in April 2018.

Rapprochement since the early 1990s has also intensified the economic cooperation between the two Asian giants. Despite sporadic tensions and India's opposition to BRI, Chinese companies see India as an attractive market mainly because of its size and lower wages. So it is not astonishing that Chinese investment in India has increased over the years. In 2017, official Chinese investment reached nearly US\$2 billion; a significant increase compared to 2016 with US\$700 million⁶.

⁴ "China Denies Visa to Indian Badminton Team Manager From Arunachal", *The Wire*, 17 November 2016.

⁵ Embassy of India, Beijing, China, <http://indianembassybeijing.in/political-relation.php>

⁶ S. Dutt D'Cunha, "How China Is Positioning Itself Among India's Top 10

The real figures are probably even higher because those numbers only include investments from mainland China. But Chinese investment via Hong Kong, Macao, or via third countries like Singapore or Mauritius is not included in the official statistics. Moreover, investments that are generated from the profits of Chinese companies within India are also not included in the official data⁷. Therefore it is not astonishing to see estimates that Chinese companies have already invested more than US\$8 billion in India up until 2017⁸.

In recent years, Chinese companies have invested especially in India's growing start-up scene. Companies like Alibaba and Tencent have invested in Indian Online companies like Snapdeal and Paytm⁹. Chinese smartphone companies like Xiaomi, Huawei, and Oppo have set up manufacturing units in India and have increased their share in the fast-growing Indian market. India has also attracted Chinese investments in research and development. Huawei's Bengaluru centre is its largest R&D facility outside China and has recently announced the development of Artificial Intelligence (AI) capabilities in India¹⁰.

Despite the Doklam incident, trade has reached more than US\$80 billion in 2017 and has increased by more than 20% compared to the previous year. At the same time, there is a massive trade imbalance, and India has its largest trade deficit with China with more than US\$51 billion in 2017¹¹. India's exports are mainly raw materials; China's main exports to India are electric machinery. As part of their rapprochement after Doklam, in summer 2018, both countries agreed on tariff reductions

Investors Despite Bilateral Differences”, *Forbes*, 1 May 2018.

⁷ N. Banerjee, “China's Investment in India”, *Millenium Post*, 26 February 2018.

⁸ “China invested more than 8 billion USD in India until”, *The Times of India*, 27 April 2018.

⁹ S. Dutt D'Cunha (2018).

¹⁰ “Huawei launches research and development centre in Bengaluru”, *The Economic Times*, 5 February 2015.

¹¹ Embassy of India, Bilateral Trade, <http://indianembassybeijing.in/economic-and-trade-relation.php> (access 18 January 2019).

in order to promote economic collaboration. Moreover, both countries are in negotiations for the Regional Comprehensive Economic Partnership (RCEP). This free trade area will encompass 16 countries in the Asia-Pacific, which represent around 30% of global trade¹².

There seems to be an obvious complementary relationship between the BRI, a Sino-centric trade and transportation network with Chinese infrastructure investments on the one hand, and India's desire to attract financing and promote export-oriented manufacturing. The Modi government has initiated a large scale "Make in India" program in order to increase manufacturing by decreasing barriers to foreign investment among other measures. There were hopes that large scale manufacturing companies would relocate some of their production sites to India after the increase of wages in China. Hence India's dilemma on the national level is that its rejection of the BRI imposes large opportunity costs for its own development. The public discourse in India is more dominated by the "China threat" rather than by the "China opportunity". But this dilemma seems to be temporarily manageable because of India's high growth rates and its attractiveness to foreign direct investment.

The Regional Context: Changing Dynamics in South Asia

It would be mistaken to argue that India lost its influence in South Asia because of the BRI, which was officially launched in 2013. China had already invested in the region and had expanded its ties with India's neighbours long before 2013. These neighbours have always tried to play the China card much before the BRI in order to balance India's influence. India's neighbours have regarded China as an attractive partner because, when compared with India, it is politically neutral for them – i.e. they hardly have any major bilateral problems – and it

¹² D. Li and D. Kumar, *India-China trade barrier reductions*, HIS Markit, 13 July 2018.

has been economically more attractive¹³. This constellation has been supportive of China to enter South Asia. Hence, the BRI seems to have accelerated a process which was set in motion long before.

India is facing two different kinds of dilemmas regarding the BRI in South Asia: one linked to Kashmir, the other with its own efforts to promote connectivity in the region. First, the BRI may have the potential to also transform the relations between India and Pakistan and their lingering conflict over Kashmir. With the BRI, it appears that China has turned into a status quo power on the Kashmir issue, a position that is neither shared by India nor by Pakistan. Officially, China is not part of the Kashmir dispute. It is not mentioned in the resolution of the United Nations (UN) although it controls the Aksai Chin area of the former princely state which is claimed by India. But with its massive investment of US\$60 billion in the CPEC, it is difficult to imagine that China, as a veto power in the UN Security Council, would have an interest in changing the present constellation in Kashmir. So, the Chinese investment in the region can also be seen as an affirmation of the status quo between India and Pakistan.

India's official position is that the whole princely state of Jammu and Kashmir acceded to the Union in October 1947. The presence of Pakistani troops in this area and the construction of roads and infrastructure by China, especially in Gilgit-Baltistan, are regarded as a breach of India's sovereignty. Already in 1963, India had protested against the Sino-Pakistan Frontier Agreement in which Pakistan provisionally ceded to China portions of Kashmir. Chinese investment in this region is not a new phenomenon. The Karakorum Highway (KKH) between China and Pakistan was already completed in the late 1970s. In order to make CPEC an economically viable project, it will be necessary to improve the KKH so that it can be used year-round.

¹³ C. Wagner, "The Role of India and China in South Asia", *Strategic Analysis*, vol. 40, no. 4, July-August 2016, pp. 307-320.

However, India has also shown flexibility on Kashmir in its negotiations with Pakistan. In the negotiations with Pakistan during the composite dialogue after 2004, both sides reached an informal understanding in 2007 which would *de facto* have implied an acceptance of the territorial status quo by India. Although this solution was never made public, it was later confirmed by Pakistan's President Pervez Musharraf, his Foreign Minister Khurshid Kasuri, and the Indian Prime Minister Manmohan Singh¹⁴.

China's status quo approach may also explain the proposals of the Chinese ambassador to India in 2017, when he declared that China could rename CPEC if India was willing to join the One Belt One Road initiative (OBOR)¹⁵. He also offered to "create an alternative corridor through Jammu & Kashmir, Nathu La Pass or Nepal to deal with India's concerns"¹⁶. But Prime Minister Modi has strengthened India's traditional position on Kashmir with his remarks on Independence Day 2016 on Gilgit-Baltistan. India's dilemma is that the BRI works in the direction of a status quo that is not shared by the present government of the BJP.

It is not without a certain irony that China's status quo approach in Kashmir is a much bigger challenge for Pakistan, Beijing's long-time ally. Pakistan is also facing at least two challenges. First, Pakistan official position on Kashmir argues that the whole territory of the former princely state of Jammu and Kashmir is a disputed territory according to the resolutions of the United Nations. Pakistan has used and triggered regional crises, like the Kargil War in 1999, to enforce an engagement of

¹⁴ "Governments of Both Countries Now Have to Decide on a Time to Disclose Solution ...", Interview with the Pakistani Foreign Secretary Khurshid Kasuri, *The Friday Times*, 1-7 June 2007, p. 6; "Pakistan and India Were Close to an Agreement", *The Daily Times*, 2 May 2009; "Musharraf: India, Pakistan Were Close to Agreement on 3 Issues", *The Hindu*, 18 July 2009.

¹⁵ B. Kumar, "Chinese offer to rename CPEC if India joins OBOR could be in play again", *The Business Standard*, 24 November 2017.

¹⁶ S. Dasgupta, "China hints it can rename CPEC if India joins OBOR initiative", *The Times of India*, 24 November 2017.

the international community in the conflict. China did not support Pakistan in the Kargil crisis. This raises the question of how far China would be willing to support similar strategies in the future, given the US\$60 billion investment in CPEC that might be endangered by another military confrontation between India and Pakistan. Moreover, would China really have the interest to internationalise the dispute, like Pakistan wants, which may even lead to a referendum in which the Kashmiris may, for instance, opt with a probability of 50% to stay with India?

Second, the BRI has raised great hopes in all of Pakistan's provinces for better infrastructure and development. This has also increased the aspirations in Gilgit-Baltistan, a part of Kashmir that is administered by Pakistan, where there are growing demands for full provincial status in order to benefit from the BRI programs¹⁷. However, giving Gilgit-Baltistan the status of a full province would severely undermine Pakistan's long-standing position on Kashmir. If the region would become a full province, it will be difficult to uphold the demand that the whole area is a disputed territory. So reforms by Pakistani governments are always a tightrope walk, as they give more autonomy without granting full constitutional status. The new government of Prime Minister Imran Khan and his Pakistan Tehreek-e-Insaf (PTI) has introduced a large reform package for a provisional provincial status of Gilgit-Baltistan¹⁸. The major challenge for Pakistan will be how to achieve a *de facto* integration of the region into the Constitution without changing its *de-jure* status in order to avoid repercussions on the country's official Kashmir position. The BRI may, therefore, intentionally or not, contribute to an attenuation of Pakistan's position on Kashmir. This may diminish the risk of another Kargil-like crisis, which was directly undertaken by the Pakistan military.

Unfortunately, this constellation will not stop terrorist attacks from militant groups like Lashkar-e-Toiba (LeT) or

¹⁷ A.A. Shigri, "A new status for GB", *Dawn*, 24 October 2017.

¹⁸ H. Malik, "Provisional province status proposed for G-B", *The Express Tribune*, 8 January 2019.

Jaish-e-Mohammed (JeM), which may have the potential to trigger another bilateral crisis between Pakistan and India such as in 2001-2002 after the failed attack on the Indian parliament. Pakistan's growing dependence from China may also make militant groups feel encouraged to continue or even expand their activities. Moreover, if CPEC will really strengthen Pakistan's economic development, this may lead to higher expenditure for the military. This may also fuel the arms race in the region in the long term.

Furthermore, India is facing another dilemma due to the Chinese investment in South Asia. It is often forgotten that Indian governments have also tried to increase connectivity in South Asia. Since the 1990s, India changed its policy towards South Asia emphasising with the Gujral doctrine the principle of non-reciprocity in conflicts with its neighbours. This marked a stark contrast with the Indira doctrine that led to various Indian interventions in South Asia in the 1970s and 1980s. Especially after 2004, the United Progressive Alliance (UPA) government of Prime Minister Manmohan Singh put a great emphasis on regional connectivity both bilaterally and in the context of the South Asian Association for Regional Cooperation (SAARC)¹⁹. India, however, lacked the great narrative on regional connectivity that is so successfully projected by China. Moreover, India's attempts have not been successful with regard to the promotion of intra-regional trade, which was still only about 6% in 2015, making South Asia the least economically integrated region²⁰.

India's opposition to the BRI has also hampered its own connectivity projects, with the Bangladesh, China, India, Myanmar (BCIM) corridor being the most prominent "victim". BCIM

¹⁹ See Address by Prime Minister Dr. Manmohan Singh to the 14th SAARC Summit, 3 April 2007, <https://www.mea.gov.in/Speeches-Statements.htm?dtl/1852/Address>

²⁰ United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), *Unlocking the Potential of Regional Economic Cooperation and Integration in South Asia. Potential, Challenges and the Way Forward*, 2017, p. 1.

developed from the Kunming Initiative which the four states started in the late 1990s in order to increase regional connectivity. In 2013, the Indian Prime Minister Manmohan Singh and the Chinese Prime minister Li Keqiang discussed the project during their bilateral meeting. After China integrated the BCIM into the BRI framework, however, India reduced its initiative in promoting the project²¹.

Even though Chinese investments in South Asia might be simply extrapolated and even if only half of the investments will finally materialise, India will be encircled not only by a “String of Pearls” but by Chinese logistics, energy, and communication networks²². As India will continue its own efforts for trade and investment in the region, it cannot escape the BRI. It will be drawn most probably into the existing BRI networks in the neighbouring countries. This will become a challenge for Indian companies because the overwhelming Chinese investment may also shape the industrial norms and technological standards in the neighbouring countries in the mid- to long-term perspective.

Moreover, China has made it clear that the BRI is not an exclusive project but a complementary project that aims to integrate with other connectivity projects like the International North-South Transport Corridor (INSTC), which is promoted by Iran, India, and Russia²³. The Iranian government, which has traditionally good relations with India, has already signalled its interest to include neighbouring countries like Pakistan in the

²¹ S. Bagchi, “Beijing’s Belt-Road plan overshadows BCIM meet”, *The Hindu*, 23 April 2017.

²² The “String of Pearls” refers to various port projects in Myanmar (Kyaukpyu), Sri Lanka (Hambantota), and Pakistan (Gwadar) which were modernised by China. There are concerns in India’s strategic community that these ports may also be used militarily. In order to repay its loans Sri Lanka has to lease Hambantota for 99 years to China in 2017, see “Sri Lanka formally hands over Hambantota port on 99-year lease to China”, *The Hindu*, 9 December 2017.

²³ “China calls for connection between Pakistan’s Gwadar and Iran’s Chabahar”, *Pakistan Today*, 28 December 2017.

project²⁴. Even if India refuses to link its connectivity projects with China, the neighbouring countries may do so. The division of Chinese and Indian connectivity projects may continue on paper, but it is difficult to imagine that these divisions will continue once the projects are implemented. It is more likely to see a slow but steady merging of Chinese and Indian projects in various parts of South Asia.

The Global Arena

On the global level, the different forms of collaboration between India and China overlay the controversial issues. For a long time, India has shown great interest in intensifying global cooperation with China. In the 1950s, India's Prime Minister Jawaharlal Nehru wanted closer ties with China in order to strengthen Asia's role in global politics. In his efforts to bring China back into the international system, in the 1950s Nehru even refused offers to make India a permanent member of the Security Council of the United Nations²⁵.

Since their rapprochement in the late 1980s, both states have intensified their global cooperation and have often shared a common position in global governance negotiations. Together with Brazil, Russia, and South Africa, they formed the BRICS group, which articulated the new self-confidence of the emerging powers. The BRICS have set up their own set of institutions – for instance, a think tank council and the New Development Bank (NDB), which was first headed by an Indian. China and India were part of the BASIC group which, together with Brazil and South Africa, committed to cooperate at international climate

²⁴ G. Sachdeva, “India and Pakistan can both benefit from Chahbahar”, *The Hindustan Times*, 1 June 2016.

²⁵ A. Harder, “Not at the Cost of China: New Evidence Regarding US Proposals to Nehru for Joining the United Nations Security Council”, *The Cold War International History Project*, Working Paper no. 76, Woodrow Wilson International Center for Scholars, Washington, March 2015.

conferences. In 2018, India (and Pakistan) became members of the Shanghai Cooperation Organisation (SCO), in which China and Russia are the most important players. India has also supported the creation of the China-led Asian Infrastructure Investment Bank (AIIB). With more than US\$1.2 billion for various infrastructure projects, India became the largest borrower of the AIIB so far²⁶. Because of China's dominant role in the AIIB, India cannot secure funds for infrastructure projects in Arunachal Pradesh, which is claimed by China (see above).

There are also at least two main controversial issues in the global arena between India and China. First, although China has agreed to the civilian nuclear agreement between the United States and India in 2008, Beijing is blocking India's entry into the Nuclear Supplier's Group (NSG)²⁷. Secondly, China refuses to designate Masood Azhar, the head of the militant group Jaish-e-Mohammad (JeM), who is responsible for various attacks in India as a global terrorist, in the United Nations²⁸. In both cases, China seems to protect the interests of Pakistan.

India's entry in the BRI could eventually also help to increase the bilateral cooperation in the global arena, but the BRI is a Chinese project, which is also perceived by the international community as such. The BRI is a "Chinese brand", in which there may be room for "win-win" constellations but not for equality between China and other partners. States that join the BRI are therefore perceived only as "junior partners" of China. This is in stark contrast to the perspective of Indian policy-makers who see their country on par with China despite their economic and political differences. The perception that India would be regarded as a "junior partner" in the BRI is not acceptable for decision makers in New Delhi. Therefore, Beijing's

²⁶ R. Marandi, "China-led AIIB to spend \$3.5bn with focus on India", *Nikkei Asian Review*, 25 June 2018.

²⁷ A. Aneja, "NSG still a far cry for India as China insists on NPT linkage", *The Hindu*, 15 November 2016.

²⁸ V. Singh, "China will review new inputs on Azhar", *The Hindu*, 27 October 2018.

efforts to woo India to join the BRI are likely to remain fruitless.

But India's opposition towards the BRI should not be mistaken as a general opposition to cooperation with China. On the contrary: at their informal Wuhan summit in April 2018, Prime Minister Modi and President Xi put their bilateral relations on a broader collaborative foundation after the stand-off in Doklam 2017²⁹. One outcome was the agreement to cooperate jointly in Afghanistan in the training of diplomats³⁰. Modi's speech at the Shangri-La dialogue in June 2018, where he made it clear that the Indo-Pacific is an inclusive concept that is not directed against other countries, was also a clear signal of rapprochement towards China³¹. So, India will not refuse closer cooperation with China, but only if there is no BRI stamp on the project. This means for China that joint projects with India have to be put under a different label, not BRI, which would give India the status of an equal partner.

India's Reaction: New Partners, New Formats

Facing China's growing presence in South Asia and the Indian Ocean Rim, India has reacted with a variety of policies. Of course, India has always had its own strategy for South Asia, the Indian Ocean, and Africa. However, China's massive engagement in these regions has caused many concerns in New Delhi. In August 2018, Foreign Secretary Vijay Keshav Gokhale declared before the standing committee in parliament, that "[t]he Strings of Pearls is real" and that India's "renewed stress

²⁹ H. Jacob, "Substance and optics of the summit", *The Hindu*, 20 April 2018; J. Malhotra, "From Wuhan to Buddha smiling in Delhi, a full week", *The Indian Express*, 30 April 2018; K. Bhattacharjee, "India, China should work together: Luo", *The Hindu*, 4 May 2018.

³⁰ "India, China launch joint training for Afghanistan, plan more projects", *The Express Tribune*, 15 October 2018.

³¹ A. Aneja, "Modi's remarks in Singapore echo Wuhan spirit: China", *The Hindu*, 4 June 2018.

on connectivity projects was borne out of this perception”³². Hence, it is interesting to note that six months later Vijay Kumar Singh, Minister of State for External Affairs and former Army Chief, publicly rejected the concept of the “String of Pearls” in another conciliatory move towards China³³.

The most obvious reaction is that India will increase its efforts to promote its own connectivity projects. As already mentioned, India has a long tradition of supporting infrastructure projects both in South Asia and in Africa. India will focus its efforts on its own connectivity projects in the region, for instance, the Bangladesh, Bhutan, India, Nepal (BBIN) corridor, the Kaladan Multi-Modal Transit Transport Project with Myanmar, or the various bilateral projects like the ones in Afghanistan, the Chabahar port in Iran, or the railway system in Sri Lanka.

What is new is that India now seems to be more inclined to cooperate with external powers in third countries both in its neighbourhood and other regions. In South Asia, India has started cooperation with the United States in Afghanistan and with Japan in Sri Lanka. India and Japan have also agreed to establish the Asia-Africa Growth Corridor (AAGC), which will also cover the Indian Ocean³⁴. Another example is the INSTC, in which India cooperates closely with Iran and Russia in order to get access to Central Asia.

The Modi government has also expanded its bilateral military cooperation in the Indian Ocean through new agreements with Oman, France, and the Seychelles. In the wider geo-strategic space, India has welcomed the revitalisation of the Quadrilateral Dialogue (“Quad”) between the United States, Japan, and Australia. But India also seems to be deliberately reluctant to follow the American interpretation of the Indo-Pacific and to

³² D. Mitra, “In Official Testimony to MPs, Government Revealed Full Story of Doklam”, *The Wire*, 15 August 2018.

³³ “No encirclement by China, says V.K. Singh”, *The Hindu*, 6 February 2019.

³⁴ J. Panda, “The Asia-Africa Growth Corridor: An India-Japan Arch in the Making?”, *Focus Asia, Perspective & Analysis*, no. 21, August 2017.

upgrade the Quad format in a way that would signal a more controversial stance against China (see above)³⁵.

India has also shown a new interest in regional institutions like the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the Indian Ocean Rim Association (IORA). This can only be partly linked to the BRI, but maybe India will appreciate the usefulness of stronger regional institutions that may also act as a counterweight against mostly bilateral instruments like the BRI.

India's more flexible foreign policy may also open up new opportunities to intensify the cooperation with the European Union. With its new Asia Connectivity Strategy, the EU has widened its foreign policy instruments in order to offer alternative connectivity projects with better conditions and more transparency than the BRI. This may foster EU-India cooperation not only in South Asia but also in the Indian Ocean and in parts of Africa.

Prospects: India's BRI Challenges

There is no reason to believe that India is going to change its position *vis-à-vis* the BRI, but this creates various dilemmas for India. Domestically, the non-participation creates opportunity costs. However, those may be easily compensated for as long as India has robust growth rates. The much bigger challenges are on the regional level. First, the BRI does not only cement roads in Pakistan and Gilgit-Baltistan but also a status quo on the Kashmir issue, which is not necessarily in India's interest. Moreover, the BRI could be regarded as an "external interference" in the conflict that has never been accepted by India. Second, India will continue its own efforts for better regional connectivity. But China will continue to invest on a much larger scale. Hence, future connectivity networks in South Asia

³⁵ S. Haidar and D. Peri, "Not time yet for Australia's inclusion in Malabar naval games", *The Hindu*, 22 January 2019.

– for instance in the telecom or power sector – may be defined by Chinese rather than by Indian standards. So, even if India continues to reject the BRI, it may be slowly pulled into it through its neighbourhood. On the global level, India joining BRI would give a boost to the bilateral collaboration. But as long as India will then only be perceived as a junior partner of China, it is difficult to imagine such a step.

There are no easy ways out of these different challenges and dilemmas for India. The first strategy would be to sit and wait. India is not in a position to enter into a competition with China on connectivity. During a parliamentary hearing on the Doklam crisis, former Foreign Secretary Subrahmanyam Jaishankar declared that it would be “suicidal for the Government of India to match port for port and airport for airport”. “That would be a suicidal policy because it would be effectively entering into what is the equivalent 1970s arms race between the Soviet Union and the United States of America”³⁶. His successor Vijay Keshav Gokhale conceded that China’s financial conditions and the fast implementation of projects are attractive for many countries³⁷. But after the initial euphoria about the BRI, there are more and more countries in which a critical reflection on the long-term repercussions of Chinese investments has set in, for instance in Sri Lanka, the Maldives, and Malaysia. This may open new avenues for India for its own connectivity efforts. Second, in order to be successful, India has then to be sure that its own and joint projects with partners like Japan or the EU have better conditions and offer higher transparency than the Chinese projects. This will also require more investment in the implementation capacity on the Indian side. Finally, India has signalled that it is not opposed to a closer collaboration with China in general. So another strategy may be to look for new formats to expand the bilateral cooperation with China under a different format.

³⁶ D. Mitra (2018).

³⁷ *Ibid.*

But even if India continues its opposition to the BRI, it will become more and more difficult for New Delhi to evade it in the mid- to long-term perspective. Chinese investment in India will continue, the BRI infrastructure networks in the neighbourhood may set up new norms and standards to which Indian companies have to comply. With its different dilemmas and challenges, the BRI will remain an interesting test case for India to see if the often quoted “Wuhan spirit”³⁸ has really marked the beginning of a new phase of cooperation or was just an interlude in the long-term strategic competition between the two Asian giants.

³⁸ A. Aneja, “Wuhan spirit should spur ‘natural partner’ India to join Belt and Road initiative: China”, *The Hindu*, 27 August 2018.