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## Growing Rivalry in Asia: India Steps Away from China's Silk Road Project

Patryk Kugiel

*One significant delegation missing from the Belt and Road Initiative Forum in Beijing in May was India. Although India's boycott of the summit stems from bilateral problems in its cooperation with China, some of its reservations are shared in Europe. India's stance will not stop the Chinese grand project, but points to a growing rivalry between the Asian powers. The European Union and its Member States should continue to support connections between Asia and Europe but also pressure on parties to ensure infrastructure investments meet the highest international standards.*

India did not send a representative to the inaugural summit of countries involved in China's Belt and Road Initiative (BRI) held in Beijing on 14–15 May. This came as a surprise since India is the world's seventh-largest economy, an important neighbour and partner to China in the BRICS grouping, a founding member and second-largest shareholder in the Asian Infrastructure Investment Bank (AIIB), and a founding member of the BRICS New Development Bank (NDB). China is India's largest trade partner. Prime Minister Narendra Modi of India raised some concerns regarding the BRI during the Raisina Dialogue conference in Delhi in January, but has long been seen as an important backer of the project. A few hours before the meeting in Beijing, however, the Indian Ministry of External Affairs (MEA) announced it was not sending a delegation and gave few reasons for its decision.

**Worsening India-China Relations.** India's decision to boycott the summit was based mostly on bilateral reasons. The most significant irritant is the China-Pakistan Economic Corridor (CPEC), a flagship project of the BRI and costing some \$46 billion to connect the Chinese province of Xinyang with the Arabian Sea at the Pakistani port of Gwadar. The corridor goes through part of the Kashmir region (Gilgit-Baltistan), which India considers its own and illegally occupied by Pakistan. Worse relations with Pakistan, a lack of consultation about the BRI project with India, and no response from China to India's objections influenced the final decision. The MEA underlined in its announcement that, "no country can accept a project that ignores its core concerns on sovereignty and territorial integrity."

India's stance is linked to other longstanding issues. Most of the more than 3,000 km-long China-India border is not officially recognised. China claims, for instance, the Indian state of Arunachal Pradesh and used to block financing of large projects in the state by international financial institutions. India's position has been hardened by other issues that emerged in the last year. First was China's objection to India's bid to join the Nuclear Suppliers Group, which would de facto recognise India as a nuclear power. Second, China repeatedly foiled India's attempts to add Masud Azhar, the leader of the Pakistani group Jaish-e-Mohammed, to the UN sanctions list of people and organisations supporting terrorism. In addition to political issues, India hopes that by distancing itself from the BRI and Chinese economic networks, it will stop increasing its trade deficit with China, which was at €47 billion in 2016.

**International Criticism of the BRI.** India has raised numerous concerns of a more general nature about the BRI. According to the MEA, “connectivity initiatives must be based on universally recognised international norms, good governance, rule of law, openness, transparency, and equality.” In addition, they must “follow principles of financial responsibility to avoid projects that would create an unsustainable debt burden for communities; balanced ecological and environmental protection and preservation standards; transparent assessment of project costs; and skill and technology transfer.” Though India stopped short of accusing China of breaching those norms, it pointed to reservations shared by other countries.

Concerns regarding transparency and environmental sustainability were behind the EU decision to back away from a trade statement signed at the Beijing summit. Australia and Germany also share many of the general doubts raised by India. Some developed countries look at the BRI as a Chinese geopolitical project to overly expand Chinese influence around the world or at least help export Chinese production and labour overcapacity. Some doubts also are being raised about the financing of the BRI. Though China may help with some of the huge investments in infrastructure in Asia, assessed by the Asian Development Bank at a total of \$26 trillion by 2030, it is still not clear whether China will succeed in generating the \$1 trillion promised at the Beijing summit. For many countries, these financing methods can be less attractive than other, existing sources. One must bear in mind the negative experiences with Chinese investments in the past, specifically in relation to financing, land acquisition and environmental standards, which led to the suspension or termination of projects in Myanmar, Thailand, Mongolia and Sri Lanka.<sup>1</sup>

**Alternative Silk Road.** India’s confrontation with China on the BRI front points to a growing rivalry in Asia in terms of connectedness. In addition to upgrading links with its South Asian neighbours, such as Bangladesh or Myanmar, India promotes its own initiatives for connectivity in Asia. As part of its Act East Policy, aimed at better cooperation with Southeast Asian nations, it invests in a trilateral highway project from India to Thailand and eventually to Vietnam. In the Western direction, India has revived work on the International North-South Transport Corridor to connect the Iranian port at Chabahar (built with India’s assistance) to Russia and further to Europe.

Just 10 days after the BRI forum, India hosted the annual meeting of the African Development Bank in Ahmadabad, where jointly with Japan it launched the Asia-Africa Growth Corridor (AAGC), a project seen partly as an alternative to a Chinese initiative. It aims to modernise ports and develop new sea routes between Africa and India and Asia, to create one Indo-Pacific area. AAGC is expected to bring more investments in infrastructure and improved cooperation across sectors, from health to crisis management. It blends Japanese capital and technology with Indian know-how and goodwill in African countries. In addition, the U.S. seems interested in renewing a proposal from 2011 (by then-Secretary of State Hillary Clinton) of a “New Silk Road” to connect Central Asia with India. The U.S. federal budget has reserved some funds to further develop and promote both initiatives, which may help contain Chinese influence in the region in the long run.

**Conclusions.** India’s objections to the BRI do not threaten the initiative’s overall implementation, but further complicate India-China relations and joint projects in Asia. It can weaken their cooperation in BRICS and may put into question Chinese investments in India. India’s hardened position may do more harm to itself in the short term, but the country can count on larger geopolitical gains in a longer perspective. To repair the strained relations, China could introduce minor adjustments to its project, for instance, renaming CPEC or inviting India to consultations on it, but China certainly will not give up on this strategic initiative. China-India tensions are good news for Pakistan, which is tightening its alliance with China, and for the U.S., which can benefit from internal weakness in BRICS.

Though India’s position on the BRI is shaped by bilateral issues, the European Union can pay more attention to general concerns regarding the initiative. The project still has many unknowns and China’s partners can help improve the clarity regarding expectations and rules. EU Member States, some of which share India’s concerns, must guarantee that BRI projects meet the highest standards in terms of transparency and economic and environmental concerns, and ensure an open public procurement process. Improved connections between Asia and Europe is in the EU’s interest. Apart from the BRI, the Union may consider stronger support for other infrastructure initiatives, including India’s or through ASEAN. Poland, which has welcomed the BRI, should carefully consider the risk linked to projects of interest by taking into account the availability of funding sources, attractiveness of the financing, transparency, and environmental standards.

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<sup>1</sup> J. Szcudlik, “Three Years of the Silk Road: Successes and Challenges,” *PISM Bulletin*, no. 71 (921), 2 November 2016.