



THE EU AND INDIA PLAN A GLOBAL INFRASTRUCTURE DEAL: AN APPRAISAL

By

Dost Muhammad Barrech
Research Associate
India Study Centre (ISC), ISSI

Edited by
Dr Saif ur Rehman Malik

June 3, 2021

(Views expressed in the brief are those of the author, and do not represent those of ISSI)



Both the European Union (EU) and India have undertaken an initiative to build joint infrastructure projects in the Indo-Pacific, Central Asia and Africa that has been ascribed to opposing China's Belt and Road Initiative (BRI). The plan has been defined as a "connectivity" partnership in the sphere of energy, transportation, and digital technology. According to the EU diplomats, the plan unlike China's BRI project has looser debt terms, providing better legal protections to the counterparts.¹ "Now we have the opportunity to team up and create an environment for globalization based on more attractive partnerships than China can offer," said one EU diplomat.²

In this regard, leaders of the EU and India on May 08, 2021, met via video conference. The prime objective of the meeting was to bolster the EU-India strategic partnership. Leaders of the two regions accentuated that they had shared values of democracy, respect for human rights and rule of law. They agreed to resume free trade negotiations and initiated a new connectivity partnership. To

¹ "EU and India Plan to Establish a Global Infrastructure Alliance *Foreign Engineering Construction News--Seetao*, May 12, 2021, <https://www.seetao.com/details/78069.html>.

² "EU and India Plan Global Infrastructure Contract," *Eminetra.co.uk*, April 21, 2021, <https://eminetra.co.uk/eu-and-india-plan-global-infrastructure-contract/427667/>.

build global health preparedness, they also promised to disseminate the World Health Organization's (WHO) awareness and response to health emergencies.³

The EU remains one of the largest trading partners and foreign investors of India. In the meeting, the leaders of two regions, thus, resumed negotiation on free trade agreement, finding abrupt solution to the market access problems, initiating discussion on a stand-alone investment protection agreement as well as starting negotiations on an agreement on geographical indicators. Meanwhile, the launch of a connectivity partnership remained a cornerstone of the meeting. They vowed to adopt an inclusive and rules-based connectivity between the EU and India by inviting other important regions such as the Indo-Pacific, Central Asia, and Africa.⁴ Charles Michel, President of the European Council maintained that "the connectivity partnership is a major project that will promote high-standard infrastructure for sustainable and resilient economic growth, and foster exchanges between our people".⁵

The EU and India are fully aware of the geopolitical and geo-economic considerations in the Indo-Pacific region. India's withdrawal from the Regional Comprehensive Economic Partnership (RCEP) in 2020 reduced its political and economic clout will now jump at the opportunity by forging economic integration with the EU. However, the EU's Free Trade Agreement (FTA) and strengthening trade ties with Asian countries became a main feature in the EU strategies. Arguably, the US President Joe Biden is willing to jump at the bandwagon of the EU and India to contain China's BRI.⁶

The EU and India in 2020 also adopted "EU-India Strategic Partnership: A Roadmap to 2025" aimed at bolstering the EU-India Strategic Partnership, promoting rule of law, values of democracy, respect for human rights, forging cooperation in climate, environment, security, digital economy trade, investment and connectivity.⁷ Meanwhile, the EU on April 19, 2021 ratified "EU Strategy for cooperation in the Indo-Pacific". The strategy is believed to have been working with partners in the region, enhancing economic interdependence with regional multilateral organization like the Association of Southeast Asian Nations ASEAN.

The EU economy is deeply embedded in Indo-Pacific region in area of trade, investment, and supply. Europe's trade in goods with Asia in 2018 totaled the US \$1.8 trillion dollar. At the same time,

³ "EU-India Leaders' Meeting Via Video Conference, Porto, 8 May 2021," *Consilium*, May 8, 2021, <https://www.consilium.europa.eu/en/meetings/international-summit/2021/05/08/>.

⁴ Ibid.

⁵ Ibid.

⁶ Stefania Benaglia "What to Expect From the Virtual EU-India Leaders' Meeting," *The Diplomat* – The May 10, 2021, <https://thediplomat.com/2021/05/what-to-expect-from-the-virtual-eu-india-leaders-meeting/>.

⁷ Dipanjan Roy Chaudhury, "EU-India Strategic Partnership: A Roadmap to 2025," *Journals of India*, February 23, 2021, <https://journalsofindia.com/eu-india-strategic-partnership-a-roadmap-to-2025/>.

foreign direct investment between Asia and Europe reached to the US \$107 billion dollar.⁸ EU High Representative, Josep Borrell argued that “The Indo-Pacific now represents the world’s economic and strategic center of gravity”.⁹ The EU, resultantly, desires to enhance its foothold in the region and is deeply worried about the geopolitical competition between global powers impacting its core interest.

The EU Indo-Pacific strategy has three prime objectives like diplomacy, economic, and addressing security challenges. In diplomatic term, Europe is looking forward to promoting democracy, rule of law, human rights and international law. In economic perspective, it seeks to promote economic interests by forging trade and investment agreements. In the security and defense sphere, Europe is committed to addressing security challenges ranging from maritime security to counterterrorism, nonproliferation and cybersecurity.¹⁰ The Indo-Pacific region has world’s half population, contributing 40 per cent to the global GDP, having world’s fastest-growing economies. Protection of economic interest as well as the rise of China appears to be emerging challenges for the EU. The EU is deeply wary of its undue dependency on China’s materials, Beijing’s military assertiveness, ideological differences and its political interference in Europe.¹¹

The EU initiatives such as the EU and India plan global infrastructure deal, the EU-India Strategic Partnership: A Roadmap to 2025 and the EU Strategy for cooperation in the Indo-Pacific are designed to accelerate its political, economic, and diplomatic influence in the Indo-Pacific region as this particular region produces 40 per cent of global GDP, blessed with the world’s fastest-growing economies. The EU views India as a reliable partner to thwart Chinese military assertiveness, viable option for commercial activities, playing a crucial role in preserving of Sea lines of communication (SLOC), and promoting shared values of democracy in the Indo-Pacific.

Realistically speaking, the EU is unable to compete with China in realm of connectivity; the latter’s BRI project has set a new precedent in the annals of the mankind’s history. The EU has insufficient financial support for the connectivity between 2014 and 2020 the EU had spent nearly 8 billion Euros in Asia on connectivity projects, these resources remained meager that required each year approximately estimated 1.3 trillion Euros to accomplish infrastructure across the Asia-Pacific region. In the final analysis, many Asian countries that were colonized by Great Britain still

⁸ "The European Union Is Shaping Its Strategy for the Indo-Pacific," *Center for Strategic and International Studies*, May 24, 2021, <https://www.csis.org/analysis/european-union-shaping-its-strategy-indo-pacific>.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Frédéric Grare, "The EU’s Indo-Pacific Strategy: A Chance for a Clear Message to China and Europe’s Allies," *ECFR* April 22, 2021, <https://ecfr.eu/article/the-eus-indo-pacific-strategy-a-chance-for-a-clear-message-to-china-and-europes-allies/>.

remember the latter's exploitation of the resources, currently in the rise of China will prefer BRI over the EU and India plan global infrastructure alliance.