

# India's infrastructure on cusp between China, AIIB

In his opening speech at the third Annual meeting of the Asian Infrastructure Investment Bank (AIIB) in Mumbai on June 26, 2018, Prime Minister Narendra Modi said India is looking forward to a “continued engagement with developmental partners, including the AIIB” for a sustainable infrastructure environment both in India and Asia.

Positioning India as the “pillar of economic opportunity for all”, Modi contextualised the Indian economic growth story as a key facet in the making of an “Asian century”. Applauding the AIIB’s rapid rise, he also said it can play a central role in enhancing regional multilateralism.

Modi’s acknowledgement of the AIIB clearly indicates India’s inclination to engage with this China-led multilateral bank more intently in the future. Also, Modi encouragingly called for the AIIB to increase its capital for infrastructure investment from \$4 billion to \$40 billion by 2020 and \$100 billion by 2025 for the benefit of the member countries, including India. Modi also stressed on AIIB performing faster approvals and ease of processing for countries vying for infrastructure investment.

Given India’s positive inclination to engage with the regional and global multilateral chain of institutions, a more purposeful participation with the AIIB has become evident in India’s approach.

Undoubtedly, India needs infrastructure-related investment from the AIIB. However, does this acknowledgement of China as a “developmental partner” square with India’s coyness about endorsing Beijing’s flagship OBOR project, which the AIIB is promoting through connectivity projects? Does this imply India’s subtle endorsement of OBOR even though in principle it is still against it?

The international politics is not a zero-sum game. It is rather a multifaceted enclosure that allows cooperation and competition to coexist. This cooperation-competition phenomenon constitutes the core of the foreign policy arch which many countries are fast adopting in a competitive global strategic environment. India is no exception. From early on, India has pursued a welcoming approach to the AIIB, factoring how an India-China multilateral economic cooperation is significant to Asia’s rise, particularly to regional and global economic growth.

As a founding member of the AIIB, India was one of the first countries to acknowledge its importance and endorse its funded infrastructure projects. Today, it is the largest borrower from the AIIB for key infrastructure-related projects such as rural infrastructure, transportation, water supply, telecommunication, sanitation, water supply, urban development, energy and power-related issues. For instance, previously in 2017, the AIIB had invested in Andhra Pradesh in the power sector, in Gujarat’s Rural Road Project, in Bangalore’s Metro Rail Project-Line R6, and in other national initiatives such as the India Infrastructure Fund and Transmission System Strengthening Project on energy. This year, a rural connectivity project in Andhra has been initiated along with a key multi-sector national project, the National Investment and Infrastructure Fund.

By hosting the AIIB’s third annual meeting under the theme of “Mobilising Finance for Infrastructure: Innovation and Collaboration”, India has reiterated its openness to infrastructure collaboration. By calling for an “inclusive and sustainable” economic growth, the Indian Prime Minister pledged support to the AIIB and expressed the consequentiality of this multilateral bank in India’s national developmental programme, which is based on a public-private partnership (PPP) model.

Moreover, the AIIB’s commitment to offer \$200 million to India’s National Investment and Infrastructure Fund (NIIF) was another highlighting aspect of India’s growing thrust with the AIIB. The launching of the Asian Infrastructure Forum on the sidelines of the AIIB Annual Summit was again exemplary of India’s optimistic orientation towards the AIIB in addressing Asia’s infrastructural deficiency.

The AIIB, being a multilateral banking institution addressing issues of infrastructure and connectivity, sees developmental investments from a universal context. India too views it in the context of regional cooperation through project-specific or issue-specific regional or global developmental purposes. So, being the second-largest shareholder, India’s stance is based on strategic equipoise where it perceives most of the members, including China, as prospective developmental partners.



Prime Minister Narendra Modi greets the delegates after delivering his inaugural speech for the third annual meeting of Asian Infrastructure Investment Bank (AIIB) as AIIB President Jin Liqun looks on in Mumbai on June 26, 2018

On the other hand, when it comes to OBOR, India’s stance is a state-centric one — more principled and firm because it sees the OBOR as a unilateral Chinese measure. It is viewed to be dismissive of universal values and norms, affecting other states’ sovereignty and ignoring a consultative approach that China should rather pursue. In opposing the China-Pakistan Economic Corridor (CPEC), New Delhi brings the question of sovereignty and territorial integrity to the fore, which the OBOR undermines. In other words, the fundamental difference in India’s approach towards the AIIB and OBOR is based on the contested norms of universalism and unilateralism respectively.

If infrastructure building is becoming a cooperative matter in India-China relations both within and outside the AIIB’s purview, then regional infrastructure connectivity is equally a competing and conflicting moot point. China’s emergence as a stronger regional connectivity builder through its OBOR is seen in India as a matter of strategic concern.

Hence, India does not seem to concede to China’s grandeur of being the leading connectivity promoter. Nevertheless, India has shown adequate seriousness to promote the India-Thailand-Myanmar Trilateral Highway, the Bangladesh-Bhutan-India-Nepal (BBIN) initiative and the North-South Transport Corridor (NSTC). India’s “Act East”, “Link West”, “Connect Central Asia” and “neighbourhood first” policies figure connectivity as a core foreign policy programme also reflecting India’s growing ambition to be a leading regional connectivity promoter.

India’s call on China as a developmental partner is an interesting narrative of New Delhi’s foreign policy approach to infrastructure development. India sees China as a superior power in infrastructure and connectivity promotion in the region, and hence seeks cooperation with it. At the same time, India aims to enhance its own regional strategic interests on regional connectivity and infrastructural development, which currently is severely challenged by OBOR projects. This nar-

rative is unmistakably reflected in India’s approach of establishing a cooperative partnership with China — both within and outside the AIIB structure — without really endorsing the OBOR.

Furthermore, India maintains a delicate balance on infrastructure politics, which is more about endorsing liberal values, universalism and transparency — a pursuit that Indian foreign policy has been maintaining for some time now. This is aptly reflected in India’s concurrent approach of aligning with Japan and the United States in an Indo-Pacific Trilateral Infrastructure Forum. Just a month prior to the AIIB meeting, the US Chamber of Commerce, India Business Council and US-Japan Business Council agreed to launch the forum to meet the infrastructural and connectivity gaps in the region. This private proposition aims to work closely with Government agencies, taking forward their respective foreign policy undertakings on connectivity and infrastructure projects in the Indo-Pacific. This is based on a consulta-

tive measure endorsing the liberal values that all the three countries have been advocating in their foreign policies. The approach is to bring transparency in regional infrastructure building with a democratic spirit. According to them, that is something the OBOR lacks which they can provide.

The Indo-Pacific Trilateral Forum focusing on infrastructure development endorses and complements India-Japan-United States trilateral understanding. It is a creative and efficient way of empowering the private sector to meet the critical infrastructure needs; there is no doubt whatsoever that this is an equally strong proposition to balance the growing Chinese outreach in the Indo-Pacific. The Indo-Pacific Forum will focus on sectoral infrastructural growth where the emphasis will be on key sub-regions such as South Asia and Southeast Asia, including the Bay of Bengal corridors. State agencies and companies from all the three countries such as the Japan Bank for International Cooperation (JBIC), Nippon Export and Investment Insurance and the United States Overseas Private Investment Corps are supposed to offer loans, grants and insurance cover for infrastructural development. Co-constructing ports, promoting industrial clusters, industrial parks and setting up power plants are some of the ambitious projects envisioned under this forum.

India’s participation here explains New Delhi’s narrative of pursuing an open negotiating approach by aligning with Japan and the United States to balance China’s growing Indo-Pacific outreach. India’s increasing involvement with the AIIB is thus not necessarily an endorsement of China’s OBOR projects. Rather, New Delhi’s open and inviting approach towards new infrastructure is an interesting case study that elucidates the new nuances of India’s regional policy, especially towards China. The Indo-Pacific is entering a complex environment of growing infrastructural demands, and India fine treading between China and the AIIB in this regard is an interesting episode in the making.

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