

## Sino-Indian Engagement in Central Asia: Implications for Pakistan

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### Abstract

*Five Central Asian Republics (CARs) got independence in December 1991 as a result of the collapse of the USSR. Politically, economically, strategically and geographically Central Asia is regarded as the Heart of Asia. This region is the hub of the natural resources. It became a battle ground for the states which have interest in its hydrocarbon reserves. The paper examines the ongoing competition between China and India for the resources of Central Asia. Both of these countries are eyeing the huge potential of trade relations with this large market. They were also trying to create energy partnerships with the gas- and oil-rich region. This resulted in competition between the two countries inof the region. This article describes China and India as competitors in this region. As a neighbouring country, this engagement of China and India has serious implications for Pakistan.*

### Key Words:

Central Asia, China, India, Natural Resources, Pakistan.

### Introduction

Central Asia consists of five states i.e., Turkmenistan, Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan. These republics appeared on the world map as a result of the breakdown of USSR. This region not only provides the shortest transit route from Europe to Asia but also links the South Asia to Russia. Central Asia has now attained tremendous economic, strategic and political importance. The whole Caspian region including Central Asia has been enriched with a huge amount of natural resources like natural gas, oil, gold, aluminum, iron and copper. The extra and intra-regional powers are keen to engage in this region due the growth of their demand for gas and oil. One of the reasons foris the interest of the other states in this region is its huge consumer market potential. It has been estimated that proven oil reserves of the Caspian region, excluding Russia and Iran are 190 billion barrels. The possible proven gas reserves of the region are estimated at about 196 trillion cubic feet. As the region is rich in both natural and human resources, therefore, over the past two decades the growth of the region has been increased many-folds. The concurrent rise of India and China and their apparent struggle has the possibility to have serious repercussions on the geo-politics of the neighboring countries. Generally it is believed that China and India are chief actors in Asia. Both of these nations are expanding their economies rapidly which in turn are giving supports to rise their defense budget and nuclear weapon capabilities. A huge manpower is also available with them. As a result, they are in constant competition for influence in South Asia, India Ocean and Central Asia. Political, economic and diplomatic relations exists between China and India but the two nations having rapidly growing economies and global ambitions cannot co-exist peacefully with each other. Where ever the spheres of influence will overlap, there will be competition, as in the cases of Myanmar, Nepal and Central Asia. Standard realists are of the opinion that China will not allow India to emerge as a power outside South Asia. Partnerships and alliances were built by China with the countries in the periphery of India. Those countries include Sri Lanka, Nepal, Bangladesh, Myanmar, Pakistan, Afghanistan and Central Asia. This act on the part of the Chinese government along with the presence of China's forces in the Indian Ocean region was viewed by the policy makers of India as the strategic encirclement. The Indian government is still cautious about the China's foreign policy in the region and specially about countering its naval influence (Malone, Mukherjee, 2010).

### **Sino-Indian engagement in Central Asia**

The Central Asian Republics emerged on the world map as a result of disintegration of the former USSR after 1990. These unfortunate republics are landlocked. They have huge tapped and untapped resources of natural gas, oil, coal, uranium, gold etc. There is a severe competition for the resources of these republics among different states. The key players which are competing for these resources in these republics are Russia, US, the European states and emerging powers India and China. These players are politically as well as economically involved in the energy sector of the region (Singh, Kaur, 2014). There is a geopolitical struggle between India and China for 'influence, power, and hegemony in Central Asian region. Predominately, it is a struggle to transport oil, natural gas, uranium and other minerals to their own countries against the other as they can from Central Asia' (Scott, 2008).

The competition between China and India started in 1990s when China National Petroleum Corporation became successful and to acquired the Uzen oil field in Kazakhstan against India. Now India wants to counter the influence of China in the Central Asian region. For the same purpose, India has announced a new policy in June 2012, the 'Connect Central Asia' policy. The Indian Minister of State for External Affairs while announcing 'Connect Central Asia' policy stressed that most of the member countries of Shanghai Cooperation Organisation were India's neighbors, and some of them are its extended neighbors. This new Indian policy has also some underlying elements which are related to its interest to get access to Central Asian natural resources. India is facing some complications in accessing the resources of Central Asian states due to lack of borders with these states. Pakistan is also not cooperating with India to facilitate the trade of CARs and India. Therefore, India has been developing its ties with Tehran for smooth trade with Central Asia through Chabahar port of Iran (Kaushiki, 2013).

### **Competition of China and India**

In the energy sector in Central Asia, there is a strong competition among great powers of the world like Russia, United States and China, which is an emerging power. These countries are politically as well as economically involved in the region. The energy sector of India and China is dependent on crude oil. Both of these countries are importers of crude oil. They are trying to expand their energy supply and use natural gas as alternative of oil. The diversification of the energy supply has the potential to throw them in a direct contest for energy resources from Central Asia (Malone, Mukherjee, 2010).

In the energy sector, China is one of the main competitors for India in the Central Asian region. Indian companies are being outbidding by the Chinese companies. China won a \$5 Billion oil deal from India in 2013. Thus India is facing intense competition with China (Saikia, 2013).

Perception also plays an important role in the relationships of the states and their engagements. In the national debates of India, China is a more loaded subject than India is for China. It has been observed that China does not feel any serious threat from India. The military expansions and economic success of China created tremendous insecurity and uneasiness in India (Malone, Mukherjee, 2010).

It is believed that China and India are comparative economic powerhouses, theoretically. It is believed that they have the capacity of setting a new Asian economic order. Nevertheless, the new Asian economic order has already been shaped mostly by China. The regional countries like Pakistan, Central Asian Republics, Vietnam, Japan etc, which India wanted to influence, are in fact already integrated with China (Stobdan, 2015).

The first ever official dialogue between China and India on Central Asia was held in August 2013. In the meeting they discussed particular issues like energy security, regional security and counterterrorism, development partnerships, Shanghai Cooperation Organization, (SCO) and people-to-people contacts with the regional countries. Now a desire has been expressed by India to play a more meaningful and expanded role in the Shanghai Cooperation Organization (SCO). It has also signed the memorandum in 2016 for full membership in the organization (The Express Tribune, 2016, Jun 26).

Vice President of India, during his visit to Tajikistan in April, 2013 signed agreements to develop bilateral cooperation in energy, education, commerce, trade, agriculture, health and mining. They also agreed to work together to set up a Central Asia e-network and IT center of excellence in Tajikistan (The Economic Times, April 13, 2013). Nevertheless, as compared to the economic engagement of China, the present level of actual bilateral collaboration of India with Tajikistan is very small (The Hindu, April 16, 2013). In mining uranium, IT, and telecommunications industries in Tajikistan, a large amount of money has been invested by China. As compared to India, China is far more ahead in trade and investment Central Asia.

The revival of the relationship is motivated mainly by two reasons. The first reason is related to the control of drug trafficking. Drug trafficking finances the weapon proliferation activities and those terror groups for which the Central Asian Republics proved as a suitable breeding grounds. The second reason was to provide a much needed boost to the commercial potential of India in the Central Asian region. If India became successful into attaining this objective, it could become a powerful instrument to counter the attempts of Pakistan to stop Indian access to the

region through its geostrategic location. Moreover, an Indian presence in the region could be an alternative to the Chinese dominance in the Central Asian region which has cast its shadow over the future of Russia, the traditional hegemon (Bhatty, 2008).

India is interested for in playing a chief role in the Central Asian region. It seems difficult for India to compete with its contenders, especially with China. America is supporting the expanded role of India in CARs and even then then, it is not easy for India to compete with China. The military, economic and political room available to India is immensely enlarged by the US presence in the region. The United States also wants India to play an active role in Kabul and CARs as its military leave Afghanistan (Blank, 2013).

American and Indian interest converges in Central Asia and Afghanistan. They are both reluctant to see the above mentioned above-mentioned region fall under the direct Chinese or Russian influence. In the 1990's, when China's influence increased and that of Russia's weakened, it was a matter of great concern for India. This has a negative impact on the Indian threat perceptions. Since 1990, after the growing American presence in the region, this threat perception stabilized (Pant, 2013).

On the 60th Republic Day celebrations of India in 2009, Nazarbayev was invited by India as a Chief Guest. Kazakhstan promised in 2013, that it will provide an 8.4 per cent stake to ONGC in the Kashagan project but later on the agreement was signed with the Chinese CNPC. This agreement was a disappointment and huge setback for India. It weakens India's passion to make flourish closer relations with Central Asian Republics (Stobdan, 2015).

The strategic approach of India is to promote strong relations with all of the Central Asian republics for its energy and security objectives. In order to give practical shape to its objectives, India must be ready for challenges and competitions which would be faced by it from regional powers, like Russia and China on security and energy related matters respectively. The most important point here is the ability of China to restrain India to play its role in Central Asia in future, after the withdrawal of the American army from Kabul (Blank, 2013).

China got entry into the energy market of Central Asia in 1997. China's National Petroleum Corporation (CNPC) got a 60.3% stake in Kazakhstan's Aktobe Munai Gas. While India acquired a 25% stake (smaller than China) in a single oil bloc, Satpayev, for the very first time in 2011. China's CNPC was bidding against major established oil corporations. CNPC cleanly outbid every competitor. The Kazakh government was short of money, so cash along with bonus was paid by the company to the strapped Kazakh government. Feasibility studies were also conducted on a pipeline from Kazakhstan to Xinjiang. It offers an alternative route to the Kazakhs which were non-Russian. The path to a fast and remarkable degree of acquiring oil fields and cooperation for China was made easy due to this development (Pant, 2013).

To build energy security in Central Asia, a two pronged strategy was followed by China. Initially, energy assets, oil companies and oil blocks were acquired by it. Secondly, for involvement in the industry and energy infrastructure of the region, China used its technological expertise. It resulted in the creation of mutual interdependence between the two sides. India was unable to compete with China in both the cases. China is the largest trading partner of four out of the five Central Asian states (Pant, 2013).

China got influence in the region due to its considerable economic development and long land border with the Central Asian states. The diplomatic relations between China and CARs developed in 1992. Since then, the overall trade of China with these states has increased over a many times-fold (Xinhua, 2013).

The major source of foreign investment and the most famous economic player in the region is now China. As a result, China has been enabled to dominate the Central Asian region against India in terms of building transport and infrastructure networks, acquisition of energy, investment and trade. The overall trade volume of India with Central Asia was assessed at \$500 million in 2012 (Roy, 2013). While the overall trade volume of China with Central Asia amounted to approximately \$46 billion during the same year (China Daily, September 8, 2013).

### **Implications for Pakistan**

The unexpected and involuntary independence of CARs created a belt of states having a majority of Muslim population to the west and north of Pakistan, India and China. India and China are the most populous states of the region (Kettani, 2010). Both of these countries were looking to the huge potential of trade relations with this newly reachable and large consumer market. They were also trying to create energy partnerships with the gas- and oil-rich region (Adnan, Fatima, 2015). This resulted in a type of competition between these two countries of the region. Pakistan is the neighbouring country of China and India. This competition has serious implications for Pakistan.

### **Pakistan as a Key Player**

The economic priority of Pakistan in Central Asia is to open up communication for bilateral trade in finished goods and raw material. Pakistan can get considerable benefit for its industries by getting a regular supply of surplus electricity from the Kyrgyzstan. It can also get regular supply of oil and gas from Turkmenistan, Tajikistan,

Uzbekistan and Kazakhstan. Pakistan wants to make relations with the Central Asian republics in various fields like banking, manufacturing, insurance, import export, joint venture and stock markets (Anwar, 1997).

The Central Asian states are land-locked. They are in dire need to get access to the outside world. Pakistan may be fruitful for this purpose and to be one of the best options due to its unique geographic location. It is situated at the intersection of Middle East and South Asia, with a considerable outlet to the Arabian Sea (Bano, Sohail, 2014).

Pakistan is certainly the closest ally of China. Pakistan has tried its best to maintain a durable and friendly relationship with China. The decades old relationship has also witnessed some ups and downs. In the Cold War era, it was apprehended by China that it has been encircled by enemies (Scobell et al, 2014). Soviet Union and Mongolia, the ally of the former, were located towards its north and west. India was located towards the south and was tilted towards the Soviet Union. After the Sino-Indian border war of 1962, China viewed India as a hostile nation (Arif, 2013).

Indian designs to play the role of a hegemonic leader, border related disputes with the neighbors and ethnic issues worried India's allies. Pakistan was compelled by these circumstances to become a close friend of China. The relationship between China and Pakistan proved to be a beneficial for both the countries. Pakistan was lucky to discover an "all-weather friend" (Ashley, Fravel, 2012) which was its neighbor. To keep check on India, China found a client, Pakistan. Hence it helps China to secure its border in the south. Pakistan could also be used as a bridge by China for its interaction with the Muslim countries and the United States (Beckley, 2012). For example, Pakistan played the role of a key player in the rapprochement of China and America. Pakistan facilitated the secret visit of Henry Kissinger to China in 1971. This first visit made possible in 1972, the historic visit of President Richard M. Nixon to China (Nathan et al, 2012).

### **Gwadar Port**

Gwadar is located in Balochistan Province of Pakistan. It is situated near the Arabian Sea. A technical and economic study was carried out on the construction of Gwadar Port in 1993. The study suggested that Gwadar has a significant geo-strategic position (Khetran, 2015). The construction of Gwadar port was completed in 2005. In March 2007 it was formally inaugurated. The total cost was \$248 million, out of which Pakistan provided \$50 million and \$198 million was provided by China (Yousaf, 2012). As a resultantly, China got access for its navy to project its power in the Persian Gulf and Arabian Sea. With the completion of three berths and a 600-meter long ramp in March 2008, Gwadar began handling cargo traffic. It had a capacity to accommodate several ships. Pakistan viewed this port as to generating huge revenues when it will be used by China, Afghanistan, Central Asian states and Russia (Pakistan Newswire, March 16, 2008).

The geostrategic location of Pakistan has offered access to landlocked Central Asian through Gwadar port. This port along with Karachi provides the shortest routecourse to the Arabian Sea. The government of Pakistan is trying to pose its country as a transportation corridor. It would act like a funnel for energy of Central Asia to be delivered to the South Asian markets. This would increase the influence of Pakistan over Central Asia (Maurya, 2015). It will become an economic, energy and trade hub in the region (Javaid, Rashid, 2015). It will be an out let for China and Central Asia (Adnan, Fatima (2015).

### **CPEC**

The development of China Pakistan Economic Corridor (CPEC) is in progress from Gwadar to Kashgar through Khujerab pass. It is a 2700 km long rail and road linkage which will pass through the whole length of Pakistan. This economic corridor would not only connect China to the port of Gwadar but also assist as the energy and trade corridor for Central Asian Republics (Gilani, 2016).

The planned China Pakistan Economic Corridor has the potential to be a boon for the economic development of Pakistan. The proposed gas and oil pipelines across Pakistan from Gwadar to China will be helpful in reducing the crises of energy in the country. Pakistan is located at the crossroads of huge consuming and supplying markets of China, Middle East and Central Asian region. It is expected that by generating huge transit revenues, the CPEC could play a vital role in the economic revival of the country (Shabir, 2013). Pakistan could become a trade hub of the region and a transit hub of energy due to this corridor. All these factors would have a huge impact on the agriculture, industrial, overall economic development and economic growth of Pakistan (Ranjan, 2015).

India signed an agreement with Iran in 2015 to invest \$85 million in the development of Iranian Sea of port of Chabahar. In February, 2016, the Cabinet of India approved to provide a US\$150 million loan to Iran for the construction of new berths and jetties at the port (Hughes, 2016). It is a few miles away from the Pakistani port of Gwadar. India intends to access to the landlocked Central Asian countries through Afghanistan. The Indian involvement in Chabahar port would be a blessing for India. India wants to boost security of its energy, its influence

in Indian Ocean and access to Central Asia and Afghanistan. With the help of this port India will be able to achieve its objectives. Thus, India will be able to increase its influence in the whole region. In addition, India will attain these advantages while bypassing Pakistan altogether. Pakistan will definitely be a loser as its influence in Afghanistan and the Indian Ocean will decrease. If the Central Asian states and Afghanistan opt for of Chabahar instead of Gwadar, it will also be a death blow for the economic security of Pakistan.

### **Kashmir Issue**

The issue of Kashmir arose on the world scene in 1947, after the withdrawal of British from India (Cheema, 2015). At the time of partition of the British India, an option had been given to the ruler of Kashmir to decide the future of his state while acceding either to Pakistan or India. The Maharaja signed the instrument of accession with India. Pakistan had serious observations on the decision of the Maharaja because a majority of the population of Kashmir was composed of Muslims. In 1948, a war broke out between Pakistan and India on the said issue. As a result, the matter was referred to the United Nations. The issue of Kashmir is not only the bone of contention between Pakistan and India also related with the peace and stability of the region (Mangrio, 2012).

The fate of Kashmir is still undecided. There is a tension on the line of control between India and Pakistan. Gilgit-Baltistan is considered as part of Kashmir by India. The road, rail and pipeline network under the CPEC is planned to be pass through Kashmir as well as Gilgit-Baltistan. It is the reason that India has concerns over the passage of road and rail network between Xinjiang and Gwadar through Kashmir. China will resist any force which will interrupt the safe passage of goods from Gwadar to China through CPEC. Pakistan will be supported by China in case of any decision taken by the United Nations against the interest of Pakistan regarding Kashmir in future. China could be a key player in case of any conflict between India and Pakistan (Scobell et al, 2014).

### **Conclusion**

If we observe the overall relations between India and China, we can find that there is competition between India and China for the resources of Central Asia. The competition mindset to keep their traditional sphere of influence has also been displayed by both the countries in the Central Asian region. Competition is the initial driver on issues which are related to oil and gas. The engagement of China and India in Central Asia includes competition to get access to the resources and to contain the influence of the opposing state. It concludes that the long-term social and economic development of both China and India is obviously dependent on a favorable security environment. In Asia, China has turned to be a worthy friend for Pakistan. One of its reasons is the relationships between China and India. This is especially because relations between Beijing and New Delhi have not been cordial. Ties between New Delhi and China have improved to some extent but some major problems persist in some areas. There is considerable mutual distrust between the two countries and border issues are still unresolved. China seems Pakistan as a useful counterweight to India. At the cost of its ties with India, China has given a central position to Pakistan in its strategic policy. The mistrust between India and Pakistan has further deepened by these policies of China. A significant ally has been provided to Beijing by Sino-Pakistan alliance in its policy to contain New Delhi. On the other hand this alliance was beneficial for Pakistan. These benefits include military cooperation, financial, technological support and nuclear capability. Pakistan has been consistently supported by China diplomatically on international forums. Moral support has also been provided to Pakistan by China on several occasions.

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