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The New Challenges to the Equilibrium within the "China – India – Pakistan" Triangle: Political and Economic Aspects

Nowe wyzwania dla stabilności trójkąta "Chiny – Indie – Pakistan": aspekty polityczne i ekonomiczne

· Abstrakt ·

Ekonomiczne i polityczne aspekty utrzymania równowagi trójkąta "Delhi–Pekin–Islamabad" jest głównym tematem artykułu. Badanie jest oparte na metodologii systemowej, w której Chiny, Indie i Pakistan przestawione są jako podmioty regionalnego podsystemu relacji międzynarodowych. Stosunki między tymi podmiotami rozwijane są w łączności z algorytmami funkcjonowania nadrzędnego systemu – regionu Azja–Pacyfik.

W związku z powyższym, artykuł rozpoczyna się charakterystyką regionu Azja-Pacyfik oraz wstępną analizą pozycji Południowej Azji w ramach tego regionu.

Artykuł zawiera obserwacje bilateralnych relacji chińsko-indyjskich oraz chińsko-pakistańskich i prezentuje wnioski wyciągnięte na tej postawie. Biorąc pod uwagę nowe wyzwania dla globalnego bezpieczeństwa międzynarodowego oraz znaczącą rolę ekonomii dla rozwoju badanych krajów, przedstawione są nowe zagrożenia, oraz z drugiej strony nowe szanse dla trudnych relacji wielostronnych. Artykuł opisuje projekty gospodarcze mające wpływ na kształt polityki, współpracę w zakresie technologii informacyj-

· Abstract ·

The economic and political aspect of the equilibrium-saving within the triangle "Delhi–Beijing–Islamabad" is the principle topic of the article. The research is based on the system methodology, thus China, India and Pakistan are presented here as the elements of the international relations subregional system. The inter-elements' relationships are developing in the vital connection with the algorithms of the functioning of the greater system — Asia–Pacific Region.

In connection with the said, the article begins with the APR characterization, the place of Southern Asia within the APR is also initially analyzed.

The bilateral China-India and Paki-China relations are observed and the conclusions are formulated. Estimating the new challenges to the global international security and taking into account the considerable role of economics in the development of the countries studied, the new threats and, on the other hand, new opportunities for the uneasy interstate relationships are considered. The policy-influencing economic projects are covered in the article;

nych oraz współpracę w ramach organizacji międzynarodowych, które stanowią czynniki hamujące w antagonistycznych relacjach państw "trójkąta". Niemniej jednak kluczowym problemem jest pytanie czy Chiny są w stanie współpracować z dwoma rywalizującymi stronami, wystrzegając się prowokacji. Nadmiernie wspierając jedną stronę, np. Pakistan, Chiny mogą wywołać w Indiach niepokój, w ten sposób odnawiając minione konflikty terytorialne pomiędzy tymi dwoma krajami. Jedynie rozważnie prowadzona polityka jest w stanie ocalić Pekin przed zapaścią jego polityki południowoazjatyckiej. W niniejszym artykule przedstawione są gospodarcze i polityczne narzędzia prowadzenia takiej mądrej polityki wobec Delhi i Islamabadu.

Słowa kluczowe: Chiny, Indie, Pakistan, chińsko-pakistański korytarz ekonomiczny, ASEAN, port Gwadar, BRICS

IT-collaboration, co-operation within the international organizations are also considered as the restraining factors of the "triangle's" antagonistic relations. Nevertheless, the key issue is, whether China is able to co-operate with both rival sides, avoiding the provocations. As a result of supporting one side, e.g. Pakistan, China can make India feel uneasy, in this way refreshing the old territorial disputes between the countries. Only the wise political steps can save Beijing from the collapse in its Southern Asia policy. The economic and political tools of conducting such a wise policy towards both Delhi and Islamabad are covered in the present article.

Keywords: China, India, Pakistan, China-Pakistan Economic Corridor, ASEAN, Gwadar port, BRICS

The South Asian Subregion as the Component of the Asia-Pacific Geopolitical Entity

The scientists consider the term "region" to be the category of modern scientific discourse. According to the N. Mezhevich (2006) definition the term "region" means the geographically united entity that is characterized by the specific ethnographic, confessional, social and cultural composition and by the special type of the elite's and society political management. Nevertheless, the definition given is mostly generalized. Depending on the basic factors, which lay in the foundation of the one or another definition, political scientists introduce territorial, economic, social-economic, institutional and other approaches in the process of determining, what is the "region". In the present article the Asian-Pacific region characterization is based on the geopolitical systematic approach. According to this approach, a "region" is a complex of international subsystem elements with the specifically interacting poles of power, nodal contradictions and institutional superstructure. The out-system actors' national interests are also taken into account in the article.

The Asia–Pacific region (APR) is the geographical and political complex of states with similar cultural and historical roots. Nevertheless, all the APR elements have their own economic and social peculiarities that give birth to the deep discrepancies between the countries.

Taking into the account the variety of the APR's states, it seems to be more rational to make the systematic analysis of this geopolitical environment as the entity, composed by such subregions as North-East Asia, South-East Asia, South Asia and Southern Part of the Pacific Ocean.

The South Asian system of international relations consists of several elements: India, Pakistan, Bangladesh, Nepal, Sri–Lanka, Bhutan and the Republic of Maldives. The People's Republic of China is an external power of high capacity. The majority of algorithms of the system functioning are formed by the influential India-Pakistan relations – the most powerful poles of the subregion. Confrontation and antagonism between these two poles contribute to the loosening of the geopolitical soil and subsequent sowing of the strategic distrust and split of the subregion.

The region's specificity is that, beyond signing nuclear non-proliferation treaty, states have tense relations between each other. Non-conventional military potential of the rivals becomes an obstacle for normalization of subregional international relations. Nuclear weapons within the region also make the interstates ties tense and conflict. Also it is important to mention the numerous territorial conflicts especially between India and China, India and Pakistan, India and Nepal, etc.

These antagonistic trends can be observed within the Southern Asian triangle "China-India-Pakistan". It makes the countries maneuver in order to save the current equilibrium.

"The Antagonistic Symbiosis" in the Beijing-Delhi Relationship

Today India and the PRC are simultaneously opponents and partners. The relations between them seem to be like "antagonistic symbiosis". There are features of both partnership and distrust to each other. In case of perceiving Delhi and Beijing as partners, the following factors should be mentioned.

Firstly, according to the UN Comtrade Database site, the commodity turnover between the countries in 2015 reached \$71.6 billion (UN Comtrade Database). During the last decade the India-China trade was heavily growing.

The part of China in the India external trade turnover has reached 10.2% in 2010–2011 financial years (Lyunev, 2012). Nevertheless, it should be stressed that, despite the figures, the ground level of states' economic mutual penetration is observed. It can be explained by the internal peculiarities of India's economic development, as its economy is oriented on the internal market with the exception of the products of high-technology branch. This factor determines India's apartness from the neighbouring countries, including China (Lyunev, 2012).

Secondly, the common history and the resemblance of problems and tasks, those come out of the previously formed unequal position of the countries of the "South" in the international labor division. This position cements the ties between the countries of the "South", including China and India (Lyunev, 2012).

Thirdly, according to the esteems of scientists A. Gupta and H. Wang (2009), the economics of India and China are mutually supplemented. Chinese export to India is composed of mostly industrial goods, especially automobile industry products. India, in turn, exports to the PRC the resources, which are needed for the Chinese steel and automobile industries sustaining functioning. Chinese capital, in turn, can help India accelerate its infrastructure revolution, scientists say. Also they mention that the large Indian IT-corporations invest in the local operations in the PRC (Gupta, Wang, 2009).

Fourthly, the India-China economic relations are tied by the numerous joint projects. For example, the production capacities of Chinese corporation "Huawei" function in Bangalore, thus creating the 1,000 workplaces for region's residents; China-India joint corporation "Mahindra&Mahindra" produces agricultural equipment since 2008; in 2008 two Indian and two Chinese companies formed "Xindia Steel Ltd." joint venture in order to invest \$2 billion into the factory of iron ore processing in India. At the same time joint India-China ventures in the IT-sphere are functioning (Gupta, Wang, 2009).

Taking into account all the facts previously mentioned, the governments of both countries initiated the establishment of the China-India Strategic Economic Dialogue in September 2011. Five working groups operate within the frames of the Dialogue (Petrunina, 2015). During PRC President Xi Jinping's visit to India in September 2014 the sides also signed three memoranda on mutual understanding and 12 agreements on trade and investments (Petrunina, 2015).

So, on the one hand India and China have the great prospective in the sphere of economic cooperation. However, the other side of the coin also exists.

There is a wide range of factors, which restrain development of the bilateral relationship. First of all, despite the commodity turnover growth, the investment co-operation of countries is frozen on the ground level. Furthermore, today one can notice competiveness between two countries for obtaining Foreign Direct Investments. As *The Economic Times* informs that India has already shifted China from the position of the top FDI recipient. Delhi received \$63 billion of FDI in 2015, while China suffered the foreign countries' investment interest decline (*India Replaces China as a Top FDI Destination in 2015: Report*, 2016).

Secondly, the sides' rivalry is observed within the field of potential collaboration with ASEAN countries. India has been a Dialogue Partner of ASEAN on

trade, investment and tourism issues since 1993 (Volodichev, 2012). In 2009 the trade turnover between India and ASEAN reached the point of \$40 billion per year, so it became practically equal to the China-India annual trade amount (Volodichev, 2012). Such a process seems to be boosting, as in 2009 the India-ASEAN Free Trade Area Agreement was concluded, that brought to commodity customs 80%-decline (Volodichev, 2012). At the same time, the ASEAN region is in the PRC interests' sphere and the key link of China's regional and global policy building. As the local example of the China-India competitiveness in ASEAN their interest's collision in Myanmar should be mentioned. So, Chinese experts have modernized the Myanmar ports on the Bay of Bengal shore in Sittwe and Mergui in order to make them able to serve ocean vessels. At the same time in 2007 India and Myanmar completed the joint multimillion engineering of the Kaladan highway, that will join the India's Mizoram state with the above-mentioned Sittwe port (Lebedeva, 2010). So, two strategic projects met in the single spot: Sittwe port is supposed to receive and serve the oil-tankers that make their way to China and to become the logistics alternative for the hydrocarbons' transportation through the Strait of Malacca to the PRC. That is why tense relations can be also observed within the triangle "India-China-Myanmar".

Thirdly, India feels nervous because of the China–Pakistan Economic Corridor. The CPEC will be described in the next part in detail. The Corridor will bring the benefits for Beijing as it will shorten the marine ways of hydrocarbons' transportation. In this context the India–China competition for energy sources should be revealed. India and China today take the same position of hydrocarbon consumption to guarantee the sustainable development of their economies (Ramay, 2016). In that way, the countries boost the FDI flows to the gas and oil deposits' exploitation abroad. It deepens bilateral competition and removes it to the African continent, as the continent has not been included to any global power's sphere of national interests yet (Nesterov, 2014). It should be also said about the impact of distrust on the political dimension of bilateral relations after the war in 1962 and unresolved territorial disputes that still affect economic aspects of the India-China interaction (Gupta, Wang, 2009).

Despite all the negative factors listed, China trade and financial co-operation has positive prospects. It is confirmed by their active interaction within BRICS and, potentially, within the Shanghai Cooperation Organization.

So, today there are a lot of problematic fields in the economic ties between Delhi and Beijing. Nevertheless, the PRC remains the main India's importer and exporter. Several joint ventures function successfully. The possibility of combining India's software development and China's hardware and equipment production

is discussed (Lyunev, 2012). That is why, generally speaking, the countries move towards co-operation rather than rivalry.

"Pakistani Pillar" of the PRC Foreign Policy Strategy in Asia-Pacific Region

Pakistan is likely to be the only ally of Beijing in three fields: economic, political and military. Since the middle of 20th century the countries have laid the road of trust and all-embracing mutual understanding. The fact of China's help to Pakistan in building numerous factories and industrial complexes in 1960–1970s can serve as an example. Also China supported Islamabad, despite the US imposed sanctions aimed against Pakistan in 1980–2000s (Ramay, 2016). A new turn in China-Pakistan relations began in 2003 after the Joint Declaration, accepted during the visit to the PRC of former Pakistani President P. Musharraf (2001–2008).

In 2006 the sides signed the Free Trade Area Agreement, which leveled up the bilateral relations. The FDA Agreement came into force in 2007. The Agreement's articles fixed the two-phase development of economic relations and contribution into trade turnover increasing up to \$20 billion till 2013 (Arshad, Irshad, Qi, 2015). The sides haven't reached the goal yet, but the trade climate improving dynamics remains impressive: the goods turnover increased from \$3.5 billion in 2006 to \$14.3 billion in 2013. China has become the second Pakistani trade partner after the USA (Arshad, Irshad, Qi, 2015). Nevertheless, the trade deficit in China's favour is observed, as Pakistan imports from China mostly automobiles and equipment and exports the textile and food industry goods.

The current bilateral relations between countries appear to have achieved a brand new level as their joint economic projects have crucial strategic value for both sides. Because of the several steps that the states made towards each other, the Beijing-Islamabad relations turned into the so called "all-weather" partnership. By the way, the friendship "burden" can be met in the names of some other joint economic projects such as "Pak-China Friendship Center" established in Islamabad (Kataria, Naveed, 2014).

After all, the key project that may quicken the China-Pakistan friendship is the Silk Road Economic Belt subproject – the China-Pakistan Economic Corridor (CPEC). The CPEC project was launched in 2002, when the deep-water non-freezing port Gwadar was opened. Gwadar's building was finished by Chinese engineers in 2007 and the port became completely functioning in March 2008 (Khrisanfova, 2014). The port's building cost \$264 million and was completed

due to the financial and technical support of China. The PRC invested up to 80% of its own financial resources (Aristova, 2010). Moreover, the Gwadar port was transferred to the "China Overseas Ports Holding" operational management in 2013. In 2015 the Agreement on the Gwadar land-leasing by China came into force for 40 years (Antipov, 2015).

Port now becomes the CPEC key link and influences strategically the internal development of states. Pakistan benefits largely due to the CPEC. The first advantage that should be listed is the Gwadar's situation in the Balochistan province of Pakistan. Balochistan is known by its separatist spirit: the conflict between the independence-demanding Baloch people and the Pakistani government has been going on since 1948. That is why Islamabad tries to control and soften the situation through the economic leverages. Thus, the PRC invests about \$15 billion in the Balochistan infrastructure creating new workplaces that can help Pakistan to regulate the explosive situation (Khrisanfova, 2014). The second advantage is the possibility for Pakistan to turn itself into the transit state that will bring more chance to be integrated into the Shanghai Cooperation Organization.

The PRC also tries to resolve similar problems, because the CPEC springs from the Xinjiang Uyghur Autonomous Region, whose inhabitants also call for independence. Chinese specialists also see a number of benefits that can be revealed due to the Gwadar's functioning. The first is the submission of the Pakistani economy to the Chinese one. The second is the admission to the Central Asia hydrocarbons market for diversifying both the energy access and Chinese exports. The third is the investments attracting economy development to the Western China and the strengthening of ties with the Muslim countries of Central Asia. The fourth is China's attempt to guarantee itself access to the Arabian Sea, as Beijing buys from the Persian Gulf states nearly 60% of general amount of hydrocarbons imports, which are needed for sustaining the development of Chinese economy today. Investing largely in the Gwadar port capacities, the PRC hopes to increase energy imports from Iran and Central Asia countries, in this way assuring the energy security for the whole state (Aristova, 2010). The strategic significance of the port is increasing also due to two more factors. The first one is the process of Iran-Pakistan gas pipeline "Peace Pipeline" included in the Gwadar's transport infrastructure. The respectful agreement was concluded in 2015 and the pipeline construction is financed by Beijing. The project realization is planned to come to the end in December 2017 (Bhutta, 2013). The gas, transported by the "Peace Pipeline", may be transported also to China. The second one is the increase of hydrocarbons imports from Saudi Arabia to the PRC, that reached more than 13% of general energy imports in 2015, together with import from the UAE to the

PRC. These trends are obvious because Beijing is looking now for the alternative to the Strait of Malacca marine ways of energy supplies (Antipov, 2015).

Consequently, Gwadar is likely to become the main spot of the PRC oil and gas supplies reorientation. The port will also become the final destination of the CPEC. The CPEC, in turn, may be used for trade and energy transportation between the Persian Gulf states and Xinjiang. The railway will link Gwadar and Havelian – the second largest municipality in the South Pakistani district. The Chinese are constructing the petroleum-refining factory and oil storages (Khrisanfova, 2014). Havelian, in turn, is the final destination of the "Kashgar–Havelian" highway that is one of the two highways that are constructed in the framework of the Southern Corridor of the Silk Road Economic Belt. Kashgar is the westernmost Chinese city situated in Xinjiang. In the context of "Kashgar–Havelian" highway construction it should be said that the highway is planned to be laid through the disputable territories between India and Pakistan, which will bring more tension into the "China-India-Pakistan" triangle (Zasyad'ko, 2014).

In 2015 Pakistan and China formalized their plans as for CPEC through the 51 agreements and treaties conclusion. The documents touch upon the mutual understanding as for Chinese investments that are expected to be \$46 billion in next 10–15 years (Markey, West, 2016). There are no precedents of such plans in the China's foreign policy (Antipov, 2015).

There is also a range of China-Pakistan joint ventures. The China-Pakistan entrepreneurship forum was held in 2011. Industrial and commercial Bank of China opened its 2 departments in Pakistani cities (Kataria, Naveed, 2014).

Besides the infrastructure projects a great amount of Chinese investments – about \$35 billion – goes to the projects of energy development (Markey, West, 2016). For example, Chinese corporation "Zonergy Limited" planed to realize the world largest \$1.5 billion investment project of solar energy converting into 900 megawatt on the basis of "Quaid-e-Azam Solar Park" enterprise in Bahawalpur (Antipov, 2015). It has became the first ever utility scale solar power plant in Pakistan and is to have a capacity of 1,000 MW when finished in 2016. The first phase started functioning in April 2015 and was opened by Pakistan Prime Minister Nawaz Sharif and Chinese President Xi Jinping (Abdelhamid, 2015).

Summarizing everything mentioned previously, Pakistan—China co-operation brings advantages for both sides: solution of economic, infrastructural, energy and social problems for Pakistan, and guaranteeing energy security and broadening the sphere of influence for China.

Conclusion

A delicate equilibrium has formed within the "China-India-Pakistan" geopolitical triangle. And, in the author's opinion, the economic growth of India sustains this equilibrium. India's economic growth, in turn, among other factors, is supported by the co-operation with the PRC. After all, India is the only party which might express its displeasure of the triangle's relations, as China maintains the economic growth of Delhi's geopolitical rival and the China-Pakistan joint infrastructural projects may affect Indian economy in a negative way and, from the Delhi's point of view, can undermine the territorial integrity of India. The other two sides of the triangle don't seem to be dissatisfied with the triangle's interaction. China has the opportunity to collaborate with both rival parties, thus obtaining leverage in both Delhi and Islamabad. Pakistan, in turn, now finds itself in a great dependency on Beijing and will unlikely prefer its political interests over the economic co-operation with the PRC. Speaking about the only displeased side, it should be mentioned, that Delhi has enough political consciousness and wisdom to freeze and postpone the present conflicts in order to guarantee a stable background for its sustainable internal economic development.

Thus, the new challenges are the growing economic influence of China in South Asia that turns Pakistan into the recipient of large investments. This process may lead to a situation in which Pakistan becomes as powerful as India. In such conditions the balance within the bilateral relations may be ruined, and the China's uprising influence in the region may result in choosing only one side in a conflict.

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