

India-China-Pakistan economic axis: reality or wishful thinking?

The time has come for India, China and Pakistan to exhibit economic intelligence and maturity by aligning their common interests in the economic realm. India and Pakistan have had strained relations for over 6 decades; the last year, however, has been witness to improved ties. Cooperation between the three might seem wishful for now, but the emerging geo-political situation implores such a nexus.

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INFRASTRUCTURE AND ENERGY are two primary areas in which these nations can truly support and complement each other, not only in the context of South Asia, but also by strengthening energy relations with Central Asia. Energy-rich Central Asia would gain South Asia as a significant and profitable market. The Turkmenistan-Afghanistan-Pakistan-India gas pipeline deal of May 2012, is one such step in the direction of a possible energy link between Central Asia and South Asia.

Improved bilateral relations

There has been a series of diplomatic efforts from all three countries to strengthen their bilateral relations, yet little thought has been given to aligning themselves trilaterally. One of the obvious reasons for this is the longstanding border disputes of both China and Pakistan with India. Interestingly, the desire for convergence at a bilateral level, between India-Pakistan and India-China, is clearly evident from the outcomes of recent parleys.

China and Pakistan have shared close ties ever since 21 May 1951, when their diplomatic relations were first established.¹ It would be important to point out, however, that Pakistan has received more military and nuclear support from China, than economic support. Pakistan's search for an alternative ally in the form of China, replacing the US, was not easy, particularly after the US raids on Osama bin Laden's compound in May 2011. Moreover, though the recent Sino-Pak high level talks hinted at an expansion of its ties beyond military cooperation, through economic and cultural exchanges, China exhibited little interest in bailing out Pakistan's economy, which is in dire straits.² Therefore the cosy Sino-Pak relationship in the strategic sphere has not resulted in extraordinary Chinese largesse vis-à-vis Pakistan.

This is where India's role is relevant. Its improving bilateral relations in recent times, with both China and Pakistan, have been a consequence of New Delhi's restraint and prudence in handling thorny issues. Nothing illustrates this point better than the playing down, during the recent visit of the Chinese defence minister to India, of the Indian fear that China might be threading a 'string of pearls' (encircling India by financing infrastructure and military strength in neighbours, stretching from Pakistan to the Maldives).³ Moreover, China too has not only acknowledged, but welcomed, the thaw between India and Pakistan and has also felt the need to collaborate trilaterally for more than one reason. One such initiative is the 'India-Pakistan-China Trilateral Nuclear Strategic Dialogue', supported by the Nuclear Threat Initiative (Washington) and initiated by The Institute of Peace and Conflict Studies (IPCS), New Delhi. China is also considering a similar trilateral dialogue on Afghanistan, in the wake of rising geopolitical rivalries intensifying over Afghanistan in the region.⁴ And for this, China wishes to go along with both India and Pakistan to stabilize Afghanistan territory, despite its ambitions and stakes in this part of the world.

The aforementioned consistent bilateral efforts between the countries have created space for an expansion of trade and confidence-building measures. Ties between the two countries are no longer confined to a handful of initiatives; what was once outside the purview of discussions, is now an integral part of the bilateral relationship.

India and China

Indo-China relations have evolved and improved, despite general disagreements on various issues, particularly on borders. Both these nations have learned to look and move forward whilst consistently exploring new avenues and opportunities to grow for themselves. This has been the

trajectory ever since the two nations restored ambassadorial relations in August 1976 and revived political contacts in February 1979,⁵ after the 1962 conflict. It was only in 1984 that these countries officially resumed bilateral trade, when they signed the Most Favoured Nation (MFN) Agreement. By 2011-2012 bilateral trade stood at US\$75.45 billion, making China one of India's largest trading partners.

In December 2011, Infrastructure Leasing and Financial Services Limited (IL&FS) became the first Indian company to acquire a stake (49 percent) in a state-owned Chinese enterprise, with a deal estimated at US\$150 million.⁶ On 18 June 2012, Oil and Natural Gas Corporation of India (ONGC) and China National Petroleum Corporation (CNPC) signed a Memorandum of Association to jointly explore oil and gas worldwide.⁷ Both these deals were the result of confidence building measures, initiated by both nations. There is now scope for convergence in a wide range of areas, and these positive developments can certainly help in easing the tension on the borders, further enhancing cross-border trade.

India and Pakistan

In general, Indo-Pak relations have always been characterized by acrimony, beginning with the bloody partition of British India in 1947, and continuing with the Kashmir dispute, Kargil War, military conflicts and terrorism. The most recent black page in Indo-Pak relations was the 26/11 terrorist attack in Mumbai (in 2008). Considering their history, and ongoing difficulties, it is surprising to see how their bilateral relations are growing. Just as with the Indo-China relations, the underlying issue is the border dispute between these nations. Similarly, India and Pakistan are also undergoing honest efforts to continue to move forward in strengthening their bilateral relations, with the hope that increasing trade and commerce, and mutual economic support, will lead to a solution to their longstanding political issues as well.

Bilateral trade, which dropped to US\$1.7 billion in 2009, from US\$2.1 billion in 2008,⁸ recovered in 2010-11, and stood at US\$2.6 billion. In April 2011 Commerce Secretary Talks in Islamabad called for its revival, followed by many more bilateral trade visits in each of these countries, with an objective to increase trade to about US\$6 billion. Various measures have also been taken up to end deadlocks on many issues like stringent visa rules, non-tariff barriers and so on. This, coupled with the energy crisis in Pakistan, set the stage of opening up yet another foray into the petroleum sector.

The latest in these developments was to allow foreign direct investment from Pakistan, and a cut in customs duty of 264 tariff lines to five percent in three years time.⁹ Visa liberalisation between these two countries was also on the agenda, so as to almost double the present trade volume of US\$2.5 billion within a year.¹⁰ The Commerce Secretary Level Talks were held in September 2012 to discuss a wide range of issues, taking bilateral trade to the next level, including the discussion of Pakistan possibly granting India the MFN status.¹¹

Conclusion

It is important for India, China and Pakistan to move a step further in consolidating their similar goals and objectives with that of other countries and help each of these nations in achieving economic liberty, strengthening their economy and energy security, in addition to pursuing their own goals of stabilizing the regional economies like Afghanistan, which would not be possible by excluding its neighbours. Each country should bring in more transparency in dealing with security issues in the region. If the three countries can integrate their economic agendas and work in tandem to promote both economic integration and political stability in the region, the India-China-Pakistan axis could well be a reality.

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Notes

- 1 Mukherji, P. 'The Chinese vision of Sino-Pak strategic partnership: I'. *Indian Defence Review*. Vol 25.3, Jul-Sep 2010; <http://tinyurl.com/95y23t4> (accessed 16 Sept 2012)
- 2 Curtis, L. & D. Scissors. 'The Limits of the Pakistan-China alliance'. *Reuters*. 20 Jan 2012; <http://tinyurl.com/83bk93u> (accessed 16 Sept 2012).
- 3 'Asian giants seek better ties; China defence minister in India'. *Reuters*. 2 Sept 2012; <http://tinyurl.com/9d95n3n> (accessed 16 Sept 2012).
- 4 'India, China, Pakistan dialogue on Afghanistan?'. *Times of India*. 9 Sept 2012; <http://tinyurl.com/9zbrk5r> (accessed 16 Sept 2012).
- 5 Ministry of External Affairs, Government of India; <http://tinyurl.com/8js3qu3> (accessed 12 Sept 2012).
- 6 Krishnan, A. 'IL&FS acquires 49 percent stake in state-run Chinese company'. *The Hindu*. 9 Dec 2011; <http://tinyurl.com/8bz5f57> (accessed 18 Sept 2012).
- 7 'ONGC, CNPC sign agreement to jointly explore oil and gas'. *The Economic Times*. 19 June 2012; <http://tinyurl.com/9y8c2ot> (accessed 18 Sept 2012).
- 8 According to World Development Indicators (WDI 2011) and UN Comtrade 2010.
- 9 'Indo-Pak trade: Finance Ministry to soon notify customs cut'. *Business Standard*. 30 Aug 2012; <http://tinyurl.com/9pnsyla> (accessed 18 Sept 2012).
- 10 'New visa norms likely to boost India-Pakistan trade: SAARC-CCI'. *The Economic Times*. 9 Sept 2012; <http://tinyurl.com/9mn8sah> (accessed 18 Sept 2012).
- 11 'Indo-Pak Commerce Secretaries to meet this month'. *Business Standard*. 17 Sept 2012; <http://tinyurl.com/8t6cysy> (accessed 18 Sept 2012).

Daily flag lowering ceremony at Wagah, on the India-Pakistan border. In 2010, the commander in charge of the Pakistani Rangers announced that the aggressive nature of the Wagah ceremony would be toned down to reflect the desire for improved relationship between both countries. Courtesy of Joshuahsong, Creative Commons /Flickr.

