

China and India in the Middle East: **Between Competition, Cooperation and Conflict**

The increasing importance of the relations between Asia and the Middle East countries if it gives back to the Middle East its historical role as a “global commercial hub”¹ at the intersection of Asia, Europe and Africa, also illustrates the rise of the two Asian giants and the shift of world politics from West to East.

Historically, India and China both have had long lasting commercial ties with the Middle-East, even if India was and remains culturally and geographically closer to the Middle-East countries, than China.² According to most articles, it is only in 1993, as China became a net oil importer country, that the Middle East countries took a strategic importance, and that China gave up its ideological foreign policy for a more pragmatic approach based on its internal development and stability.

Today, both Indian and Chinese relationships with the Middle-East are mainly, but not exclusively, based on energy. As a result of their expanded growth, and of the subsequent increase of their energy consumption, both have become increasingly dependent on the supply from the Middle-East countries – Iran and Saudi Arabia being their major suppliers- and their energy diplomacy has been playing a crucial role in their global foreign policy.

In an area traditionally dominated by the West, the emergence of these new actors has had important implications. First of all, on an economic point of view, the economic growth of India and China opened the Middle East countries to new export markets for their oil and investors, at a time where the West started losing its economic attractiveness. Secondly, it has counterbalanced the US hegemony over the region: on the one hand giving a new importance to countries such as Iran, which remained in the shadow of the American sanctions, and on

¹ Simpfendorfer Ben, *The New Silk Road: How a Rising Arab World is Turning Away from the West and Rediscovering China*, Palgrave Macmillan, 2009, P1

² Nixon Center and Gulf Research Center, *China's Growing Role in the Middle-East: Implications for the Region and Beyond*, 2010, P2

the other hand putting Western companies in direct competition with Asian firms in countries such as Saudi Arabia which were considered as part of the Western sphere of influence. Hence, we see that this economic relation also has strategic implications for the different players involved in the Middle East, in Asia and in the West.

While intending to grasp the complexity of these interrelations, this paper will try to see in what extent the Indian and Chinese presence in the Middle-East, their seemingly similar approaches on the one hand, and the scarcity of oil resources on the other hand raise the question of whether they will manage to find a way between cooperation and competition.

We will first consider how India and China have been competing for oil, influence and markets within the Middle-East and what political implications explain or result of this competition; then we will analyze the issue of competition for transportation routes overseas and over land. Finally, we will look at the different signs, incentives for- and also obstacles to- cooperation in the Middle-East.

India and China competing for oil, influence and markets in the Middle-East

The diversity of the Middle East countries and their political divergences makes it difficult to consider them as a unified region with which China and India would entertain single unified global relations. Indeed, Chinese and Indian policies in the Middle East are rather characterized by fragmented, bilateral relations. Both countries have so far successfully managed to cope with divergent interests such as Iran, Saudi Arabia, Israel and the United States. If this approach exposed them to Western criticism, according to which it would be a source of political destabilization of the region, it has so far proven to be quite successful. Furthermore, the fact that China's and India's relations with the Middle East countries are based on the mutual respect for sovereignty and non-intervention in internal affairs, and consequently mainly about mutual economic interests, doesn't mean that they are excluding all political or strategic considerations.

Obviously, one should keep in mind that India and China in spite of adopting similar approaches towards their relations with the Middle East countries remain competitors, in a region already faced by fierce international competition. They first of all compete for oil. Both have encouraged their state-owned companies to acquire so called "equity oil" contracts at premium prices in order to be able to control the production and the prices. This approach has exposed them to criticism from the West, which considers it to be a distortion of market mechanisms and which repeatedly encouraged them to respect the rules of the international

market. In this competition, Chinese companies have so far proven to be more efficient than Indian ones, who lost several contracts against their Chinese competitors.

The Iranian oil field of Yadavaran seems to be a perfect illustration of the ongoing Indo-Chinese competition, but also potential cooperation. Indian Companies have acquired 20% of the participation in the Yadavaran oil field, while their Chinese counterpart (Sinopec) already possessed 50% of the field.³ If one can consider it to be an open door for joint Indo-Irano-Chinese exploration and exploitation of oil, one should also keep in mind that Iranians have a political interest to cooperate with India and China, as it places the United States in a difficult situation regarding potential sanctions against its Indian and Chinese partners,⁴ and puts Iran out of diplomatic isolation. Moreover, both India and China have to handle their relation with Iran with precaution in order not to offend the United States. In this regard, the Indians have apparently managed this dual relationship a little better than China.

It seems that India has succeeded in developing a real strategic partnership with Iran while maintaining a good working relationship with the United States. India has been developing a defense and military cooperation with Iran since 2001. This can actually be explained by the geographical position of Iran at the Western border of Pakistan, and by the strategic interest of India to have allies within the Muslim world which could support it in case of war over Kashmir. As a response to the expressed American worry towards the growing Indo-Iranian partnership, Navtej Sarna from the Indian Ministry of External Affairs said in 2005: “*The United States has its relationship with Pakistan, which is separate from our relationship with them... Our relationship with Iran is peaceful and largely economic. We do not expect it to affect our continuing good relations with the United States*”⁵. So, we see that the Indian relationship with Iran seems to be an illustration of both the traditional Indian foreign policy of non-alignment and independence, and of the rising Indian consciousness about its role as a Great Power.⁶

Concerning the Sino-Iranian relationship, it has been suffering of the consequences of the American pressure on China during the Iranian nuclear crisis, which has leded China to officially stop supporting Iranian nuclearization since 2006, and to lose of its prestige in Iran.

³ Djalili Mohammed-Reza, Kellner Thierry, *L'Iran et les Deux Géants Asiatiques*, p88

⁴ Djalili Mohammed-Reza, Kellner Thierry, *L'Iran et les Deux Géants Asiatiques*, p 89

⁵ Ramachandran Sudha, *The Glue that bonds India, Iran*, Asia Times Online, January 12, 2005, http://www.atimes.com/atimes/South_Asia/GA12Df05.html

⁶ See : Sumit Ganguli, *The Rise of India, « New Grand Strategy »*

If the Indo-Iranian partnership seems on a better track than the Sino-Iranian one, the Chinese on the contrary are in a better position in Saudi Arabia.

Saudi Arabia has replaced Iran as China's major supplier in 2009, and is also India's most important supplier. However, politically the relations between India and Saudi Arabia have been quite tensed due to the Saudi support to Pakistan, and financing of Islamic schools in India at a time of increasing internal interreligious conflicts. In spite of these tensions, Saudi Arabia is still considered by India as a possible counterweight to Pakistan in the Islamic world⁷.

So we see that in this competition for influence, the role of external players such as Pakistan or the United States play a very important role as it places either India or China in a privileged situation. While in Iran, the Indo-Pakistani tensions have led India to give a strategic importance to the relationship, and to take the lead against the Chinese, in Saudi Arabia we face the opposite trend with China taking the lead. We will see that Pakistan and the United States also play a decisive role in the competition for transportation routes, and in the perspectives for cooperation.

India and China competing for transportation routes overseas and over land

The most exacerbated issue of competition between India and China is actually the control of the Indian Ocean, of the main Sea Lanes of Transportation, and above all of the Straits of Hormuz through which 80% of the oil passes, and of Malacca through which 70% of Chinese oil passes: both worry that a blockade of these chokepoints would lead to supply disruption.

For now, the US navy is still dominating and ensuring the security of the routing, and according to Geoffrey Kemp their replacement in a nearer future seems rather unlikely due to the inferiority of Indian and Chinese navies.⁸

The Indian Ocean Region, through which most of the oil passes, is considered by the Indians as their natural zone of influence, and by the Chinese as a strategic zone that needs to be controlled. Thus, a fierce competition is taking place between the Chinese who consider the Indian claim as illegitimate as illustrated by the quote of the Chinese General Chi Haotin according to which the Indians have to understand that "it is Indian Ocean not India's

⁷ Pant V. Harsh, *Saudi Arabia Woos China and India*, Middle East Quarterly, Fall 2006

⁸ Kemp Geoffrey, *India, China, and Asia's Growing Presence In the Middle East*, The Nixon Center, Brookings Institution Press, 2010

Ocean”⁹, and the Indians who see themselves encircled from all sides by the Chinese construction of ports.

While Indians have engaged themselves in a modernization of their navy, in which they have been supported by the United States in the framework of the Indo-US defense cooperation agreement signed in 2005, the Chinese have been leading a policy called by the US and India “The String of Pearls Strategy”, consisting in participating in the construction of infrastructure in strategic ports in countries along the Sea Lanes of Communication, in order to secure their oil supply: they have been building ports in Myanmar, Cambodia, Bangladesh, and the most important is the Deep Water Sea Port of Gwadar, located in Pakistan 400 km from the strait of Hormuz.¹⁰ The Gwadar Port could be used as a means to avoid the Malacca Strait and to diminish the cost of sea transportation, by transporting the oil and gas through land to China. However, according to Robert Kaplan, the location of the Gwadar Port in the very unsecure Baluchistan province of Pakistan, added to the global current security situation in Pakistan, have so far hindered the possible land transportation through road or pipeline from Gwadar to China.¹¹

As a response to the Gwadar Port, the Indians have collaborated with Iran to build the Port of Chabahar also very strategically located. The Chabahar Port would represent both a strategic point for alternative routes of transportation, and a strategic point in case of a war with Pakistan. According to specialists, there was a secret agreement which would allow Indian troops to attack from Iran in case of a war between India and Pakistan.¹² The IPI (Iran Pakistan India) pipeline project, which is so far victim of poor Indo-Pakistani relations, internal security Pakistani situation, and American pressure in favor of the alternative TAPI (Turkmenistan Afghanistan Pakistan India), is another sign of the well-functioning Indo-Iranian cooperation.

So we really see the emergence of a tough competition for transportation routes, which gives to the Indian Ocean and Central Asian regions a strategic importance. Again, the role of the United States and of Pakistan seems central, and the evolution of their positions will have an

⁹ Rai B Ranjit, *China's String of Pearls vs India's Iron Curtain*, Indian Defence Review, Vol 24.4, Oct-Dec 2009

¹⁰ Rai B Ranjit, *China's String of Pearls vs India's Iron Curtain*, Indian Defence Review, Vol 24.4, Oct-Dec 2009

¹¹ Kaplan Robert D, *China's Port in Pakistan?*, Foreign Policy, May 27 2011, http://www.foreignpolicy.com/articles/2011/05/27/chinas_port_in_pakistan

¹² Djalili Mohammed-Reza, Kellner Thierry, *L'Iran et les Deux Géants Asiatiques*, P 81

essential influence on future developments. If so far the Indo-American cooperation seems to place India in a comfortable position in the Indian Ocean, on the other hand the Sino-Pakistani cooperation could give China an advantage once the Gwadar port will really be operational. However, in spite of the existing Indo-Chinese competition, one should keep in mind that the increasing economic ties between the two neighbors rather represent an incentive for cooperation than for conflict.

Signs of Cooperation between India and China

In 2005, as a consequence of the awareness that competition for energy markets between Chinese and Indian firms within the Middle East led to an increase of prices, India and China have developed a dialogue on energy cooperation under Indian initiative. In the same year, they signed the Sino-Indian partnership for peace and prosperity, and have since then conducted several joint military exercises in the Indian Ocean. These improvements, if one can doubt whether they really reflect the reality of the Indo-Chinese relationship, illustrate the reciprocal awareness of the needs for cooperation in areas where both have mutual interests.

It was for instance the case in Syria where Chinese and Indian oil companies jointly purchased shares of 36 Syrian fields. The Syrian joint venture was their first common acquirement of oil assets. Whether more cooperation for oil will take place remains questionable: though it looks like cooperation is more likely to happen in areas such as Syria that aren't part of their sphere of influence.

Considering the facts that both countries have similar perceptions of the existing threats to their energy supplies: piracy, US supremacy, terrorism, cooperation would in theory be very profitable. It could take the form of a joint management of the security of the Indian Ocean, or of an inclusion of China in the IPI and TAPI pipeline projects, or also of cooperation about Pakistan.

However, important obstacles linked to their historical relationship and mutual perception of China and India seem to remain to this cooperation. As long as China and India won't have solved the problems of their bilateral relations and mutual distrust: the border issue going back to the war of 1962, the fact that China is supporting Pakistan and other Indian neighbors, the issue of Tibet or of the US-India relationship, they won't be able to completely cooperate.

If Chinese tend to publicly present their relationship with India as very well functioning, Indians are still viewing China with great distrust. One might however think that China will

one day abandon its relationship with Pakistan, because of its fear of Pakistani influence on Xinjiang Islamic separatism. The fact that the Gwadar port project has been slowing down as a consequence of the instability in the Balouchistan region, shows that China starts to question the wisdom of the relationship.

On the Chinese side, the main concern is the Indian relationship with the United States, and the issue of Taiwan. These deep rooted issues, will have to be resolved for a real cooperation to emerge, and remain today of very importance in the foreign policy of the two countries, which explains the slow pace taken so far by cooperation.

What future for India and China in the Middle-East?

Whether conflict or cooperation will prevail seems difficult to assess.

However, a conflict seems quite unlikely in a near future, considering the pragmatism of the two countries, their traditional anti-war stand, as well as the fact that they developed very important bilateral trade relationships and have thus become economically interdependent. Both are aware that the costs of war would be much higher than the possible gains.

What happens in the future will probably mainly depend on how a more powerful and less contained China might behave. How if China considers that its peaceful development is being hindered and thus changes its approach towards the Middle East? Indeed, the fact that Chinese social order mainly relies on the economic welfare of the people, could put China in a vulnerable position in case of a supply breakdown, and force it to take a more aggressive foreign policy orientation.

Finally one should also keep in mind that the United States remains the major player in the Middle East region, and that it will for sure try to maintain its dominant position. In case of an American war with Iran, both India and China would be in a difficult situation, but also in a situation that would call for cooperation, and in return place the US against an Asian giants' block.

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