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China and India manoeuvre to secure energy supplies

By Parwini Zora and Niall Green

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“We look on China not as a strategic competitor but as a strategic partner,” said the Indian Petroleum Minister Mani Shankar Aiyar during his January 10-13 visit to Beijing.

While in China, Aiyar, who was accompanied by representatives of major Indian petroleum firms, signed five memoranda on energy cooperation with the Chinese National Development and Reform Commission. And on January 12, the Indian delegation met with top officials from China’s main energy companies, including the China National Petroleum Corporation (CNPC), China Petrochemical Corporation, and China National Offshore Oil Corporation.

In his public appearances while in China, Aiyar repeatedly argued that China and India, both of which have a burgeoning need for oil and natural gas imports, have a common interest in seeking to lessen competition for energy supplies and in working together to discover and develop new energy supplies.

Aiyar observed that China and India are in a similar position in the energy sector—both have substantial coal resources but are highly dependent on imported oil and gas—and urged co-operation between them in bidding for oil resources in third countries.

India is currently pursuing energy production and exploration projects in more than 50 countries, often in competition with Beijing.

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On several occasions in the past two years India has lost significant bids to China, including in Angola, Kazakhstan, Ecuador and Burma. Chinese oil firms, meanwhile, are reputed to have made several deals in which they overpaid for energy assets. Last August, CNPC paid \$4.18 billion to acquire Canadian oil company PetroKazakhstan. India's Oil and Natural Gas Corporation (ONGC) had bid \$3.9 billion.

"The Chinese have learned," said Aiyer, "that if we constantly compete, they [often] have to pay more than a billion dollars over [the] ideal price. As it is, the assets they acquire are often of uncertain value in risky countries."

Aiyar also warned that competition for energy resources, if not checked, could enflame relations between Asia's two rising powers. "It is clear to me," said Aiyar, "that any imitation of the 'Great Game' between India and China is a danger to peace. We cannot endanger each other's security in our quest for energy security."

Aiyar's call for cooperation between India and China in the energy field was seconded by the director of the China Energy Strategy Centre, a government think-tank. Unbridled competition between India and China for oil and natural gas "will be harmful to all concerned," said Xia Yisehn, "and so the necessity of co-operating to share risks and reduce costs in a multilateral way is gaining currency here"

State-owned Chinese and Indian energy companies have already launched several joint exploration ventures, including in Russia, Iran and Sudan, with China generally taking the larger stake.

In December, a further step toward Sino-Indian energy cooperation was taken when China's CNPC and India's ONGC, respectively their countries largest state-owned oil companies, mounted a successful \$573 million joint bid to acquire Petro-Canada's 37 percent stake in the al-Furat oil and gas fields in Syria.

The India-Chinese energy talks complement India's efforts to develop an Asian oil and gas grid. The grid, which is intended to ensure reliable delivery networks and "energy security" for Asia, was formally inaugurated at a conference held in New Delhi last November that brought together ministerial representatives of the North and Central Asian energy producing countries, including Russia, Uzbekistan, Kazakhstan and Azerbaijan, and their counterparts from the principal Asian consumer nations—China, Japan, South Korea and India.

“The era when our [energy] production was controlled by others is now behind us, the era when the bulk of consumers lived in other continents is also over,” Aiyar told the November conference.

The thawing of Sino-Indian relations and the role of the US

The current co-operation on energy matters between China and India arises out of a recent thawing of relations between the two countries. (During the latter decades of the Cold War, China was allied with the US and Pakistan, while India enjoyed close military, geopolitical and economic relations with the USSR.) Shortly after the 2003 US invasion of Iraq, India’s National Democratic Alliance government, led by the strongly pro-US Hindu supremacist Bharatiya Janata Party (BJP), launched a concerted drive to repair relations with China. The first-ever Sino-Indian Strategic Dialogue was held in January 2005 to deal with common issues regarding “globalization, energy security and the democratization of international relations.”

In April 2005, the Chinese premier Wen Jaibao visited India and the two countries announced a “strategic partnership” to make advances in economic cooperation and trade issues. This also agreed to strive for “closer political initiatives and to engage in joint exploration for oil and gas in other countries”. The same month the first China-India Business Cooperation Conference was held to expand the current bilateral trade of \$US14 billion per year. (China is already India’s second-largest trading partner.)

To further the cooperation between the two countries, their governments recently designated 2006 as “India-China friendship year”. Just days before Aiyar’s visit to China, Indian foreign secretary Shyam Saran was in Beijing to conduct the second round of strategic dialogue after the upgrading of bilateral ties to a “strategic and cooperative level.”

The Indian foreign secretary focussed his discussions on gaining Chinese backing for India’s bid for a permanent seat on the United Nations Security Council and the resolution of the longstanding border dispute. India is also taking steps to join the Chinese and Russian-led Shanghai Cooperation Organization, through which Moscow and Beijing are seeking to counter US influence in Asia, especially in Central Asia.

Behind these moves lies the common concern of the Indian and Chinese regimes over the Bush administration’s military interventions in Iraq and Afghanistan and Washington’s attempt to gain a strategic stranglehold over the oil-rich regions of the Middle East and Central Asia. Recent US statements threatening Iran and Syria have only further fuelled these concerns.

While pursuing closer ties with China, India's United Progressive Alliance has also sought to enter into a "strategic partnership" with the US, including accepting a US offer of assistance in helping India to become a "great power."

The Indian elite is acutely aware of the fact that Washington has identified India as a potential counter-weight to China, and is hoping to benefit from the readiness of the US to provide it with support. It calculates, however, that it can do so, without becoming dependent on or subordinate to the US.

While in Beijing India's foreign secretary Shyam Saran made direct reference to the geopolitical manoeuvring, declaring that China and India "are too big to contain each other or be contained by any other country" and that the perception that the two countries might be seeking the containment of each other is outdated. "India would be happy to work closely with China towards the progressive realisation of an East Asian Community and, eventually, a larger Asian Economic Community."

The US is not prepared, however, to sit idly by while China and India seek to develop a *modus vivendi* for cooperation in the energy sector.

The Bush administration, which is already exerting strong pressure on India to abandon plans to jointly develop a pipeline with Pakistan to bring Iranian natural gas to South Asia, sent a demarche to New Delhi this month demanding that it "reconsider" ONGC's Syrian investment. It justified this action on the grounds the India's purchase of the oil and gas property will undermine the United Nations'—read US and European Union—efforts to isolate the Syrian regime.

The *Hindu* quotes a senior Indian official as expressing outrage over the US move: "Today, it is Iran and Syria, tomorrow it may be Sudan or Myanmar or Venezuela or someplace else. At stake is not just our energy security but also our right to take decisions by ourselves."

* * *

In a cabinet shuffle last weekend, Shankar Aiyar was replaced as Petroleum Minister and given the portfolio of Youth Affairs and Sports. The Indian press is all but unanimous in terming this a demotion and linking it to Aiyar's outspoken advocacy of the Iran-Pakistan-India gas pipeline. The WSWS will comment on this development shortly.

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