
THE POLITICAL AND ECONOMIC ASPECT OF THE BALANCE OF RELATIONS BETWEEN CHINA, INDIA AND PAKISTAN

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Abstract

The main topic of the article is the economic and political aspect of maintaining balance in the triangle of countries China-India-Pakistan, which are presented in this study as elements of the subregional system of international relations in close connection with the algorithms of the functioning of the Asia-Pacific region.

The work begins with a characterization of the Asia-Pacific region and an analysis of the place of South Asia in this region. A review of Sino-Indian and Sino-Pakistani relations is made with the corresponding conclusions. Given the new challenges to international security and taking into account the significant role of the economy in the development of certain countries, new threats and new opportunities for difficult interstate relations are considered.

The work highlights the economic aspects that influence politics; restraining factors of the antagonistic relations of the “triangle”. The key question remains whether China can cooperate with both warring parties, avoiding provocations. Only balanced political steps can save Beijing from the collapse of its South Asia policy. The economic and political instruments of implementing such a policy towards India and Pakistan are highlighted in this article.

Key words: ASEAN, BRICS, India, China, China-Pakistan Economic Corridor, Pakistan, Gwadar Port.

Introduction

The South Asian region as a component of the Asia-Pacific geopolitical formation. The term “region” is considered a category of modern scientific discussion. According to the definition (Mezhevich, N.M., 2006), the term “region” means a geographically united formation characterized by a specific ethnographic, confessional, socio-cultural composition and a special type of political governance by elites and society. However, the above definition is mostly generalized. Depending on the main factors underlying this or that definition, political scientists introduce territorial, economic, socio-economic, institutional and other approaches to defining what a “region” is. In this article, the characterization of the Asia-Pacific region is based on a geopolitical systemic approach. According to this approach, a “region” is a complex of elements of an international subsystem with specifically interacting poles of power, nodal contradictions and an institutional superstructure. The article also considers the national interests of extra-system actors.

The Asia-Pacific region (APR) is a geographical and political complex of states with similar cultural and historical roots, but all elements of the APR have their own economic and social characteristics that give rise to deep differences between countries.

When analyzing the APR countries systematically, it is more rational to consider this formation, which consists of such subregions as Northeast Asia, Southeast Asia, South Asia and the South Pacific.

Problem statement

The South Asian system of international relations includes India, Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan and the Republic of Maldives. The People's Republic of China is a foreign great power. Most of the algorithms for the functioning of the system form influential Indian – Pakistani relations as the most powerful poles of the subregion. The confrontation between these two poles contributes to the weakening of the geopolitical ground, strategic distrust and division of the subregion.

The specificity of the region is that, in addition to the signing of the Nuclear Non-Proliferation Treaty, there are tense relations between the states. The unconventional military potential of the rivals becomes an obstacle to the normalization of subregional international relations. Nuclear weapons in the region also make interstate relations tense and conflict-ridden. In addition, it is important to consider numerous territorial conflicts, especially between India and China, India and Pakistan, India and Nepal, etc.

These antagonistic trends are observed within the South Asian triangle of China – India – Pakistan, which forces countries to maneuver to maintain the current balance.

Material and methods

Using qualitative content analysis and the real-time analysis method, a number of multi-level expert materials aimed at studying the current state of Chinese – Indian and Chinese – Pakistani relations were selected and analyzed. Electronic versions of media resources (available in Ukraine) were used: both Chinese and Indian, Pakistani, Russian and others.

Result

Problematic issues in Beijing-Delhi relations. India and the PRC are both adversaries and partners. The relationship between them resembles an “antagonistic symbiosis”. There are features of both partnership and distrust of each other. In the case of perceiving Delhi and Beijing as partners, the following factors should be noted.

First, according to the UN Comtrade Database, trade turnover between the countries in 2015 reached 71.6 billion US dollars [2]. Over the past decade, Indian – Chinese trade has grown significantly.

China's share in India's foreign trade turnover reached 10.2% in the 2010–2011 fiscal years [3]. However, it should be emphasized that despite the figures, there is a basic level of economic interpenetration of the states. This can be explained by the internal features of India's economic development, since its economy is oriented towards the domestic market, except for high-tech products. This factor determines India's isolation from neighboring countries, particularly China [3].

Secondly, the common history and similarity of problems and tasks arising from the previously unequal position of the countries of the “South” in the international division of labor. Such a position strengthens the ties between the countries of the “South”, in particular China and India [3].

Thirdly, according to the estimates of scientists A. Gupta and H. Wang [4], the economies of India and China are complementary. Chinese exports to India consist mainly of industrial goods, especially products of the automotive industry. India, in turn, exports to the PRC the resources necessary for the functioning of the Chinese steel and automotive industries. Chinese capital, in turn, can help India accelerate its infrastructure revolution. In addition, large Indian IT corporations invest in local operations in the PRC [4].

Fourthly, Indian – Chinese economic relations are connected by numerous joint projects. Thus, in Bangalore, there are production facilities of the Chinese corporation “Huawei”, which creates thousands of jobs for residents of the region; The joint Sino-Indian corporation

"Mahindra&Mahindra" has been producing agricultural machinery since 2008; in 2008, two Indian and two Chinese companies created a joint venture "Xindia Steel Ltd". with the aim of investing \$ 2 billion in an iron ore processing factory in India. There are also joint Indian – Chinese enterprises in the IT sector [4].

Considering all the above facts, in September 2011 the governments of both countries initiated the establishment of the China-India Strategic Economic Dialogue. The Dialogue has five working groups [5]. During the visit of the President of the People's Republic of China Xi Jinping to India in September 2014, the parties also signed three memorandums of understanding and 12 trade and investment agreements [5].

Thus, on the one hand, India and China have significant prospects in the field of economic cooperation. However, there are also problematic aspects.

There is a wide range of factors that hinder the development of bilateral relations.

First, despite the growth of trade, investment cooperation between the countries is frozen at the grassroots level. In addition, today we can see competition between the two countries for receiving foreign direct investment. According to The Economic Times, India has already displaced China from the position of the main recipient of investment. In 2015, Delhi received \$63 billion, while China experienced a decline in investment interest from foreign countries.

Secondly, there is a rivalry between the parties in the sphere of potential cooperation with ASEAN countries. India has been a dialogue partner of ASEAN on trade, investment and tourism since 1993 [6]. In 2009, trade turnover between India and ASEAN reached \$40 billion per year, i.e. it became almost equal to the annual volume of Sino-Indian trade [6]. In addition, in 2009, the Agreement on a Free Trade Area between India and ASEAN was concluded, which led to an 80 percent drop in commodity tariffs [6]. At the same time, the ASEAN region is within the sphere of interests of the PRC and is a key link in the formation of China's regional and global policy. An example of the competitiveness of China and India in ASEAN can be the clash of their interests in Myanmar. Thus, Chinese specialists have modernized Myanmar's ports in the Bay of Bengal at Sittwe and Mergui to service ocean-going vessels. At the same time, in 2007, India and Myanmar completed the joint multi-million dollar construction of the Kaladan Highway, which connected the Indian state of Mizoram with the aforementioned port of Sittwe [7]. Thus, two strategic projects have met at one point: the port of Sittwe is to receive and service oil tankers heading to China and become a logistical alternative for transporting hydrocarbons through the Strait of Malacca to the PRC. Therefore, tense relations are also observed in the India-China-Myanmar triangle.

Third, India is concerned about the China – Pakistan Economic Corridor. The corridor will benefit Beijing because it will shorten the sea routes for transporting hydrocarbons. In this context, it is necessary to consider the competition between India and China for energy sources. At present, India and China adhere to the same position on the consumption of hydrocarbons in order to ensure the sustainable development of their economies [8]. Thus, the countries increase the flow of foreign direct investment in the development of gas and oil deposits abroad. This deepens the bilateral competition and shifts it to the African continent, since this continent is not yet included in the sphere of national interests of any global state [9]. It is also necessary to say about the impact of distrust on the political dimension of bilateral relations after the 1962 war and unresolved territorial disputes, which still affect the economic aspects of India – China interaction [4].

Despite all the negative factors listed, China's trade and financial cooperation has positive prospects, as evidenced by their active interaction within the BRICS and, potentially, within the Shanghai Cooperation Organization.

Thus, there are many problems in the economic relations between Delhi and Beijing. At the same time, the PRC remains India's main importer and exporter. Several joint ventures are successfully operating. The possibility of combining Indian software development and Chinese

hardware and equipment production is being discussed [3]. Therefore, in general, the countries are moving towards cooperation, not rivalry.

Discussion

Pakistan's direction of China's foreign policy strategy. In the economic, political and military spheres, Pakistan is likely to be Beijing's only ally. Since the mid-20th century, the countries have paved the way for trust and comprehensive mutual understanding. An example is the fact that China helped Pakistan build numerous factories and industrial complexes in the 1960s and 1970s. In addition, China supported Islamabad, despite the fact that the United States imposed sanctions against Pakistan in the 1980s and 2000s [10]. A new turn in Sino-Pakistani relations began in 2003 after the Joint Declaration adopted during the visit to China of former Pakistani President Pervez Musharraf (2001–2008).

In 2006, the parties signed a Free Trade Area Agreement, which normalized bilateral relations. The FDA Agreement entered into force in 2007. The articles of the Agreement enshrined a two-stage development of economic relations and an increase in the contribution to trade turnover to 20 billion US dollars by 2013 [11]. The parties have not yet achieved the goal, but the dynamics of improving the trade climate remained impressive: trade turnover increased from 3.5 billion dollars in 2006 to 14.3 billion in 2013. China became Pakistan's second trading partner after the United States [11]. Nevertheless, there is a trade deficit in favor of China, since Pakistan imports mainly cars and equipment from China, and exports textile and food products.

The current bilateral relations between the countries have reached a completely new level, as their joint economic projects are of crucial strategic importance to both sides. The relationship between Beijing and Islamabad has developed into a so-called "all-weather" partnership. The "burden" of friendship can be found in the names of some other joint economic projects, such as the "Pakistan-China Friendship Center" established in Islamabad [12].

A key project that could accelerate Sino-Pakistani friendship is the sub-project of the Silk Road Economic Belt – the China-Pakistan Economic Corridor (CPEC). The CPEC project started in 2002, when the deep-water ice-free Gwadar Port was opened. The construction of Gwadar was completed by Chinese engineers in 2007, and the port became fully operational in March 2008 [13]. The construction of the port cost \$264 million and was completed with financial and technical support from China. The PRC invested up to 80% of its own financial resources [14]. In addition, in 2013, the Gwadar Port was transferred to the operational management of China Overseas Ports Holding. In 2015, the Agreement on the Lend-Lease of Gwadar by China for 40 years came into force [15].

At present, the port is becoming a key link in CPEC and has a strategic impact on the internal development of the states. The first advantage is the location of Gwadar in the Balochistan province of Pakistan. Balochistan is known for its separatist spirit: the conflict between the Baloch people, who demand independence, and the Pakistani government has been going on since 1948. Islamabad is trying to control and mitigate the situation using economic levers. Thus, the PRC is investing about \$ 15 billion in the infrastructure of Balochistan, creating new jobs that can help Pakistan resolve the explosive situation [13]. The second advantage is the opportunity for Pakistan to become a transit state.

China is also trying to solve similar problems, because CPEC originates from the Xinjiang Uyghur Autonomous Region, whose residents also advocate independence. Chinese experts also see a number of advantages that can be revealed due to the functioning of Gwadar. The first is the subordination of the Pakistani economy to the Chinese one. Secondly, it is access to the Central Asian hydrocarbon market to diversify both access to energy and Chinese exports. Thirdly, it is attracting investment to develop the economy of Western China and strengthen ties with the Muslim countries of Central Asia. Fourthly, it is China's attempt to guarantee itself access to the Arabian Sea, since Beijing purchases from the Persian Gulf states almost 60% of the total volume of

hydrocarbon imports, which are currently necessary to support the development of the Chinese economy. By investing heavily in the capacity of the Gwadar port, China hopes to increase energy imports from Iran and Central Asian countries, thus ensuring the energy security of the entire state [14]. The strategic importance of the port is growing due to two more factors. The first is the process of building the Iran-Pakistan gas pipeline “Peace Pipeline”, which is included in the transport infrastructure of Gwadar. A significant agreement was concluded in 2015, and the construction of the pipeline is financed by Beijing [16]. Gas transported through the “Peace Pipeline” can also be transported to China. The second is the increase in imports of hydrocarbons from Saudi Arabia to the PRC, which in 2015 reached more than 13% of total energy imports together with imports from the UAE to the PRC. These trends are obvious, as Beijing is currently looking for alternative sea routes to the Strait of Malacca for energy supplies [15].

Thus, Gwadar is likely to become a major reorientation point for China’s oil and gas supplies. The port will also be the final destination of CPEC. CPEC, in turn, can be used for trade and energy transportation between the Gulf states and Xinjiang. The railway will connect Gwadar and Havelian, the second largest municipality in the Southern District of Pakistan. The Chinese are building an oil refinery and oil storage facilities [13]. Havelian, in turn, is the final destination of the Kashgar – Havelian highway, which is one of two highways within the Southern Corridor of the Silk Road Economic Belt. In the context of the construction of the Kashgar – Havelian highway, it should be noted that the highway is planned to be laid through disputed territories between India and Pakistan, which will increase tensions in the China – India – Pakistan triangle [17].

In 2015, Pakistan and China formalized their plans for CPEC by signing 51 agreements and contracts. The documents deal with mutual understandings regarding Chinese investment, which is expected to amount to \$46 billion over the next 10–15 years [18]. There is no precedent for such plans in Chinese foreign policy [15].

There are also several joint Sino – Pakistani enterprises. The China-Pakistan Entrepreneurship Forum was held in 2011. The Industrial and Commercial Bank of China has opened two branches in Pakistani cities [12].

In addition to infrastructure projects, a large amount of Chinese investment – about \$35 billion – is directed to energy development projects [18]. For example, the Chinese corporation “Zonergy Limited” planned to implement the world’s largest investment project to convert solar energy into 900 megawatts worth \$1.5 billion. based on the Quaid-e-Azam Solar Park in Bahawalpur [15]. It became the first solar power plant in Pakistan with a capacity of 1,000 MW after completion of construction in 2016. The first phase began operation in April 2015 and was inaugurated by Pakistani Prime Minister Nawaz Sharif and Chinese President Xi Jinping [19].

Thus, Pakistani – Chinese cooperation brings benefits to both sides: solving economic, infrastructure, energy and social problems for Pakistan and ensuring energy security and expanding the sphere of influence for China.

Conclusions

A delicate balance has developed in the geopolitical triangle of China – India – Pakistan. India’s economic growth supports this balance. India’s economic growth, in turn, is supported by cooperation with China, among other factors. India is the only party that can express its dissatisfaction with the triangular relationship, since China supports the economic growth of Delhi’s geopolitical rival, and joint Sino-Pakistani infrastructure projects can negatively affect the Indian economy and, in Delhi’s opinion, can undermine India’s territorial integrity. The other two parties of the triangle do not seem to be dissatisfied with the interaction of the triangle. China has the opportunity to cooperate with both warring parties, thus gaining leverage over both Delhi and

Islamabad. Pakistan, in turn, is currently highly dependent on Beijing and is unlikely to prioritize its political interests over economic cooperation with China.

Thus, the new challenges are the growing economic influence of China in South Asia, which is turning Pakistan into a recipient of large investments. This process may lead to a situation where Pakistan becomes as powerful as India. Under such conditions, the balance in bilateral relations may be destroyed, and China's resurgent influence in the region may lead to choosing only one side in the conflict.

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Competing interests

The authors declare that they have no competing interests.

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