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QUEST FOR ENERGY SECURITY: NEW TRENDS IN INDIA-CHINA RELATIONS

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Abstract
Energy security for India and China, both fast growing developing countries and largely depending on import of energy sources is their ability to rapidly adjust to their new dependence on global markets which represents the variation from their earlier commitments to self-sufficiency. At present, China and India are not energy secure nations because their domestic resource bases are insufficient to meet domestic demand. So there is a great energy game between these two countries to secure energy acreages across the globe from Caspian Sea to the deep waters of Mozambique. They are perceived each other as an economic opportunity though both are conscious about the implications of each other's riseparticularlygrowing political as well as strategic relations in securing energy resources and energy security. In the present situation they are eager to unite together to form a stable energy framework to keep up the pace of all-round development.

Introduction

The 21st century has seen the emergence of India and Chinaas the two potential strategic Asian powers with growing markets, competing economies and one-third of the world's population. The past relations were bitter and were characterised by hostility towards each other and an undercurrent of mutual mistrust still persists which is stimulated by historical memory, a long common border amid continued territorial disputes, potential competition for resources especially energy, military rivalry and overlapping aspirations for regional supremacy. At the same time both nations' cooperation with other countries particularly China-Pakistan relations and India-United States relations put in an additional level of ambiguity and strategic distrust to their relations(Mitchell and Chietigj 2007: 151). However after the years of tension, China and India strives to deepen their relationship in the economic and political arenas. It is remarkable that since 1988 with the Indian Prime Minister Rajiv Gandhi's visit to China, both the states urged onto cast off their past belligerency towards each other by commencing a number of Confidence and Security Building Measures (CSBMs) in diverse areas such as economic, political, cultural, defence, etc. to stabilise their relationship. This turn of optimistic advancement was based on the reciprocal need to focus on social and political permanence, strong economic growth and a sense of security so that both can evade the chances of stagnation and decline (Gojree 2013: 48).

New Delhi terms its alliance with Beijing as a 'priority' and affirms that the two countries have speed up functional cooperation in all spheres including efforts to build military-to-military trust and confidence through bilateral defence exchanges. It also observes about the continuing bilateral cooperation in sectors like finance, agriculture, water resources, energy, environment, tourism, and information technology, together with shared efforts in multilateral forums on international topics such as trade negotiations, climate change issues and energy security. Both governments have acclaimed that their strategic and cooperative partnership has initiated important confidence-building measures and broadened people-to-people contacts (Kronstadt et. al. 2011: 23). As they are developing nations with rapid economic growth their demand for energy shows an ever increasing trend. Their outstanding economic growth in the global scenario has impelled an immense growth in the demand for energy services and also in the need for the fuels that facilitate to supply these services. Thus their rising demand for fossil fuels is having profound effects on the energy sector across the world. India's and China's mounting energy intake and the resulting regional competition for growingly scarce energy sources have significant impacts on geopolitics, finance, environment and energy security both regionally and internationally (Sovacool and Vlado 2012: 963).

Strategy of Energy Security

Energy security has different dimensions and meanings till this time.Hencefor a consumer and net importer of energy sources, energy security stands for the right to utilize reliable sources of energy at competitive prices produced in an environmentally sustainable and safe means. It also indicates the absence of physical disruptions and volatile increases in prices.Thenagain, from the view point of a producer and net exporter of energy resources energy security signifies the security of supply as well as security of demand (Kurian and Vinodan 2013: 383).Energy security for India and China, both fast growing developing countries and largely depending on import of energy sources, is their ability to rapidly adjust to their new dependence on global markets which represents the variation from their earlier commitments to self sufficiency(Yergin 2006: 71).The events like the 1973 oil crisis, a hastily rising world demand, growing dependence on Middle East and the collapse of Soviet Union have strengthened the race for ensuring alternative and diversified supplies (Xuetang 2006: 120). At

present, China and India are not energy secure nations because their domestic resource base is insufficient to meet domestic demand and therefore their dependence on third countries determines the global energy demand. Both nations face the problem of rising energy demand but the superior infrastructure and a centralised government in China gives it a better position compared to India. It is assumed that India's energy demand will outpace China's after 2016 so India should deal with its inadequate energy policies so as to secure resources to satisfy its energy demand and to maintain economic growth(Ebinger and Govinda 2012: 16).

India's energy consumption is likely to increase between 3.6 and 4.3 percent at an annual rate and expected to grow more than double by 2030. Thus it would induce India to be the world's third leading importer of oil before 2025.But followed by the U.S., China devours more oil than any other nation. As India and China are major energy importer countries, the sustained growth rate of their economies largely depends on the uninterrupted supply of energy sources like oil and gas. Therefore the escalating requirement of energy resources to support their growing economies they are trying to forge closer and deeper security ties with energy rich nations and also develop strategies to safeguard sea lanes through which the bulk of trade goes on (Gojree 2013: 51). The U.S. National Intelligence Council explicitly stated in its report that the increasing demand for energy particularly by the emerging economies through 2020 will have an extensive effect upon the geopolitical relations (Xuetang 2006: 118). In comparison with China, India's energy sector appears to be more complex because India has vast stretches of populated land with no access to electricity. As stated by International Energy Agency (IEA), in India 289 million people are deficient even in rudimentary access to electricity and 836 million depend on biomass and other traditional energy sources for cooking but in China only 8 million people lacks access to electricity. In China and India, coal is the biggest fuel source in the electricity mix moreover which an abundant resource in both countries. In the near and medium-term coal will continue as a primary source of electricity in China and this is same in the case of India by way of coal fuelling about two-thirds of electricity supply (Ebinger and Govinda 2012: 17-18).

According to the World Bank India has one of the lowest per capita energy consumption at the global level that is only 30 percent of the world average. While India is the world's seventh largest energy producer and the fifth largest energy consumer, accounting for more than 4 percent of total annual energy consumption and India's energy supply falls well short of upward demand. For the uninterrupted economic development of India, it will have to make sure of three things: first is that the adequate availability of financing for building and upgrading energy infrastructure, second is that the appropriate measures taken to address skill shortages in the energy sector and third is that the country's selection and build-up of the accurate energy infrastructure to facilitate the diversification and modernisation of the energy mix (Neil and Philip 2012: 5-6).In India, the consumption of energy sources encompasses coal 42percent, oil 24percent, natural gas 7percent, combustible renewables and waste 22percent, other renewables 2percentand nuclear 1percent. In addition, energy from hydrocarbon and coal makes up two-thirds of energy consumption and from renewables plus waste comprises one-fourth of energy consumption and almost 70 percent of the petroleum products guzzled in the country are imported (Rao 2012: 21).India is not well endowed with fossil fuel resources except for coal so fuel imports puts up a critical dimension to India's energy security. The energy woes of the country have further added by a combination of factors such as aging infrastructures, half-hearted efforts in exploration and production, regulatory inconsistencies and dysfunctional pricing regimes. The nation's increasing dependence on imports to meet its energy requirements opens to a number of external factors that could directly affects its energy security (Saint-Mézard 2014:2).

The diversification of energy sources is a major imperative factor in China's energy security. According to a Norwegian report one of the key concerns of China's energy diplomacy is to ensure access to energy for all parts of the country at the lowest possible cost either by domestic production or through import (Xuetang 2006: 133).China's demand for energy is also going off the charts due to its unprecedented growth. Now China is the world's second largest energy consumer with its consumption nearly tripling since 1978. 'China Sustainable Energy Program' of 2008 has launched the world's most aggressive energy efficiency target with the 20 percent reduction in energy intensity which is a nation's energy consumption per unit of GDP. Diversification of energy interests is the main strategy of China in these days. In the internal market it is aware of the setbacks of dominant energy production from coal so it urged the Research and Development departments to find greener and more efficient choices for coal production and alternative renewable energies. Externally, it has no other options to keep up with domestic energy demand instead of securing arrangements with fuel rich countries since its domestic reserves are in a depleting trend (Alvarenga et. al. 2009: 146).The Middle East remains as the main source of China's oil imports even though it is the most turbulent region in the world, especially after the United States' invasion of Iraq in 2003. As China's reliance on oil from the Persian Gulf grows which endangers its energy security. As a result the country has enhanced its diversification of fuel imports through cooperation with oil rich African countries mainly Sudan and Nigeria,

Latin American countries chiefly Venezuela and Central Asian countries most notably Kazakhstan and Turkmenistan. The quantity of oil imported from Central Asia is relatively low yet bilateral energy cooperation has a huge potential in the coming days (Xuetang 2006: 134).

For India and China supply of energy is critical for keeping their economic engine in motion. Their dependence on imported oil is projected to skyrocket from the current levels by 2030. Now a days energy is increasingly viewed as vital component of national security so cultivating alternative sources of energy and reducing dependence on the volatile Middle East region become a vital concern for both countries (Upadhyaya 2014: 5).Their access to reliable supplies is critical in sustaining domestic growth trajectories as well as positioning themselves as global economic powers. While both are energy importing nations they face the same vulnerabilities such as volatility in oil prices, instability in oil rich regions, and geopolitical uncertainties that enhance the possible supply disruption (Naidu 2007:2).

Cooperation or Competition in the Energy Sector

India and China are emerging economies with extreme energy requirements. So there is a great energy game between these two countries to secure energy acreages across the globefrom Caspian Sea to the deep waters of Mozambique which is home to one of the world's biggest gas discovery (Upadhyaya 2014: 3).Since the 1990s, the Indian government has encouraged public and private sector companies to strivefor overseas asset acquisitions with a vision to improve India's energy security. ONGC Videsh Ltd (OVL), the overseas arm of state-run Oil and Natural Gas Corp. Ltd (ONGC) is India's flagship company for main energy asset acquisitions abroad. In1998, OVL's first overseas asset was bought in Vietnam. The OVL is currently involved in 32 oil and gas assets in 16 countries with a total investment estimated at USD 5 billion in which investments in nine producing assets, four development projects and nineteen exploration projects (Saint-Mézard 2014: 5). India and China are struggling to ensure future supplies by either buying into new foreign oil and gas fields or by signing supply contracts. In early 2005, Indian Prime Minister Manmohan Singh stated that his country could no longer be satisfied by its contest with China to possess international energy supplies. Besides, in the same year China's National Petroleum Corporation (CNPC) acquired Petro Kazakhstan out bidding India's state owned oil company, the Oil and Natural Gas Corporation (ONGC). This incident underscored the increasing rivalry involved in the resource competition between the world's two largest developing economies (Xuetang 2006: 123-24).

Recently the rivalry between India and China for tapping the energy resources around the world has increased, for instance, the acquisition of $2.5 billion by ONGC Videsh-OVL and its partner Oil India-OIL for a 10 percent stake in a Mozambique gas field. In this play for big oil game India however managed to consolidate its toehold in the hottest new hydrocarbon frontier. Energy affluence of Central Asia is seen as a fresh resource base for rising Indian economy butthe competition in this region is intense and China has the foremost position (Upadhyaya 2014: 3).Still China's leadership has faced tougher geopolitical competition over Central Asia as the U.S. established a military presence in Central Asia and China shares 3000 kilo meters of borders with the three Central Asian countries of Kazakhstan, Kyrgyzstan and Tajikistan. The importance for China's stability in this region should not be underestimated because China's thirst for oil and natural gas to support its booming economic growth requires Beijing to develop close and stable relations with these countries, especially in terms of energy cooperation. Further, the United States has carried out preventive military activities against China in East by strengthening the U.S.-Japan alliance and in South Asia by ingratiating with the Indians to counterbalance China's rising power through deploying more strategic submarines and other deterrent weapons (Xuetang 2006: 123).Indian companies have face up to several difficulties in obtaining overseas assets. They have been obtruded of various overseas deals not only due to their inner limitations as well as constraints but also outbid by Chinese opponents for securing assets in countries like Kazakhstan, Nigeria, Angola, and Russia.Moreoverthere is a deficiency of synergy between Indian oil majors and the Indian state apparatus instead in China as part of national energy acquisition strategy they are getting substantial aid packages together with low interest loans and direct financing of infrastructure projects. In many dealings the diplomatic channels have stayed away from the negotiations between Indian majors as well as the company floating the offer and the host government. It shows the absence of efficient energy diplomacy from the part of the state. So the Indian energy community is quite reluctant to have the diplomatic channels involved in its overseas dealings (Saint-Mézard 2014: 6).

The overall energy consumption of China was 39.7 and India was 12.7 in Quadrillion British thermal Units in 2001 and by 2025, it is expected to go up to 60.3 in case of China and 23.5 in case of India. In the recent years China is investing more and more capital in developing the ports and naval bases in Pakistan, Bangladesh, Myanmar and Sri Lanka.Even though China has no territorial borders with Indian Ocean but now the same Indian Ocean is being described as China's next frontierin Chinese circles. In fact India cannot be a mute spectator to all these movements.It has responded to all these

initiatives by intensifying and upgrading military ties with Maldives, Madagascar, Seychelles as well as US in the Indian ocean and with Myanmar, Singapore, Indonesia, Thailand, Vietnam, Taiwan, the Philippines, Australia, Japan and US in the East. The current developments show that the naval challenges between the two Asian giants is enhancing in the Indian and Pacific Ocean.Itis predicted that in the future the maritime competition is set to intensify between the Indian and Chinese navies according to their greater engagement in the sea lanes. Thus the maritime rivalry can be seen as the novel feature of traditional Sino-Indian geopolitical rivalry to the race for energy resources (Gojree 2013: 51).

Fortunately, in recent years there have been occasional instances of cooperation as both states have been aware of the fact that their competition for energy resources has served to hike the price of global oil and energy assets. Besides Beijing and New Delhi recognized that they have similar energy strategies and traditional approaches to accomplish energy security may not be an answer to an imminent energy shock or shortage of supply. In 2005, at the time of Chinese Prime Minister Wen Jiabao visited India both parties reached at an agreement on reinforcing energy cooperation. As part of the cooperation between China Gas Holdings and Gas Authority of India Limited (GAIL), India's largest energy conglomerate, the two countries have established an alliance over the Greater Nile Oil Project in Sudan on oil refining and transportation, in which China holds 40 percent stake and India clasp 25 percent stake (Xuetang 2006: 123-24). In addition, China and India have joined hands together to acquire and develop energy assets in Columbia, Iran, Sudan and Syria. In 2006, India and China inked five memoranda of collaboration in the energy sector which addresses upstream and downstream development, pipeline projects, research and development, nonconventional sources of energy and environmental protection. They are also interacted through multilateral forums such as the Asia-Pacific Partnership for Clean Development and Climate launched in 2006. Both states are acutely bothered about the security of sea lanes to preserve their mounting oil imports, which are vulnerable to impediments along with maritime choke points from the Persian Gulf to the Strait of Malacca, through which 80 percent of China’s oil imports and more than 50 percent of India’s trade passes (Mitchell and Chietigj 2007: 157).

According to Chinese Xinhua News Agency, China Petrochemical Corp (Sinopec) and ONGC possess 51 percent and 29 percent stake respectively in the expansion of Yadavaran oil field in Iran. The CNPC is also consulting with ONGC for mutual investment in specific third-country oil projects. India’s back up of International Atomic Energy Agency’s (IAEA) position over Iran’s nuclear program has made the proposed Iran-Pakistan-India gas pipeline uncertain nevertheless this has encouraged India to extend bilateral energy cooperation with China. In 2006, India's oil minister Mani Shankar Aiyer signed an accord to work together with China in acquiring overseas crude oil resources with the intension of preventing furious competition for oil to step-up prices. In the same year during the second round of the Sino-Indian strategic dialogue in Beijing both countries decided to cooperate on the contrary to compete over global energy resources (Xuetang 2006: 123-24)

In the scenario of extraordinary energy requisite and stupendous foreign dependence of India and China, the energy resources of Central Asia together with the Caspian Sea region will play a crucial part in their energy strategy. Significantly, Central Asian oil and gas are of great quality, largely untapped and the investment environment is unlocked further the producing countries consume less so substantial amount of these resources are intended for export. All these features are the motivating aspects for any country in general and India as well as China in particular to the Central Asian energy hub (Upadhyaya 2014: 5). At the same time, overlapping spheres of influence, rival alliance relationships and the struggle for resources illustrates that the upcoming relations between the two Asian giants may turn to competition rather than cooperation (Gojree 2013: 52).

Conclusion

Today, energy is one of the foremost concerns of the world and energy security is the major challenge of each nation. Uninterrupted supply of energy to satisfy the growing demand is essential for any nation to build up its economy and society as well. China and India are marked as fast growing economies of the world, shares great power ambition, seek to preserve dominant political influence and strive to consolidate their role in the global economy as well as in international affairs. India could recognize China as a security threat from the standpoint of national security but in all other sectors it encourages constructive relations. On the other hand China’s strategic relations with India grow out of the ambition to preserve a peaceful international environment, prop up constant relations with nations on its border and resources to sustain its economic development. China and India are perceived each other as an economic opportunity though both are take notice of the implications of each other’s riseparticularlygrowing political as well as strategic relations in securing energy resources and energy security. In the present situation they are eager to unite together to form a stable energy framework to keep up the pace of all-round development.

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