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# Pakistan-China Bilateral Relations 2001-2011: A Deepening but Cautious Partnership

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Last year (2011) marked the sixtieth anniversary of the establishment of diplomatic relations between Pakistan and China. This relationship has deepened significantly since 1951. However, Pakistan would like to deepen it even further, while China—with an eye on its growing relationship with India—is more pragmatic and cautious. There are irritants, notably the killing of Chinese citizens, the presence of Uighur militants in Pakistan and different interests in Afghanistan, which could put some stress on the relationship. While the relationship will continue to grow, China is not about to displace the United States as Pakistan's major external patron

On the eve of Chinese Premier Wen Jiabao's visit to Pakistan in December 2010, the Pakistani Ambassador in Beijing, Masood Khan, stated in an interview that China was "the most beloved nation for Pakistanis".<sup>1</sup> Given these warm sentiments towards the Chinese, it is not surprising that 2011 was officially named the 'Year of China-Pakistan Friendship' by both countries. The Pakistani media has added to the hype about the depth of the relationship, regularly suggesting that China could soon replace the United States as Pakistan's most important bilateral partner. This media angle is especially evident when Pakistani-American relations are not going well, with 2011 having been a particularly bad year in that regard.<sup>2</sup>

I will argue in this article that, while China has indeed been deepening its relationship with Pakistan for the last sixty years, this relationship has been a marriage of convenience for both parties. But as with most bilateral relationships, one party needs it more than the other, in this case, it is Pakistan. Notwithstanding Pakistani rhetoric about China being the "all-weather friend", Beijing has only supported Islamabad in a pragmatic fashion. Accordingly, while Pakistan is very keen to get even closer to China, Beijing will continue to deepen its relations with Pakistan but it will do so only along the same *realpolitik* lines it has done for the last sixty years.

This article has been divided into two parts. The first part highlights the major events in the first fifty years of the bilateral relationship which opened the way for the deepening of the relationship in the last ten years. The

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<sup>1</sup> Yu Yan, 'Brotherly bonds', *Beijing Review*, 23 December 2010, p. 12.

<sup>2</sup> See for example, 'China Will Remain 'Forever Friends' With Pakistan', *The Dawn*, 18 May 2011.

second part examines in depth the bilateral relations in the last decade. Accordingly, it focuses on trade, economic and energy relations, development assistance and military ties. The last two sections examine some of the irritants in the relationship and where we can expect the relationship to go from here.

## The First Fifty Years

Six events in the first fifty years had significant ramifications for the bilateral Pakistan-China relationship: the 1962 Sino-Indian war, the 1965 and 1971 Indo-Pakistan wars, the 1979 Soviet invasion of Afghanistan, the Pakistani and Indian 1998 nuclear tests, and the 1999 Kargil clash.

The brief but decisive 1962 Sino-Indian War was a major turning point in Pakistan's foreign policy. Notwithstanding President Kennedy's promises to Pakistani President Ayub Khan that Pakistan would be consulted before any military aid was given to India, the United States, along with the United Kingdom, sent US\$120 million of emergency aid to India.<sup>3</sup> As far as Ayub Khan was concerned, not only had the Americans rescinded their promise to first consult Pakistan before giving military aid to India but they had failed to link the delivery of arms with a permanent and acceptable solution of the Kashmir problem.<sup>4</sup> It was in the wake of Washington's support for India in the 1962 border conflict that Pakistan began to look elsewhere for international support, notably China.

By 1963 the two countries had signed a border agreement, signed trade and barter agreements, and concluded an air transport agreement. During President Ayub Khan's trip to Beijing in March 1965 the Chinese leaders promised him that "if India commits aggression into Pakistan territory, China would definitively support Pakistan".<sup>5</sup> Thus by the time the 1965 Indo-Pakistan War erupted, Pakistani-Chinese relations were well established because both countries' national interests coincided. Pakistan's and China's peripheral positions on the sub-continent and their mutual antagonism against India facilitated this rapprochement. And while it would take a couple of decades, their deepening relationship would later help both countries counter-balance India's growing military power and complicate its desire to dominate completely the sub-continent. Moreover, they each benefited from closer ties with one another: China was seen as an alternative source of military and diplomatic support, and Pakistan was a potential outlet for Chinese desire to improve relations with Asia and the Muslim world. China's growing relationship with Pakistan was also seen as

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<sup>3</sup> S.M. Burke, *Pakistan's Foreign Policy: An Historical Analysis*, (London: Oxford University Press, 1973), pp. 277-8.

<sup>4</sup> Ayub Khan, *Friends not Masters*, (New York: Oxford University Press, 1967), p. 145.

<sup>5</sup> G. W. Choudhury, *India, Pakistan, Bangladesh and the Major Powers: Politics of a Divided Subcontinent*, (New York: The Free Press, 1975), p.185.

a good counter-balance to the USSR's increasing influence in India and particularly after the 1971 Indo-Pakistan war.

Accordingly, it was not surprising to see that Beijing was the most supportive of the Pakistani position in the 1965 Indo-Pakistan War. China was very critical of India's decision to expand the war into the Punjab, giving them a three-day ultimatum to dismantle all their military works on the Chinese side of the Sikkim-Chinese boundary or else "bear full responsibility for all the grave consequences arising there from".<sup>6</sup> The United States, on the other hand, instead of assisting Pakistan terminated all military aid to Pakistan and India. Washington justified its failure to meet its obligations under the 1959 Bilateral Agreement of Cooperation by stating that the "US view is that the situation is somewhat confused and belligerence is not justified on either side".<sup>7</sup> This was a devastating blow to Pakistan, since it was almost totally dependent on American weapons for its defence. It was in the wake of that war that China became Pakistan's main supplier of arms.<sup>8</sup>

However, while China was very openly supportive of Pakistan's position in the 1965 war, it was certainly not the case in the subsequent 1971 Indo-Pakistan War. This is despite the fact that President Yahya Khan had agreed to be the courier between the United States and China and had unequivocally declared that "friendly relations with China were the cornerstone of Pakistani policy".<sup>9</sup> The fundamental reason for this difference in support for Pakistan in this instance was that the root cause of this war was domestic Pakistani differences. And given the twenty-five years of often irreconcilable differences between East and West Pakistan, China probably realised that the situation in East Pakistan was not salvageable. Accordingly, as Choudhury succinctly stated, "China did not wish to be involved in a suicidal civil war among the peoples of the two parts of Pakistan".<sup>10</sup>

Strategically, the signing in August 1971 of the India-USSR Treaty of Friendship and Cooperation had also changed the equation on the sub-continent; there was no guarantee that the Soviet Union would remain neutral in case China decided to intervene militarily to assist Pakistan. Accordingly, while China made some strong statements during the whole crisis, it nevertheless limited its assistance to the delivery of military hardware and to the dispatch of 200 military instructors specialised in

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<sup>6</sup> K. S Hasan (ed.), *China, India, Pakistan, Documents on the Foreign Relations of Pakistan* (Karachi, Pakistan Institute of International Affairs, 1966), pp. 353-6.

<sup>7</sup> Choudhury, *India, Pakistan, Bangladesh and the Major Powers*, p. 120.

<sup>8</sup> *Ibid.*, p. 193.

<sup>9</sup> Burke, *Pakistan's Foreign Policy*, p. 362.

<sup>10</sup> G. W. Choudhury, *The Last Days of United Pakistan* (Bloomington, Indiana University Press, 1974), p. 218.

counter-insurgency.<sup>11</sup> This came as a big disappointment to the Pakistani leaders who, until the very end, incorrectly interpreted China's rhetorical support as meaning that China would intervene militarily if India attacked Pakistan.<sup>12</sup>

Not surprisingly, bilateral Pakistan-China relations were strained after Pakistan's loss of its east wing. However, President Zulfikar Ali Bhutto, who as Foreign Minister under President Ayub had been the major architect of Pakistan's tilt toward China, realised that Pakistan had few reliable friends in the world and, therefore, did not wish to jeopardise the relationship by entering into a series of pointless recriminations.<sup>13</sup> However, when Bhutto suggested to the Chinese leaders in 1972 that both countries enter into a formal military alliance, Beijing promptly rejected the idea.<sup>14</sup> This confirmed once again China's pragmatic approach to the bilateral relationship. Nevertheless, by May 1974, the year India detonated its first nuclear explosion, bilateral relations were back on track. For example, it was only China which responded to Pakistan's call for nuclear protection from the five-member "nuclear club", by promising "full and absolute support to Pakistan against foreign aggression and interference including nuclear blackmail".<sup>15</sup> By 1974, China had sent Pakistan sixty MiG-19 fighter jets, 150 tanks and other weapons as part of a \$300 million economic and military aid agreement.<sup>16</sup>

The next major event in the bilateral relation was the fall out of the Soviet invasion of Afghanistan in December 1979. Although bilateral relations had been slightly strained at the beginning of General Zia-ul-Haq's regime (1977-1988),<sup>17</sup> these stabilised again following Pakistan's decision not to negotiate with the Soviet-supported Afghan Government and instead allow the *mujahideen* ('freedom fighters') to use Pakistan territory as a base for their insurgency operations in Afghanistan. This was evident in the field of trade, in the opening of the Khunjerab Pass on the Karakoram Highway in 1982, and in China's financial and military support for the Afghan rebels.<sup>18</sup> While China's support for the *mujahideen* could be difficult to understand given

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<sup>11</sup> M. H. Sisky, 'Chinese World Strategy and South Asia: The China Factor in Indo-Pakistani Relations', *Asian Survey*, vol. XVI, no. 10 (October 1976), pp. 973-4.

<sup>12</sup> Hasan Askari Rizvi, *The Military and Politics in Pakistan* (Lahore: Progressive Publishers, 1976), p. 251.

<sup>13</sup> W. Barnds, 'Pakistan's Foreign Policy: Shifting Opportunities and Constraints', in L. Ziring et al. (eds.), *Pakistan: The Long View* (Durham: Duke University Press, 1977), p. 396.

<sup>14</sup> L. Ziring, 'Pakistan and India: Politics, Personalities and Foreign Policy', *Asian Survey*, vol. XVIII, no. 7 (July 1978), p. 726.

<sup>15</sup> Choudhury, *India, Pakistan, Bangladesh and the Major Powers*, p. 240.

<sup>16</sup> Burke, *Pakistan's Foreign Policy*, p. 405.

<sup>17</sup> Beijing did not view kindly Zia's attempt to include the pro-Moscow National Awami League leader, Wali Khan, in the government and his suggestion that he was considering striking a deal with the USSR on the issue of Afghanistan.

<sup>18</sup> The Chinese supplied about US\$200 million worth of weapons to the *mujahideen*. Shahzad Akhtar, 'Sino-Pakistani Relations: An Assessment', *Strategic Studies* (The Institute of Strategic Studies Islamabad), vol. XXIX, no. 2 and 3 (Summer and Autumn 2009), p. 74.

Beijing's harsh treatment of Muslim Uighurs in the western Xinjiang province who oppose Beijing's rule, it was China's concern in seeing the Soviet Union establishing a firm presence in Afghanistan, close to China's western frontier, and potentially threatening Pakistan, which was paramount in its decision to support the *mujahideen*.

Interestingly, although General Zia, remembering the events of 1971, did not want to rely solely on one military source, following his departure from the political scene in 1988, Pakistan signed two agreements with China which increased Islamabad's military dependence on Beijing. In 1989 the two countries signed a military cooperation agreement which envisaged, *inter alia*, "the purchase of military goods, mutual research and cooperation along with the manufacturing of arms and the transfer of technology". This agreement was supplemented in 1993 with one that made China "the most important military seller" of weapons or systems to Pakistan.<sup>19</sup> The substantial sale of Chinese arms to Pakistan in 1971-2001, which was \$9.8 billion compared to US sales totalling only \$3.4 billion, confirms that Islamabad then already was heading towards heavy reliance on one source.<sup>20</sup>

In the late 1990s there were two important Indo-Pakistani events which would have ramifications for China as well as beyond the region. First, there were the Indian and Pakistani nuclear tests in May 1998. Given the years of bilateral cooperation in the nuclear field, going back to the time of Prime Minister Zulfikar Ali Bhutto, Pakistan's testing of its nuclear devices would have come as no surprise to Beijing. This extensive nuclear cooperation reached its peak in the 1980s and early 1990s, and included a secret blueprint for a nuclear bomb, highly enriched uranium, tritium, scientists and key components for a nuclear weapons program complex.<sup>21</sup> This had been "well documented in Western media and intelligence reports" and according to these reports, China was the first country to supply Pakistan with weapons grade uranium to make at least two nuclear bombs, much to India's consternation.<sup>22</sup> However, China did not abstain or veto United Nations Security Council Resolution 1172 (6 June 1998) condemning the Pakistani and Indian nuclear tests. Of course, Beijing had little choice given that the resolution equally condemned India and Pakistan.

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<sup>19</sup> Srikanth Kondapalli, 'Testing China's Rise: China-Pakistan Relations', in A. Misra and M. E. Clarke (eds.), *Pakistan's Stability Paradox* (London and New York: Routledge, 2012), p. 180.

<sup>20</sup> Stockholm International Peace Research Institute 2009, <[http://armstrade.sipri.org/armstrade/html/export\\_values.php](http://armstrade.sipri.org/armstrade/html/export_values.php)> [Accessed 12 August 2011].

<sup>21</sup> T. V. Paul, 'Chinese-Pakistani Nuclear/Missile Ties and the Balance of Power', *The Nonproliferation Review* (Summer 2003), p. 4; Thomas C. Reed, 'The Chinese Nuclear Tests, 1964-1996', *Physics Today* (September 2008), p. 47.

<sup>22</sup> As cited in J. Yuan and W. Sidhu, *China and India: Cooperation or Conflict* (London: Lynne Rienner Publishers, 2003), p. 54.

The second important event was the armed clash at Kargil in May-July 1999 which began with the infiltration of militants and Pakistani soldiers across the Line of Control (LOC) in Kashmir. While China did not openly support Islamabad, it did not blame Pakistan either for initiating the conflict. Instead, it took a neutral stance and insisted that the two countries pull their forces back to the pre-conflict positions along the LOC and settle this long-standing dispute peacefully and bilaterally. This was an approach which was closer to India's than Pakistan's but also one which Beijing had been urging both countries to take since the late 1980s.<sup>23</sup> Nevertheless, given its veto power, China likely played an important behind-the-scenes role in the non-issuing of a UN Security Council resolution or a presidential statement condemning Pakistan's role in this armed clash.

Notwithstanding China's role at the UN, its position on the Kargil issue confirmed the progressive Sino-Indian rapprochement which had been developing since the end of the Cold War. Accordingly, this shift in China's approach to South Asia meant that the old paradigm of always supporting Pakistan when it came to Indo-Pakistan differences was increasingly becoming outdated and, more importantly, no longer necessarily advanced Beijing's strategic interests.<sup>24</sup> Moreover, another important factor in China's more selective support for Pakistan, particularly, but not solely, on Kashmir, is the concern that its open-ended strategic relationship with Islamabad facilitates the growing Indian-US relationship. And the deepening of the New Delhi-Washington relationship is a development which goes counter to its strategic interests in South Asia and the Indian Ocean which is to ensure that India's influence does not grow at the expense of China's.

## **2001-2011: Consolidation**

As noted above, Pakistan-Chinese relations were already developing firmly in the last two decades of the twentieth century. This relationship has deepened in the last decade, particularly in the fields of trade, economic relations, energy, economic assistance and defence. However, as I will examine, all decisions taken by the Chinese with regard to cooperating with the Pakistanis have always been done pragmatically and with Beijing's long-term strategic interests in mind.

## **RENEWAL OF THE SILK ROAD**

Trade and economic relations between the two countries is an area which has seen a dramatic increase in activity during this period and in particular since the 1990s. One of the cornerstones of this increased economic relationship was the signing in October 1982 of the China-Pakistan Joint Committee on Economic, Trade, Scientific and Technology Cooperation.

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<sup>23</sup> J. Mohan Malik, 'South Asia in China's Foreign Relations' *Pacifica Review*, vol. 13, no. 1 (February 2001), p. 86.

<sup>24</sup> Isaac B. Kardon, 'China and Pakistan: Emerging Strains in the Entente Cordiale', *The Project 2049 Institute* (Arlington, Virginia: National Defence University, 25 March 2011), pp. 6-7.

Accordingly, bilateral trade grew rapidly from a low of about \$50 million annual bilateral trade in the mid-1970s to one where China is now Pakistan's second largest trading partner.<sup>25</sup>

In early 2006 the two countries signed the five-year Development Program on Economic and Trade Cooperation which set down the major fields and programs for bilateral economic and trade cooperation.<sup>26</sup> This trade link was further deepened in November of that year during an official visit of Chinese President Hu Jintao to Pakistan when the two countries signed a free trade agreement which came into effect on 1 July 2007. That year the leaders agreed to aim to increase bilateral trade from US\$5.2 billion to US\$15 billion by 2010. And while bilateral trade had indeed grown significantly over the last ten years (US\$964 million in 1996, i.e., 444 percent), their target was over-ambitious, reaching only around US\$9 billion by 2010.<sup>27</sup> Accordingly, during Chinese Premier Wen Jiabao's visit to Pakistan in 2010, the two countries revised their target date and agreed to aim to reach US\$15-18 billion by 2015 instead.<sup>28</sup> Finally, it is important to note that the bilateral trade is very much in China's favour, with Beijing enjoying a surplus of over US\$8 billion in 2011.<sup>29</sup>

Complementing bilateral trade are several big infrastructure and investment projects which have been finished or are in the process of being completed. For example, the two governments signed a US\$300 million agreement in December 2010 to reconstruct the approximately 25 kilometres of the Karakoram Highway (KKH) which was submerged by a major landslide in January 2010.<sup>30</sup> This important and complex project, which will take approximately two years to complete, will allow the resumption of normal traffic between the two countries.<sup>31</sup> The rehabilitation of the KKH will also

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<sup>25</sup> IMF, Direction of Trade Statistics, 2011

<sup>26</sup> This agreement was renewed during Chinese Premier Wen's visit to Pakistan in December 2010.

<sup>27</sup> 'Sweet as can be', *The Economist*, 14 May 2011.

<sup>28</sup> 'Pak-China Trade to Reach at \$15 billion by 2015', *Associated Press of Pakistan*, 18 December 2010, <<http://ftpapp.app.com.pk>> [Accessed 4 April 2011]. During Chinese Premier Wen's visit to Pakistan in 2010, the two countries signed business deals worth almost US\$30 billion, with a possibility of another \$6 billion worth of contracts. Farhan Bokhari, 'China's Growing Influence on Pakistan Worries U.S.', *CBS News World Watch*, 19 December 2010, <[http://www.cbsnews.com/8301-503543\\_162-20026117-503543.html](http://www.cbsnews.com/8301-503543_162-20026117-503543.html)> [Accessed 16 September 2011].

<sup>29</sup> Embassy of the Islamic Republic of Pakistan, Beijing, 31 January 2012, <[http://www.pakbj.com/more\\_media.php?cont=%2033](http://www.pakbj.com/more_media.php?cont=%2033)> [Accessed 15 April 2012]. While there has undoubtedly been growth in the volume of bilateral trade, it is, however, important to remember that China-India bilateral trade is some US\$60 billion, which dwarfs the Pakistan-Chinese trade. James Lamont and Farhan Bokhari, 'China and Pakistan: An Alliance is Built', *Financial Times*, 30 June 2011.

<sup>30</sup> The Karakoram Highway was co-built with the Chinese over a twenty-year period (1959-1979).

<sup>31</sup> 'National Highway Authority, China Road and Bridge Corporation Sign Agreement for Reconstruction of Affected Portion of KKH', *Associated Press of Pakistan*, 18 December 2010, <<http://ftpapp.app.com.pk>> [Accessed 4 April 2011].

enable Pakistan to more easily tap into the economic development of Xinjiang province. There are plans to build a 600 kilometre railroad between Havelian in Pakistan and Kashgar, the westernmost city in Xinjiang province. Complementing the road link is a direct 90 minute air link between Islamabad and Kashgar. In 2006 Pakistani President General Pervez Musharraf had a grand bilateral plan which would entail multiple trade, transport and energy corridors between the two countries that would stretch from the deep sea port of Gwadar—whose construction (2002-2007) was 80 percent financed by the Chinese<sup>32</sup>—to the border with Xinjiang in the north.<sup>33</sup> This ambitious plan would neatly fit with the 2006 Framework Agreement on Energy Cooperation which would cover the construction of oil refineries, gas terminals, oil and gas storage and transit facilities.

However, this grand vision plan has run into problems and may quite possibly only remain a pipe dream. In 2009 the Chinese Government decided to shelve its multi-million dollar costal oil refinery project at Gwadar which was launched in 2006. Publicly, the principal reason for China's decision to cancel the Gwadar project was the economic fall out of the 2008 Global Financial Crisis.<sup>34</sup> However, another more important factor in the pull-out—and one which should not be underestimated—were concerns with the security situation in Baluchistan, the large province where Gwadar is located. Baluchistan has been in the throes of a low-level insurgency since the early part of the twenty-first century.<sup>35</sup> Non-Baluch residents, including Chinese workers, have increasingly been the targets of the Baluch insurgents who are opposed to large developmental projects which they feel do not benefit the Baluch. Since the decision not to proceed with the oil refinery in Gwadar, there has been no suggestion of reviving this massive project in any of the joint statements emanating from the high-level meetings between the political leaders of the two countries. Nevertheless, there are still ambitions in China and Pakistan that a pipeline from western China to Baluchistan would be laid to link up with much-talked about oil and gas pipelines that would originate from Iran or Turkmenistan and terminate in Pakistan.<sup>36</sup> Needless to say such a project, if it came to be realised, would have very significant geo-strategic implications for the region. However, despite the fact that importing gas from Iran would be more efficient, cheaper, assured and safer than importing gas from Turkmenistan, and

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<sup>32</sup> 'China to Keep Pakistan Embrace at Arm's Length', *The Dawn*, 4 October 2011.

<sup>33</sup> B. Raman, 'Chinese Presence in Balochistan and Northern Areas', *South Asia Analysis Group*, 24 May 2006, <[http://www.saag.org/common/uploaded\\_files/paper1809.html](http://www.saag.org/common/uploaded_files/paper1809.html)> [Accessed 8 September 2011].

<sup>34</sup> Syed Fazl-e-Haider, 'China Calls Halt to Gwadar Refinery', *Asia Times online*, 14 August 2009, <[http://atimes.com/atimes/South\\_Asia/KH14Df02.html](http://atimes.com/atimes/South_Asia/KH14Df02.html)> [Accessed 8 September 2011].

<sup>35</sup> For an insightful article on the Baluchistan insurgency and its origins, see; International Crisis Group, *Pakistan: The Forgotten Conflict in Balochistan*, International Crisis Group, Asia Briefing No. 69 (22 October 2007).

<sup>36</sup> Pepe Escobar, 'Do the China-Pakistan Pipeline Shuffle', *Aljazeera.net* 27 May 2011, <<http://english.aljazeera.net/indepth/opinion/2011/05/2011527104451497291.html>>, [Accessed 9 September 2011].

transiting through Afghanistan, Washington has made it very clear that it opposes the Iran-Pakistan gas pipeline.<sup>37</sup>

The Gwadar oil refinery project setback has not deterred the two countries, however, from cooperating in other areas of the energy sector. Given that Pakistan's energy deficit is increasing—it already has to import two-thirds of its oil needs—it is no surprise that the two countries have been putting a lot of effort into addressing this major weakness in Pakistan's economy. At each high-level bilateral meeting and in joint statement the issue of cooperation in the energy field is always discussed.

According to then Pakistani Prime Minister Yousaf Gilani, the annual energy requirements of Pakistan will increase from the present 20,000 megawatts (MW) to more than 160,000 MW by 2030.<sup>38</sup> Moreover, not only will energy requirements grow exponentially over the next two decades but, according to the Pakistani Government, the present chronic power shortage reduces economic growth by between two and two and half percent of gross domestic product every year.<sup>39</sup> In order to assist Pakistan with its increasing energy needs, China has offered financial and technical assistance to develop hydro and wind power and upgrade the existing transmission system. For example, in 2010 the two countries signed a memorandum of understanding on building twelve small- to medium-sized dams.<sup>40</sup>

But much more controversial in the bilateral relationship—at least as far as the international community is concerned—is the nuclear energy cooperation between the two countries. China has helped Pakistan build a nuclear plant in Chasma, which began operation in 2001, and a second nuclear plant, Chasma II, which is scheduled to be completed very soon. Under a 2003 agreement, China has agreed to supply Pakistan with an additional two nuclear reactors which should provide Pakistan with an additional 680 MW of energy. There have been discussions, however, that China may be considering supplying a much larger reactor, perhaps as big as one gigawatt, rather than the 300 MW reactors in the initial agreement.<sup>41</sup> Regardless of the final size of the reactors, the latest deal has concerned the

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<sup>37</sup> It would appear that, as a result of the threat of US sanctions against companies dealing with Iran, the Industrial and Commercial Bank of China has decided to no longer provide financing for this project. Rebecca Conway and Qasim Nauman, 'ICBC Appears to Back Away from Pakistan-Iran Gas Pipeline', *Reuters*, 14 March 2012, <<http://reuters.com/article/2012/03/14/pakistan-iran-pipeline-idUSL4E8EE2VW20120314>> [Accessed 14 April 2012].

<sup>38</sup> 'PM Urges Pakistan, Chinese Businessmen to Work Together for Shared Prosperity', *Associated Press of Pakistan*, 18 December 2011, <<http://ftpapp.app.com.pk>> [Accessed 4 April 2011].

<sup>39</sup> Zafar Bhutta, 'Iran Gas Pipeline: Pakistan Uses US Opposition as Bargaining Chip', *The Express Tribune*, 19 September 2011.

<sup>40</sup> Yan Wei, 'Successes in South Asia', *Beijing Review*, 4 March 2010, p. 13.

<sup>41</sup> Geoff Dyer and Farhan Bokhari, 'China-Pakistan Reactor Deal to Open Fresh US Rift', 23 September 2010, <<http://www.ft.com/intl/cms/s/0/83db2ac8-c72d-11df-aeb1-00144feab49a.html>> [Accessed 14 September 2011].

46-country Nuclear Suppliers Group (NSG) which bars nuclear commerce between Nuclear Non-Proliferation Treaty (NPT) members, including China, and non-members like Pakistan. However, China has dismissed those concerns by pointing out—quite correctly—that Washington had signed a civil nuclear deal of its own with India, also a non-member of the NPT club, in 2008. There is an important difference between the two deals, however. The Americans sought (and were granted) an exemption by the NSG for the India deal to go ahead. China, on the other hand, is not seeking a similar exemption for Pakistan; it is going ahead regardless of the NSG's position. Moreover, Beijing has pointed out that the nuclear agreement with Pakistan was signed before China had joined the NSG in 2004 and that in any case it is only for peaceful purposes.<sup>42</sup> But in a reassuring move, the International Atomic Energy Agency has agreed to the Pakistani Government's request to safeguard these two reactors to ensure that the nuclear material from the reactors is not diverted to make nuclear weapons.<sup>43</sup> However, while the deal will probably be ultimately approved by the NSG, one of the big worries about the plan to build these two nuclear plants is the outdated technology that will be used in this project. According to Mark Hibbs, an atomic energy expert at the Carnegie Endowment for International Peace, the technology the Chinese are using is some thirty years old.<sup>44</sup> And given the recent nuclear incident in Japan, there is heightened concern about older nuclear plants around the world.

### **ECONOMIC ASSISTANCE**

Turning to the development assistance component of the bilateral relationship, it is difficult to measure precisely how much aid China provides Pakistan. There are two reasons for this. First, there is a lack of transparency in the Chinese Government's disbursement of aid funds. Second, estimates of China's foreign assistance, which consists mainly of low-interest loans and government-backed or subsidised investments in infrastructure and natural resources, vary widely due to the different definitions of aid. Only a relatively small portion of Chinese aid includes what typically is characterised as "official development assistance" (ODA) by the world's major aid donors, such as development grants, humanitarian

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<sup>42</sup> For an insightful discussion on this China-Pakistan deal, see Mark Hibbs, 'The Breach', *Foreign Policy*, 4 June 2010, <[http://www.foreignpolicy.com/articles/2010/06/04/the\\_breach](http://www.foreignpolicy.com/articles/2010/06/04/the_breach)>, [accessed 14 September 2011].

<sup>43</sup> Stephanie Ho, 'China to Sell Outdated Nuclear Reactors to Pakistan', *VOANews.com*, 24 March 2011, <<http://www.voanews.com/english/news/asia/China-to-Sell-Outdated-Nuclear-Reactors-to-Pakistan-118572049.html>> [Accessed 14 September 2011].

<sup>44</sup> Cited in Ho, *Ibid.*; It is important not to confuse the civilian nuclear reactors at the Chasma facilities with the weapons-grade nuclear reactors at the Khushab facility where it was discovered earlier this year that a fourth reactor was being built. While there are suspicions that the Chinese may be assisting the Pakistanis in the construction of Khushab-4, Mark Hibbs does not believe this to be the case. See Mark Hibbs, 'Chinese Help on Khushab-4?', <<http://hibbs.armscontrolwonk.com/archive/162/chinese-help-on-khushab>> [Accessed 14 September 2011]. T. V. Paul believes otherwise, see Paul, 'Chinese-Pakistani Nuclear/Missile Ties and the Balance of Power', p.4.

assistance, social welfare programs and food aid.<sup>45</sup> However, even with these measurement limitations and the lack of reliable data, it is estimated that the total financial assistance could come up to about US\$600 million annually.<sup>46</sup> If this is the case, this would be quite substantial given that, according to the World Bank, the total ODA given to Pakistan in 2009 was US\$2.8 billion and just over US\$1.5 billion in 2008.<sup>47</sup>

However, while China appears to be providing substantial aid to Pakistan, surprisingly it did not disburse much assistance in the wake of the devastating 2010 floods. For example, the United States gave US\$688 million, representing 26.8 percent of total international donations, compared to China's \$18 million, or 0.7 percent of the total.<sup>48</sup> Similarly, in October 2008 during his first trip to overseas, President Zardari sought concessional loans from China but Beijing did not oblige. Accordingly, Pakistan was obliged to turn to the IMF for a loan of \$7.6 billion to stave off a balance of payment crisis. It was only later that China lent Pakistan \$500 million.<sup>49</sup>

### **GROWING MILITARY TIES**

Bilateral military links—Chinese exports and joint projects—is another area where cooperation has grown significantly. Between 2000 and 2010, China exported \$3.195 billion worth of weapons to Pakistan, compared to the United States' \$2.417 billion over the same period.<sup>50</sup> Or, put differently, China's arm exports to Pakistan in 2000-2010 represent 48 percent of China's total arms exports during that period. The next closest recipients are insignificant in comparison: Iran—12 percent; Bangladesh—4 percent and Myanmar—3 percent.<sup>51</sup> In 2010 alone, Pakistan was the destination for 60 percent of China's total arms sales to the world.<sup>52</sup>

Turning to some of the specific bilateral arms transfers, in the past decade the two countries have jointly developed their first fighter plane for the Pakistan Air Force (PAF), known as the JF-17, or 'Thunder'. The first aircraft were manufactured in China in 2009 and flown to Pakistan as air freight

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<sup>45</sup> Thomas Lum, Hannah Fischer, Julissa Gomez-Granger and Anne Leland, 'China's Foreign Aid Activities in Africa, Latin American, and Southeast Asia', *Congressional Research Service*, 25 February 2009, p. 1.

<sup>46</sup> Usman Ansari, 'Pakistan Gets More China Aid as US Ties Fray', *DefenseNews*, 30 May 2011.

<sup>47</sup> *Trading Economics*, <<http://www.tradingeconomics.com/pakistan/net-official-development-assistance-received-us-dollar-wb-data.html>> [Accessed 15 April 2012].

<sup>48</sup> Financial Tracking Service, UN Office for the Coordination of Humanitarian Affairs, 11 August 2011, <[http://fts.unocha.org/reports/daily/ocha\\_R24\\_E15913\\_\\_\\_1108110205.pdf](http://fts.unocha.org/reports/daily/ocha_R24_E15913___1108110205.pdf)> [Accessed 11 August 2011].

<sup>49</sup> 'China Offers Qualified Support for Pakistan', *Reuters*, 17 February 2009, <<http://in.reuters.com/article/2009/02/17/china-pakistan-idINPEK7272920090217>> [Accessed 30 September 2011].

<sup>50</sup> Stockholm International Peace Research Institute 2009, <[http://armstrade.sipri.org/armstrade/html/export\\_values.php](http://armstrade.sipri.org/armstrade/html/export_values.php)> [Accessed 12 August 2011]. Note: Figures are expressed at constant (1990) prices.

<sup>51</sup> *Ibid.*

<sup>52</sup> *Ibid.*

before they were reassembled. However, as production progresses the indigenous component of the fighter will increase. The PAF intends to buy up to 250 of the JF-17s over the next four to five years, making it the largest ever purchase by the PAF of a single type of aircraft.<sup>53</sup> Interestingly, Beijing agreed to expedite the delivery of a second batch of fifty J-17s during a visit of Pakistani Prime Minister Gilani in May 2011 just a few days after the American raid on Osama Bin Laden's compound in Pakistan.<sup>54</sup> The plan is that the JF-17 will eventually replace the A-5C, F-7P, Mirage III and Mirage 5 combat aircraft.<sup>55</sup> The significance of this aircraft is that it is equipped with beyond-visual-range air-to-air missile (BVRAAM) capability—a capability which Pakistan was denied with the US sanctions of the 1990s which embargoed the transfer of seventy-one F-16s and their AIM-7 Sparrows.<sup>56</sup> The Pakistani Government has also encouraged the Chinese to induct the JF-17 into their air force to encourage overseas sales of the relatively cheap, multipurpose fighter jet.<sup>57</sup>

In August 2011 China, for the first time, offered to sell to Pakistan thirty-six of its most advanced frontline fighter jets, the Chengdu J-10 Vigorous Dragon. According to officials, this deal is worth US\$1.4 billion, and will be financed by China via a soft, long-term loan.<sup>58</sup> The availability of the Chinese-made J-10 and JF-17 means that Pakistan is less reliant on American and Western aircraft for its air force requirements. In addition to fighter deals, the two countries signed in December 2008 a US\$278 million deal for four Chinese KJ-2000/ZDK03 airborne early warning (AEW) aircraft. This purchase also has an element of technology transfer which gives the Pakistanis an opportunity to refine the performance of this system.<sup>59</sup>

The two countries have also been busy developing their naval relations. Early in 2011 China formally began the construction of two state-of-the-art fast attack missile crafts for the Pakistan Navy, in addition to the US\$750 million deal for four F-22P Zulfiqar class frigates it ordered from Beijing in 2005. One of these frigates will be constructed by Pakistan Karachi Shipyard and Engineering Works under a technology transfer agreement.

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<sup>53</sup> Bokhari, 'China's Growing Influence on Pakistan Worries U.S.'. In May 2011 Beijing agreed to expedite delivery of a second batch of fifty JF-17. Jeremy Page, 'Beijing Agrees to Operate a Key Port, Pakistan Says', *The Wall Street Journal*, 23 May 2011, <<http://online.wsj.com/article/SB10001424052702303654804576339323765033308.html>> [Accessed 24 May 2011].

<sup>54</sup> Page, 'Beijing Agrees to Operate a Key Port, Pakistan says'.

<sup>55</sup> Usman Ansari, 'First Pakistan-Built JF-17 to Fly by Year's End', *DefenceNews*, 29 June 2009.

<sup>56</sup> Usman Ansari, 'Pakistan Surmounts Sanctions To Revive Airpower', *DefenseNews*, 9 February 2009.

<sup>57</sup> Page, 'Beijing Agrees to Operate a Key Port, Pakistan says'.

<sup>58</sup> Farhan Bokhari, 'China to Sell Pakistan 36 Fighter Jets', *The DISAM Journal* (March 2010), p. 90; Usman Ansari, 'China Officially Offers Pakistan J-10 Variant', *DefenseNews*, 3 August 2011.

<sup>59</sup> Ansari, 'Pakistan Surmounts Sanctions to Revive Airpower'. Another area where China and Pakistan have been working together is in the manufacturing of the Al-Khalid Main Battle Tank in Pakistan with Chinese technical cooperation which began in the 1980s. Kondapalli, 'Testing China's Rise', p. 188.

The plan is that the construction of one of the frigates in Pakistan will help strengthen the indigenous ship-building capability of the country. However, not everyone is convinced that the building of only one frigate will help achieve that capability.<sup>60</sup> While the version of the frigate being built for Pakistan, the Jiangwei II-Class, is a sophisticated and very capable ship equipped with anti-submarine helicopters, surface-to-surface and surface-to-air missiles able to carry nuclear warheads which China does not generally sell to other nations, it is nevertheless relatively small at 2250 tons.<sup>61</sup>

Another important defence area where China has been providing technological assistance is in the development of Pakistan's missile arsenal. It is widely believed that China's solid-fuelled M-11SRBM and North Korea's liquid-fuelled No Dong missiles have formed the building blocks of Pakistan's missile program. It is worth noting that Pakistan and North Korea began developing a military relationship in 1971, one which matured in the 1990s. Such a relationship would not have been possible without Chinese acquiescence. This triangular relationship was confirmed with the three countries signing a formal technical assistance agreement in January 1994 that officially dealt with cooperation in missile and guidance systems.<sup>62</sup> As a flow-on from this collaboration, Pakistan has developed a range of solid-fuelled short-range ballistic missiles to target air-fields, headquarters, troop concentrations and ammunition and supply depots. The less-than-300 kilometre-range Ghaznavi resembles closely China's M-11, a number of which Pakistan reportedly received in the 1990s.<sup>63</sup> According to press reports in 1997, the CIA assessed that China helped Pakistan establish a factory to manufacture M-11 SRBMs in addition to supplying thirty ready-to-launch M-11s.<sup>64</sup> In March 2011, Pakistan test-fired a nuclear-capable short-range surface-to-surface missile, Hatf-2, which it co-developed with the Chinese. The missile, which has a range of 180-200 kilometres, is similar in size and shape as the Chinese TY-3 research rocket.<sup>65</sup> In a related development, China and Pakistan are collaborating to launch a joint communications satellite, PAKSAT-1R, in the near future.

But while military ties are very good and have deepened over the years, the Chinese Government has made it clear that it is not interested in building a naval base at Gwadar—at least for the moment, confirming yet again their

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<sup>60</sup> Wendell Minnick, 'Pakistan Gets New Chinese Frigate', *DefenseNews*, 10 April 2008.

<sup>61</sup> 'Pakistan to Acquire Frigates from China', *The Journal of Electronic Defense* (October 2005), p. 36.

<sup>62</sup> For an insightful discussion of the trilateral Pakistan-North Korean-Chinese relationship, see David Brewster, 'India's Developing Relationship with South Korea', *Asian Survey*, vol. 50, no 2 (March/April 2010), pp. 406-9.

<sup>63</sup> Usman Ansari, 'Pakistan Pushes to Improve Missile Strike Capability', *DefenseNews*, 17 November 2008, <<http://www.defensenews.com/story.php?i=3823118>> [Accessed 23 September 2011].

<sup>64</sup> Paul, 'Chinese-Pakistani Nuclear/Missile Ties and the Balance of Power', p.5.

<sup>65</sup> 'Hatf-2', *Missilethreat.com*, <[http://www.missilethreat.com/missiles/theworld/id.48/missile\\_detail.asp](http://www.missilethreat.com/missiles/theworld/id.48/missile_detail.asp)> [Accessed 6 October 2011].

cautious approach to the bilateral relationship. This was made abundantly clear by the Chinese leaders when they promptly denied publicly the Pakistani Defence Minister's statement made upon his return from a trip to Beijing in May 2010, that he had invited the Chinese to build a naval base at Gwadar.<sup>66</sup> The Chinese were unimpressed with the Defence Minister's clumsy and un-diplomatic remarks made without prior consultation with the Chinese and which amounted to forcing Beijing's hand on this issue. So while China may be interested in building such a naval base in the future, for the moment it would not want to frighten the international community with the construction of such a base on the Arabian Sea as this would strengthen the "string of pearls" theory—China's supposed plan to establish naval bases in the Indian Ocean.<sup>67</sup> However, according to media reports—later retracted—the Chinese Government, having completed the first phase of the development of Gwadar in 2007, had agreed to take over the operation of Gwadar from Singapore's PSA International when the latter's contract expired.<sup>68</sup>

Finally, while Pakistani-Chinese defence relations have indeed progressively deepened in the last decade, anchored with the launch of the high-level annual China-Pakistan Defence Security Talks in 2002, China has shown no interest in a bilateral defence accord. This is despite a report by Pakistan media that Islamabad had been secretly lobbying for such an agreement.<sup>69</sup> This Chinese refusal to do so, along with its rejection of considering building a naval base at Gwadar for the moment, would be in line with China's broader strategic interests in South Asia, which include its growing relationship with India, which a defence accord and a naval port at Gwadar could potentially jeopardise.

## Nagging Irritants

But while Pakistan-Chinese relations have been deepening on several fronts, there have also been a number of issues that have somewhat dampened the relationship, notably attacks against Chinese citizens, the presence of Muslim Uighur militants in Pakistan, who wish to establish an independent Islamic state in the western part of China, and policy differences over Afghanistan. While none of these issues is going to seriously affect the relationship, they have nevertheless created notable stress in otherwise relatively trouble-free bilateral relations.

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<sup>66</sup> Urmila Venugopalan, 'Pakistan's black pearl', *Foreign Policy*, 3 June 2011, <[http://www.foreignpolicy.com/articles/2011/06/03/pakistan\\_s\\_black\\_pearl?page=0,1](http://www.foreignpolicy.com/articles/2011/06/03/pakistan_s_black_pearl?page=0,1)> [Accessed 15 April 2012].

<sup>67</sup> The string of pearls 'theory' was given prominence in Robert D. Kaplan, 'Center Stage for the Twenty-First Century', *Foreign Affairs* (March/April 2009), pp. 16-32.

<sup>68</sup> Ansari, 'Pakistan Gets More China Aid as U.S. Ties Fray'

<sup>69</sup> 'China to Keep Pakistan Embrace at Arm's Length', *The Dawn*, 4 October 2011.

First, turning to the attacks and threats against Chinese citizens, these have increased over the last few years. While the first significant attack against Chinese citizens was in May 2004, when three engineers were killed in a car bomb at Gwadar,<sup>70</sup> the most well-known of these cases was during the June 2007 Lal Masjid “Red Mosque” siege in Islamabad in which a number of Chinese “massage workers” were kidnapped, but later released. According to reports, it was Chinese pressure which forced the Pakistani Government to take military action against the Muslim militants who had taken over the mosque complex and who were holding the Chinese hostages. Militants in Khyber Pakhtunkhwa (formerly the North-West Frontier Province) retaliated by executing three Chinese engineers the following month and by attacking a convoy of Chinese workers with a suicide attack.<sup>71</sup> As a result of these anti-Chinese incidents, a joint bilateral task force was established in August 2007 at the national and provincial levels to address the numerous threats to the 13,000 Chinese nationals working in Pakistan, including providing direct military protection.<sup>72</sup> However, this task force has not been sufficient to stop all attacks and threats against Chinese workers. Accordingly, and as noted above with regard to China’s decision not to proceed with the construction of an oil refinery in Gwadar, the attacks against Chinese nationals is beginning to affect some of Beijing’s decisions with regard to investment and bilateral economic cooperation.<sup>73</sup>

The second irritant, the presence of the Uighur militants in the Federally Administered Tribal Areas (FATA) is, however, of a bigger concern to the bilateral relationship.<sup>74</sup> Following the ousting of the Taliban from power in Kabul in 2001, many Uighurs fled to Pakistan along with al-Qaeda and Taliban fighters. While there are no precise figures as to how many Uighur militants are present in Pakistan, it is unlikely that the actual number would be very high, probably only about 100.<sup>75</sup> Nevertheless, the Chinese authorities have not wanted to take any chances. Beijing wants to ensure that there is no spill over of Islamic extremists, terrorists and criminals now located in Pakistan’s tribal region into western China and stirring up

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<sup>70</sup> Kardon, ‘China and Pakistan’, p. 13.

<sup>71</sup> Andrew Small, ‘China’s Caution on Afghanistan-Pakistan’, *The Washington Quarterly*, vol. 33, no. 3 (July 2010), p. 90.

<sup>72</sup> The Chinese work for about 150 Chinese companies engaged in over 120 economic projects representing possibly up to \$20 billion in Chinese investment. Kardon, ‘China and Pakistan’, pp. 16-7; Small, ‘China’s Caution on Afghanistan-Pakistan’, p. 91.

<sup>73</sup> Kingho, a large private Chinese miner, reportedly abandoned a proposed \$19 billion investment in an energy and chemical project in Sindh province after reassessing the security environment. Evan A. Feigenbaum, ‘China’s Pakistan Conundrum’, *Foreign Affairs (Snapshot)*, 4 December 2011.

<sup>74</sup> For an informative article on the issue of Uighurs in the bilateral relationship see: Ziad Haider, ‘Sino-Pakistan Relations and Xinjiang’s Uighurs: Politics, Trade, and Islam along the Karakoram Highway’, *Asian Survey*, vol. 45, no. 4 (July-August 2005), pp. 522-45.

<sup>75</sup> Small, ‘China’s Caution on Afghanistan-Pakistan’, p. 87.

trouble.<sup>76</sup> Accordingly, China and Pakistan set up an anti-terror consultative mechanism up in 2003, conducted joint Sino-Pakistani counter-terrorism exercises in Xinjiang in 2004, and signed a counter-terrorism agreement in April 2005.<sup>77</sup> The two countries have been conducting joint anti-terror exercises every year since 2004, with the latest being in November 2011, when the two armies held joint anti-terror exercises near Islamabad.

However, despite these counter-terrorism agreements, the Chinese have not been completely satisfied with the Army's Inter-Services Intelligence (ISI) Directorate's performance in pursuing the Uighur militants. While there have been some high profile extraditions, there are indications that perhaps the ISI has been less than fully enthusiastic in its pursuit of Uighur militants. Some analysts even suggest that ISI elements may be tipping them off before an operation.<sup>78</sup> In a rare display of displeasure with Islamabad's approach towards this issue, Beijing accused Pakistan-based Uighur militants of the Al-Qaeda-linked East Turkestan Islamic Movement (ETIM) of being responsible for a deadly attack in Kashgar, a city in the north-western Xinjiang region, in July 2011.<sup>79</sup> Pakistani officials denied having anything to do with these attacks.<sup>80</sup> Wishing to ease the tension, President Zardari promised to step up counter-terrorism cooperation with China. Still, Beijing remains dissatisfied with Islamabad's inability or unwillingness to eliminate these Uighur militants. Accordingly, in April 2012 the Chinese authorities asked Islamabad to extradite six "core members" of the ETIM which have been accused of having been involved with last year's attack in Kashgar.<sup>81</sup>

In light of the continued presence of ETIM fighters in Pakistan, Beijing is now reportedly interested in establishing bases either in FATA or in the Federally Administered Northern Areas (FANA) which border Xinjiang province. This was revealed in an article posted on the official website of the Chinese Government in January 2010.<sup>82</sup> China believes that the ETIM's ten-year presence in Pakistan is a significant threat to the state. Presumably, if China were able to post soldiers in Pakistan close to the ETIM's camps, Beijing would be in a better position to deal with this threat. The suggestion that China is interested in establishing bases in northern Pakistan has further fuelled an already touchy Indian neighbour which is uncomfortable with the

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<sup>76</sup> Michael D. Swaine, 'China and the "AfPak" Issue', *Carnegie Endowment for International Peace*, Washington D.C. (Winter 2010), p. 3.

<sup>77</sup> Kardon, 'China and Pakistan', p. 13; Swaine, 'China and the "AfPak" Issue', p.5.

<sup>78</sup> Small, 'China's Caution on Afghanistan-Pakistan', p. 91.

<sup>79</sup> Jason Dean, 'Beijing Points to Pakistan after Ethnic Violence', *The Wall Street Journal*, 1 August 2011.

<sup>80</sup> Stephanie Ho, 'Pakistan Denies Link to Chinese Terror Group', *VOA News.com*, 24 August 2011.

<sup>81</sup> Ananth Krishnan, 'China Asks Pakistan to Hand Over Uighur terrorists', *The Hindu*, 6 April 2012, <<http://www.thehindu.com/news/international/article3287906.ece>> [Accessed 16 April 2012].

<sup>82</sup> Amir Mir, 'China Seeks Military Bases in Pakistan', *Asia Times Online*, 26 October 2011, <[http://www.atimes.com/atimes/South\\_Asia/MJ26Df03.html](http://www.atimes.com/atimes/South_Asia/MJ26Df03.html)> [Accessed 16 April 2012].

alleged presence of 7,000-11,000 soldiers of the People's Liberation Army in FANA. Given that the northern part of Pakistan is closed to the outside world, one can only speculate as to the reason for their presence. But it has been suggested that they are there to work on the Karakoram Highway, on dams, and other projects.<sup>83</sup>

The third irritant in the relationship is their different positions on the departure of the NATO-led forces from Afghanistan in 2014. Given their different long-term interests in Afghanistan, it is not surprising that Beijing and Islamabad would approach the western forces' departure from Afghanistan quite differently. But because Pakistan is so intimately involved in, and crucial to, future developments in Afghanistan, these differences will need to be carefully managed. It is important to remember that Pakistan's interest in developments in Afghanistan goes back to 1947. The military has always considered it critical for Pakistan's security in case of another conflict with India that Afghanistan provide it with the "strategic depth"—defined as meaning a "peaceful and friendly" country, which it currently lacks.<sup>84</sup>

Importantly, Beijing knows that, given the Pakistan military's ties with some of the Afghan militants and other *jihadist* groups sheltering in the tribal areas, it will have a critical role to play in maintaining stability in the Afghanistan-Pakistan region post-2014.<sup>85</sup> Accordingly, China, as opposed to the United States, does not press Islamabad to take action against terrorist groups with which Islamabad may have a good relationship or which pose no threat to the Pakistan state—for the moment.<sup>86</sup> Nevertheless, Beijing will be keeping an attentive eye on any possible *jihadist* spill-over from Afghanistan and Pakistan's tribal areas into China's restive Muslim-majority areas in the west of the country.

While not stated publicly, the Chinese will not be pleased to see Western forces leave Afghanistan, especially if they most likely leave behind an unstable and poorly governed country. Their departure would leave a power vacuum which the Afghan Taliban and fellow travellers would exploit and could ultimately fill. In such a scenario, a Taliban-dominated Afghanistan would mean that the Uighurs would have a natural and sympathetic ally, one which could offer a convenient and logical military training ground for these militants. So China's displeasure with a post-2014 Afghanistan possibly dominated by the Taliban would be another potential irritant in the Pakistan-China relationship down the road.

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<sup>83</sup> Selig S. Harrison, 'China's Discreet Hold on Pakistan's Northern Borderlands', *The New York Times*, 26 August 2010.

<sup>84</sup> Anatol Lieven, *Pakistan—A Hard Country* (New York: Public Affairs, 2011), p. 177; Claude Rakisits, 'The End Game in Afghanistan: Pakistan's Critical Role', *Future Directions International*, 21 May 2012, <[http://futuredirections.org.au/files/Associate%20Papers/FDI\\_Associate\\_Paper\\_-\\_21\\_May\\_2012\\_2.pdf](http://futuredirections.org.au/files/Associate%20Papers/FDI_Associate_Paper_-_21_May_2012_2.pdf)> [Accessed 29 May 2012].

<sup>85</sup> Kondapalli, 'Testing China's Rise', p. 184.

<sup>86</sup> Swaine, 'China and the "AfPak" Issue', p. 3.

On the other hand, the departure of the US-led forces from Afghanistan will be welcomed by Islamabad. Given the historical, intelligence and operational links which the Pakistani military, and in particular the ISI, has had with the Afghan militants this is not surprising. However, a Taliban-run or dominated Afghanistan would be, in the long-term, a threat to the Pakistan state, in that the Pakistani Taliban would now have a friendly government in Kabul. It would make it easier for the Pakistani Taliban to attack the Pakistan state in its quest to overthrow the government and impose sharia law throughout the land. Needless to say, a Taliban-friendly Pakistan would not be a welcome development for China, particularly given the impact this would have on its own Muslim population. Moreover, such a Pakistan would want to recalibrate its relationship with China, and Beijing would undoubtedly wish to do likewise. However, the fundamental strategic reality on the ground would not have changed: both countries would still want to counter India's rise.

### **Conclusion: Where to from Here?**

From the beginning, the sixty-year old Pakistan-China relationship has been an odd partnership. There has never been a binding ideology, such as communism or Islam, only the common desire to contain or counter India's power and influence. For the first fifty years, the core focus of the relationship was how the two countries could work together to counter the rising power of India. Almost two decades ago, John Garver astutely observed that the Chinese knew that Pakistan was its "last and best bet" to prevent Indian dominance of southern Asia from the Persian Gulf to the Malacca Straits.<sup>87</sup> And in many ways this remains the case. However, China has also progressively become more pragmatic with regard to its relationship with Pakistan. There are two reasons for this. First, Beijing is keenly aware that Pakistan has a whole raft of serious domestic problems which are making it a less attractive ally and potentially a liability if these are not dealt with effectively. Second, while Beijing wants to 'box in' India by developing relationships with Pakistan and other South and Southeast Asian countries, it also has a growing, albeit competitive, relationship with India. Moreover, it also knows that the more it tries to contain India in South Asia, the more it pushes New Delhi into a closer relationship with Washington. This is a development that is not in Beijing's long-term interest.

Put differently, China will continue to deepen and broaden its relationship with Pakistan, but it will not go as far as Islamabad would like it to go. Accordingly, Beijing will not—at least in the near term—replace Washington as the main provider of economic and military aid to Islamabad. And given the many domestic problems Pakistan has to confront and the nagging irritants in the bilateral relationship, China would not want to play that role.

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<sup>87</sup> John W. Garver, 'China and South Asia', *Annals of the American Academy of Political and Social Science*, vol. 519, no. 1 (1992), p. 81.

At the same time, Islamabad knows that Beijing is not in a position to replace Washington as Pakistan's main patron. But it also knows that the Obama administration does not want to 'lose' Pakistan to China. If Pakistan were to go completely into China's orbit, this would facilitate but not guarantee China's unfeathered land access to the Indian Ocean, given the existing insurgency problems in Baluchistan and northern Pakistan. Notwithstanding these limitations, land access to the Indian Ocean would be a crucial geo-strategic asset for China in the long-term, particularly when coupled with Beijing's increasing involvement in Afghanistan and its friendly relations with Iran. Such a development would not necessarily promote stability in the Indian Ocean, but rather it would fuel the strategic competition between India and China. This would be a development that would not be welcomed and would be in no-one's interest, including Australia.

However, it is unlikely that Pakistan will break with the Americans even though Washington's conditions for military and economic aid to Pakistan under the 2009 Kerry-Lugar Bill are stringent. These conditions include the Pakistani authorities having to demonstrate transparency in their governance and in their nuclear program and ending all ties with terrorist groups. Even though these are conditions the Chinese do not impose on Pakistan, Islamabad is not about to jettison the United States as its major strategic partner. The Pakistanis would have too much to lose in doing so. The United States is the only power which can afford to give it such large amounts of economic and military aid.

So building on the 2005 Treaty of Friendship, Cooperation and Good Neighborly Relations, China will continue to carefully and cautiously nurture the bilateral relationship as it has in the past. And regardless as to whether it is a civilian or a military government in power in Islamabad,<sup>88</sup> it will also manage it pragmatically, as it has done for the last sixty years. Beijing values its relationship with Pakistan, but as China has gradually taken a more important and constructive role globally, it needs to increasingly balance its traditional ties with its future interests. And while this approach may not always be to Islamabad's liking or meet its perceived interests, it is good news for the future stability of the Indian Ocean region.

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<sup>88</sup> On the whole, bilateral relations were warmer under General Pervez Musharraf than under President Zardari.