

PAKISTAN-CHINA RELATIONS
RECENT DEVELOPMENTS (JAN-MAY 2006)

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INTRODUCTION

2006 marks the 55th anniversary of diplomatic relations between China and Pakistan. The bi-lateral relationship between the two countries has endured as a relatively uninterrupted, trust-bound and 'all weather relationship'. This tactical friendship has survived numerous geo-strategic changes including improving Sino-Indian relations from 1989 onwards, the collapse of the Soviet Union, developments post 9/11 especially with Pakistan as a frontline state in the war against terror as well as the recent Indo-US strategic convergence. Furthermore, with developments over Iran and North Korea, the Indo-US nuclear deal and Pakistan's failure to reach a similar agreement with Washington, it becomes important to examine Sino-Pak relations, especially while new agreements are signed, and high level visits exchanged. The following report, while providing a historical context, will outline relations between China and Pakistan in the first half of 2006 and attempt to provide an insight into the significance of developments between the two nations.

I
A SHORT HISTORY

Pakistan recognized the People's Republic of China in 1950, being the third non-communist state and the

first Muslim state to do so, following which the two nations established formal diplomatic relations. Bilateral relations were further emphasised at the Bandung Conference in 1955, where talks between the two heads of state played an important role in promoting understanding, and developing friendly relations and co-operation between the two countries. In 1961, Pakistan furthered relations when it voted for a bill concerning the restoration of China's legitimate rights in the UN.

Deterioration in Sino-Indian relations, which culminated in the 1962 war, provided further opportunities for Sino-Pak cooperation and in 1963 both countries signed an agreement on border relations, and the construction of a road linking China's Xinjian-Uygur autonomous region with the northern areas of Pakistan. They signed their first trade agreement in 1963 and, in the years that followed, diplomatic exchanges increased significantly. Their strategic partnership was initially driven by the mutual need to counter the Soviet Union and India, and China supported Pakistan in its two wars against India, in 1965 and 1971, with both military and economic assistance. The military alliance led further to the creation of a Joint Committee for Economy, Trade and Technology in 1982, and China

soon began, in the late 1980s, discussing the possible sales of M11 missiles and related technology to Pakistan.

In 1996, Chinese President Jiang Zemin paid a state visit to Pakistan during which the two countries decided to establish a comprehensive friendship. Relations since then have continued on the same steady path, especially as the United States, after the events of 9/11, expressed a new strategic commitment to India. In 2005, China and Pakistan signed a landmark Treaty of Friendship and Co-operation, whereby they committed that “neither party will join any alliance or bloc which infringes upon the sovereignty, security and territorial integrity” of either nation, while simultaneously positing that both parties “would not conclude treaties of this nature with any 3rd party.”¹

In sum, during the post Cold War era, China emerged as Pakistan’s most important strategic guarantor vis-a-vis India. China was the source of initial design information for Pakistan’s nuclear weapons and assisted with the building of the latter’s nuclear technology complex. On the whole, China has been Pakistan’s most important source of modern conventional weaponry and a vital source of trade and investment.² Moreover, given the American

preoccupation with proliferation issues, China found in this military relationship with Pakistan a useful bargaining tool against Washington whilst discussing issues important to China like US arms sales to Taiwan, TMD deployment in East Asia etc. China’s close ties with Pakistan allowed the former a greater sphere of influence extending to South Asia, as well as a bridge between the Muslim world and Beijing. It is within such a framework that Kenneth Lieberthal posits that traditionally, the driving factor for China was a hedge against India and for Pakistan, aside from providing strategic leverage against India, relations with China gave Pakistan access to civilian and military resources. The relationship, Lieberthal continues, is still of great strategic importance today where, for the past 40 years, the cornerstone of Pakistan’s foreign policy has been its military relationship with China, and “now that China is trying to build its global sphere of influence- for which it needs Pakistan- it doesn’t mind if Pakistan becomes a regional power in the meantime.”³

II MAJOR ISSUES

In February 2006, four days after the killing of 3 Chinese engineers in Hub in Balochistan⁴, and soon before the

¹ “Treaty of Friendship, Cooperation and Good Neighbourly Relations between the People’s Republic of China and the Islamic Republic of Pakistan”, *Ministry of Foreign Affairs of the People’s Republic of China*, 5 April 2005. <<http://fmprc.gov.cn/eng/zilao3602/3604/default.htm>>

² “Pakistan: Foreign Security Relationships”, *US Library of Congress- Country Studies*, April 1994. <http://lcweb2.loc/cgi-bin/query/D?cstdy:14:./temp/~frd_WJdn::>

³ Kenneth Lieberthal as quoted in Ester Pan, “China and Pakistan: A deepening bond”, *Council on Foreign Relations*, 8 March 2006. <http://www.cfr.org/publication/10070/china_and_pakistan.html>

⁴ “The bodies of the 3 engineers were repatriated to China by a special C-130 aircraft in a solemn ceremony held at Islamabad airport. Minister of Interior Aftab Ahmad Khan Sherpao and Minister of State for Interior Dr. Wasim Shehzad, laid floral wreaths on behalf of the President and the Prime Minister. The Minister of State for Interior and Additional Secretary, Ministry of Foreign

arrival of President George W. Bush in Islamabad, President Pervez Musharraf made a short visit to China from February 20 to February 25. The timing of the visit suggested, perhaps, that Pakistan gives greater priority to its strategic partnership with China than it does to its Major Non Nuclear Ally (MNNA) status with the US. During his visit, President Musharraf emphasised on the need to improve relations with China with regard to trade and investment, as well as nuclear energy co-operation and defence co-operation. The Chinese government, in a highly symbolic act, released special postage stamps to commemorate President Musharraf's visit and 55 years of diplomatic relations. Eventually, 13 agreements and Memorandums of Understanding were signed in various sectors including energy, trade, defence and communications. A general loan agreement pertaining to the use of 'preferential buyers credit' was also signed and China urged Pakistan to find means for the peaceful resolution of the Kashmir issue.⁵

What was noteworthy about Musharraf's trip was the overwhelming display of 'allied rhetoric' where, upon their meeting,

Affairs accompanied the dead bodies to China."

"Press release", *Pakistan Ministry of Foreign Affairs*, 17 February 2006. <<http://mofa.gov.pk/PR769.htm>>

The alacrity of Islamabad's response further illustrates the immense importance it places on the Sino-Pakistani relationship and the Gwadar port project.

⁵ "Joint statement between the People's Republic of China, and the Islamic Republic of Pakistan" *Pakistan Ministry of Foreign Affairs*, 22 February 2006 <<http://www.mofa.gov.pk/PR782.htm>>

Chinese President Hu Jintao referred to President Musharraf as an "old friend of the Chinese people"⁶ and praised him for making an important contribution to the development of relations. While President Hu went on to hail the trip as "another landmark in the glorious history of bilateral relations" whereby, "the friendship between the two countries has matured into a comprehensive strategic partnership for peace and development,"⁷ Musharraf stated that "Our friendship is deeper than the ocean, and higher than the mountain."⁸ Furthermore, in a message to Prime Minister Shaukat Aziz on May 21, his Chinese counterpart Wen Jiabao said "China-Pakistan relations have withstood the tests of internationally changing situations and have become a model of living in amity among countries."⁹

An even stronger statement, however, came from Pakistan's Information Minister, Sheikh Rashid Ahmad, when he told a TV interviewer that Pakistan would stand behind China if the United States ever tried to "besiege" it, suggesting again a preference for China over the United States¹⁰. For

⁶ As quoted in Richard R. Fisher, "Musharraf visits China: Current Issues in Pakistan-China Relations", *International Assessment and Strategy Centre*, 25 February 2005.

<http://www.strategycenter.net/research/pubID.92/pub_detail.asp>

⁷ Ibid.

⁸ "Musharraf: Pakistan-China friendship deeper than the ocean," *Xinhua*, 13 March 2006.

⁹ "China, Pakistan to sign FTA by December", *India eNews.com*, 21 May 2006.

¹⁰ "Pakistan will stand by China against U.S. siege, Says Rashid", *Daily Times*, 23 February 2006.

<http://www.dailytimes.com/pk/default.asp?p..3-2-2006_pg7_50>.

China, such a statement was comforting on the eve of President Bush's visit to Islamabad while, for Washington, it served as a reminder that seeking to strengthen democratic forces in Pakistan could prove to be a significant challenge as many Pakistani anti-democratic forces were allied with China. However, despite the heightened rhetoric, whether Musharraf's visit will imply any thing other than a reaffirmation of the already existing alliance can only be determined in the months to come. Successful implementation of the signed agreements will largely depend on Pakistan's ability to pursue them. This is not to deny the symbolic value of the visit as it was perhaps more important for it to be globally noticed than to be substantive per se.

A. Nuclear Co-operation

After President Bush's visit to India, Pakistan hoped that a similar nuclear deal would fructify between Washington and Islamabad. Once it became clear that no such deal would be forthcoming from Washington, Pakistan turned to China as the Indo-US nuclear deal suggested both strategic instability and a security threat. China has already been widely acknowledged as the source of Pakistan's initial nuclear weapon design, a major partner in the development of Pakistan's nuclear weapons complex, the major source of Pakistan's short and medium range solid fuel missile technology, and the likely partner in the development of Pakistan's Land Attack Cruise Missile tested in 2005.¹¹ China made no dramatic shifts in its nuclear policy and has maintained that it wants to help Pakistan with its growing energy needs. During President Musharraf's February 2006 visit, China signed an

¹¹ Fisher, "Musharraf visits China: Current Issues in Pakistan- China Relations".

agreement, to "build co-operation in the peaceful application of nuclear power", notwithstanding Pakistan's past record and international suspicion of Pakistan's nuclear intentions. Pakistan, however, asserts that, having recorded one of the highest levels of economic growth in Asia last year, it will need an eight fold increase in its power requirements.¹²

In January 2006, the *Financial Times* reported that China and Pakistan are negotiating the purchase of 6 to 8 new nuclear power reactors in addition to the Chinese built nuclear reactor now at Chasma in Punjab, built despite a de-facto international embargo. While Pakistan denies any such reports, the Indian press has frequently reported to the contrary, maintaining that China has offered to upgrade Pakistan's nuclear weapon capacity, as well as help restore the storage facilities destroyed by last year's October earthquake.¹³

B. Defence Co-operation

Pakistan's relationship with China has been the anchor of its defence and foreign policy over the last 40 years. Defence co-operation is especially important for Pakistan as China serves the purpose of a high-value guarantor against India.¹⁴ China has proven to be a reliable supplier of conventional military equipment for Pakistan, selling F-7 fighters, a version of the T-96 main battle tank, and subsidizing the future construction of four frigates for the Pakistan navy.¹⁵ Further to

¹² Patrick Goodenough, "As India's Ties with US advance, Pakistan looks To China", *CNSNews.com*, 15 March 2006.

¹³ "Pak to seek 4-6 nuclear power plants", *The Hindustan Times*, 23 April 2006.

¹⁴ Husain Haqqani as quoted in Pan, "China and Pakistan: A Deepening Bond".

¹⁵ Fisher, "Musharraf visits China: Current Issues in Pakistan- China Relations".

President Musharraf's visit, China committed to deliver the first small batch of JF-17 (Thunder) Aircrafts to Pakistan in 2007. These aircrafts completed their first test flight during the Pakistan Air Force Chief's visit to China in May 2006. China and Pakistan also promised to expand military co-operation and defence production with regard to aircrafts, fighter bombers, tanks, and heavy artillery. During President Musharraf's February 2006 visit, as well as the subsequent visit by the Pakistan Air Force (PAF) Chief to China in May, the probable sale of F-10s was also discussed. It has been opined that this enhanced military co-operation could herald a shift in the centre of gravity from Europe to Asia, with China at the forefront followed by Pakistan.¹⁶

The Pakistan Navy is also considering the purchase of a more capable Chengdu J 10 fighter plane and this was further discussed during the Pakistan Navy chief, Admiral Mohammad Afzal Tahir's visit to China in May 2006. While meeting with Admiral Tahir, the Chinese Defence Minister Cao Gangchuan said that the Chinese armed forces were ready to further deepen cooperation with Pakistan.

On 23 May 2006 Pakistan clinched a \$600 million defence deal with China, which includes the construction of four F-22P frigates for the Pakistani Navy, the upgrading of the Karachi dockyard and the transfer of technology for the indigenous

production of a modern surface fleet. Under the deal, three frigates will be built in Shanghai and the fourth one at the Karachi dockyard. Admiral Tahir said the first frigate would be delivered to Pakistan in 2008 and the other three by 2013, along with transfer of technology. He also said that the signing of the frigate deal marked a milestone in defence cooperation between Pakistan and China, as it was the first time that the two navies had arrived at a high level of collaboration to augment a surface fleet.¹⁷

C. Shanghai Co-operation Council

During Musharraf's February 2006 visit, he expressed the hope that Pakistan's status as an observer in the SCO would be promoted to a full membership, whereby it could strengthen and increase its economic tie-up with China. This request puts China on the spot, as it suggests that China should give preferential treatment to Pakistan over India. This is especially relevant to Pakistan as Indian sources have noted that Russia and China hope to include Indian military forces in a counter-terrorism exercise, under the auspice of the SCO, whilst not including Pakistan.¹⁸ However, the recent meeting of the SCO on 15 May 2006 signalled no signs of Pakistan being hedged above India as a full member. Moreover, according to an Indian analyst, by supporting China's entry into SAARC, Pakistan attempts to restructure the regional balance of power, which is of

¹⁶Rizwan Ghani, "Optimizing Pak-China Relations", *Pakistan Observer*, 28 February 2006.
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<http://pakobserver.net/200602/28/Articles01.asp?txt=Optimising%20Pak-China%20relations>>

¹⁷"Pak, China finalise defence deal", *The Tribune*, 24 May 2006.

¹⁸"India-China-Russia massive joint military exercise in 2006", *India Daily*, 26 August 2005.
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<http://www.indiadaily.com/editorial/4369.jsp>>

significance in the geopolitical context of South Asia.¹⁹

D. Trade and Energy Co-operation

The trade volume between China and Pakistan increased by 39 per cent in 2005 to \$4.26 billion. The balance of trade, however, remains overwhelmingly in China's favour, whose exports amounted to \$1.8 billion compared to Pakistan's \$575 million.²⁰ In the first three months of 2006, bilateral trade was \$1.018 billion, 42.3 percent more than the same period last year. Furthermore, since 2003, China has emerged as a major trading partner for Islamabad,

¹⁹Seema Sridhar, "Musharraf's visit to China: Strengthening Strategic Alliance", *Institute for Peace and Conflict Studies*, 27 February 2006. <http://www.ipcs.org/China_east_asia_articles_2.jsp?action=showView&kValue=1964&keyArticle=1009&issue=1009&status=article&mod=a>

²⁰ Bilateral trade between China and Pakistan is less than half the trade volume registered between India and China, which was \$13.6 billion in 2005. "India-China Relations set to scale new heights in 2006", *The Hindu*, 9 December 2005.

China's total trade with South Asia in 2005 was no more than \$20 billion, and except for New Delhi, Beijing runs trade surpluses with all other partners, including Bangladesh, Nepal, Pakistan, and Sri Lanka.

"Speech by Zhang Chunxiang, Chinese Ambassador to Pakistan", *Pakistan Administrative College-Lahore*, 2 May 2005. <<http://pk.china-embassy.org/eng/dszl/t194229.htm>>

On the whole, China is at present the world's largest trading partner behind the USA and Germany. Its major trading partners are the USA (21.5 percent), Hong Kong (trading as a separate economy, 18 percent), Japan (14.9 percent), and South Korea (4.8 percent) "Country Report: China- February 2005", *USA Library of Congress- Federal Research Division*, <<http://lcweb2.loc.gov/frd/cs/profiles/China.pdf>>

accounting for nearly 11% of Islamabad's imports.²¹

Pakistan is not merely expanding its defence co-operation but also improving its economic cooperation with China and subsequently attempting to reposition itself as an important trade route in South Asia. During President Musharraf's visit to China, both countries signed an agreement to promote bilateral trade and co-operation, and a general loan agreement regarding the use of 'preferential buyer's credit'. It was strongly emphasised that China must encourage foreign direct investment in Pakistan and perhaps consider it as the manufacturing centre of the region, shifting some production capability to Pakistan through the encouragement of joint ventures between the two countries. It was further postulated that China would invest \$12 billion in projects in Pakistan, as well as another \$500 million in a joint venture company²². President Musharraf also promised to set up various industrial zones in Pakistan solely for Chinese entrepreneurs.²³

From 2006 onwards, the two countries will implement the first part of the free trade agreement. As tariffs drop to zero, the zone could emerge as a possible commercial hub of the region. This was further emphasised during the third round of FTA talks in Islamabad in May 2006 where the two

²¹ "China, Pakistan agree on basic terms of free trade pact" *Xinhua*, 17 May 2006.

²² "China Will Invest US\$12 billion in Pakistan", *Shanghai Daily*, 9 March 2006.

²³ Total overseas investment by Chinese companies was approximately \$50 billion by the end of 2005, and the cumulative contract volume totalled \$22.4 billion.

"World Business Briefing - Asia: China: 2005 Overseas Investment Topped \$50 Billion", *New York Times*, 18 January 2006.

nations finalised the basic terms of their bi-lateral free trade pact. During the two-day talks, China and Pakistan also made substantial progress in consultations on tariff reduction patterns. Officials said that the two sides were satisfied with the progress made during the talks, which laid a solid foundation for the signing of a trade agreement on goods by the end of this year. The fourth round of FTA talks are expected to be held in September 2006 in Beijing.

The emphasis on making Pakistan an Energy and Trade corridor for the region was further consolidated at a high level meeting in April 2006, where both countries agreed to step up co-operation in the energy sector, promising to give China access to the gas and oil resources of Central and Western Asia. A memorandum was signed on building this energy corridor, and it was suggested that China build direct pipelines to Karachi or Gwadar, where this would then be the shortest route for ensuring a stable and fast supply of oil to China.²⁴ "We particularly look forward to materializing cooperation in the energy sector where establishment of oil refineries, oil storage facilities and gas pipelines stand out," said President Musharraf. He continued, "When the Karakoram Highway was built, the world called it the eighth wonder, we can create the ninth and tenth wonders by establishing energy pipelines and railway linkages between the two fast growing economies."²⁵ The memorandum of

²⁴ Tarique Niazi, "Gwadar: China's Naval Outpost on the Indian Ocean", *The Jamestown Foundation*, 28 February 2005. <http://www.jamestown.org/news_details.php?news_id=93>

²⁵ "Pakistan, China agree to boost energy cooperation", *The Daily Times*, 4 April 2006 .

understanding also set out China's support for oil and gas exploration in Pakistan, and promised to help Pakistan in developing its coal, lignite and renewable energy resources.

Heightened co-operation with China will facilitate Pakistan's objective of positioning itself as a central hub for trade and energy transportation, in connecting South Asia, Central Asia and China, while subsequently attempting to restructure the regional balance of power in its favour. Unlike earlier attempts at emphasising Islamabad's importance through defence and military co-operation with China, Pakistan is now attempting to do so in economic terms, so that enhanced economic co-operation also consolidates the strategic partnership between China and Pakistan. As the two countries explore joint ventures in the field of energy, there are already major infrastructure projects underway, namely the Gwadar Port, the Karakoram highway and the coastal highway.

E. Gwadar Port & Karakoram Highway

Scheduled to be inaugurated on 30 June 2006, China is projecting its might across the subcontinent through its strategic presence at the Gwadar Port project. Construction of the port began in March 2002 after the Chinese agreed to provide \$198 million of the \$248 million required for Phase I of the project.²⁶ China has also invested in support infrastructure by financing a highway link from Gwadar to a central Balochistan town, connecting

²⁶ "Gwadar", *Government of Pakistan Board of Investment Report*.

<<http://www.pakboi.gov.pk/html/Gwadar.html>>

Karachi and Quetta. It is relevant to note that China was initially reluctant to help with the construction of the port, though finally agreed to fund it provided that it had “sovereign guarantees to the port facilities.” Pakistan agreed to this condition, resulting in a disgruntled United States.²⁷ Just 250 miles from the straits of Hormuz, through which nearly 40 per cent of the world’s oil supplies flow, the port is strategically located to serve as a key shipping point in the region. It is of great strategic value as it augments Pakistan’s importance in the region, while allowing China to diversify and secure its crude oil import routes and simultaneously gain access to the Persian Gulf.

Under a MOU signed between China and Pakistan, China is also to build a 90 km highway link connecting the Chinese side of the Karakoram highway to the Russian built highway network that already connects all the five Central Asian Republics. This regional highway network will directly link Gwadar to Xinjiang and the landlocked Central Asian Republics.²⁸ The Karakoram highway and the coastal highway will both serve as vital trade routes and, considering that the existing Karakoram highway already connects Western China to Pakistan, any further expansion of the line along with prospective linkages to Gwadar via the planned Ratodero-Khuzdar road would make it the shortest and most viable route connecting Gwadar

to Western China.²⁹ This manifests China’s attempt to exert its influence far beyond its borders in order to sustain its security interests, as well as consolidate its friendship with Pakistan through large scale collaborative projects.

Through the construction of the Gwadar port, Beijing also will gain considerable influence in the region, giving it a strategic entrance to the Arabian Sea and the Indian Ocean, while allowing it to closely monitor US naval activity and US- Indian maritime cooperation. This doubtlessly is a cause for alarm and unease to both India and the US as the port will enable China to monitor its energy shipments from the Persian Gulf, while simultaneously offering it the option of a safer alternative passage for energy imports from Central Asia in the event of a hostile situation. American suspicion of Chinese intentions at Gwadar is corroborated by an internal report prepared for the Pentagon entitled *Energy Futures in Asia* which states that Beijing has already set up electronic eavesdropping posts at Gwadar which monitor ship traffic through the Strait of Hormuz and the Arabian Sea.³⁰

In addition, the port and the other supporting infrastructure will help integrate Pakistan into the Chinese economy by out sourcing low tech, basic production and manufacturing jobs, making it into a giant factory floor for China. Having invested \$400 million in the project, the port will be accessible for Chinese imports and exports through overland links that

²⁷ Niazi, “Gwadar: China’s Naval Outpost on the Indian Ocean”.

²⁸ Rajeev Ranjan Chaturvedy, “Interpreting China’s Grand Strategy at Gwadar”, *Institute for Peace and Conflict States*, 14 February 2006.

<http://www.ipcs.org/China_east_asia_articles_2.jsp?action=showView&kValue=1952&keyArticle=1009&issue=1009&status=article&mod=a>

²⁹ Ibid.

³⁰ “China builds up strategic sea lanes”, *The Washington Post*, 18 January 2005.

stretch across the Karakoram Highway.³¹

For Pakistan as well, the benefits are profound, where to quote President Musharraf, “as and when needed the Chinese navy could be in Gwadar to give befitting replies to everyone.”³² This statement was further reinforced by Pakistan’s recent designation of the port area as “a sensitive defence area.”³³ Gwadar would inhibit India’s ability to blockade Pakistan, and permit China to supply Pakistan by land and sea during wartime. Essentially, Pakistan is interested in the project to gain strategic leverage so that it is less vulnerable to the dominant Indian navy. The construction of the port and the highway, by making Pakistan a regional trade-hub for commercial traffic, will also boost domestic economic development, and influence the geo-strategic environment of the region. The port will enable the transfer of Central Asia’s vast energy resources to world markets, earning Pakistan significant profits in transit fees, as well as attract considerable investment into Balochistan. In addition, discussions are already underway to designate the Gwadar port as a free trade zone, while some members of the Pakistani business community advocate the eventual designation of the Gwadar port as an export processing zone with special incentives extended to Chinese companies.³⁴ Moreover, the opening of

international trade through Gwadar can create new stakeholders in Afghanistan who will become beneficiaries of the transit trade to Central Asia. This in turn can be expected to act as an incentive for normalising the situation in the war-torn country, and also remove the existing misgivings between Kabul and Islamabad. Gwadar thus presents a good opportunity for fostering good neighbourly relations between Pakistan and the region to its immediate northwest.³⁵

However, the success of the port and, in general, the effectiveness of the agreements signed between the two nations will depend essentially on internal developments in Pakistan—which are expounded upon in the following section.

III SINO-PAK RELATIONS ASSESSMENTS & CONCLUSIONS

The issue then is whether the agreements signed between Pakistan and China in 2006 can translate into a functional reality where the main burden lies with Pakistan, as MOU’s signed with other countries are far from being implemented. Pakistan would have to work on the completion of necessary infrastructure to support these grand plans for which it needs effective diplomacy and economic stability, as well as a careful but stringent reworking of centre-state relations. There is a distinct possibility that what looks good on paper for the two nations, at present, will look very different on the ground.

³¹ Niazi, “Gwadar: China’s Naval Outpost on the Indian Ocean”.

³² Chaturvedy, “Interpreting China’s Grand Strategy at Gwadar”.

³³ Niazi, “Gwadar: China’s Naval Outpost on the Indian Ocean”.

³⁴ Ziad Haider, “Baluchis, Beijing, and Pakistans’ Gwadar Port”, *Georgetown Journal of International Affairs*, Winter/Spring 2005.

<http://www.stimson.org/southasia/pdf/GWADAR.pdf>

³⁵ “Gwadar’s rich potential”, *The Dawn*, 13 June 2006.

Balochistan continues to be crippled by violence with Baluch nationals protesting against the federal government and the construction of the port. They claim that the port is an attempt to colonize them and their national resources.³⁶ However, reports of a foreign hand in the Balochistan violence continue to trickle in and Pakistani sources are often seen as trying to implicate India in the violence. Regardless, the murder of 3 Chinese engineers in February 2006 in Balochistan further underlines the necessity for the Pakistan government to resolve such matters if it wishes to turn its future plans into a functional reality. "Ultimately, the construction of the Gwadar port acts as a litmus test for Pakistan's ability to operate on a consensual basis with the Baluchis and to convert the port from a vulnerable link to an impregnable cornerstone of the Sino-Pakistani friendship."³⁷ At present, however, President Hu stated that the recent killings would not affect relations between the two countries, though he strongly hoped that Islamabad would be able to provide for the safety of the Chinese working in Pakistan.

Moreover, while Chinese officials have publicly stated their interest in turning Gwadar port into a transit terminal for crude oil imports from Iran and Africa to China's Xinjiang region, separatist violence in Xinjiang continues to threaten this process. The displacement of Uighers from Urumqi, Xinjiang's capital, is drawing fire, as

³⁶ Balochistan's Sui gas reserves, for instance, meet 38% of Pakistan's energy needs, but only 6% of Balochistan's 6 million people have access to it. The royalties Balochistan receives for its gas are very low, especially when compared with what other provinces receive. Sudha Ramchandran, "China's pearl loses its luster", *Asia Times Online*, 21 January 2006

³⁷ Haider, "Baluchis, Beijing, and Pakistan's Gwadar Port"

they accuse the Chinese government of "hanification" of Xinjiang. As one form of protest against Beijing, the Uighurs have threatened to target Chinese workers at Gwadar.³⁸ Thus, the realization of the economic and strategic objectives of the agreements signed between China and Pakistan, and the successful completion and operation of the Gwadar port could be hampered or stalled by violence in Balochistan and Xinjiang.

These internal challenges are further flanked by external challenges where, for example, to counter Sino-Pak collaboration, India has brought Afghanistan and Iran into an economic and strategic alliance. Iranians are already working on the Chabahar port in Sistan-Balochistan which will be accessible for Indian imports and exports, with road links to Afghanistan and Central Asia. India is also helping to build a 200 kilometre road connecting Chabahar with Afghanistan whereby it can use this access road to the port for its imports and exports to and from Central Asia.³⁹

Sino-Pak relations have endured unrelentingly in the area of defence co-operation, as high level military exchanges continued through the year, and subsequent deals were signed between the two countries. Pakistan however, was perhaps a little disappointed on the aspect of nuclear co-operation, and full membership to the SCO, with no significant changes in China's already existing stance. Nonetheless, President Musharraf's visit to China had great symbolic

³⁸ Sudha Ramchandran, "China's pearl in Pakistani waters", *Asia Times Online*. 4 March 2005.

³⁹ Haider, "Baluchis, Beijing, and Pakistan's Gwadar Port"

value in reminding both India and the United States that close co-operation between Beijing and Islamabad was to continue undeterred.

The most interesting aspect of developments in the past months is the emphasis on trade and energy co-operation, especially on Pakistan's part. It would appear that Pakistan is attempting to create a new strategic framework, outside military co-operation, through economic co-operation which could further cement the Sino-Pak friendship. If the Gwadar port project does fructify Pakistan will be almost guaranteed a further "all weather relationship" with China for many years to come, with the extension of the Karokaram highway serving as a symbol of this calculated friendship. Pakistan would gain tremendous strategic leverage against India, the U.S, and generally in the region. It could become a trading centre for the region and receive substantial amounts of FDI to facilitate domestic development. For China, Pakistan could emerge as an energy hub as well as a low end manufacturing centre. Close relations with Pakistan will also further empower China with a certain amount of bargaining power in its dealings with the US, especially as the US believes, as stated in the Pentagon report *Energy Futures in Asia*, that China is adopting a "string of pearls" strategy of bases and diplomatic ties stretching from the Middle East to southern China that includes a new naval base under construction at Gwadar.⁴⁰

. However, these prospects for the future remain a big question mark,

where success will lie in the hands of the Pakistani leadership and its desire and ability to control separatist violence, as well as co-ordinate centre-state relations. This will be especially interesting to watch out for if there are, in fact, any changes in the Pakistani leadership with former Prime Ministers Benazir Bhutto and Nawaz Sharif promising to return for the 2007 general elections

⁴⁰ "China builds up strategic sea lanes", *The Washington Post*, 18 January 2005.