

PAKISTAN IN CHINA'S STRATEGY AND THE PROSPECTS FOR REGIONAL COOPERATION

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For more than three decades, from the end of 1950s till the beginning of 1990s, China had pursued a policy of "restrained tension" in its relations with India. The border and territorial disputes and conflict of interests in the cross zone of their control over the Himalayas had culminated in autumn 1962 in a short and thoroughly victorious war for Beijing.

Throughout the period Pakistan had the privilege of being the chief partner of the People's Republic of China in South Asia. In the 1990s, however, the Beijing policy towards the region began to change. The improvement of relations with India was demonstrated by the official visit of the PRC Chairman Jiang Zemin to India in 1993. Two agreements signed in 1993 and 1996 have increased the measure of mutual confidence and helped to ease considerably tensions along the lengthy border in the Himalayas. During the year following the underground tests of nuclear devices conducted by India in May 1998 and written off at the expense of a 'menace' from China the relations remained cool but since 1999 they have improved considerably and can be characterised now as a competitive cooperation or even partnership, that is, collaboration and joint efforts in certain meaningful areas of international economics and politics and rivalry of a somewhat subdued nature in some others.

The relations between China and Pakistan in the 1990s were affected adversely due to support rendered by Islamabad to the Taliban movement in Afghanistan and to groups of Islamists in Central Asia. China was concerned with the situation in its Xinjiang-Uyghur region bordering on Central Asia. She tried to forestall the spread of separatist and Islamist sentiments among the native population of its north-west and considered the activities of clandestine international organizations such as the Osama bin Laden's 'Al Qaeda' as a definite threat. Beijing was disturbed by the information that Uyghurs were among those trained at some religious seminaries and militants' camps in the mountainous areas of Pakistan and Afghanistan.

After September 11, 2001, Pakistan has made a U-turn in its policy towards the Taliban and helped the international coalition led by the US forces to wipe out their powerbase in the neighbouring country. The improvement of relations

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with Beijing was one of the fortunate consequences of this change in the Islamabad policy.

The results of the renewed phase of cooperation became evident already in 2002 when the People's Republic of China started giving massive help in the construction of a new Pakistani port Gwadar on the Makran coast. Gwadar is located at a distance of some 100 km from the border with Iran and approximately in 400 km to the east from the Strait of Hormuz. Plans for developing Gwadar as a large 'deep-water' port have existed since 1964. However, Pakistan had no funds to start the project and no international support.

Karakorum Highway

The importance of developing a port on the Makran coast had increased after China and Pakistan built in cooperation the Karakorum highway connecting the Chinese Xinjiang-Uyghur region with the Northern Areas of Pakistan and via it with the main Pakistani network of highways. The construction which began in 1967 and ended in 1984 was rightly considered to be a historic achievement as the highway crossed the Karakorum range by the Khunjrab pass at the altitude of some 5000 m above the sea level. The Highway served the two countries well in the 1980s in the military-strategic purposes. However, it had a narrow roadbed and during approximately half a year was closed because of weather conditions.

Although ineffective in certain respects the Karakoram highway was of great symbolical value serving as a physical link between East and South Asia. It proved to be the first sign of the revival of a southern route of the Great Silk Road, which existed in antiquity between the old Chinese and pre-Muslim Indian civilizations connecting them with the Central Asian steppes, on the one hand, and the maritime routes leading to the Hellenistic Roman-Byzantine Near East and Europe, on the other.

The construction of the Karakorum highway was considered by India as a strategic threat, a pincer movement aimed at her northwest backyard. However, the Indian protests was of no effect. But in the mid-1980s Pakistan itself hepled to diminish the role of the Highway. Its military ruler General Mohammad Zia-ul-Haq, well known as a devoted Muslim, while visiting the Xinjiang-Uyghur autonomous region asked the Chinese authorities to reopen famous mosques in Kashgar and Urumchi, which for a long time remained closed. As this was done to please an ally in the struggle against the Soviet presence in Afghanistan, the decision was later believed to be one of the reasons for the renewed interest in religion among the local population and for strenghtening the influence of militant groups. The traffic through the Karakorum Highway became strictly controlled and only in 1993 the Khunjrab pass was opened for local cross-boundary trade. The volume of cargoes transported through it till the end of the 1990s was believed to be equal to some 1-3 million US dollars only. But after the above mentioned U-turn in the regional policy of Islamabad and the change

to the better in the internal situation in the Chinese north-west the Karakorum highway has swiftly turned into a busy trade route although the bulk of the bilateral trade between Pakistan and China is still carried over by sea through the port of Karachi.

By 2001, the volume of the merchandise trade between the two countries has reached one billion dollars, and during the next five years had increased almost six times. We may conclude that the increase of trade through the Karakorum pass had been at least equal to that. This fast growth fits well into the general context of the Chinese move from the Xinjiang in the southwestern direction.

It is no accident that Beijing had invited the president of Pakistan General Pervez Musharraf to make official state visits three times in the last four years, in 2002, 2003 and in February 2006. In 2004, and once again in April 2007 Pakistani Prime-Minister Shaukat Aziz visited China. The Chinese heads of state and government visited Pakistan less often and usually combined these trips with visits to India. In spring 2001 and 2005 Chinese Premiers Zhu Rongjii and Wen Jiabao came to Pakistan. During the latter visit the two sides signed an Agreement for friendship and good neighbourhood and concluded 22 Memorandums of Understanding in different spheres including defense, trade and economic cooperation.¹ Chairman of PRC and head of the Communist party Hu Jintao visited Pakistan in November, 2006.

Although Washington had elevated Pakistan to the status of its major non-NATO ally (in the struggle against terrorism), Beijing went on to cultivate diverse military-technical cooperation with Islamabad. The two parties started the manufacture of multi-role JF-17 fighter aircraft (a class of American F-16), having reportedly supermodern Russian engines. The work is in progress in Karachi on building two powerful frigates of Chinese design with three more such frigates already purchased by Pakistan. Islamabad is buying in China aircrafts, ammunition and other military goods.²

The strategic purposes by no means, however, are the only determining factor behind the recent rise of bilateral contacts between China and Pakistan. The direct Chinese investments in the Pakistan economy by the end of 2004 were estimated to be worth of 4 billion dollars and since then have definitely increased. Over 100 economic undertakings are being run with the help from PRC. About three thousand Chinese managers, experts and construction workers are working Pakistan. By the beginning of 2006, the number of Chinese firms in

¹ "Pakistan, China Sign Treaty of Friendship"//**Dawn**, 06 April 2005, at: www.dawn.com.

² T. Niazi, "Thunder in Sino-Pakistan Relations"//**The Jamestown Foundation China Brief**, Vol.: 6, 5 (March 02, 2006).

Pakistan has grown to 360, and they have made up, according to some estimates, for more than half of all foreign companies.³

Port of Gwadar

The main area of joint efforts is, no doubt, the construction of the Gwadar port. The Chinese had initially agreed to participate in financing of both the first and the second phase of the port construction, and provided up to 80 % of funds needed for the first stage. By 2003, the deepening of the Gwadar bay has allowed huge Chinese sea vessels to berth at Gwadar bringing heavy cargo for the construction of the port. By 2006, the Chinese have invested 200 million dollars while Pakistan spent 50 million (nearly 3 billions of Pakistani rupees).⁴

The construction of Gwadar and carrying out some other related projects have met with certain difficulties. The two factors have to a large extent contributed to that. Firstly, it was the volatile and restless condition in the province of Baluchistan where the port is located, and secondly, the inadequate efficiency of the Pakistani construction firms and numerous contractors due to, in no small degree, corruption of government officials and sluggishness of the bureaucratic machine.

Baluchistan since the birth of Pakistan in 1947 was a troublesome area. The sparsely populated territory, belonging topographically to the Iranian plateau, the province was historically and culturally closely connected with the Persian-Afghan world. The area home to the semi-nomadic Baluch tribes spreads nowadays over not only Pakistan, but also the south of Afghanistan (Helmand province) and west of Iran (Seistan and Baluchistan province).

The political movement aspiring at wider autonomy passed through a number of stages, peaked in 1974-1977, became dormant since then to experience a revival only in the beginning of the current century. The intensification of guerilla war resulted in a series of acts of terrorism including the attacks on government officials, gas pipelines explosions, grenade shelling etc. In retaliation, the Pakistani authorities have brought additional army contingents into the province, starting the multipronged counterterrorist actions. The leading part among the opposition was traditionally played by the tribal, nationalist and leftist organizations. In tactical purposes certain elements among the opposition could have coordinated their actions with the Afghan Islamists who have regrouped by 2005 and started a new resistance struggle against the

³ "PM Outlines Incentives for Chinese Investors"//**The News International**, December 18 2004, at: www.thenews.com.pk; "Pakistan an Emerging Economic Hub, Says Musharraf"//**Dawn**, February 24, 2006, at: www.dawn.com

⁴ S. Ramachandran, "China's Pearl in Pakistan's Waters"//**Asia Times Online**, Mar 4, 2005, at: www.atimes.com

Afghan authorities backed by the international and US forces and against the Pakistani army as well.⁵

The construction of the Gwadar port as well as some other sites of the Pakistani-Chinese cooperation (in particular building of a highway running from Karachi to Gwadar parallel to the coastline named the Makran Coastal Highway) became one of the targets for the militant opposition. There were victims among the Chinese working in the province. In May, 2004 three of them were killed and nine wounded in Gwadar. In same October in Quetta terrorists killed several Chinese nationals. In February 2006, three Chinese experts perished in Gwadar. The above mentioned visit of President Musharraf to China took place almost right after the incident. One of its aims was evidently to smooth down the negative impression produced by the acts of terrorism and sabotage and to convince the Chinese government not to reduce the scope of cooperation with Pakistan. In addition the problem of delay in the completion of the initial phase in the construction of the Gwadar port became acute. Three first ship berths were scheduled to be built by the beginning of 2006. According to the Chinese, the Pakistani contractors have failed to complete their part of work in time and the construction work was 7-8 months behind the original plan. The China Harbour Engineering Company as the chief Chinese project operator had one time sought \$ 1.6 million as penalty from the Pakistan government as it had delayed execution of the project due to the fault of Pakistani counterparts

Some of these obstacles have been largely overcome by the end of 2006. The law and order situation in Baluchistan had improved since one of the chief figures behind the resistance Mohammad Akbar Khan Bugti was killed in that August during the encounter of the Bugti tribal lashkar with the army. Certain improvements were reported in work on the construction of the port.

The above mentioned official visit to Pakistan by Chairman Hu Jintao in November 2006 had fully met the expectations of the Pakistani leadership. The case of penalty for the delay in the construction of the port was dropped. The two sides agreed on the new timetable for the completion of the first phase of construction. The official ceremony of the inauguration of Gwadar was scheduled for March, 2007, and the full commissioning of the Phase 1 earmarked for the end of the year.⁶

During the visit Pakistan and China confirmed their intention to begin the execution of works on expanding the breadth of the Karakorum highway

⁵ Z. Haider, "Baluchis, Beijing, and Pakistan's Gwadar Port"//**Georgetown Journal of International Affairs**, Winter-Spring 2005, p. 97. **Pakistan: The Worsening Conflict in Baluchistan. International Crisis Group Asia Report** No. 119, 14 September 2006, at: www.crisisgroup.org.

⁶ "A Very Important Friendship. Editorial"//**The News International**, 26 November 2006, at: www.thenews.com.pk; "All-weather Pakistan-China friendship"//**People's Daily Online**, 22 February 2006, at: <http://english.peopledaily.com.cn>

roadbed from 5-15 to 15-30 metres. The cost of the project which will be largely carried out by the state owned Chinese Roads and Bridges Construction Corporation was estimated to be \$ 794 million.

Moreover, the Pakistani president expressed his support for a plan to build a Karakorum railway. The Chinese leader did not reciprocate fully mentioning that at this stage he considers practical participation of Chinese firms in the modernization of the Pakistani rather obsolete railway system from the terminal at Havelian (near Islamabad) up to Karachi with a branch built to Gwadar.

Even without taking into account these gigantic plans of cutting through the highest ridges in the world, even the modest expansion of capacities of the existing trade and transport corridor between the north of Pakistan and northwest of China is expected to contribute to the increase of trade volume between the two countries. By 2008, the bilateral trade may grow to 8 billion US dollars (from \$ 4. 26 billion in 2005), and during the next five years to 15 billion. The Free Trade Agreement signed by Pakistan and China in November 2006 provides a fillip for such a sharp rise.⁷

Energy Dimension

The trade and transit element of the formation of the southwestern arch of 'the Greater China' is supplemented and strengthened by the energy component. After the execution of all the plans the Gwadar port would have a total of 12 sea terminals. Three of them are specifically designed for oil tankers. Overloaded from them to special trucks and railway cars crude oil can be carried over through the Pakistan territory to China.

It is necessary to mention here the existing plans for the construction of a large oil refinery with the yearly capacity equal to 10.5 million tonnes in the Gwadar port area. The Chinese officials have already expressed readiness to participate in the refinery construction. According to the information published in Pakistani papers, China is ready to invest up to 12.5 billion dollars in the petrochemical complex at Gwadar. In future the refinery's capacity could grow to 21 million tonnes, and the construction of one more refinery would increase the processing capacity of the industrial zone in Gwadar up to 30 and 40 million tonnes of crude per year.⁸

In the beginning of 2007, the development of the Gwadar port and its commercial and industrial area became a matter of more certainty. The Pakistani government has decided to give the management control of the port to

⁷ **Pakistan-China Signs Free Trade Deal**//Nov. 24, 2006 (China Knowledge), www.chinaknowledge.com

⁸ S. Fazl-e-Haider, "Gwadar and Oil Politics"//**Dawn**, 15 January 2007, at: www.dawn.com; "Biggest Oil Storage in Region"//**The News International**, 20 January 2007, at: www.thenews.com.pk.

the Port of Singapore Authority International (PSAI). The company is the largest operator of ports throughout the world from Singapore to Holland. All in all it oversees the management of 20 ports in 11 countries. PSAI has agreed to invest some 4 billion dollars in the construction of Phases 2 and 3 of Gwadar. Though China, according to Prime Minister Shaukat Aziz, “did not apply”, her interest in the port and influence over the decisions related to it remain formidable.

Trade, transit and economic value of Gwadar and of Baluchistan as a whole should not be seen as limited to only one direction from the Chinese northwest to Pakistan. The Gwadar port area may be easily connected by roads with highways leading to Iran and Afghanistan. A road is being built already running roughly parallel to the Pakistani-Iranian border to join the highway stretching from Karachi to the Iranian border and further up to the Iranian city of Zahidan. The existing transport facilities link Zahidan with the ‘capital’ of southern Afghanistan the city of Kandahar. The city is connected by a ‘circular Afghan highway’ with Central Asia via the cities of Mazari-Sharif and Kunduz. The Afghan highway is now being repaired and reconstructed with the help of the World Bank and other international organizations as well as some western governments preeminently the US. Thus the cargo from Gwadar may find its shortest way to Central Asia through Iran and Afghanistan. This among other things means involving of Iran and Afghanistan in the southwestern extension of ‘the Greater China’. A big part of crude oil which China imports from the Persian Gulf zone is made up of Iranian oil. In 2004 its share was equal to 13.6%. According to estimates for the next year the Iranian share has further increased and Iran has become the largest single supplier of oil to China. Moreover, Beijing has shown keen interest in developing the new highly prospective deposits opened in Iran, first of all, the Yadavaran oil field with estimated reserves of 2.7 billion tonnes. The agreement on the participation of China in the project was reached in 2004, while the contract was signed in 2006. The international consortium for developing Yadavaran comprises of the state China Petrochemical Corporation (SINOPEC) (51% of the capital), the state owned India’s Oil and Natural Gas Limited (ONGC) (25%) and Shell (20%). The consortium is planning to produce 7.5-15 million tonnes by 2009. One more promising project is the development by China of a large Northern Pars natural gas field. The huge \$ 20 billion deal may be finalized in 2008. Pars is a unit of state-owned National Iranian Oil Company and if the agreement is reached the field will be developed by China National Offshore Oil Corporation (CNOOC)⁹ Long-term plans include also construction of an oil pipeline 386 km in length from Iran in the northern direction to Turkmenistan and Kazakhstan and joining it with the Kazakhstan-Chinese oil pipeline. This would constitute a

⁹ A. Maleki, **Iran and China: Dialogue on Energy**. Harvard University, 15 May 2006, at: besia.ksg.harvard.edu, PDF Format, p. 30.

wide arch, allowing to avoid the dangers of transportation of hydrocarbons by sea.¹⁰

Beijing in addition seems to approve of the scheme for constructing a natural gas pipeline from Iran to Pakistan and then to India. For several years already, since easing of tensions in Pakistani-Indian bilateral relations in 2003, the project is in a stage of finalizing. The cost of construction is nowadays estimated to be 7.3 billion dollars. Despite of the constantly growing cost the governments of the three countries declare readiness to start its realization. The main obstacle remains the opposition to it of the USA because of the Iranian nuclear program and the American desire to punish Iran. In the beginning of 2007, Islamabad openly rejected the US interference into the matter, possibly not without encouragement from China. The Pakistanis together with the Indians have held a series of negotiations with the Iranian side as they could not agree on the price of gas fixed by Iran, but, eventually, the compromise was nearly found.¹¹ The tripartite cooperation project can in future include China as it is hypothetically possible to build gas pipelines to it from India or Pakistan.

It is well known that India and Pakistan compete in a number of areas, one of them being the reconstruction of the Afghanistan economy and generally in programs of integration of the South Asian region with Central Asia. Thus, to counterbalance the development of the Gwadar port India helps Iran to enlarge the port of Chahbahar located near the mouth of the Persian Gulf. Teheran and New Delhi are known to envisage the upgrading of the road from Chahbahar to Zahidan with an outfit to Afghanistan (Helmand and Kandahar). Despite of the competitive nature of some of these projects, reflecting the Indian-Chinese rivalry as well, the availability of a number of routes connecting the coastal and mainland areas of what can be termed Middle Eurasia is hopefully conducive to the objectives of developing the macroregional economy as a whole.

CONCLUSION

The speedily growing economic and strategic potential of China creates a broad geographical sphere of interaction around it. The Chinese progress is peculiar in two aspects. The first being a combination of modern machinery and technology with abundant cheap and disciplined labour that allows a breakthrough in opening up of desert and mountainous areas. The second one is the dependence of China on the import of energy resources, primarily crude oil at this stage and natural gas in the nearest future.

Both these features contribute to the formation a 'region of co-development' around China which spreads in different directions to the north and north-west,

¹⁰ "Iran Sees China Gas Deal Taking Year to Sign"//**Reuters News**, 12 February 2007, at: [www.uofaweb.uzalberta.ca K. Afrasiabi. China's energy insecurity and Iran's crisis//Asia Times Online](http://www.uofaweb.uzalberta.ca/K.Afrasiabi.China's%20energy%20insecurity%20and%20Iran's%20crisis/Asia%20Times%20Online), 10 February 2006, at: www.atimes.com

¹¹ "IPI Deal Close, Says Aziz"//**Islamabad**, February 18, 2007. www.reuters.com

as well as to the south-east and south-west from its borders. The creation of a corridor running from the Xinjiang-Uyghur autonomous region across the Karakorum range to Pakistan and the Arabian sea (the Persian Gulf) may turn into one of the major outlets for the Chinese economy. It is quite important for China strategically as well.

It seems curious, that the Chinese (not much advertised) intentions to get a south-western extension of its growing economic and power projection do not at this historical stage contradict sharply with the American plans of conceiving 'Greater Central Asia'. The attempts made by the USA and its NATO allies to bring peace and establish order in Afghanistan seem to be not matched enough with reconstructing the country's economy and solving its social and human problems. One should not exclude a possibility that in some three-four years the Western forces would leave Afghanistan after strengthening her national army and security forces. In this case China, alone or in cooperation, may come to feel the vacuum and bring its capital, expertise and labour to continue the process of uplifting Afghanistan.

The present efforts of international community to maintain stability and create conditions for peace and tranquility in Afghanistan are undoubtedly in the national interests of Russia as well. Moscow agrees with any intrusion of external forces in Afghanistan and the adjacent region which is not aimed at her replacement in Central Eurasia (Central Asia and South Caucasus). Moscow considers Central Eurasia to be its historically rooted sphere of influence, a part of 'Greater Russia'. As in the case of other imagined 'extended regions' this vision does not suggest the exclusiveness of Russia's presence there. Rather, it supposes multilateralism in dealing with regional problems, complementarity of her efforts with endeavours of other powers and regional states themselves. Due to certain objective reasons the centre of Russia's power and economic gravity shifts inexorably from west to east, making Middle Eurasia, spreading to the south from the Siberian borders, a focal dimension in her foreign regional policy.

Presently, all the 'megaregional' projects in Eurasia do not seem mutually exclusive. They fit neatly into the notion of 'open regionalism', supplementing each other despite containing grains of competition and rivalry. Juxtaposition of schemes for regional cooperation results in 'competitive cooperation' promising gains to all parties although not necessarily equal. The model of such competition in cooperation corresponds with the policy of 'cooperationist security' in contrast to 'collective security', having one leader.¹²

¹² A. D. Voskresensky. "Bol'shaya Vostochnaya Aziya": **Mirovaya Politika I Energeticheskaya Bezopasnost**. Moskva, 2006, p. 110.

In the end, it is necessary to emphasize that the process of economic transformation of vast landmasses in Inner Asia is still in its initial stage. Schemes for connecting northern and southern parts of Eurasia have existed from the beginning of the 1990s. Not only the topography but politics interfered to make those plans difficult for realization. Nevertheless, despite obstacles, binding together of regions and formation of ‘macrospaces’ will presumably go on.

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