

Chinese Premier Wen Jiabao's visits to Pakistan and India

Amna Yousaf Khokhar

"The steadfastness of the pine tree is shown in the frigid winter; the strength of a horse is tested in a long journey. China and Pakistan are all-weather strategic partners. We are good brothers sharing weal and woe. Together, we have traveled a hard yet glorious journey. Looking ahead, let us work hand in hand and build with firm confidence a bright future for China-Pakistan relations."

--- Premier Wen Jiabao in address to the Pakistan Parliament

In pursuit or protection of power, wealth, identity and order, states adjust and re-adjust their policies to achieve maximum benefits from the prevalent international order. The pursuit of wealth or economic power, as Kaufman suggests, can lead to the emergence of new economic systems and how these systems drive political changes (regional and international) remain imperative; and sometimes, beyond analysts' capacity to forecast an outcome of a certain partnership or an alliance, particularly when it is between/among belligerent states.

The post-World War II era has seen massive economic development across the globe. The pursuit of economic wealth, in this era of vast technological and economic development, has led to the emergence of an economic system where archrivals are finding themselves deeply-interdependent economic partners; their survival is closely knitted together. However, it remains debatable whether economic interdependence leads to peace or war and whether the policy of cooperation (being practiced by states in their pursuit of wealth) overshadows their ambitions of 'dominating' the other. According to Dr. Henry Kissinger, the advancement in communication and technology has sharply changed the nature of the international political environment from ideological to one based more on economic considerations. He says the present International Economic Order (IEO) is based on four principles: (a) Open and Expanding Trade; (b) Free Movement of Investment Capital and Technology; (c) Readily Available Supplies of Raw Material; and (d) International Cooperation.

The analysts are clear about the effects of economic cooperation on the western world. It has led to the emergence of an economic system where peace prevails. Scholars like Dale Copeland suggests that 'as long as the future trade expectations are good', economic cooperation or interdependence will outdo chances of possible conflict eruption and vice versa. However, when it comes to the 'Third World', theory largely fails to explain the notion. In case of the Third World, there are other variables as well like 'Strategic' and

'*Security*' concerns that continue to dominate states' politics and hinder economic growth and prosperity.

The Sino-Pak-Indian trilateral relations are no different. In an attempt to balance the power in the region against mutual rival India, Pakistan and China entered into an all-weather friendship in the 1960s. However, the pursuit of wealth/economic prosperity changed the whole equation and China inched closer to India by moving towards a rapprochement in the 1980s. The changing trends of global economic system further brought them closer and now the two are destined to emerge as the largest economies of the world within next twenty to twenty-five years. Dr. Kissinger's four principles help explain ever-increasing cooperation between China and India. Nevertheless, as mentioned above, the security and strategic variables remain an obstacle.

As the detailed theoretical and empirical analysis of the Sino-Indian economic interdependence and chances of war or peace go beyond the scope of this paper, I will restrict my analysis to the most recent development i.e. the Chinese Premier Wen Jiabao's December 2010 visits to Pakistan and India.

The paper will analyze Chinese Premier Wen Jiabao's visit to the two South Asian neighbors and attempt to highlight the expectations, gains, concerns/apprehensions and future prospects of the visit, which was as significant politically and economically as strategically.

Jiabao's visit to South Asian Nuclear Rivals

Mid-December, Chinese Prime Minister Wen Jiabao paid two high-level visits to time-tested friend Pakistan and arch rival-cum-economic partner India. The visits reflected Chinese foreign policy shifts from being 'responsive' to 'proactive' and Premier Wen adroitly played the politics of the neighbor and pursued cohesive economic policy. On one side, he reaffirmed Chinese commitment to further enhance multi-dimensional bilateral relation with Pakistan that are characterized as strategic; and on the other it conveyed the government's 'prudent' and 'pro-active' stance of pushing forward long-term mechanisms to ensure economic development and, hence, the business community's intention to further boost economic partnership with India, the emerging economic power next door.

The timings of the visits are of particular importance. *One*, they came at the onset of sixty years of Chinese diplomatic relations with Pakistan and India. The year 2011 has been called as the year of celebrations for the establishment of sixty-year of relations. However, for India this diplomatic establishment remains an "*Exchange*" instead of "*Friendship*", as in the case of Pakistan. *Second*, the visit to India came in close heels after President Barack Obama's and French President Sarkozy's. The importance of strategically-vital region was, nevertheless, demonstrated more strongly in the Chinese Premier's visit than the western leaders could. They did not visit Pakistan even though

these developments had indirect implications for Islamabad. Also, the Indian visit followed one to China by Indian President Pratibha Patil in May, the first by an Indian head of state in a decade and after 14th rounds of bilateral discussions on their disputed border.

In the following section, the Chinese Prime Minister's two visits are being analyzed separately.

❖ INDIA

Chinese Premier Wen Jiabao paid a three- day visit to India from December 15th to 17th. The visit was part of the Chinese “pro-active” and “prudent” policy to take Indian business community into confidence, allay the Indian government's concerns and apprehensions and pursue economic welfare of the state with strategic care. It is a well-known fact that China's international economic policies are an extension of its domestic policies. While the Chinese leader remained ‘forthcoming’ and ‘upbeat’ throughout his visit, India, expectedly, pursued the policy of ‘wait-and-see’. New Delhi, aware of its growing economic weight, was more in mood of ‘gaining maximum’ than ‘give-and-take’. Whereas, the strategic hardliners continued to push the Chinese leader for commitment on the disputed territory in an attempt to gauge any change, if there is at all, in the Chinese stance on the controversial subject for future policy formulation.

Expectations:

Ahead of the visit, which was taking place soon after the visits to India of Obama and Sarkozy's, the Indian media described it as “ground-breaking visit taking place amid tensions and apprehensions” [4], “very important state visit” [3], and a “big event ... (aimed) to build mutual trust and expand bilateral trade” [6]. Some pegged high expectations that a large number of agreements and MoUs would be signed as the Chinese Premier was coming with a delegation of 400 businessmen. Indian media reported that the bilateral deals would reach a value of US\$20 billion. [2] Another ‘reciprocal’ expectation was China's willingness to open banks in India as the former already has about ten banks operating in China. [3] Beside, the expectations were that the slew of commercial deals will help smooth trade relations between the two emerging economies [9], discussions would also cover border dispute, talks would address the stapled-visa issue and, thus, some progressions on the issues are likely to be achieved.

The Chinese media, on the other side, portrayed a positive picture of the forthcoming visit and avoided playing numbers' game by keeping focus on the value of economic deals to be signed. On the political front, the Chinese officials agreed to the

reports that the talks would also cover border disputes, visa issue as well as growing Indian concerns over trade imbalance between the two states. Zhang Yan, Beijing's ambassador in New Delhi, said that the two countries "work together as a world factor". [9] He was hinting towards discussions covering a whole gamut of issues pertaining to bilateral and international concerns. Ahead of the visit, Beijing pitched the relationship as a 'friendship from generation to generation'. [10]

Gains:

The number of business delegates, accompanying Premier Wen, surpassed President Obama's business team and so did the static worth of agreements signed during the visit. The strength of US President Barack Obama's delegation was 215, French President Nicolas Sarkozy's was more than 60 and British Prime Minister David Cameron's was about 40. [12]

- They designated the year 2011 as "India-China Exchange" to celebrate sixty years of diplomatic relations.
- About fifty commercial agreements and deals worth US\$16 billion were signed by the companies in power, telecommunications, steel, wind energy, food and marine products. The number was four billion dollars short of what had been expected ahead of the visit. However, it overtook the US\$10bn of agreements signed between Indian and American business people during President Obama's visit. [12]
- The other signed agreements included Programme of Cultural Exchange for the years 2010-2012 and five Memorandums of Understanding (MoUs) on Cooperation in Green Technologies, Media Exchanges, Provision of Hydrological Data on the Sutlej River in Flood Season by China to India, MoU between the Reserve Bank of India and the China Banking Regulatory Commission and MoU between Export-Import Bank of India and China Development Bank Corporation. [13]
- Other positives on the economic side were Strategic Economic Dialogue, and the creation of
- CEO's Forum to deliberate on business issues.
- In the joint communiqué, the two sides welcomed their "peaceful development and regarded it as a mutually reinforcing process."
- They decided to enhance strategic communication, advance functional cooperation, enrich Strategic and Cooperative Partnership for Peace and Prosperity, hold regular consultations between the Prime Ministers of the two countries and
- Set a new bilateral trade target of US\$100 billion 2015. [14]

Apprehensions:

Where the visit received much publicity, largely owing to its strength and huge expectations built by the mainstream Indian media, it failed to satisfy the core Indian strategic community and, equally, the liberal business community. It failed to address India's apprehensions and concerns. "Nothing gained, Nothing given", "Great wall of suspicion persists" is how some Indian newspapers described the visit as Premier Wen left for Pakistan. [16]

- In the economic sector, India was expecting to sign deals worth more than US\$20 billion. Although, there is a gap of only four billions, the media in the follow-up reports expressed India's discontent and disappointment.
- Two MoUs were signed in the financial sector between Indian and Chinese banks but Beijing did not reciprocate Indian bid of opening banking space to New Delhi. An RBI's Committee on Financial Sector Assessment (CFSA) had recommended to the Indian government to open the banking space to foreign players only on the "reciprocity" base. Currently, ten Indian banks such as the SBI are operating in China. [3]
- The bilateral trade target of US\$100 billion is very ambitious and promising for the economic development of the two states. In fact, it was the biggest story on the India-China front. Nevertheless, the Indian side is less enthusiastic and more apprehensive; the reason being huge trade imbalance on the Indian side. The issue was raised during the visit but as such no policy or measure was adopted or recommended to overcome the ballooning trade deficit. India's trade deficit with China is by far the highest among its trade partners and could touch US\$25 billion, which would account for around a fifth of India's total expected annual deficit. [17]
- No progress could be made on the Free Trade Agreement owing to the Indian trade deficit concerns.
- On the political front, China also failed to address the Indian concerns on the distinctive stapled-visa-policy granted to the people from India-held Jammu and Kashmir. However, in a significant move, Premier Wen Jiabao acknowledged it to be an issue that needed resolution through consultations. [15]
- China, from the Indian point of view, remained uncommitted on Indian concerns about the Pakistani side of Kashmir and development of infrastructural projects in the area. [16]
- China's stance on Indian bid for UNSC permanent seat and Kashmir remained the same.
- The Chinese dam on River Brahmaputra.

Future Prospects:

It is not easy to define precisely the Sino-Indian relations as the economic forces are becoming more dominant and stronger and, in tandem, strategic culture continues to dictate the foreign policy- making of the two states; India, in particular. After the visit it can be said that the Sino-Indian relations are 'less than rivalry' but 'more than friendly competition'. "It's a status quo of a type, which is not very stable", is how Sujit Dutta, a scholar at Delhi's Nelson Mandela Centre for Peace and Conflict Resolution, describes the Sino-Indian relations. [18] While, China views New Delhi as an economic partner, Beijing continues to be seen as an enemy by the Indians. A wall of suspicion and mistrust, with 'Pakistan' written on it in red, continues to keep them apart. The growing economic partnership, on the other hand, makes intense competition inevitable. The partnership which started with collaboration in sectors like IT (China expert in Hardware and India in Software) is leading them towards intense competition as China is investing in software industry as well.

The visit indicates that the Sino-Indian bilateral relations will continue to grow in the economic sector but the strategic rivalry (short of conflict) would remain intact.

❖ **PAKISTAN**

The all-weather relations of Pakistan and China, as has been correctly described by them, have been surviving through the ups and downs of regional instability and dynamics of international politics. The visit of Premier Wen Jiabao to Islamabad from December 17-19 was another demonstration of unabated friendly relations between the two neighbors. Nevertheless, diplomatic mood was not as upbeat as had been widely reported and demonstrated equally. Behind the optics of time-tested bilateral relations, a sense of uncertainty and frustration prevailed. Pakistan's growing security alliance with the US, internal political instability, poor law and order situation, and concerns on the growing Sino-Indian relations are some of the reasons. Instead of seriously gaining the maximum from its economic-giant friend, Pakistan remained wondering if it can optimize its advantage from the possibilities offered by China in the economic sector. China, on the other hand, vehemently reaffirmed its commitment and desire to further enhance relations with Pakistan. However, it came as a disappointment for Pakistani hardliners when the Chinese leader did not mention Kashmir throughout his stay in Islamabad; whereas, Pakistan frequently voiced support to 'One-China' policy. But, in tandem, China did not succumb to the Indian concern on stapled-visa-policy, which reflects Chinese taking on Kashmir issue and unfetters Pakistan's worries.

Expectations

Like any other visit, ahead of Premier Wen Jiaba's visit, higher expectations were located in an environment of assured trust and confidence – a notion seriously missing in Sino-Indian relations. While, India looked for ways to overcome growing trade

imbalance with China, Beijing in Islamabad looked for serious and meaningful discussion on measures to enhance bilateral business and trade cooperation. It appears the Pakistanis are less bothered by huge trade deficit with China than the Chinese are. Pakistan's ambassador to Beijing, Masood Khan, said that the trade in first nine months of 2010 saw an increase of 29 percent and it could exceed their 2015 bilateral trade volume target of US\$15 billion. [11] The projected and actual trade figure is only a peanut of what China and India share. Also, a major breakthrough was expected in the banking sector as it was reported that Premier Wen will open a branch of the Industrial and Commercial Bank of China (ICBC) in Pakistan; India, too, had similar expectation.

China had shown interest in expanding Pak-China trade in restive Xinjiang region in a bid to bring peace and stability to a region with a large Muslim population. Also, Beijing had offered 36 new projects worth US\$13 million for the flood-ravaged areas of Pakistan, some of which are troubled by Taliban. [19] Pakistan, too, had expected signing of a dozens of agreements and MoUs, of worth that could surpass the ones signed in India. A major focus was the growing energy and economic crises of Pakistan. [20] One of the local newspapers reported that the Chinese Premier would reassure Islamabad that the two countries' energy, military and economic ties will remain tight, despite Beijing's growing relations with New Delhi. [7] Beijing said the visit will 'add vigor and vitality' to ties and intensify cooperation in regional and international affairs. [10]

Gains:

- The two sides designated the year 2011 as "Pakistan-China Friendship" to celebrate sixty years of diplomatic relations.
- Pakistan wanted China to take the Kohala Hydropower project in Azad Jammu and Kashmir, intensely opposed by India. It was expected the agreement in this regard will be signed during the visit. However, the project was never mentioned throughout the visit; although, Ambassador Masood Khan later in his interview referred to Sino-Pak collaboration on Kohala and Neelum-Jhelum project. [22]
- According to the joint communiqué, the two sides agreed to establish currency swap arrangements.
- The Industrial and Commercial Bank of China decided to establish branches in Islamabad and Karachi. The Chinese side expressed readiness to facilitate qualified Pakistani banks to open branches in China.
- The two sides decided to further implement the Framework Agreement between Pakistan Space and Upper Atmosphere Research Commission (SUPARCO) and China National Space Administration (CNSA) on Deepening Cooperation in Space Science and Technology.
- The two sides jointly declared that the second phase negotiations of the China-Pakistan Free Trade Agreement will be launched in the first quarter of Year 2011 to enhance trade liberalization and promote economic and trade growth of the two countries.

- The two sides pledged to work for continuous and all-round progress in the development of the China-Pakistan Free Trade Area, and decided to
- Establish the China-Pakistan Entrepreneurs Forum to strengthen exchanges between their business communities.
- Pakistan decided to establish a Special Economic Zone for Chinese Businesses to attract more Chinese investment in Pakistan.
- The two sides support and encourage border trade to promote common development and prosperity in the border areas. The two sides will explore the possibility of establishing trans-border economic zones and take steps to enhance cooperation in border management.
- The two sides signed 12 Agreements/Memorandums of Understanding US\$15 billion on cooperation in the fields of culture, transportation, economic assistance, media, finance, and energy.
- They planned to more than double bilateral trade to US\$100 billion by 2015. [21]
- China had expressed desire to Infrastructural Development

Concerns:

Whereas mutual trust and confidence are one of the two pillars of Sino-Pak relations, the changing dimensions of regional and international politics have made them prone to certain concerns and apprehensions as well.

Pakistan's concerns and apprehensions have related to the growing Chinese relations with India and their economic partnership, in particular. Beijing's diplomatic support on core issues like Kashmir remains critical for Pakistan. By the time Chinese Premier arrived in Pakistan from India, the number of business delegates had reduced to near 250 compared to 400 in India and it was strongly felt in Islamabad.

On the Chinese side, frustration is mounting on Pakistan's shortfall in the actual implementation of signed agreements and business and trade deals. Pakistan has always been viewing signing of dozens of agreements as a diplomatic victory but only a modest percentage of them have been implemented so far. Pakistan's growing security partnership with the USA is another concern for China.

Future Prospects

Addressing the parliament, Chinese Prime Minister Wen Jiabao said that "Pakistan and China are brothers forever". He at several places acknowledged Pakistan's strategic significance, diplomatic support to "One-China" policy, and supported Pakistan's role in the war against terrorism while acknowledging sacrifices it has made to bring stability to the region. [23]

However, despite all the euphoria, Sino-Pak relations are needed to be handled carefully. For the survival of 'all-weather' cordiale entente, Pakistan needs to pursue its economic goals vigorously and start implementing all the deals being signed with China.

It is important for Pakistan that China continues to extend diplomatic support on core issue. China also needs to develop new strategies for the successful implementation of deals and agreements. No state initiated more anti-dumping complaints with the World Trade Organization against China than India. Although, no such complaints have been made by Pakistan, there are fears in some quarters that excessive import of cheap Chinese products is distorting the market. [24] The Chinese investment in Pakistan has failed to create the expected number of jobs; in Baluchistan province and bordering tribal region, the strategically most vital areas of Pakistan, it has created some discontent because of this factor. It is not clear if the issue was addressed by the Pakistan government during the visit.

What China Gained from the visits?

Major gains from the two important visits were bagged by the Chinese. The focus of the visits was on the economic sector and, despite individual concerns and apprehensions of Pakistan and India, China successfully secured dozens of business and trade deals worth billions of dollars.

The US\$100 billion of bilateral trade target, set with India, is going to benefit the Chinese most. In the last decade, bilateral trade between India and China has risen twenty fold but the trade flows remain heavily weighted in China's favor, with India unable to diversify its basket of exports to China. Despite Indian optimism, it reflected constrains of Sino-Indian relations – the economic cooperation can grow but it seems to lacks the potential to bring any change on the longstanding disputes. Also, the Indians explicitly expressed their growing discontent on the Chinese protectionism, which indicates the Sino-Indian trade competition is no more 'quiet' and can possibly spark tensions (short of conflict) in the future.

In Pakistan, Chinese again signed dozens of deals worth billions of dollars, the number is almost equal to the Indian agreements. Again, for obvious reasons, the deals favor the Chinese interests for the time being because of Pakistan's limited capacity to take full advantage of them. Pakistan's strategic alliance with China remains a matter of satisfaction for Islamabad.

Conclusion:

The visit was, nevertheless, significant for all the three states, especially for the light it shed on the dextrous way China is handling the triangle. It was a milestone in changing the geopolitical equation of the South Asian region as the common backdrop to both the visits was provided by the pace at which extra-regional actors are strengthening

their long-term presence in this strategically vital region and economic forces are increasingly becoming dominant. With great skill China differentiated between its growing ties with India and Pakistan: the former has a strong economic orientation while the latter continues to be a strategic partnership that needs a far more robust economic under-pinning. Much would depend on how Pakistan can take advantage of the new possibilities for enhanced economic cooperation that the Chinese premier sketched out during his visit to Islamabad.

NOTES

1. “China’s strategic highway to Indian border set for completion”, Times of India, 11 December 2010. Stable URL:-
<http://economictimes.indiatimes.com/news/politics/nation/Chinas-strategic-highway-to-Indian-border-set-for-completion/articleshow/7084096.cms>.
2. “China, India expect to sign series of trade deals amid Wen’s visit”, China Daily, 13 December 2010. Stable URL:- http://www.chinadaily.com.cn/bizchina/2010-12/13/content_11695232.htm.
3. “China banks eye India”, Hindustan Times, 13 December 2010. Stable URL:-
<http://www.hindustantimes.com/China-banks-eye-India/Article1-638010.aspx>.
4. “Chinese Premier visits India”, One India, 15 December 2010. Stable URL:-
<http://news.oneindia.in/2010/12/15/wen-jiabao-visit-india-trade-on-agenda.html>
5. “Sino-Indian ties fragile, need special care: Chinese envoy”, Hindustan Times, 13 December 2010. Stable URL:-
<http://www.hindustantimes.com/specials/coverage/jiabaovisit/Sino-India-ties-fragile-need-special-care-Chinese-envoy/newdelhi/SP-Article10-637819.aspx>.
6. “Wen’s visit to India aims to build mutual trust: China”, Hindustan Times, 14 December 2010. Stable URL:-
<http://economictimes.indiatimes.com/news/politics/nation/Wens-visit-to-India-aims-to-build-mutual-trust-China/articleshow/7091548.cms>.
7. “Wen’s visit to strengthen Pak-China relations”, Daily Times, 14 December 2010. Stable URL:-
http://www.dailytimes.com.pk/default.asp?page=2010\12\14\story_14-12-2010_pg7_9.
8. “Ahead of Wen’s visit, China plays down US factor”, The Hindu, 14 December 2010. Stable URL:-
<http://www.hindu.com/2010/12/14/stories/2010121454700100.htm>.
9. “India visit to help smooth trade ties”, China Daily, 14 December 2010. Stable URL:- <http://english.peopledaily.com.cn/90001/90776/90883/7229878.html>
10. “Beijing pitches friendship of generations”, Hindustan Times, 14 December 2010. Stable URL:- <http://thelinkpaper.ca/?p=2536>.
11. “China-Pakistan trade could exceed \$15b target”, Xinhua, 14 December 2010. Stable URL:- http://www.chinadaily.com.cn/china/2010-12/14/content_11698564.htm.

12. "India and China set \$100 billion trade target by 2015", BBC New South Asia, 16 December 2010. Stable URL:- <http://www.bbc.co.uk/news/world-south-asia-12006092>.
13. <http://www.indianembassy.org.cn/newsDetails.aspx?NewsId=163>
14. www.mea.gov.in.
15. "Going beyond trade", The Hindu, 17 December 2010. Stable URL:- <http://www.hindu.com/2010/12/18/stories/2010121865301400.htm>.
16. "Wen's visit: the inside story: Nothing gained, nothing given", Indian Express, 17 December 2010. Stable URL:- <http://www.indianexpress.com/news/wens-visit-the-inside-story-nothing-gained-nothing-given/726095/>.
17. "Great Wall of suspicion persists between China and India", The Economic Times, 17 December 2010. Stable URL:- <http://in.reuters.com/article/idINIndia-53639420101217>.
18. <http://www.voanews.com/tibetan-english/news/Chinese-Premier-Visits-India-To-Discuss-Complex-Relationship-111994499.html>
19. "China signals rising interest in Pak ahead of Wen's visit", Times of India, 15 December 2010. Stable URL:- <http://timesofindia.indiatimes.com/world/china/China-signals-rising-interest-in-Pak-ahead-of-Wens-visit-/articleshow/7100965.cms>.
20. "China to help Pakistan enhance steel production", Daily Times, 16 December 2010. Stable URL:- http://www.dailytimes.com.pk/default.asp?page=2010\12\16\story_16-12-2010_pg5_12.
21. www.mofa.gov.pk
22. http://www.hydraworld.com/index/display/news_display.1331156790.html
23. "Shaping the Future Together Through Thick and Thin", 19 December 2010. Stable URL:- www.na.gov.pk.
24. "Does Pak-China trade reflect mutual benefit?", The Express Tribune, 11 October 2010. Stable URL:- <http://tribune.com.pk/story/60946/does-pak-china-trade-reflect-mutual-benefit/>