

Sino-Pakistani relations: an assessment

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China and Pakistan have maintained cordial relations for the last fifty-eight years. They established diplomatic relations in 1951 although they had nothing common in history, socio-political systems and ideologies. After their independence, they remained part of opposite security blocs that had emerged in the backdrop of the Cold War. Pakistan joined the Western military alliances such as the Southeast Asia Treaty Organization (SEATO) in 1954 and the Central Treaty organization (CENTO) in 1955 led by the United States. It also signed the Mutual Defence Agreement with the United State in 1959. China, on the contrary, sided with the communist bloc led by the Soviet Union. Due to these divergent policies, relations between the two countries developed very slowly.

With the advent of the 1960s, however, a number of factors pushed China and Pakistan closer to each other. Those included the Sino-Indian hostility, Pakistan's disappointment with its Western allies, New Delhi's refusal to Pakistan's proposal for a joint defence of the subcontinent, and the U.S. arming of India against China. Since then, the two countries have maintained good neighbourly relations which have deepened and strengthened with the passage of time overcoming their domestic upheavals. They have also survived geostrategic changes both at the regional and the international level like improving Sino-Indian relations, the end of the Cold War, and post-9/11 Pakistan's role as frontline state in the war on terror.

In this context, an in-depth analysis is required to know the factors which have permitted the two countries to remain steadfast friends for over half century.

The following questions would, therefore, be addressed in this paper:

- 1) What are the important factors behind the relationship between China and Pakistan?
- 2) How have the political, economic and military relations between two countries developed over a period of half a century?
- 3) How has the India factor impacted relations between the two countries?

Background

Pakistan recognized the People's Republic of China in 1950, being the third non-Communist and the first Muslim State to do so, following which the two nations established formal diplomatic relations in May 1951. Pakistan adopted a friendly posture in its relations with China. Pakistan joined India in September

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1950 to support a resolution seeking to unseat the Kuomintang delegation at the U.N. and replace it with that of the People's Republic. When the General Assembly branded the People's Republic of China aggressor in Korea and imposed an embargo on the export of certain categories of goods to areas under the control of China and North Korea, Pakistan abstained from voting. Aware of Pakistan's sensitivities over Kashmir, China maintained a studied silence and discreet ambiguity over that issue even during the hey days of Sino-Indian friendship.¹

During the first decade of their diplomatic ties, relations between China and Pakistan developed slowly mainly because of their respective affiliation with opposite security blocs. China affiliated with the Communist bloc led by the Soviet Union and also developed close ties with India. Pakistan, on the other hand, joined the U.S.-led anti-Communist bloc and entered into defence pacts such as the Southeast Asia Treaty Organization (SEATO) and the Central Treaty Organization (CENTO) and mutual defence agreement in 1954, 1955 and 1959, respectively. Despite that, there was no open hostility between the two sides.

The Bandung Conference in 1955 was the first high-level contact between Pakistani and Chinese leadership which clarified mutual doubts, particularly those arising out of Pakistan's entry into SEATO and CENTO. It was there that Pakistan's Prime Minister, Muhammad Ali Bogra, made clear to his Chinese counterpart, Zhou Enlai, that Pakistan's membership in SEATO and CENTO was not directed against China but against India. He further said that Pakistan's membership of SEATO did not imply that Pakistan was against China, and that Pakistan did not fear any aggression from Communist China. He assured the Chinese prime minister that if the United States took aggressive action against China, Pakistan would not become a party and it would remain neutral as in the Korean War.² Premier Chou Enlai accepted Pakistan's assurances of not having any aggressive attitude towards China. He mentioned in his speech to the political committee of the Afro-Asian Conference that Pakistan was not against China and had no fears that China would commit aggression against it.³ As a result, mutual understanding was reached, following which a number of visits were made between the two sides. The most significant of them were those of Pakistani Prime Minister Hussain Shaheed Suhrawardy's trip to China in October 1956 and of Premier Zhou Enlai's return visit to Pakistan in December the same year, both being the first at the highest level.

However, this mutuality of understanding disappeared within a year, taking their relations to the lowest ebb in 1959. In the following years, policies adopted by Pakistan were not conducive for improving relations with China. In July 1957, Suhrawardy visited the United States. The joint communiqué issued after the meeting between the two sides stated that the U.S. President and the Pakistani Prime Minister had agreed that international communism continued to pose a major threat to the security of free world. They reiterated their determination to support and strengthen the systems of collective security which had been forged

in Asia.⁴ The downward trend in Sino-Pakistan relations continued through the initial phase of military takeover in Pakistan in October 1958.

In July 1959, a group of Hajis from Taiwan stopped over at Karachi for a few days, met Pakistani religious leaders, made statements and speeches, and had a meeting with Pakistan's Foreign Minister, Manzur Qadir. The Chinese took strong exception to what they called a serious provocation. In a press note on July 21, 1959, China charged the Pakistan government with permitting a delegation headed by a lieutenant general of the Chinag Kaishek clique to visit Karachi, slander China and damage Sino-Pakistan relations. The note also accused Pakistan government of stepping up its following of the U.S. plot to create two Chinas.⁵

At a time when tensions on Sino-Indian border were building up after the Longju incident and the Tibetan revolt in 1959, the Ayub regime came across a Chinese map in 1959 showing fairly large areas in the extreme northern regions of Pakistan as Chinese territory.⁶ In September 1959, there occurred border skirmishes between Pakistan and China on the Hunza border. Chinese MiG planes were also located flying over this area a number of times in violation of Pakistani airspace. In retaliation, President Ayub sealed the borders with Xinjiang in November 1959, and moved the Gilgit Scouts up to the China border. President Ayub warned Nehru of the inexorable push of the North and suggested the idea of joint defence which Nehru rejected. In the same year, Pakistan supported a resolution in the General Assembly of the United Nations, condemning China for suppressing the Tibetans which further strained relations between the two countries.

Nehru's rejection of the idea of joint defence led President Ayub on October 23, 1959, to announce the willingness of his government to negotiate the border dispute with China. The Chinese paid little attention to Pakistani proposals for border demarcation because the Chinese leaders did not like Pakistan's advocacy of joint defence with India.

Beginning of a new era

In this hostile environment, events in early 1960s brought China and Pakistan closer to each other. The emergence of Sino-Indian hostility, Pakistan's disappointment with its Western allies, New Delhi's refusal to accept Pakistan's proposal for joint defence of the subcontinent, and U.S. support for India against China were the major events which led China and Pakistan to take a fresh look at their policies vis-à-vis each other. Pakistan felt insecure in view of the massive military aid to India by Western powers against China, which could equally be used against Pakistan. The magnitude of U.S. concern in arming India against China could perhaps be measured in economic terms. Earlier, the total American aid to India since the latter's independence was officially valued at somewhat over \$1,705 million, which included \$931 million in agricultural commodities.

As against this amount, in a short period of less than four years, from 1959 to 1963, India received \$4 billion from the U.S.⁷ Pakistan began striking a more independent line in the conduct of its foreign relations. The change in Pakistan's foreign policy was reflected in the fact that in December 1961, Pakistan voted in favour of the People's Republic of China's seat in the United Nations. Previously, at every session of the United Nations General Assembly, from the ninth to the thirteenth, the Pakistani delegates invariably voted against discussion of the question of Chinese representation in the United Nations.⁸ The Chinese were impressed by Pakistan's move of supporting their membership of the United Nations.

In March 1962, more than two years after Pakistan had first proposed negotiations on demarcating the Sino-Pakistan border, Beijing intimated its willingness to set the process in motion. In the beginning, negotiations moved at a very slow pace, but the Sino-Indian conflict of October 1962 added impetus to the border negotiations. Subsequently, a border agreement was signed on March 2, 1963. The boundary agreement marked an important development in the history of Pakistan's relations with China. It removed any possible cause of friction between the two countries. The Chinese and Pakistani leadership was able to reach such arrangements of boundary adjustment in which neither of them lost any portion of territory under its administrative control.

On the occasion of signing the agreement, Z. A. Bhutto, then Pakistan's foreign minister, described the accord as symbolic of the spirit of friendship and mutual cooperation.⁹ The signing of the border agreement turned a new leaf in understanding, cooperation and friendship between the two countries. There was no looking back thereafter as Sino-Pakistan ties went from strength to strength.

The Chinese leaders avoided public statements on the Jammu and Kashmir dispute till the early sixties. With the improvement of relations, China proclaimed support to Pakistan's stand on the right of self-determination of the Kashmiri people.¹⁰ China became explicit for the first time on the Kashmir issue. During the 1965 Pakistan-India war, China gave Pakistan political support and made threatening military gestures towards India. When the United States halted arms aid to both Pakistan and India, China stepped in to help Pakistan bolster its armed forces. The people of Pakistan cherished the timely support that China extended to them during their hour of need. In the wake of the 1971 crisis between Pakistan and India as well, China provided economic, political and moral support to Pakistan to overcome the traumatic situation that had emerged as a result of the separation of East Pakistan which became Bangladesh. In 1972, China used its first-ever veto in the United Nations Security Council to hold back the recognition of Bangladesh as a gesture of support to Pakistan.

Sino-Pakistan relations were mutually beneficial. Pakistan, too, helped China in many befitting ways. Pakistan adopted a One China policy and strictly adhered to it. Pakistan helped to break China's isolation and worked as a bridge between

China and the Muslim world. Pakistan International Airlines was the first non-Communist airlines to land on Chinese territory. Pakistan played an important role in ensuring China's membership in the U.N.¹¹ It also played a key role in brokering Sino-U.S. rapprochement. Resultantly, Sino-Pakistani relations touched new heights during the 1960s and 1970s.

Pragmatic approach

The advent of reformists led by Deng Xiaoping in 1978 heralded a new era in Chinese history. The reformists adhered to pragmatism as opposed to the previous idealism. The reformists placed economic development of China as their foremost priority. In that direction, they introduced sweeping reforms both externally and internally. They toned down the ideological rhetoric, de-radicalised Chinese foreign policy and opened up the hitherto closed nation to the outside world. They also paid special attention to the normalizing of relations with other countries, particularly around China's periphery. The reforms had a substantial impact on Sino-Pakistan relations which, since then, have been witnessing both quantitative as well qualitative changes in political, economic and strategic areas.

Under Deng, China adopted a neutral stance towards the South Asian region in general and towards Indo-Pakistan conflicts in particular. China toned down its vocal support to Pakistan on the Kashmir issue. It gradually shifted its stance from support of the right to self-determination for the Kashmiri people to a peaceful solution of the issue. Keeping in view the centrality of the Kashmir issue in Pakistan's foreign policy, it was a major setback for Islamabad. On other contentious issues between India and Pakistan, China showed its neutrality. It indicated that China would no longer side with Pakistan in case of the latter's conflict with India. Parallel to this, China started normalising relations with India. The new leadership in China, soon after assuming power, arranged the visit of the then Indian Foreign Minister, A. B. Vajpayee, to China in 1979, followed by a series of high-profile visits between the two countries. These visits culminated in the landmark visit of Indian Prime Minister Rajiv Gandhi to China in December 1998 – the first visit to China by an Indian Prime Minister in 34 years. Also during this period, China and India started talks on the thorny boundary issue.

Despite the beginning of Sino-Indian normalisation process, the Soviet invasion of Afghanistan in 1979 opened a new chapter of consultation and collaboration between China and Pakistan. The two countries were in total agreement on the threat that the Soviet military presence in Afghanistan posed to the security of the entire region and prepared to co-ordinate their policies to face the challenge. According to an analyst, "Support to Pakistan's security was the major feature of China's Afghan policy because they wanted to honour their often repeated commitments. China, through Pakistan, provided covert military

supplies worth U.S. \$ 200 million to the Afghan resistance and agreed to provide the U.S. with facilities to monitor Soviet activities in its Xinjiang province.”¹²

The post-Deng period

The post-Deng leadership in China continued to follow his guidelines. As for South Asia, China adhered to the policy of strengthening and stabilising its relations with all countries of the region. It continuously followed the policy of neutrality on the Kashmir issue as well as on other conflicts between India and Pakistan. For instance Beijing did not stand by Pakistan on the Kargil crisis or the Indo-Pakistan military standoff in 2002-2003. On Kargil, the first serious encounter after nuclear explosions by India and Pakistan in May 1998, China maintained absolute neutrality. It emphasized a bilateral resolution of the issue through dialogue.

As the Chinese stated, “China has a clear position on this. The Kashmir dispute is a question left over by history. We hope that the relevant parties would find a fair and reasonable solution to this question. We sincerely hope that the two sides could take peace and stability of the region as the priority, exercise restraint and solve the dispute peacefully through negotiations and dialogue.”¹³

An Indian analyst termed China’s stance a “pronounced and extraordinary neutral position,” and stated that this view was closer to India’s than Pakistan’s. “All indications are that China regards India as a major power and a potentially important player in a putative multi-polar world.” However, the analyst observed, it remained to be seen if China’s neutrality on the Kargil crisis signalled a major shift away from its historic support for Pakistan.¹⁴

Shortly after the Kargil episode, by the end of 2001, Indo-Pakistani tension again escalated, bringing the two nuclear rivals to the brink of war. On this occasion, China stressed upon both Pakistan and India to resolve their dispute through peaceful means: “It is our hope that both sides exercise maximum restraint and try their best to de-escalate the tension. We have been watching each and every development in the situation and the relations between Pakistan and India. We have been giving close attention to the least development involved. We have our normal channels of contact and communication and these contacts are carried out in normal communications.”¹⁵

Beijing adopted multi-channel diplomacy to defuse the tension and stressed the need for the international community to take a more balanced and unbiased approach to the problem. A spokesperson of the Chinese Foreign Ministry, Kuong Qihuan, stated: “This question must be settled through a direct dialogue between India and Pakistan,” and declared that “China and Pakistan have friendly relations and China and India have friendly relations too.” He added, “China has always called on these countries to assert restraint and solve their conflicts through peaceful means.”¹⁶

China's unambiguous role in this crisis was a testimony to its neutral stance towards South Asia. It had left its traditional way of tilting towards Pakistan. In fact, Beijing had taken the stand that the dispute between India and Pakistan must be settled bilaterally and had indicated that in case of any war it would not side with any party.¹⁷ These events proved that China had uncoupled its relations with Pakistan from its relations with India. There is a continuation in the traditional relationship between China and Pakistan parallel to evolving a greater degree of understanding between Beijing and New Delhi. This parallelism has become a hallmark of China's South Asia policy at the dawn of the 21st century.

Apparently, Sino-Pakistani relations have turned lukewarm in the Deng and post-Deng periods as evident from China's reduced support to Pakistan on many issues. But, in reality, these relations never changed but transformed from security-oriented and Indo-centric into a more meaningful and durable nature. The foundations of this new relationship centred on a wide range of common interests and objectives with more focus on vibrant economic interaction through the expansion of bilateral trade, commercial ties and joint ventures. This is evident from their ever-expanding trade relations.

A study of Sino-Pakistani political, military and economic relations would greatly help understand the whole dynamic of their long-standing ties. This part of the paper analyzes the political, military and economic relations of the two countries.

Political relations

Historically, ever since the signing of the boundary agreement in 1963, and the development of comprehensive relations, China has backed the territorial integrity, sovereignty and independence of Pakistan. Senior Chinese leaders, since the time of Premier Zhou Enlai, have provided reassurance to Pakistan, which has faced hegemonic threats from its eastern neighbour.¹⁸ The political relations between both states have been maintained by regular exchange of visits by heads of state and government, followed by the visits of high government officials, diplomats, leaders from political parties and military officials. Almost every Pakistani ruler has chosen China as the first destination of foreign tours after assuming power. Another dimension of the political relations has been their mutual consultation on all important issues. The two countries have consulted each other and discussed the situation that has emerged in the post-9/11 period, the U.S. attack on Afghanistan and the invasion of Iraq.

Since the beginning of 1960s, Sino-Pakistani relations have steadily deepened, and the two countries have never had a public disagreement over any bilateral, regional, or global issue. If there ever was any hitch in their mutual relations, it was amicably resolved in private, outside the view of world's eye.¹⁹

An issue which did surface in their bilateral relations was the alleged links between Pakistani-based religious parties and separatist groups in China's turbulent province, Xinjiang. Reports published in the media claimed that China conveyed its serious concerns to the government of Pakistan regarding such links. Some reports also indicated that Uighur separatists got training in Pakistan. However, at the official level, neither of the governments has approved these reports. Islamabad's liaison with the Taliban was also a cause of concern for the Chinese; they were particularly disturbed by reports that some religious parties in Pakistan also had a nexus with Islamic militants from Xinjiang province.²⁰ These issues, however, did not affect their mutual relations which continued uninterrupted.

In view of Chinese concerns that there is a link between the separatist forces in Xinjiang and the Jihadi organizations in Pakistan and Afghanistan, Pakistan has institutionalized an antiterrorism dialogue with China, and the two sides have agreed to share intelligence on terrorism. In December 2003, the Pakistan Army in a military operation near the Pak-Afghan border killed Hasan Mahsum, the leader of East Turkistan Islamic Movement, while extraditing a number of alleged terrorists to China. In recent years, antiterrorism cooperation between the two countries has constantly been expanding. On August 6, 2004, China and Pakistan conducted their first joint antiterrorism military exercise named "Friendship 2004", in Xinjiang. The comprehensive antiterrorism cooperation from Pakistan has effectively removed the apprehensions of the Chinese side regarding support for Uighur Muslim separatists by some of Pakistani religious groups.

Regular exchange of visits is one of the hallmarks of their bilateral relations. Each of these visits has added new dimensions and explored new areas of cooperation. President Musharraf's visit to China in November 2003 resulted in signing of a "Joint Declaration on Direction of Bilateral Relations." In fact, it is a road-map which would guide their mutual relations during the 21st century. It clearly laid more emphasis on expanding economic cooperation, while maintaining the existing cooperation in other areas and institutionalising mechanisms for consolidation of all-round relationship.²¹ In 2005, China and Pakistan signed a landmark Treaty of Friendship and Cooperation, whereby they committed that "neither party will join any alliance or bloc which infringed 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 third party."²²

During Chinese President Hu Jintao's visit to Pakistan in November 2006, the two countries pledged to strengthen their relations. According to President Pervez Musharraf, "Despite changes at the regional and global levels, the deep-rooted ties between the two countries have been gaining strength with the passage of time." President Hu Jintao stated that the Sino-Pakistani traditional strategic partnership would remain intact under all circumstances. He further said

that the changing global scenario with critical challenges or the situation in the region will not affect the evergreen friendship, adding that Sino-Pakistani friendship was vital for prosperity and stability in the region.²³ Hu also declared Pakistan as an “indispensable partner” for cooperation in the international arena.²⁴ He thanked Pakistan for its continued support on the issues of Taiwan, Tibet and human rights, and for being the first country to support the anti-secession law passed by the Chinese National Peoples Congress in March 2005.

Pakistan and China have continued to maintain the cordial and deep-rooted relationship. Following the Pakistani tradition, President Asif Ali Zardari opted for China as his first destination of foreign tours (October 14-17, 2008) after assuming power. During his visit, in a meeting with President Hu, President Zardari discussed the future shape of their bilateral relations. Both “reached broad agreement on strengthening the China-Pakistan strategic partnership and cooperation on international and regional issues of mutual interest under the new circumstances.”²⁵ The hallmark of the meeting was the two leaders’ speeches that noted how each nation is special to the other, and Pakistan’s affirmation of the “One China” policy. Both leaders also reaffirmed their commitment to continue cooperation on regional and international issues, including the fight on terror.

Military relations

Beginning with their border settlement pact of March 3, 1963, China has emerged as Pakistan’s single most trusted and enduring military ally. It would not be wrong to state that Pakistan’s defence needs in the 1960s led it to establish more comprehensive relations with the People’s Republic of China. In the subsequent decades, these relations matured and deepened.

From the very start, Pakistan faced an unrelenting security threat from India. The partition of the Indian subcontinent by the British left many unresolved issues between the two countries. Within the first year of its independence, Pakistan had to fight a war with India over Kashmir. This acute security threat led Pakistan to join the Western bloc, hoping that it would enhance its security position – an aim which could not be accomplished. In 1965, the Indo-Pakistani conflict escalated leading to a full-fledge war. The U.S., then the major ally of Pakistan, imposed sanctions on both India and Pakistan before the outbreak of the war. Although the sanctions were applied equally on India and Pakistan, they affected Pakistan more as India had also been procuring weapons from the Soviet Union.

This pushed Pakistan closer to China in an attempt to diversify its resources of weapons and other equipment. China has repeatedly proved its commitments with Pakistan and never betrayed it at any point in history. Most significantly, China encouraged Pakistan for self-sufficiency rather than to be dependent on it for military weapons. As a result of Chinese help, Pakistan has successfully built

its defence-related infrastructure which has played a vital role in the country's defence sector.

Pakistan has completed a number of mega projects and joint ventures with Chinese help, covering all three dimensions of its armed forces: army, air force and navy. The first joint project which was built in Pakistan is the Heavy Mechanical Complex, followed by additional production facilities of the Pakistan Ordnance Factories and the Aeronautical Complex. These establishments produce small and medium range of armaments and provide essential components for defence-related industry. The two countries have jointly completed the Karakoram-8 (K-8) which replaced the ageing T-37 fighters and the Super-7 fighter also known as FC-1. They have successfully tested the first flight of multi-role JF Thunder fighter airplane during Pakistan Air Chief's visit to China in May 2006. China has also proven to be a reliable supplier of conventional military equipment of Pakistan. On May 23, 2006, Pakistan clinched a U.S. \$ 600 million defence deal with China, which included the construction of four frigates for the Pakistan Navy, the upgrading of Karachi dockyard and the transfer of technology for the indigenous production of a modern surface fleet.²⁶

The Chinese were also reported to have assisted Pakistan in the development of its indigenous missile and nuclear programme, an allegation vehemently denied by both Pakistan and China.²⁷ During the mid-1990s, the U.S. imposed sanctions on both China and Pakistan for their alleged cooperation. China was charged for providing Pakistan 500 ring magnets and transferring M-11 missiles capable of carrying nuclear warhead. Pakistan claims that it developed its nuclear and missiles programme from indigenous sources. 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 Musharaf's February 2006 visit, China signed an agreement for cooperation in the peaceful application of nuclear power, notwithstanding Western suspicion of Pakistan's nuclear intensions.²⁸

Beijing's commitment, dependability and regard for Islamabad's defence needs are highly regarded in Pakistan. The same cannot be said of other arms suppliers to Pakistan, like the U.S. This perception widely prevails among the people of Pakistan based upon the fact that Pakistan has faced U.S. sanctions on a number of occasions, including at very critical junctures. Pakistan has never experienced such unreliability in the case of China. Furthermore, Beijing has wanted Islamabad to attain self-reliance in the defence sector. It helped Pakistan in building ordnance factories; and, in most defence deals, transfer of technology as well. China's help also included supply of spare parts, setting up of local overhauling facilities, license production, training facilities and joint ventures.

Unlike the U.S., again, China has never linked its assistance with the internal issues of Pakistan like human rights, democracy, etc., and has always refrained from interfering in the internal affairs of Pakistan. In the early 1990s, the U.S.

imposed sanctions on both Pakistan and China for their alleged cooperation in nuclear and missile technology. China stood with Pakistan, and did not succumb to pressure. These factors obviously raised China's status in Pakistan's calculations. In fact, China's military support to Pakistan has boosted its confidence and strengthened its defence capabilities.

Economic relations

Despite strong strategic and diplomatic ties, the economic relations between the two countries remained limited in the initial stages. Pakistan and China did start trade relations in the early 1950s; however, a formal trade agreement was signed between the two in January 1963. Later, in October 1982, the two countries established the Pakistan-China Joint Committee on Economy, Trade and Technology. Trade between China and Pakistan was generally been conducted under the 1963 agreement, according to which, both the countries had granted MFN status to each other.²⁹

Pakistan had, at that time, multi-modal trade with China, i.e., barter trade and cash trade. Throughout that period, the trade balance was always tilted in favour of China, except during the short period of the Korean War. Pakistan was then looking for buyers of its raw jute and cotton and suppliers of coal. Pakistan's exports to China in 1952 reached U.S. \$ 83.8 million, and exports from China were only U.S. \$ 2.2 million. Following the ceasefire in the Korean War, bilateral trade registered a sharp decline.³⁰

Traditionally, in its trade relations with China, Pakistan has had a chronic trade deficit. The reasons can be summarized as follows: First, China is competing in almost all the major sectors of Pakistan's potential export areas, which happen to be very limited. Second, Pakistani business community remains content with their established export destinations, i.e., the U.S. and Western Europe, and hardly makes any serious efforts either to diversify the export base or to explore other areas and regions for enhancing the volume of their exports.³¹ Third, despite being neighbours, there has been a lack of effective means of communication between them. The Karakoram Highway, which opened in 1978, could not be used to increase the volume of trade in any substantial manner. Fourth, an underdeveloped shipping industry in Pakistan further limits trade routes and discourages growth in trade volume. In addition, Pakistan's cotton-based industry is the main pillar of its exports. Since China itself is a major textile manufacturer, trade volume has not been able to rise.³²

China tried to compensate this low trade volume and trade deficit with Pakistan by providing generous assistance to Pakistan to build infrastructure and acquire self-sufficiency. Most of this assistance was either grants or interest-free loan. Pakistan completed several major projects with Chinese help. These projects are significant from an economic point of view: the Karakoram Highway, the Gwadar deep seaport, the Chasma Nuclear Power Plant, the Indus

Highway, Thar Coal development, the Saindak Metal (Copper/Gold) Project, the Makran Coastal Highway, power generation projects, both nuclear and non-nuclear. China has also helped Pakistan in up gradation of Pakistan Railways by providing technical assistance, locomotives and passenger coaches.

In addition to the public sector, there has also been an increase in Chinese investment in the private sector of Pakistan. Chinese entrepreneurs have invested in the following private sector projects: Saigols Qingqi Motors Ltd, Zhongxing Telecom (Pvt) Ltd, Sino-Pak Metal Foundry in Nooriabad, Sehala Chemical Complex, Pak Glass Ltd. Glass Industry, Saif Nadeem Ltd., Haier Home Appliances, etc.³³

After President Musharraf assumed power in October 1999, the economic dimension in Pakistan-China relations came to the forefront. As a result of Musharraf's emphasis on economic cooperation during his China visit in January 2000, economic relations slowly began to show signs of improvement, in terms of trade and investments. To enlist China's private firms for investing in Pakistan, the former Chinese Premier, Zhu Rongji, during his visit to Pakistan on May 11-15 of 2001, approved U.S. \$ 500 million in preferential buyers' credit for non-State Chinese companies to invest and initiate joint ventures in Pakistan. In November 2003, China agreed to finance the U.S. \$ 740 million Chashma II project, which features a 300-megawatt nuclear power plant.

More importantly, Chinese investment in Pakistan has increased to U.S. \$ 4 billion, a 30 per cent increase since 2003. Of the 500 foreign firms working in Pakistan, 60 are Chinese, which employ over 3,000 Chinese nationals. Most of the Chinese companies are working on energy and infrastructural projects, such as hydroelectric power generation, nuclear power production, exploration of natural gas and oil resources, extraction of coal, building of rail and road networks, telecommunications, water dams and a deep sea port at Gwadar, Balochistan. The Gwadar port alone will generate more than a million jobs and a transit economy worth billions of dollars a year. In all, Chinese companies are working on 114 projects in Pakistan.³⁴

In December 2004, Pakistani Prime Minister Shaukat Aziz's visited China and signed seven agreements in trade, communication and energy sectors and drew up a framework for greater cooperation. These agreements proved to be a step forward in increasing bilateral trade, further movement on preferential trade agreement, setting up of joint agro-based industries and increased Chinese investment in Pakistan. Pakistan announced Free Market Economy (FME) status for China.³⁵ The Chinese side also agreed that the Joint Economic Commission should consider the establishment of a Pakistan-China Joint Investment Company and the establishment of a Joint Infrastructure Development Fund for investment in Pakistan. During the visit, Prime Minister Aziz also laid the foundation stone of the much awaited Pakistan consulate in Shanghai – the financial capital of China.³⁶

Under the agreement on “Early Harvest Programme” (EHP), which has become operational since January 1, 2006, China has brought to zero all tariff on 767 items. The EHP has benefited Pakistan’s exports such as textiles, surgical and sports manufactures.³⁷ That was the first step towards establishing a free trade area between the two countries. During the visit of Chinese President Hu Jintao to Pakistan in November 2006, the two countries signed 18 agreements, including a free trade pact, which they hope will boost trade from \$ 4.26 billion to \$ 15 billion within five years. The two sides have also signed a pact on a five-year plan to set up a comprehensive framework for boosting economic ties.

Pakistan provides the shortest possible route from Gwader through the Karakoram Highway to the Western regions of China, which are undergoing a huge economic transformation. This route is secure, short and can serve as an alternate to the sea route that passes through the Straits of Malacca.³⁸ It can also boost their economic cooperation. Both countries have been focusing on their trade interaction through this route. Given Pakistan’s narrow base for exportable commodities, a diversification in exportable commodities and a proactive export policy of Pakistan could enhance the volume of trade and also rectify its trade imbalance with China. It will not be possible for Pakistan to increase its exports to China without diversifying its exportable commodities.

During President Asif Ali Zardari’s first official visit to China, October 14-17, 2008, both the countries vowed to push their friendship to new heights as the two nations are now exploring new venues in their economic partnership.³⁹ China reaffirmed its commitment to advance strategic partnership with Pakistan, during President Zardari’s visit, by signing 11 agreements, memorandums of understanding and protocols to enhance bilateral cooperation in trade, energy, infrastructure, agriculture, industry, mining, telecommunication, disaster relief and space technology. China also promised to help Pakistan ward off financial disaster with a soft (i.e., low-interest) loan of \$ 500 million.

As for long-term economic goals, President Zardari had the Planning Commission of Pakistan work out an economic charter that is charged with helping grow bilateral trade between Beijing and Islamabad, as well as in attracting Chinese investment.⁴⁰ As of 2008, the two-way trade between China and Pakistan has already risen to \$ 7 billion from a meagre \$ 2 billion in 2003. It is now set to grow to \$ 15 billion by 2010.⁴¹ Growth in the investment sector is running along a similar path. In fact, China has already emerged as the largest investor in Pakistan, with its investment portfolio poised to swell to \$ 15 billion by 2012. During President Zardari’s visit, Chinese companies also pledged to invest \$ 5 billion in his country. In addition, his persuasion for a faster growth in trade and investment yielded 12 major agreements and memoranda of understanding to

enhance economic collaboration in such sectors as energy, minerals, infrastructural development, and telecom.⁴²

The two countries have realised the vitality of economic relations which are likely to surpass geo-strategic considerations. Thus, they have taken particular measures to boost economic and commercial ties. They have overcome many bureaucratic hurdles; have signed many agreements, given MFN status to each other and established free economic zones. Although two-way trade is yet to take the anticipated boost, it has in comparison with past shown an upward trend. In fact, the durability of Sino-Pakistani relations would greatly depend on the level of economic cooperation.

The India factor

Sino-Pakistani relations cannot be truly understood without mentioning the India factor – India as a common enemy of China and Pakistan. Many analysts consider it the prime reason of the Beijing-Islamabad nexus.⁴³ It is true that Sino-Pakistani relations started warming up in the context of Sino-Indian differences which emerged in the late 1950s and early 1960s leading to their border clashes in 1962. However, that was not the sole reason of China's becoming closer to Pakistan. Some other factors like Pakistan's disappointment from its Western allies, Sino-Soviet differences and peaceful settlement of Sino-Pakistan boundary issue in March 1963 were also some of the factors which contributed towards their proximity.

At the same time, there has been a gradual improvement in Sino-Indian relations since the 1980s. Parallel to that, China has adopted a balanced approach towards the South Asian region in general and towards Indo-Pakistani conflicts in particular, without affecting the traditional Beijing-Islamabad ties. Although there has been substantial improvement in Sino-Indian relations, a number of complicated issues yet bedevil their relations: the boundary dispute, the Tibetan issue and continued Indian hospitality to the Dalai Lama, and the rivalry between the two countries for regional supremacy. These are problems that cannot be resolved in a short span of time.

However, even if Sino-Indian relations were to acquire complete tranquillity, Sino-Pakistani relations would continue to flourish. This can be stated for the following reasons: First, China has reiterated, time and again, that the improvement in its ties with India would not in any way affect the traditional friendship between China and Pakistan, a friendship that has withstood the vicissitudes and vagaries of time. Second, both China and Pakistan believe that the improvement in Beijing-New Delhi ties would put China in a better position to exhort India to moderate its policy towards Pakistan. Third, the non-existence of any political or territorial dispute and strict adherence to the five principles of peaceful coexistence has cemented their friendship. Fourth, the identical perception of the both states on regional and international issues is an important

binding force between them. Fifth, the convergence and broadening of their economic and strategic interests have provided both states with a solid foundation for better relations in future. Sixth, both the countries have been expanding their cooperation on multi-lateral forums: due to Pakistan's persistent efforts, China has acquired the observer status at the South Asian Association for Regional Cooperation (SAARC). On the other hand, China has supported Pakistan's observer status in the Shanghai Cooperation Organization (SCO). Pakistan's eventual entry into the SCO as observer and China entry into SAARC as observer would allow Pak-China bilateral economic relationship to grow from a regional perspective.⁴⁴

John Garver also presented a similar argument and said, "Better relations between India and China have not led to a weakening of the Sino-Pakistan entente. China has been fairly effective in pursuing these two relationships simultaneously." China, therefore, encourages moves for improvement in the relationship between Pakistan and India; this being a new element in its policy towards the subcontinent.⁴⁵ A Pakistani analyst has concluded along similar lines. He has said, "Standing the test of time, the Sino-Pakistan relationship has now matured to a point where India's role as the 'common enemy' is no longer essential to its sustenance. It is therefore necessary for opinion leaders in Pakistan to outgrow their fixation with the 'India factor' in Sino-Pakistan relations."⁴⁶

The upgrading of Beijing and Islamabad's long-standing strategic partnership suggests that China's improved relations with India will not have a negative impact on China-Pakistan relations. It is logical to conclude that in the past the India factor may well have played a role in strengthening Sino-Pakistani relations, though other forces were also of immense importance in bringing the two countries closer to each other. In future as well, their relations are likely to continue to grow, quite independent of the India factor.

Conclusion

At the time of the establishment of their diplomatic relations, neither China nor Pakistan had imagined that their friendship would become "a model relationship" at some point in future. Initially, their relations revolved around strategic cooperation, Pakistan's defence needs and the India factor. Over the last five and half decades, they have built such a degree of confidence and trust and deepened their cooperation to an extent that their ties would grow irrespective of any particular component. China enjoys a remarkable amount of respect and is regarded in Pakistan as the all-weather friend of Pakistan. Thus, strong relations with China have become a corner stone of Pakistan's foreign policy.

In the future, the internal developments in the two countries, Indo-Pakistani relations, developments taking place in the region, war on terror and the role of external actors, particularly the U.S. involvement in the region, may have an

influence on the nature and dynamics of Sino-Pakistani relations. However, it can be stated that the non-existence of political and territorial disputes; fifty-five years of trust, confidence and reliability; their commitment to the five principles of peaceful coexistence; and their strategic partnership indicate bright prospects of their future ties. Furthermore, the readjustments and expansion in their mutual relations since the late 1980s, which reshaped their relations from closed and security-natured to more open and broad-based with greater focus on economic relations, would further deepen their ties, enabling them to meet the challenges of future.

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