
The ‘New Great Game’: China’s Debt-Trap Diplomacy

Pakistan was one of the first countries to establish diplomatic relations with the People’s Republic of China (PRC), even when the U.S.-Pakistan relationship was strong. The territorial disputes in their shared borders and their history of shared antagonism and rancour with India, made them natural allies; For long, Beijing’s secretive ties with Islamabad have run closer than most formal ties based on their shared enmity with India. Besides providing Pakistan with nuclear assistance, China also made key investments in Pakistan’s ports, transportation, military sales and cooperation on weapons platform production, which hugely contributed to its infrastructural development and national security. The recent China Pakistan Economic Corridor (CPEC) is a politically charged economic project that aims at bolstering Pakistan’s economy by constructing special economic zones which will also run through Baluchistan province and Gilgit Baltistan. It must be noted that while there is an ongoing insurgency in Baluchistan for greater political rights, Gilgit Baltistan (part of the disputed State of Jammu & Kashmir) does not fall within the jurisdiction of the Islamic Republic of Pakistan and therefore the heavy investment in this region by a third party (China) can be seen as unconstitutional and in contravention of International Law. For its 70 years history, Pakistan has heavily relied on foreign aid from international monetary agencies, however, this new marriage is questionable as the debts it causes, may crash Pakistan’s financial system, consequently reducing it to be a ‘vassal state’.

Historical Background: China-Pakistan Relations

The People’s Republic of China (PRC) or China came into being on the 1st of October 1949, and Mao Zedong, Chairman of the Chinese Communist Party, announced that PRC was ready to establish diplomatic relations “*with any foreign government willing to observe the principle of equality, mutual benefit and mutual respect for sovereignty and territorial integrity*”. Pakistan responded by recognizing PRC (rather than Taiwan) on the 4th of January 1950, laying a premise of their diplomatic and political relations. After diplomatic ties were established, the years leading up to the 1960s were characterized by inconsistent policies between China and Pakistan. The 1962 Sino-India War bolstered the relationship between these two and in 1963, Pakistan agreed to cede a part of Jammu & Kashmir to China which was under Pakistani Administration (Shaksgam Valley). The 1965 war between India and Pakistan reformed the dynamics of China-Pakistan relations, further strengthening this alliance. The United States reneged on Agreement of Cooperation (1959), that stipulated that the United States would come to the military aid of Pakistan at its request and issued a statement of neutrality, placing the complete blame of skirmishes in Indian Administered Jammu & Kashmir on Pakistan. While the United States cut off arms sales to India and Pakistan, China gave Pakistan the political support it anticipated, backing its position and threatening to intervene if necessary. China also became a strategic supplier of conventional weaponry post the 1965 Sino-India

war and its role in building Pakistan's defence industry grew, as the United States imposed severe nuclear-related sanctions in the 1970s. Henceforth, the decades after, saw Pakistan and China building upon their relationship, regardless of the political instability and security situation within Pakistan.

"We have been let down by the Americans", Pakistani President Ayub Khan said, "but they are frightened of Chinese involvement". "And that, Mr. President, is now the only card in your hand", said the Information Secretary. President Ayub Khan sat up and, putting the book down on the table, said: "Then let us use that card" - September 1965 – Gauhar Altaf, *'Ayub Khan: Pakistan's First Military Ruler'*, Lahore: Oxford University Press, 1993.

China has come to terms with the fact that having close relations with Pakistan can be more beneficial than with India. It merely sees India as an obstacle to expand its territorial boundaries and at the same time realizes that China-Pakistan partnership can be a longstanding one. In addition, China dislikes India's growing proximity with the United States (U.S.) Perspicuously, China's curiosity in Pakistan is the interest of their national economy, with the export of goods being accelerated as a result of their political friendship, with India being the principal point of continuity in the Sino-Pakistan relations.

Pakistan played a vital role in bridging the communication gap between China and the West by facilitating the 1972 Nixon visit to China that proved to be, without doubt, a huge start in formally regulating relations between the United States and China. For Pakistan, maintaining close ties with China is the nucleus of Pakistan's Foreign policy; Aside from supplying a range of modern armaments to the Pakistani defence forces, China also supports Pakistan's stance on Jammu & Kashmir, and in return, Pakistan supports China on the issues of Xinjiang, Tibet, and Taiwan. At a State-State level, China (compared to West) is seen as a more long-standing friend of Pakistan.

"Pakistan is China's Israel"- Chinese General Xiong Guangkai – *'China and the East Asian Security Environment: Complementarity and Competition'*, in Vogel, Ezra, *'Living with China: US/China Relations in the Twenty First Century'*.

Sino- India War (1962) and China-Pakistan Alliance

Border disputes between India and China led to the Sino-India war of 1962, with China claiming that India posed a threat to its rule in Tibet. On the 20th of October 1962, China invaded the Ladakh area and crossed the McMahon Line in the former North-East Frontier Agency. The war continued for one month and ended when China declared a ceasefire on the 20th of November 1962. India was defeated by China and Indian posts and patrols were removed from Aksai Chin (Part of Jammu & Kashmir) which came under direct Chinese occupation after the end of the conflict. China claims that Aksai Chin is a part of Western Tibet whereas India claims it to be a part of Ladakh, part of the State of Jammu & Kashmir.

Despite Pakistan not being directly involved in the border conflict between China and India, material and moral benefits it could provide, if it did show backing, inevitably resulted in Pakistan doing so. India's assaulted defeat provided Pakistan with an opportunity to exploit the situation to its own advantage and soon after, negotiations with the latter two countries

proceeded. Border agreements were made, eventually leading to a final arrangement in 1963 which led to Pakistan ceding about 2,200 square miles of territory of Pakistan Administered Jammu & Kashmir to China, further strengthening their alliance.

Border Agreement between China and Pakistan (1963)

In 1959, Chinese maps showed areas of Pakistan in China; an obvious matter of concern for Pakistan, which prompted President Ayub Khan of Pakistan (in 1961) to send a note to the Chinese, though he never received any response. In the interim, Pakistan voted to grant China a seat in the United Nations which led to withdrawal of disputed maps by China in 1962 and a proposal to enter border talks in March. The step was welcomed by the people of Pakistan and negotiations between the two started, resulting in a Border Agreement between the two, signed on the 2nd of March 1963, also known as Sino-Pakistan Frontier Agreement or Sino-Pakistan Boundary Agreement, which was signed to establish the border between China and Pakistan.

The agreement reads:

“The two parties have agreed that after the settlement of the Kashmir dispute between Pakistan and India, the sovereign authority concerned will reopen negotiations with the Government of the People’s Republic of China on the boundary as described in Article Two of the present agreement, so as to sign a formal boundary treaty to replace the present agreement, provided that in the event of the sovereign authority being Pakistan, the provisions of the present agreement and of the aforesaid protocol shall be maintained in the formal boundary treaty to be signed between the People’s Republic of China and Pakistan”. (China’s extended territory is known as Trans-Karakoram Tract)

Owing to Indian’s refusal to acknowledge the above agreement, the arrangement consequently became controversial as it inevitably changed the regional balance while bringing Pakistan and China geographically closer to one another. As a result, it strained ties between Pakistan and the United States while many observers and analysts in Pakistan criticized the decision to settle borders with China, expressing their concerns by outlining that China had now been given certain key passes which could potentially lead to a future gateway for (further) aggression.

India-Pakistan War (1965)- Impact on China-Pakistan Alliance

In 1965, Pakistan and India went to war over the status of Jammu & Kashmir, with China showing diplomatic support for Pakistan. This was the second war, post partition, when on the 5th of August 1965, Pakistan attacked India in an Operation code-named “Gibraltar”. On 14th of August 1965, after initial skirmishes, the first major confrontation between the two countries took place. Pakistani forces proceeded forward towards Tithwal, Uri, and Poonch and in retaliation, Indian troops captured the Haji Pir Pass (altitude 2637m), eight kilometres inside Pakistan Administered territory. Pakistan launched Operation “Grandslam” to capture Akhnoor town (in Jammu region), with an objective of severing communications and supply routes to Indian troops. The operation ended in a failure and the stated military objectives were not achieved which resulted in the retreat of the Pakistani Army. Eventually, both the

warring nations accepted the unconditional ceasefire resolution of the UN Security Council on the 22nd of September 1965.

If things had mapped out differently, the chances of China intervening were large. China had acquired nuclear capability in 1964 and therefore placed pressure on India, stating that if they did not dismantle certain posts, necessary actions would be taken. It is said that the Pakistanis shared with Mao Zedong, the cost of continued fighting, which was far too high, both diplomatically and economically, however, Mao had put pressure on the Pakistanis to fight which subsequently they could not reject.

“If there is a nuclear war, it is Beijing that will be a target and not Rawalpindi” -
Message sent by Mao Zedong, Chairman of Chinese Communist Party to President Ayub Khan, Pakistan.

Though the alliance between China and Pakistan further strengthened post the Indo-Pak War 1965, it is noteworthy to mention that at the time, the two had already entered into trade arrangements that raised further apprehensions in the West. Fundamentally, Pakistan’s change in foreign policy was a real concern for the U.S.

In January 1963, Pakistan entered into a trade agreement with China making it the biggest buyer of Pakistani cotton and in September the same year, Pakistan entered an air accord with China, which connected Beijing and Dacca (Then East Pakistan, now Bangladesh) by air. The United States, finding it hard to reconcile with this change in Pakistan’s policy, retaliated by cancelling President Ayub Khan’s visit to Washington and cancelling the consortium meeting; this was called to allocate funds for Pakistan’s third five-year plan. U.S. aid to Pakistan, decreased to 200 million USD in 1963 from 250 million USD in 1961-62, further reduced during successive years. The United States imposed an embargo on both India and Pakistan post 1965 war which severely affected Pakistan, being largely dependent on U.S. financial and military aid. China at this stage emerged as the sole supporter of Pakistan, denouncing the Indian attack on Pakistan as an *“act of naked aggression by which India had enlarged a local conflict into a general war”*. Premier Zhou Enlai sent a message to the Pakistani Ambassador saying, *“China would await further developments and would consider further steps as and when necessary”*. China asked for the reassurances of President Ayub Khan, asking Pakistan not to submit to any resolution vis-à-vis Kashmir to India and not to succumb to any pressures from the U.S, USSR or the UN for such solutions. Chinese President Liu wrote a letter to President Ayub Khan reaffirming his country’s promise to support Pakistan. Taking a pro-Pakistan stand on the Kashmir-issue became a much-needed weapon for China due to the growing rift between them and the Soviet Union and India moving closer to the latter. China found it conducive to openly side with Pakistan in order to cater to its perceived security threat from India and the Soviet Union to Chinese authority in Tibet and Xinjiang.

This understanding with Pakistan was propelled by their own motive, namely, to ensure security to problematic regions by bordering Kashmir and thus, befriending neighbouring Muslim countries. Additionally, it used Pakistan as its bulwark to tie down India in South Asia, thereby warding off any threats to the peace and security of Tibet. In view of China’s

irreparable relations with India, Soviet Union and United States, China formulated a long-term policy by aligning with Pakistan.

China's 'Debt-Traps' in Africa

Considering China's economic situation in the 1980s, its economy has considerably grown in size. So much so, that key economic leaders such as the United States, had nearly been overtaken by China. China being a world leader in manufacturing and a major supplier for the global market has an ongoing need for natural resources like copper, timber and ore to support its thriving economic growth. Comparatively, Africa is rich in natural resources with enough manpower of working-age to drive the economy, however the economy still severely lags behind. This is a result of poor infrastructure which acts as a major obstacle to its economic development.

Often China has turned to Africa to fulfil its requirement of natural resources and in return, Africa has demanded an inflow of cash, business investment and infrastructural development. To date, there are several Chinese government owned enterprises with long term and exclusive rights to extract natural resources in Africa, in return for a loan of billions of dollars authorized by China. Owing to the insatiable requirement for additional and upgraded infrastructure, Africa depends on external funding, to be exact, 83.4 billion USD, of which 20.9 billion USD came from China alone in 2015.

The Chinese investment incorporate railways, highways, ports, oil and gas fields and power plants while comparatively, investments from the United States and European countries typically focused on energy and power. By mid-2013, out of 322 large scale infrastructural development projects in Africa, 12% were undertaken by Chinese companies, whilst the other 37% were either owned by European or the American companies. The Chinese investments in Africa reached a sum total of 75 billion USD, with a turnover of 53 billion USD by 2014 - 40 times more than in 2000. Among them, the coastal railway project contract in Nigeria, acquired by China's Railway Construction Corporation Ltd, had a total value of 11.97 billion USD. This was the highest value of a single-contract project in the history of China's foreign engineering activities, followed by Stage one of the Addis Ababa-Adama Expressway, completed in May 2014 and with a total length of 78 kilometres (48.7 miles). This expressway is the first in Ethiopia and the first on such a scale in East Africa. Bidding for the construction of a new bridge over the Cuanza River in Angola was jointly won in November 2014 by an Angolan company, China Road and a Portuguese company, Bridge Corporation which has a total contract value of about 110 million USD, being the first major public work contract since the influx of Chinese-funded companies into Angola in 2003.

China follows a different strategy to invest in the infrastructural development in Africa vis-à-vis the West, with a complete focus on driving the economic growth of the receiving country rather than the model of "*democracy first*", currently visible in the West. As per the Pew Global Attitudes (NGO, based in Washington D.C) survey for 2015, African respondents had a significantly more positive view of China (70% with a favourable view) than respondents in other regions such as Europe (41%), Asia (57%), or Latin America (57%) reflecting the supposed positive impact of China's engagement on Africa's growth. Keeping in view these accounts of Chinese sponsored "*economic welfare*" projects, it seems as if China and Africa

have established mutual gains. However, the closer one looks, the more one becomes aware of the fact that loans taken out by Africa, are creating palpable imbalances across the continent, leaving many of its countries and governments indebted to China. The many projects which have been funded by China in Africa, has meant that approximately one million Chinese are now living and working in Africa. Henceforth, the Chinese are stripping Africa off its natural resources, employment and thereby preventing regional and local growth. Not known for its environmentally friendly business practices, Chinese construction on the African continent is done with little regard for environmental and cultural sustainability resulting in pollution, destruction of agrarian land, and unregulated mining. According to observers, in the long run, this approach is not sustainable and will likely have dire ramifications.

African countries and their governments are known to be struggling with rampant corruption and it is therefore no surprise that many Africans see Africa transforming into a puppet of Chinese interests. China is a major actor in influencing political, economic and business related decisions in the African continent. The friction between their desire to dodge political pressure and to show some progress, makes the local governments give away their vital resources for an average infrastructure holding which usually is a small portion of the total value of the resources they sign over to China, which makes only diminutive contributions to the local economy. While the partnerships may certainly create some economic gains, the contracts hold long term negative impact which shall eventually create room for permanent dependence on China to maintain the infrastructure in the future. China's increased presence has been questioned by several African scholars and social organizations who view it in parallels to the neo-colonial past. More African producers cannot compete with Chinese companies even in African market because of Chinese manufactures having low production cost and market prices.

New Relations of China-Pakistan

The China-Pakistan relation has nearly endured seven decades of changes in geopolitical and strategic interest making the world believe that these two rightly describe their alliance as: *"Higher than the mountains, deeper than the oceans and sweeter than honey"*.

Pakistan signing of the anti-communist military pacts, SEATO (The Southeast Asia Treaty Organization) and CENTO (Central Treaty Organization) soon after building relations with the People's Republic of China was, in essence, not the perfect starting point of their relationship, however it was only after India's defeat in the war with China in 1962 that the Pakistan-China relationship strengthened, with India becoming the focal point in their relationship. China's security interests in Pakistan are largely driven by its yearning to contain India. China has built up Pakistan's conventional military as well as nuclear and missile capabilities over the years with an objective of keeping India off balance and focused on threats emanating from Pakistan. Pakistan joined the Nuclear Supplier Group (NSG) in 2004, a 48-nation club committed to limiting nuclear arms proliferation by overseeing the export, re-transfer and protection of sensitive materials that could foster the development of nuclear weapons. Despite protests, China assisted Pakistan in building nuclear reactors, in Chashma and Karachi regions. China is believed to be a far more reliable ally of Pakistan in comparison to the U.S, providing also its tacit support on the Kashmir-issue. Pakistani political leaders made every

attempt to strengthen their alliance with China, flaunting Beijing as an alternative partner to Washington, especially post the assassination of Osama bin Laden by American forces in May 2011 on Pakistani soil.

While China has an interest in maintaining strong security ties with Pakistan, the notion that Chinese ties could serve as a replacement for the U.S. is implausible. U.S. has not only provided hefty monetary and military aid to Pakistan over the past decade but also served as a link to the Western world; China's economic commitment to Pakistan, is not impressive in size and neither has it shown much interest in bolstering Pakistan's economy. In line with China's strategic directive, it started working closely with Pakistan in the areas of new investments and partnerships; after the meeting between President Hu Jintao and President Gen. Pervez Musharraf, the process that had started in the 1990s gained momentum when a joint declaration was signed in 2005 and the cooperation further strengthened when the Free Trade Agreement (FTA) was signed in 2006 during the visit of President Hu Jintao to Islamabad. The trade volume between Pakistan and China expanded gradually from 1 billion USD in 1998 to 15.15 billion USD in 2015, which laid the foundation of the China Pakistan Economic Corridor (CPEC).

“When I was young, I heard many touching stories about Pakistan and the friendship between our two countries. To name just a few, I learned that the Pakistani people were working hard to build their beautiful country, and that Pakistan opened an air corridor for China to reach out to the world and supported China in restoring its lawful seat in the United Nations. The stories have left me with a deep impression. I look forward to my upcoming state visit to Pakistan”.— Xi Jinping, President of the People's Republic of China before his 2015 visit to Pakistan.

[China-Pakistan Economic Corridor \(CPEC\)](#)

CPEC is a 3,218-kilometer (2000 miles)-long route, to be built over next several years, consisting of highways, railways and pipelines. The agreement was signed on the 20th of April 2015; the actual estimated cost of the project is expected to be 75 billion USD, out of which 45 billion USD shall be spent to support a vision to make the corridor operational by 2020 and the remaining funds shall be invested on energy generation and infrastructural development. China-Pakistan Economic Corridor also passes through Gilgit Baltistan (Part of the State of Jammu & Kashmir, currently under Pakistani Administration), province in the north which will connect Kashgar in China's western province Xinjiang to rest of the world through Chinese-operated Gwadar port in southern Pakistan. CPEC benefits China's potential to diversify energy trade routes to and from the Middle East as the transportation networks will link Chinese constructed and operated Gwadar port and Karachi with northern Pakistan, as well as points further North in western China and Central Asia.

A 1,100 kilometer (684 miles) long motorway has also been proposed to be built between the cities of Karachi and Lahore as part of the project; the famed Karakoram Highway between Rawalpindi and the Chinese border is scheduled to be upgraded and overhauled by placing fiber-optic lines, thereby ensuring better communication between the two countries. The Karachi–Peshawar main railway line will also be upgraded to allow train travel at up to 160 km (99.4 miles) per hour by December 2019. Pakistan's railway network will also be extended

to eventually connect China's Southern Xinjiang Railway in Kashgar. The estimated 11 billion USD required to modernize transportation networks will be financed by subsidized concessionary loans. The project proposes to invest in the building of energy infrastructure, regularly amounting to over 4,500 MW to alleviate energy shortages in Pakistan. Over 10,400 MW of energy generating capacity is to happen by the end of year 2018, majority developed under the CPEC's fast-tracked "*Early Harvest*" projects. Networks of pipelines shall be laid down, transporting liquefied natural gas and oil, including a 2.5 billion USD pipeline between Gwadar and Nawabshah to transport gas from Iran. The size of the plan far exceeds total U.S. aid to Pakistan since 2002 and dwarfs Pakistan's generally paltry Foreign Direct Investment (FDI) figures.

The 'New Great Game': China's Debt-Trap diplomacy

The grand Chinese initiative often referred to as "*One Belt One Road*" (OBOR) or Belt and Road linking China with Europe, via South East and Central Asia through land and sea links, has the potential of adverse economic implications for countries in South Asia. As case study, Sri Lanka is a prime example as it has run into huge debt to host and welcome Chinese funded projects. They are running huge financial losses owing to high interest rates charged by Chinese lenders for the mega infrastructure projects which will now be part of OBOR. China has always embarked a traditional strategy to support infrastructural projects in strategically located developing countries, which has been done by extending huge loans (not grants) to governments, consequently leaving host nations ensnared in a "*Debt-Trap*" and thus vulnerable to China's influence. Sri Lanka has borrowed billions of dollars from China for domestic infrastructural development, for the Hambantota port project, Sri Lanka borrowed 301 million USD from China with an interest rate of 6.3%, while the interest rates on soft loans from the World Bank and the Asian Development Bank (ADB) are only 0.25-3%. The estimated national debt of Sri Lanka is 64.9 billion USD, of which 8 billion USD is owed to China as a result of their high interest rates. According to experts, Pakistan is heading towards a similar crisis, as it has been made to take out heavy loans from the Chinese banks at high interest rates to finance the CPEC. Numerous experts anticipate that Pakistan will take nearly 40 years to pay back these loans. The economic zones situated in the corridors have ostensibly been reserved for Chinese companies, Gwadar 300 MW coal power plant was awarded to China Communications Construction Company immediately, without any consideration and possibility for local companies to bid. Blessed with a deep-sea, warm-water port, Gwadar is considered a crucial link between the ambitious One Belt One Road and Maritime Silk Road projects.

Additionally, all the local markets have been flooded by low-cost Chinese goods, resulting in the closure of nearly 200 Pakistani textile mills. China prefers to employ Chinese workers in the projects that it funds, doing little to support employment in the host country. Moreover, all monetary assistance that is provided, is done in the form of loans that need to be repaid at heavy Chinese interest rates. In the unlikely case that the project does not turn out to be profitable, China still gains in the bargain as the heavier debt burden on the smaller countries gives it a greater (political) leverage.

China -Pakistan Alliance and CPEC- Public viewpoint

In general, the people of Pakistan have realized that the current Chinese development model will do little for the local economy as China prefers to use its own companies and employees rather than hire locally. For all the China-funded projects in Pakistan, China determines the contracts (allowing none of the local companies to bid), thereby saddling Pakistan with a high interest loan. Trade provisions are unfairly tilted towards Chinese companies and many Pakistani businessmen worry of being wiped out by this unfair competition.

The economic corridor also passes through Gilgit Baltistan and in the process, the abundant natural resources of Gilgit Baltistan, such as gold, copper, coal, iron and silver will be used. The people of Gilgit Baltistan will be heavily affected by the creation of this economic corridor, yet they have been excluded from any say in this project, indicating that the opinion of the indigenous people of the region are not taken into account. Also, Baloch nationalists have opposed the large-scale development projects envisioned by CPEC, fearing that such developments in the province would eventually result in local residents *"losing control"* over natural resources.

"We consider the China-Pakistan Economic Corridor as..... an occupation of Baloch territory", - Miran Baloch, a member of the Balochistan Liberation Front (BLF).

Reportedly, thousands of acres of agrarian land shall be leased to the Chinese as a part of the overall project for newly developed seed varieties and irrigation technology, consequently, making Chinese companies the primary beneficiaries. Owing to the ongoing security threats of the Chinese nationals in Pakistan, the army aims to raise the CPEC Protection Force with the costs falling on to the citizens of Pakistan. Ostensibly, the repetitive requests for more transparency by the State Bank of Pakistan, concerning the infamous *"economic project"*, has fallen on deaf ears.

"Despite the frantic activity, Islamabad had yet to determine the expected cost and benefit, expressed in monetary terms, of the mega project."- Excerpt from, *'Looking at CPEC costs amid hype'*, The Dawn, 30th of April 2017.

The Chinese projects are expected to sell electricity at high costs, with the State having to bear the price, hindering the already limping power sector of Pakistan, struggling with already long-running controversies over the pricing in terms of the cost of electricity produced per unit.

Due to negligence, Gilgit Baltistan is fronting serious environmental issues including climatic changes due to air and water pollution, inadequate waste disposal, natural resources depletion, deforestation, loss of biodiversity and glacier melting. The hydel projects use substantial quantity of coal for energy, leading environmentalists to fear that persistently investing more in coal will prove counter-productive in the long run, especially when progressive nations around the globe are investing in renewables causing minimal pollution.

Military Benefits for the Army

Military relations have been a strong constituent of the China-Pakistan relationship as China is Pakistan's largest defence supplier, with military cooperation ranging from arms sale to

nuclear assistance. Military cooperation between China and Pakistan started in the 1960s, when China began supplying arms to Pakistan, thereby establishing numerous arm factories in Pakistan. In the 1990s, the bilateral military relationship significantly deepened, especially in the field of nuclear weapons and missiles which gave China a relatively tangible access to military policy processes within Pakistan, regardless of the oscillating and inconsistent civilian leadership in the country. Since the introduction of the CPEC, the supply of military equipment has increased considerably between the two neighbours.

At this current moment in time, besides the conventional weapons supplied by China, the cooperation includes F-22P frigates with helicopters, K-8 jet trainers, T-85 tanks, F-7 aircraft, small arms, ammunition, and the jointly manufactured Joint Fighter-17 (JF-17 Fighter Jet), which will eventually become Pakistan Air Force's main combat aircraft. Pakistan's Army Chief, General Qamar Javed Bajwa, upon his first visit to China in March 2017 had discussions with General Fang Fenghui, Chief of the Joint Staff Department under the Central Military Commission after which it was reported that China shall produce (and supply) ballistic missiles, cruise missiles and a multi-role combat aircraft to Pakistan, further strengthening their military ties. Besides CPEC being an economic project, it also holds a military agenda; it unites China and Pakistan's military and, to some degree, attempts to legitimize their various disputed ownerships over disputed areas.

Panama-Gate Scandal and China-Pakistan alliance/CPEC

The Panama Papers or "*Mossack Fonseca papers*" refer to secret documents leaked from the Panamanian law firm Mossack Fonseca, specializing in helping global elite to hoard wealth through off-shore accounts and companies. On the 4th of April 2015, the International Consortium of Investigative Journalism published Panama Papers that also included names of Pakistani Prime Minister Nawaz Sharif's family raising serious concerns regarding the legitimacy of the family's wealth, offshore holdings and business interests. This became reason enough for opposition parties to rally for the investigation of the Prime Minister's family members and his resignation. The case finally landed in the Supreme Court of Pakistan, that delivered its verdict in April 2017 initiating investigations, under a Joint Investigation Team (JIT), as to how the money was siphoned off abroad. Top Pakistani Army officials undertook frequent visits to China vis-à-vis the Panama issue and its anticipated fallout on the political system which may have led to deflecting CPEC related projects. Despite the challenges that the Panama Leaks posed to the construction of the China Pakistan Economic Corridor, the Pakistani Army officials reassured Chinese leadership that CPEC will move forward in an uninterrupted manner taking priority over the Panama Leaks. On its part, China firmly told Pakistan's top Military brass that the Joint Investigation Team (JIT) must not be allowed to derail the CPEC under any circumstances. General Qamar Javed Bajwa's meeting with top security officials in March 2017, also focused on CPEC related matters including security and economy defence cooperation, giving a clear message that the Army-run JIT would ensure that CPEC related projects take preference over Panama-Gate and proceed forward in an orderly manner.

Army's involvement in the Joint Investigation Team and their palpable initiatives to cover up the Panama scam, subsequently supported by China, evidence the huge clout that the

Pakistan army has on the civil leadership and proves that Pakistan is a political fragile nation, unable to sustain without international monetary and military aid.

Pakistan's shift in primary alliance to China

Pakistan has been a beneficiary of U.S. grants that have advanced its military capability and formed a large part of its arsenal to balance power against India, its primary perceived adversary. In the wake of current geopolitical dynamics in South Asia, the US-China rivalry has intensified and Pakistan has found itself a new ally in China and while the Pakistan-China alliance is consolidating at political, strategic and (now) economical level, the balancing against India still remains a predominant interest for both. Pakistan became the “front-line ally” in the U.S. led battle against Taliban in Afghanistan, making it eligible for payments under Coalition Support Fund (CSF) which accounted for 43% of 32.2 billion USD worth of US government financial transfers to Pakistan from 2002 to 2015, of which much was used by Pakistan to support the deployment of over 100,000 troops in own territories which were facing secessionist insurgencies. Consequently, in 2016 funds worth 300 million USD (CSF funds) were blocked by the US defence, owing to Pakistan's selective approach towards terrorist groups like the Afghan Taliban and the Haqqani network.

On the contrary, China has turned a blind eye to the fact that Pakistan lends support to terrorist organizations, which was evident when Beijing publicly defended Pakistan, claiming that its security agencies had no information about Osama Bin Laden's hideout in Abbottabad, Pakistan, less than a mile from Pakistan's prestigious Military Academy. China has brazenly prevented the listing of Masood Azhar, the Jaish-e-Mohammad (JeM) Chief in the UN list of Global Terrorists. India-specific terrorist groups such as Jaish-e-Mohammad (JeM) and Lashkar-e-Taiba (LeT) continue to flourish on Pakistani soil and cross-border terrorism against India and Afghanistan is pursued as part of the State's policy of “*Strategic Depth*”. Instead of persuading Pakistan to adopt a comprehensive approach towards countering terrorism in the benefit of the South Asian region, Chinese leaders have used their relationships with Pakistani military officials, and with the Islamist political parties, to persuade them to discourage attacks on Chinese interests evidencing that China has no interest in the security situation or political health of Pakistan as long as its own interests are safeguarded. China's decision to conveniently ignore the Panama-Gate scandal as long as it received an assurance from the Pakistani Military establishment that CPEC will take priority over the scam, suggest that China can be regarded as a relied ally that continues to turn a blind eye to terrorism, corruption and violent acts whilst still continuing to provide arsenal and monetary support.

Conclusion

Pakistan and China have historically viewed each other as balances vis-à-vis their common contender, India. It is noteworthy that there are no obvious cultural bonds between the two countries as China has no predominant religion whereas the Islamic Republic of Pakistan most definitely does. The diplomatic relations between the two neighbours were established long back in 1950; the downswing in Sino-India relations following China's victory in the war of 1962 paved the way for convergence of Sino-Pakistan relations. China and Pakistan signed two landmark agreements on trade and territory in 1963, reaching their first formal trade pact followed by a border agreement.

During the India-Pakistan War in 1965, China supported Pakistan diplomatically as Pakistan encountered pressure from the West. The Soviet Union offered its mediation to release the tensions between the two warring nations and eventually organized a truce between India and Pakistan. Amidst the deteriorating relations with India, Soviet Union and United States, China articulated a long-term policy of aligning with Pakistan while China's tactful support for Pakistan in the war of 1965 also laid the cornerstone of their enduring defence and nuclear cooperation as China had acquired nuclear capability in 1964.

China, in order to sustain its manufacturing capabilities, has always been in pursuit of oil, gas, precious metals and other natural resources. Its prodigious hunger for growth forced it to avail opportunities to boost infrastructural development in the, rich in natural resources, African continent. China sanctioned billions of dollars in loans to African countries and in return, was granted the possibility to extract natural sources, leaving no benefits for the local populace. China has seemingly created a dependency on African countries, without providing real structural help as the infrastructure work paid for by Chinese funds are typically open only to Chinese companies, thus the Chinese labour force. There are an estimated one million Chinese living and working in Africa, negatively impacting employment and development of Africa's unskilled labour force.

The "*tactical triangle*" of the East, namely China & Pakistan Vs India has been the greatest stimulus to the Sino-Pakistan alliance, making China a preferred, more reliable and a pseudo-alternative to the United States. It provides Pakistan with the much-required military assistance, as well as its support for its nuclear program. These "*all weather friends*" have collaborated on key infrastructural projects in Pakistan in the past, including Gwadar Port and Karakoram Highway. This proved encouraging, by taking the alliance to the next level, with China investing in the China Pakistan Economic Corridor (CPEC). The much trumpeted CPEC, projects the belief that Pakistan's economy will prosper as a result, however the real winner in this deal is China, the growing world power with corresponding global ambitions. In line with China's desires, CPEC aims to be completed by the year 2020. As envisioned, CPEC aims to have a direct route through the Middle East, Central Asia, Africa and the rest of West, preventing the route having to go through Malacca strait. Many of the developing African countries, and Sri Lanka and Myanmar, where China has invested in infrastructural projects, the people often question the Government on the deals that ostensibly benefit the Chinese rather than the host countries. In Pakistan, the Army (which has majorly benefitted) has kept the exact details blurred as the Master Plan document was only shared with the Punjab province and the general public was not made aware of the benefits of such a Mega project. As per reports, major chunks of the CPEC budget is to be invested in energy projects and the infrastructure of roads, railways, fiber optic work and the Gwadar Port, with hardly any mention of the project effecting the environment and the disputed area of Gilgit-Baltistan while politically, the construction of CPEC will further complicate the "Jammu & Kashmir conflict". The reports also suggest that the projects focused on agriculture and industrial zones are restricted to mainland Pakistan only, with a vague reference of Gilgit Baltistan reading that the region "*will be developed*".

“CPEC is not the problem. It has just highlighted the imbalance in provinces with the largest one, Punjab, being seen as favoured specially as far as investments on road infrastructure are concerned and fuelling bitterness among the rest of the three provinces”,- Vaqar Zakaria, energy sector expert and managing director of environmental consultancy firm Hagler Bailley, Pakistan.

The efforts of the Pakistani Military in covering up the Panama scam, which inevitably would have created a political vacuum in Pakistan, and Pakistan’s willingness to give China an illegal stake in Gilgit Baltistan, suggest that the desperation to make CPEC a success, is very much craved. Observers on the other hand argue that if Pakistan imposes its sovereign writ over Gilgit Baltistan, India will then have a political and moral right to fully integrate Jammu & Kashmir into India and scrap Article 370 of its constitution, which gives Jammu & Kashmir a Special Status. Interestingly, many experts opine that General Qamar Bajwa’s expertise on Jammu & Kashmir and on the Baluchistan region, made him an ideal choice to be the new Chief of Army Staff (COAS) of Pakistan and thereby ensure that CPEC would not be interrupted in any manner.

While the Pakistani leadership has created an air of optimism around CPEC, it cannot be perceived without apprehension, especially when keeping Chinese *“Debt-Trap”* policy (in Africa) and Pakistan’s dependence on international aid in mind. It has forced the common people to question why the construction of a very expensive 750 kilometres (466 miles) transmission line and not of a run-of-river project which could produce nearly 50,000 MW of energy and 7,100 MW electricity, is being made. Why Pakistan would choose an expensive and environmentally destructive program, when it could safely import energy, remains questionable and problematic for many Pakistanis. Meanwhile, the population of Pakistan has learnt that the current Chinese development model will do little for their economy as China prefers to use its own companies and employees rather than hire locally. Then, why CPEC?

“Of the 73,000 square kilometres, cultivable land is just 1 percent. If that is also swallowed by rich investors from outside, we will become a minority and economically subservient once there will be no farmland or orchards left to earn our livelihood from”, Hunzai – a local businessman expressing concern while talking to Gilgit Times - *Deloitte Pakistan – ‘How will CPEC boost Pakistan economy?’*

Compared to the West, China has a unique way of functioning where it does not attach importance to environmental issues or protection of human and labour rights, thereby allowing itself to make concessions more easily. As part of the Chinese strategy, focus being on increasing consumption, the markets in Pakistan have been flooded with low-cost Chinese products which has made survival hard for local businessmen. According to many, given the level of control the Chinese are being allowed in Pakistan, CPEC could well have the markings of another East India Company.

Unlike Pakistan, some developing economies are regretting the decision of accepting the high-interest Chinese loans, thereby falling into its *“Debt-Trap”* policy. Pakistani leadership hopes that the Chinese investment will lift its sagging economy and uninterrupted supply of

arsenal, whilst China is keen on dumping its goods, killing off the local manufacturing and securing its strategic position in the region, with an ambition to emerge as “*United States of the East*”. Even if CPEC is partially executed, Pakistan would be indebted to China forever and this advertised “*Game Changer*” may become a liability and an albatross around the neck, resulting in, as some call it, “*Game Over*”.

For the sake of the argument, if one may assume that China continues to be an *all-weather* friend with CPEC and other shared projects turning out to be in mutual gain, the question still remains will China be able to ignore the prevalent forms of sectarian violence and the fact that Xingjian protestors are being trained on Pakistani soil, which make the entire country a sensitive zone to make investments, lest China actually take control and indeed change the game by making Pakistan another province of China.

Will the *all-weather* friend still prove to be a friend if, in the worst case, Chinese installations in Pakistan are attacked, or Chinese workers in Pakistan are kidnapped or killed in retaliation for Chinese treatment to the Uighur Muslims, by any of the few dozen Islamic extremism groups operating in Pakistan?

The words of renowned Pakistani author, F.S Aijazuddin in his book, ‘From a Head, Through a Head, To a Head: The Secret Channel between the US and China through Pakistan’, perhaps describe the marriage between China and Pakistan fairly, “***The Pakistanis love China for what it can do for them, while the Chinese love Pakistanis despite what they do to themselves***”.

China and Pakistan’s relationship has an embedded enduring imbalance; Pakistan is in China’s debt and the debt will only, deepen. The bigger question is: Do the Pakistanis realize?



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