



## China-Pakistan Relations under CPEC

Sabahat Jaleel \*

Habibullah †

### Abstract

*China-Pakistan Economic Corridor (CPEC) project was signed in 2015 between Pakistan and China. Face-to-face in-depth interviews were conducted with different experts, such as intellectuals, politicians, and historians. Pakistan, being the neighboring country of China, did not miss the opportunity and responded to the call seriously and developed diplomatic relations with China in 1950. Pakistan became one of the few countries which recognized China at the earliest. For the last many decades, China has been providing military, technical, and economic assistance to the government of Pakistan. A qualitative research method has been used to achieve the research goals. This article explains how the growing investment of China establishes mutual interdependence for both countries. Since then, both countries have enjoyed the strength and perpetuity of bilateral relations.*

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**Key Words:** Economic Interdependence, CPEC, FDI, Defence Assistance

### Introduction

The Chinese revolution of 1949, which transformed China into the "People's Republic of China," gave birth to a leading communist country in this part of the world. Mao Zedong, the founding father, and Chairman of the Chinese Communist Party outlined the traditions of Chinese foreign policy, which was based on rationality and accommodativeness of all regional and extra-regional countries. The bedrock of Chinese foreign policy underpinned the ideals of mutual respect, non-aggression, non-interference, mutual benefit, and peaceful co-existence ([Lanteigne, 2015](#)). Pakistan was the first among the Muslim countries that recognize China as an independent state on the 4<sup>th</sup> of January 1950. Both the countries forged thriving diplomatic relations despite regional and global

challenges impacting the geopolitical landscape of the South Asian region ([Syed, 1974](#)). The South Asian region became an epicenter of strategic competition among capitalist and communist blocs led by America and the Soviet Union, respectively. Within that geostrategic competition of great powers, Pakistan and China maintained cordial relations ([Garver, 1992](#)).

### China-Pakistan Historical Relations

In October 1949, when China emerged as an independent state under a communist regime, its top brass, led by Mao Zedong, announced to establish cordial relations with the community of independent countries. China-Pakistan also established bilateral relations, both countries had

\* Lecturer at Department of Basic Science and Humanities, University of Engineering and Technology, Taxila, Punjab, Pakistan. Email: [Sabahat.jaleel@uettaxila.edu.pk](mailto:Sabahat.jaleel@uettaxila.edu.pk)

† Associate Professor, Department of Pakistan Studies, Government Post-Graduate College Kohat, KP, Pakistan.

a convergence of interests in regional and global issues. This helped them come together though they had different types of political systems and cultural environments. The Chinese Premier, Zhou Enlai, categorically laid the foundations of its foreign policy by urging that all states should be given the right to determine their political systems. Neither of the countries should interfere in the internal affairs of other countries. In a statement in 1954, he further argued that “revolutions cannot be exported” (Zhou, 1969). Pakistan's policymakers, at that time, had rightly realized that China had no belligerent intentions toward Pakistan. Since the 1950s, both countries have been complimenting each other on global political issues to a great extent. In mid of 1950s, Pakistan joined the American led military alliances of SEATO and CENTO, which were focused on containing the emergence of the Soviet-led communist revolution. At that time, China was a close ally of the Soviet Union (Mahdi, 1986). Later on, in the Bandung conference, Pakistan's Prime Minister Muhammad Ali Bogra convinced the Chinese counterpart Zhou Enlai that Pakistan is not against China under the US-led signed pact of SEATO and CENTO.

In the last years of the 1950s, relations once more saw a turbulent phase when Pakistan raised questions about Chinese military involvement in Tibet. China took it as an interference in the internal matters of China by Pakistan. Pakistan's then military ruler made some remarks about China, which were not liked by the leadership in Beijing. Pakistan had found in the Chinese map that few parts of Pakistan's borderline with China were shown as part of China. This caused some resentment in the minds of Pakistan's decision-making elite. The differences did not overshadow the cooperation between the two countries. The bilateral relations continued despite a difference of opinion over certain matters (Dobell, 1964).

In 1961, Pakistan distanced itself from American policy to deny China a seat in the UN. Rather, Pakistan voted in favour of China in its bid for the seat in United Nations. After the 1962 China-India war event, Pakistan took a firm stance to develop more cordial relations with China. It decided not to sacrifice its own interests

for the sake of western ambitions against China. China, being the large country, reciprocated the efforts made by Pakistan and soon agreed to resolve territorial disputes with Pakistan through amicable means. In 1962, the countries reached a negotiated settlement of boundary demarcation (*Communiqué on Border Agreement Between Pakistan and China*, 28 December, 1962). In 1963, an agreement was signed to that effect. After the settlement of border disputes, more agreements of different natures, especially the economic field, poured in between the two countries. In 1963, the two countries signed an agreement to give each other status of most favoured nations in the field of trade and commerce. Within the same year, an airline was also opened between the two countries (*Trade Agreement Between The Government of Pakistan and The Government of The People's Republic of China*, January 1963).

In 1964, China gave an interest-free loan to Pakistan, amounting to 60 million US dollars. From March 1965 to September 1965, Chinese Premier Zhou Enlai made three visits to Pakistan, and the Pakistani leadership also returned the favour with the exchange of visits. President Ayub Khan, along with his foreign minister Zulfikar Ali Bhutto went to China in 1965 (*Joint Communiqué Issued on the visit of the President of Pakistan to China*, 2-9 March 1965). During the visit, Pakistan expressly support the One-China policy. Pakistan supported Chinese inclusion in the UN during the same visit. In 1965, both countries signed another agreement for transport through sea service once a month (*Joint Communiqué Issued on the visit of The President of Pakistan to China*, 2-9 March 1965). It was the 1965 war when the depth in bilateral relations was tested, and China proved to be a trusted and dependable friend for Pakistan. It supported Pakistan in all possible means during the war. China categorically termed Indian aggression against Pakistan a criminal act in violation of the territorial integrity of Pakistan. China firmly stated that aggression against one of the Indian neighbours would be taken as aggression against all the neighbours. The clear and loud message from China earned the gratitude and favours for the people of Pakistan

once and for all after its unrelenting support to Pakistan during times of crisis ([Mailk, 2002](#)).

In the 1970s, Pakistan facilitated one of the most important rapprochements of the 20<sup>th</sup> Century to bring China and America together. During the war of 1971 between Pakistan and India, China sent a somehow soft message of condemnation to India. It urged India to stop the violation of sovereignty and territorial integrity of Pakistan labeling its involvement in East Pakistan as naked aggression on the part of India. Out of global constraints and pressures, China didn't come in open support to Pakistan. China helped Pakistan's position in the United Nations and other forums. It helped Pakistan to rebuild after the war of 1971 ([Ahmad, 1981](#)).

After the war, in 1973, Zulfikar Ali Bhutto again visited China, and it gave fresh economic loans on favourable terms while writing off previous loans given to Pakistan (*Joint Communiqué Issued at the visit of The Prime Minister of Pakistan to China*, 11-14 May 1974). China put pressure on India to return prisoners of war to Pakistan. In 1978, China and Pakistan formally opened Karakorum Highway to connect the two countries through the road.

Till the 1980s, Pakistan and China did not have any formal defence agreement in case of any emergency. The few corners of Pakistan raised eyebrows about bilateral engagement without any agreement. Soviet invasion in Afghanistan gave a genuine reason to worry about policy circles in Pakistan. Pakistan's Foreign Minister Agha Shahi unleashed the fact that Pakistan was looking into the possibilities of striking a defense deal with China. The Chinese leadership, on the other hand, assured that it would stand by Pakistan even if there is no formal defense deal between the two.

During President Zia Ul Haq's visit to China in 1980, Premier Hua vehemently appreciated Pakistan's firm stance against all the odds to regional peace and stability. During the visit, China once more recognized Pakistan's need to protect its territorial borders and sovereign states against all forms of foreign aggression. The leadership in China ensured its constant support to Pakistan during times of crisis. On his return to Pakistan, President Zia Ul Haq argued that

both countries have a complete understanding in all fields of mutual interests. At the end of his visit, no formal joint communique had been issued, which raised some questions. The level of trust and understanding underscored the fact that both countries have such deep relations that they do not need any formalities to take place between the two ([Cohen, 2002](#)).

When you try to analyze Chinese policies towards regional countries through pragmatic lenses of international politics, you will understand that China is not making accommodative gestures toward Pakistan merely to uplift the neighbouring country. There is no free lunch in international politics. Every action and deeds are taken in pursuit of hardcore national interests. China, in this case, has interests in the southern parts of Pakistan in the Balochistan region for its own benefits in the longer run. It denies having any ambitions to become a major power in the region. It does not make any assertive moves against any regional country. China is the only regional country that has the means and depth to become a great power. Probably, it will make good friends in the region, normalize its relations with historically adverse countries like India, and take action to involve extra-regional countries in its global ambitions ([Kennedy, 2002](#)).

### Defense Assistance and Economic Interdependence

In the decade of 1990s, China was more involved in the global political and economic order, and it had developed a good understanding of America. America had pursued China to become a member of the Nuclear Non-proliferation Treaty (NPT) and Missile Technology Control Regime (MTCR) to become a more responsible member of the global community ([Joshi, 2015](#)). China was supporting Pakistan in its nuclear and missile program despite global pressures. Once it became part of these global regimes and treaties, it was under compulsions to halt such support to any country ([Paul, 2003](#)).

Under MTCR, China was duly bound not to give any assistance to any country for the development of its nuclear program. In 1991, America removed sanctions from China, which

were there for some time. Still, Washington continued accusing China of its support to Pakistan's missile program. It put some sanctions on China again for two years. In 1993, America claimed that it had undeniable evidence of the Chinese supply of M-11 missiles to Pakistan. The Chinese leadership responded to such accusations sternly and called the American ambassador to China for protest against such false, frivolous, and baseless allegations. It threatened to pull out of MTCR if America continues with its policy of blame game against China. As a response to such allegations, Pakistan and China further increased military ties. In 1993, the military leadership on both sides met with increasing cooperation for defence procurement for Pakistan ([Zeb, 2012](#)).

China had been supporting Pakistan in the energy sector. It helped Pakistan to become self-sufficient in the energy sector to a considerable level. In 1994, Pakistan completed an electric complex with the name Heavy Electric Complex (HEC). The HEC was funded, supported, and developed with the help of China. It contributed almost 30 million US dollars for the project. Despite longstanding relations between the two countries, bilateral trade between Pakistan and China was still very low. In recognition of this fact, during President of Pakistan Farooq Ahmed Leghari's visit to China, both countries agreed to enhance bilateral trade. Economic interdependence was recognized as an important component of the bilateral relations of the two countries ([Ali, 2017](#)).

Both countries continued improving bilateral relations in multiple sectors. Pakistan developed an Al-Khalid tank and started exhibiting it in the global market for sale too. It all happened with the help of China. China helped Pakistan in building Aeronautical Complex (PAC) for making indigenous aircraft and their parts. Pakistan worked closely with the Chinese Aircraft industry to get rid of its dependence on America. Against the backdrop of American sanctions on Pakistan, it started building its own Super-7 aircraft with the help of China ([Singh, 2007](#)).

The Chief of Army Staff (COAS), Pervez Musharraf, took over the power in Pakistan by

overthrowing the government of Prime Minister Nawaz Sharif. It generated variant responses from the global community. President Pervez Musharraf visited China after four months of taking power. He was received by China with equal enthusiasm and warmth and was assured the support no matter what Pakistan's internal situation or the global environment. The Chinese Premier and President assured their support to Musharraf by calling him a deliberate choice of the people of Pakistan.

In 2001, Chinese Premier Zhou Rongji made a trip to Pakistan and met with COAS Pervez Musharraf to discuss regional and bilateral issues. Along with the other five significant agreements, China also agreed to invest in the deep Sea port of Gwadar, which was a significant development. Pakistan was aware of the economic and geostrategic importance of Gwadar port, but it had no funds to initiate the development. President Musharraf requested China to invest in this important strategic chokepoint in the Indian Ocean., to which China agreed. Out of the total investment of 248 million US dollars, for the initial phase, China provided almost 200 million US dollars ([Malik, 2012](#)).

### **Pakistan-China Trade Relations under FTA**

In 2006, a new landmark program with the name of Early Harvest was launched for further increase in the bilateral trade between the two countries. Under this initiative, China gave access to 644 Pakistani products to Chinese markets on zero tariffs. Also, Pakistan extended to the same 386 Chinese products to Pakistani markets with zero tariffs (Commerce). It further enhanced the bilateral relations and mutual trust of Pakistan and China ([Kataria & Naveed, 2014](#)). In 2006, a Free Trade Agreement (FTA) was signed by both, and the Early Harvest initiative was merged in this mega project ([Markey & West, 2016](#)). The Free Trade Agreement is an idea whereby two or more countries agree to give free access to each other's products to their respective markets. Pakistan and China implemented it in 2006. The core purpose of the initiative is to lift trade barriers and restrictions on the commodities and products of other

countries. Approximately more than 60 of the regional or global trade between the countries of different parts of the world is made through such forums (EU, NAFTA etc.). Under the Free Trade Agreement, Pakistan and China agreed to lift restrictions and reduce the tariffs on all items in phases. The first phase of this arrangement ended in 2012, and at the end of the second phase, it was estimated at the start of this initiative in 2006 that bilateral trade will reach up to 15 billion US dollars.

After the free trade agreement, Pakistan's export ratio increased with China, which is a positive sign for economic growth ([Shabir & Kazmi, 2007](#)). Currently, both countries are entering into the second phase of FTA, which was signed during early 2019 under the Imran Khan Govt.

### **China-Pakistan Economic Corridor**

China-Pakistan relations entered a new phase of development after signing CPEC in 2015 ([Jamal, 2016](#)). Initially worth of 46 billion US dollars later increased and currently reached around 62 billion US dollars. This project mainly focused on four areas based on infrastructural development, the Energy Project, Gwadar port, and free Industrial zones. Therefore, mainly we will discuss the new phase of mutual opportunities under the CPEC project.

### **Opportunities Created from the CPEC Project**

#### **Multiple Investment Options**

Foreign people will have a chance to invest in Pakistan with the help of the CPEC project. This path will be able to provide an easy and secure route for investors, and they feel comfortable and secure while trading from this route.

Access to Arabian sea will be provided from the CPEC project, and China will have the shortest distance that will able China to trade from this route. Also, other countries like Central Asian ones will also have a chance to trade from this route and connect with various countries from the world. It will help other countries besides China as it is a mega project and will have a tremendous effect on the world.

### **Connectivity with Respect to Region**

Under OBOR, the whole regional countries connect with each other and come closer. Central Asian landlocked states will be able to connect with the whole region from the CPEC project. These links will not only help other countries to boost their economic values but also helps Pakistan to enhance its economic development. As we all know that regional connectivity will provide mega benefits and easy access to connect with other countries across the world, so CPEC is very important in this aspect.

### **Connectivity with Respect to Industry**

As this route is secure and short thus helping Pakistan to boost in an industrial area and help in importing raw material from Central Asia and Afghanistan region. China on the other hand is rich in an industrial area and emerging economy of the world, so it has the upper hand to enhance its industrial importance and fulfill its energy demands through the CPEC project. China has established special Industrial zones in its western region. CPEC connect western China with strategic important Gwadar port. It will also help various countries to connect with each other because this route will be shorter and secure. In short CPEC will provide a route to enhance industrial area.

### **Beneficial with Respect of Economy**

This project has multiple benefits but on the other hand it will also help countries to share their resources with each other to boost their economic area and helps their countries to speed up their progress.

### **Contact with People to People**

CPEC will be able to bring different cultures together as this provides easy access to connect people to people. Exchange of culture and language. Also, it can enhance educational health economic development. When different cultures will exchange so understanding among different countries will improve.

### **Enhance Stability and Security of the Regions**

Pakistan and China are making progress on the

fields of stability and security by making different investments in different fields. Stability will be improved when economic development will take place, and security will be improved when routes will become safe. CPEC basically helps to sustain both the things in very good manner.

## **Conclusion**

Pakistan has enjoyed a significant position in Chinese foreign policy calculations since day one. It has remained a cornerstone of Chinese South Asian policy. China-Pakistan bilateral engagements historically based on strategic dimensions. The start of their bilateral relations was initially based on 'Indian Centric' to counter Indian-US alliances and to maintain regional 'Balance of Power.' From 1978 to onwards due

to China, open-door policy enhanced its economic relations based on economic interdependence.

Initially, China is and will remain in an advantageous position in bilateral engagement with Pakistan, but it is giving Pakistan a few incentives too. It will give Pakistan a new narrative in the global community. Now, after its connection with China in its economic ventures, Pakistan will be discussed as an important strategic position country, which connects East with the West and benefits economically from this entire process once more. The investors in Pakistan can also explore new markets in China and Eastern countries once they achieve competitiveness in their productivity. Economic engagement is a win-win situation, both for China and Pakistan.



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