

# Responding to Encirclement? Examining the Dynamics of the Sino-Pakistani Relationship since 2001

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## **Introduction**

The regional security dynamics of South Asia have shifted considerably since the arrival of U.S. military forces in Afghanistan in 2001. Over the past decade, Washington has consolidated a formal alliance with New Delhi; India and Pakistan have faced the prospect of conventional military confrontations in 2002 and 2008; and China has gradually advanced a long-term strategy aimed at advancing regional stability with both New Delhi and Islamabad. Especially in light of the U.S.-Indo Civilian Nuclear Accord, many security planners in Washington fear the prospect of an emergent Sino-Pakistani axis in South Asia, as a potential threat to long-term U.S. interests in the region.

This assessment seeks to explore to what extent, if any, China has sought to balance against Washington's growing regional presence through Beijing's "all-weather" relationship with Pakistan. This paper closely examines three principal theatres of Chinese influence in Pakistan in order to assess the extent to which Beijing has sought to balance against the U.S and India over the past decade: the construction of the Gwadar Port in Balochistan, the emerging Sino-Pakistani civilian nuclear cooperation projects, and the recent history of bilateral military ties and regime support between both nations. By closely scrutinizing the three principal theatres of China's influence in Pakistan, this paper casts doubt on the claim that China has utilized its alliance to principally balance against the United States and India. Instead, China has adopted a graduated, less-reflexive, strategy of cautious engagement in Pakistan in order to advance core interests in South Asia. These arenas of influence show little evidence of an emerging proxy battle of regional influence between the United States and China, and illuminate a finer appreciation of China's desire to sustain a zone of stability in its immediate neighborhood.

## **Gwadar Port**

The most visible arena of Sino-Pakistani cooperation over the past decade has been the construction and development of the deep-water port in the southern Pakistani city of Gwadar. In 2001, Chinese Premier Zhu Rongji visited Pakistan to announce Beijing's plans to finance the first phase of the port's construction, pledging \$198 million

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of the requested \$248 million necessary to begin the project. Situated at the nexus of the Arabian Sea and only forty miles east of Iran, Gwadar is widely considered a key strategic locale for both Islamabad and Beijing. Mindful of the Indian Navy's blockade of the Port of Karachi during the 1971 war and New Delhi's threatened blockade in the midst of the 1999 Kargil Crisis, Pakistani's military planners have envisioned port construction at Gwadar as a way of easing its strategic vulnerability in the event of another Subcontinent confrontation.<sup>2</sup> For the PRC, the Gwadar project has been seen a way for Beijing to diversify and secure its crude oil imports, while also potentially serving as a long-term basis for naval power projection in the Indian Ocean.<sup>3</sup> A future port at Gwadar also serves as a critical link for the consolidation of the Karakoram Highway connecting China's Xinjiang Province to Pakistan's major cities – including Islamabad, Rawalpindi, and Abbottabad.

China's economic investment at Gwadar thus raises the salient issue of how regional and global actors should characterize Beijing's strategic intentions in South Asia. China's state media, on the one hand, points to the Gwadar project as further evidence of Beijing's 'good neighbor policy,' aimed at countering the long-term terrorist threat by helping to revitalize Pakistan's economy. Yet skeptics in New Delhi, Tehran, and Washington have feared China's long-term ambitions of utilizing the port as a future base for the PLAN. As Admiral Sureesh Mehta, former Chief of the Indian Navy, noted, China's role in facilitating the port's development has "serious strategic implications" for New Delhi – given its proximity to the Straits of Hormuz, and its potential value as a naval basing station for a future Chinese fleet.<sup>4</sup>

Close analysis, however, lends a degree of skepticism to the overly pessimistic 'string of pearls' theory and predictions of China's offensive regional ambitions. Since Pakistan's formation six decades ago, the Balochistan region has endured chronic instability and economic underdevelopment – a sober reality fueled by the ongoing separatist struggle between Baloch nationals and Pakistani military forces. While Pakistani officials were quick to highlight the promise of the Gwadar Port as an economic hub capable of ultimately resolving the conflict while serving as an economic boom to the entire state, there are few signs of the conflict abating. Beijing has been intimately aware of this political and security crisis in Balochistan, as the separatists have frequently targeted Chinese oil workers and engineers with bombings and rocket attacks.<sup>5</sup> Indeed, the formal inauguration of the port in 2005 had to be postponed on account of security deterioration in the area, as Pakistani authorities reportedly feared an attack on Chinese Prime Minister Wen Jiabo from Baloch separatists.<sup>6</sup> As Kostecka points out, the extant threat posed by separatists renders Gwadar an unlikely basing station for Chinese warships vulnerable to rocket attacks.<sup>7</sup> This endemic instability, and low likelihood for

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<sup>2</sup> Ziad Haider, "Baluchis, Beijing, and Pakistan's Gwadar Port" *Georgetown Journal of International Affairs*, Washington/Spring 2005, p. 98.

<sup>3</sup> *Ibid.*

<sup>4</sup> Abdus Sattar Ghazali, "India Alarmed As Chinese Built Gwadar Port Of Pakistan Becomes Operational" *Counter Currents*: Feb 8, 2008.

<sup>5</sup> Andrew Small, "China's Caution on Afghanistan and Pakistan," *The Washington Quarterly*, 2010: 33:3, p. 91.

<sup>6</sup> B. Raman, "Baloch Shadow over Pakistan-China Ties," *Asia Times*, April 19, 2005.

<sup>7</sup> Daniel J. Kostecka, "A Bogus Asian Pearl," *Proceedings Magazine* - April 2011 Vol. 137/4/1,298

future improvement, suggests that while China may have deepened its economic stake in Gwadar, the returns on Beijing's investments remain far from certain.

Other factors also suggest that China has reassessed the Gwadar Port's strategic utility as Pakistan's internal political stability has deteriorated over the past decade. In 2007, Islamabad awarded management of port operations to the Singapore Port Authority (PSA), despite Beijing's hefty initial investment.<sup>8</sup> Perhaps more revealing was China's decision in 2009 to cancel a multi-billion dollar oil refinery project near Gwadar, an outcome that media reports attribute to the ongoing insurgency in Balochistan as well as increasing concerns over the PSA's management of operations and maintenance at Gwadar.<sup>9</sup> China's decision to terminate the refinery project also suggests Beijing's ultimate refusal to construct the 1500 mile pipeline from Gwadar to Xianjing Province – the foundation for a bilateral energy partnership that was the personal objective of former Pakistani President Gen. Pervez Musharraf.<sup>10</sup> The United Arab Emirates' subsequent decision to halt construction of a similar refinery near Gwadar suggests that regional players have also started to cast doubt on Islamabad's ability to turn Gwadar into the Dubai of South Asia.<sup>11</sup>

The dynamics of Gwadar's development over the past decade suggest that while China has invested significant economic aid in Pakistan's principal domestic infrastructure project, Beijing's involvement represents a carefully calibrated, "realistic assessment" of projected costs and benefits in deepening its presence in a politically turbulent part of Pakistan. Beijing's apparent reassessment of the potential promise of Gwadar reflects a cautious strategy of engagement in Pakistan.

### **Sino-Pakistani Nuclear Cooperation**

Another visible theatre of China's enhanced engagement with Pakistan has occurred within the context of Islamabad's nuclear program. Skeptics about China's peaceful neighborhood policy, like Ashley Tellis, hold that Beijing's nuclear partnership with Pakistan as evidence of China's strategic desire to bolster an alternative power nexus capable of countering the burgeoning U.S.-Indo alliance.<sup>12</sup> This outlook also highlights China's plans to develop civilian research reactors in Pakistan in response to the precedent set by the 2005 U.S.-Indo Civilian Nuclear Agreement – the landmark accord that granted India access to the global nuclear market despite its violation of the NPT. Principally, it's essential to underscore that the Sino-Pak nuclear relationship is not a new phenomenon. As Hussain Haqqani has said, China emerged as a major patron of Pakistan's clandestine nuclear program in the late 1970s, and in subsequent years, played a critical role in the development of Islamabad's civilian and military nuclear architecture through the transfer of material, blueprints, and other associated technology necessary for weapons development.<sup>13</sup> Reports within the U.S. nonproliferation community hold that

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<sup>8</sup> Ibid.

<sup>9</sup> Syed Fazl-e-Haider, "China calls halt to Gwadar refinery" *Asia Times*, Aug. 14, 2009

<sup>10</sup> Ibid

<sup>11</sup> Ibid

<sup>12</sup> Ashley Tellis, "The China-Pakistani Nuclear Deal: Separating Fact from Fiction" *Carnegie Endowment for International Peace*: July 16, 2010.

<sup>13</sup> Haqqani, Husain. *Pakistan between Mosque and Military*. Washington, D.C.: Carnegie Endowment for International Peace, 2005. Print.

China had supplied Pakistani scientist A.Q. Khan with a successful blueprint for a nuclear weapon in 1983 along with enough weapons grade uranium for two nuclear weapons.<sup>14</sup> While China has publicly denied complicity in Pakistan's nuclear weapons development, this claim runs counter to the established consensus in the U.S. intelligence community – a reality that drives much of the concern about the proposed reactor plan.

The formalization of Sino-Pak nuclear cooperation, outlined in the 1986 agreement on nuclear energy, helps contextualize current developments in Beijing's plans to modernize Pakistan's nuclear energy program. The 1986 Civilian Nuclear Agreement pledged bilateral cooperation in the “design, construction, and operation of nuclear research and power reactors and associated facilities” and prefaced subsequent transfers of low enriched uranium, material for gas centrifuges, as well as Beijing's assistance in constructing power plants and the four Chashma reactors by 2011.<sup>15</sup> Many of China's transfers of dual-use technology and other bilateral agreements in the next decade occurred with only a modest amount of international scrutiny until Pakistan's successful detonation of nuclear devices in 1998.

Pakistan and India's successful nuclearization efforts during President Clinton's second term rendered nuclear nonproliferation as the preeminent regional objective for the United States, which sought to “cap, roll back, and eliminate” South Asia's WMD programs. While China publicly maintained an evenhanded posture following the 1998 testing, the specter of nuclear confrontation on the Subcontinent reinforced concerns within Washington's security establishment about continued Chinese cooperation in Pakistani's civilian and military arsenals. Unstable regional security dynamics, as evidenced by the Kargil Conflict, the 2001-2002 ‘compound crisis’ following the LeT attack on India's Parliament Building, as well as the 2008 terrorist attacks in Mumbai, thus reinforced Washington's concerns about China's plans to build the Pakistan's Chashma 3 and Chashma 4 reactor plants.

Like the heightened scrutiny over the Gwadar Port construction, contemporary developments in the Sino-Pak nuclear partnership thus highlights concern among international and regional players about China's strategic intentions. As Tellis and other pessimists maintain, China's continued nuclear partnership with Pakistan represents a tightening of the Sino-Pak axis – a relationship that poses long-term challenges to both U.S. and Indian interests in the region.<sup>16</sup> In addition, China's desire to be exempted from the Nuclear Suppliers Group in order to advance the reactor project fundamentally threatens the “integrity of the global nonproliferation system,” as Tellis believes that Pakistan should be denied an NSG waiver given its extensive history of proliferation.<sup>17</sup> While Islamabad's long track record of nuclear proliferation cannot be disputed, close analysis of this nuclear partnership should cast doubt on the overly pessimistic fears of China utilizing its nuclear capabilities as a way of “cementing an alternative power nexus” in South Asia. As Anatol Lieven has noted, Islamabad's interests in securing reactor development must be properly appreciated; Pakistan retains a significant energy shortfall, and demand could be met with a doubling of its existing reactors. Moreover, as Lieven points out, the Pakistani establishment has long appreciated the realist strategy of

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<sup>14</sup> Nuclear Threat Initiative, “China's Nuclear Exports and Assistance to Pakistan” Report: Nov 14, 2003.

<sup>15</sup> Ibid.

<sup>16</sup> Christine Fair, “Should Pakistan Get a Nuclear Deal?” Foreign Policy Magazine, Mar 23, 2010.

<sup>17</sup> See Tellis.

“playing China off against the US,” by recognizing the nation’s inherent value to U.S. counterterrorism interests in Afghanistan, and China’s desire for a stable buffer against India.<sup>18</sup> There is further evidence to suggest that Beijing’s reactor project has been driven by agreements solidified prior to 2001, and not as a balancing response to the burgeoning U.S.-Indo alliance. In addition to the 1986 timestamp of the original civilian nuclear partnership, China also made clear to the Nuclear Suppliers Group in 2004 that it had pledged to abide by its past commitments to Pakistan, including the construction of “Chashma-2, more research reactors, plus supply of all the fuel in perpetuity for these units.”<sup>19</sup> This stipulation was evidently not sufficient to deny China’s entry into the NSG. The date of the original accord, coupled with China’s insistence on honoring its past commitments, thus undermines to the oft-repeated, yet specious, claim that the Beijing has utilized its nuclear patronage in direct response to Washington’s deal with New Delhi.

While China has not abandoned its long-standing strategy of utilizing its partnership with Pakistan as a way to ‘hedge’ against India, its cooperative nuclear ventures over the past decade must be properly assessed within the context of its long-standing alliance. This is not, to be sure, to suggest that China fails to appreciate the value of its strategic relationship with Pakistan in balancing against emerging threats in the region. As Small notes, PRC leadership has perceived the growing U.S. role in South and Central Asia as a strategic threat and source of regional destabilization.<sup>20</sup> And, while Beijing may seek other avenues in the future to counter the U.S. and New Delhi’s emerging presence, the contemporary nuclear projects should not be seen as a proxy for a U.S.-Sino security competition in South Asia.

### **Military Cooperation and Regime Support**

Beijing’s extensive collaboration with the Pakistani military, as well as the PRC’s diplomatic support of various Pakistani regimes over the past decade, is another area of concern for China pessimists who are quick to find examples of Beijing’s strategic balancing and potential power projection. In a similar vein to the previous discussions concerning Gwadar and Sino-Pak nuclear collaboration, a careful, cautious appreciation of developments in this realm is essential for grasping a more robust – and thus accurate – understanding of China’s behavior since 2001.

As Kerry Dumbaugh notes, military-to-military relations between China and Pakistan are a key pillar of the “all-weather relationship” as China has long seen Islamabad’s sizable military forces as an important bulwark against New Delhi.<sup>21</sup> The institutional relationship between the Armies of the two nations is “unusually strong,” though can be partially explained given the ascendancy of the armed forces in the realm of Pakistani civilian governance.<sup>22</sup> Such “institutional trust” has helped facilitate Beijing’s emergence as Pakistan’s leading defense supplier, as China has transferred 400 Battle Tanks, 6 Z-9EC Helicopters, 4 F-22P Frigates, 42 JF-17 Thunder Aircraft, and 36 J-10

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<sup>18</sup>I. Ahmed, Christian Science Monitor, “China-Pakistan deal raises fears of nuclear proliferation,” July 1, 2010.

<sup>19</sup> Bukhari and Rehman, “Paksitan-China Nuclear Deal and International Fictions,” Berkeley Journal of Social Sciences, Vol 1. 3, March, 2011.

<sup>20</sup> Small, 88.

<sup>21</sup> Kerry Dumbaugh, “Exploring the China-Pakistan Relationship” CAN China Studies, June 2010, p. 5.

<sup>22</sup> Ibid.

multi-role combat aircrafts since 2000.<sup>23</sup> Additionally, both nations have signed numerous agreements and Memos of Understanding over the past decade, reinforcing the contours of cooperation on both sides.

In addition to providing direct military support to Pakistan, Beijing has routinely used its clout in multilateral forums to provide political support for various ruling Pakistani regimes, while also exercising its significant influence Islamabad's military leadership in resolving regional disputes. On the former point, China has frequently used its veto authority within the United Nations to block sanctions and resolutions against domestic terrorist organizations operating within Pakistan, like Lashkar-e-Tayyiba and its successor organization, Jamaat-ud-Dawa.<sup>24</sup> Chinese officials have more reluctant to advance objectives against Pakistan's domestic terrorist groups that pose no extent threat to the Beijing's security. And, more importantly, China recognized the value of Pakistan's sponsorship of terrorist proxies that keep India's military planners focused on resolving the Kashmir dispute.<sup>25</sup> Likewise, China utilized its influence with Pakistan's military rulers as a basis of advancing its strategic interests in the nation. Islamabad's leaders have reciprocated this affinity, as President Musharraf frequently appeared before media cameras with two of his Pekingese lapdogs – a noteworthy political display given the dogs' Chinese lineage, as well as Islamic culture's opprobrium for canines.<sup>26</sup>

While Beijing has advanced a robust military-to-military partnership with Islamabad over the past decade, it does not appear that this relationship has been principally driven, or even significantly influenced, by China's strategic concerns in countering U.S. influence in the region. First, while military transfers in this period were sizable, its important to note that the United States has also been a major source of Pakistani patronage. Since 2002, Islamabad has received roughly \$14 billion direct U.S. military security assistance, and an additional \$6.5 billion in non-security economic assistance in the same period.<sup>27</sup> Pakistan's client status for the United States should dispel concern that Pakistan has emerged as a proxy ground for influence since the arrival of U.S. forces in Afghanistan in 2001. Moreover, as Small and others point out, China has cautiously embraced Washington's funding stream to Islamabad, if only because it has lessened Pakistan's financial dependency on China's coffers.<sup>28</sup> And, as Dumbaugh acknowledges, China has acknowledged the strategic advantage of retaining a lower profile within the state as a whole, allowing “the United States [to] remain the primary target” of armed opposition groups and terrorists in the AfPak region.<sup>29</sup>

Additionally, while China was more disposed to defending Pakistan's interests in multilateral settings like the UN in the first half of the decade, Beijing has gradually shifted in recent years towards a more nuanced and less-reflexive posture vis-à-vis Pakistan when global events dictate. Following the 2008 LeT attacks in Mumbai, Pakistan

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<sup>23</sup> See Dumbaugh Chart.

<sup>24</sup> Naryan Lakshman, “China blocked U.N. sanctions against terror group at Pakistan's behest,” *The Hindu*, December 7, 2010.

<sup>25</sup> *Ibid.*

<sup>26</sup> “At Ease with The General,” *Time Magazine*, Online, Nov 1, 1999, available at: <http://www.time.com/time/world/article/0,8599,2054996,00.html>

<sup>27</sup> Congressional Research Service, “Direct Overt U.S. Aid and Military Reimbursements to Pakistan, FY2002-FY2012” Graph, May 6, 2011, available at: <http://www.fas.org/sgp/crs/row/pakaid.pdf>

<sup>28</sup> *Ibid.*

<sup>29</sup> Dumbaugh, 13.

could not count on the all-weather alliance in the event of a confrontation with India, as Chinese officials publicly distanced their government from the Pakistan and the LeT massacre, and eventually shifted course in December of 2008, when Beijing's UN representatives lifted its long-standing sanctions hold against LeT and its successor group.<sup>30</sup> This shift retains more prominence when considered in the context of China's other diplomatic maneuvers in the 1990s, including its gradual adoption of an even-handed posture on the Kashmir dispute, as well as unwillingness to defend China militarily following the Kargil crisis.

Like the long-term uncertainty surrounding the Gwadar Port, as well as unfounded concerns over the deepening of Sino-Pak nuclear cooperation, these recent changes in Beijing's diplomatic posture toward Pakistan cast doubt on the pessimist's fear of hardened Sino-Pakistani axis in South Asia. Instead, it's more accurate to recognize that Beijing has slowly adopted a mix of positive and negative strategies of engagement in order to advance its interests in Pakistan and South Asia at large. China has notably stayed on the sidelines of the past three Subcontinent conflicts, and has gradually advanced a set of positive strategies with New Delhi to enhance Sino-Indian rapprochement. Moreover, as Small notes, political instability and the emerging governance crisis in Pakistan has slowly made Beijing insecure of the Pakistan's military's ability to defend China's core interests in the long-term.<sup>31</sup> This suggests that while China retains its avenues of economic, political, and military cooperation with their Pakistani counterparts, Beijing's security establishment has embraced a more cautious, calibrated, and less-reflexive partnership with its highly unstable junior partner.

### **Recent Developments and Prospects for U.S. Policy**

This paper has sought to deconstruct the principal economic, nuclear, and military arenas of Beijing's engagement with Pakistan in order to more appropriately glean the character of the Sino-Pak alliance since 2001. By closely dissecting these three theatres of influence, this assessment has sought to question the validity of the pessimist's claim that China has utilized its relationship with Pakistan over the past decade as a way of balancing against recent and future threats from the United States and India. While acknowledging that China has continued to advance its strategic interests and economic investments in Pakistan, this conclusion seeks to refine alarmist concerns about the nature and extent of the all-weather friendship. Beijing, in other words, has gradually adopted a more nuanced, mid-range partnership with Islamabad – one that not only complements the gradual Sino-Indian rapprochement that has evolved since the 1980s, but one that is reflective China's unwillingness to fully stake its broader regional interests on a nation saddled with endemic political and economic uncertainty.

A proper appreciation of the character of the Sino-Pak relationship over the past decade is essential for the articulation of U.S. interests in the near and short-term. First, Washington's security managers should examine the totality of Gwadar's Port Construction, the nuclear reactor development, and the mid-range military partnership between China and Pakistan, in order to recognize that China has frequently signaled its disinclination to use Pakistan as a future basis for power projection in the region. Indeed,

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<sup>30</sup> Fair.

<sup>31</sup> Ibid.

since the 1980s, China's regional policies have sought to advance regional stability often at the expense of its perceived interests – whether in its diplomatic shifts on Kashmir, its defense of Islamabad in times of crisis, or in its maneuvers in multilateral forums. Especially in recent years, China has embraced a strategy of cautious engagement with Pakistan in order to hedge long-term concerns about the nation's political collapse. As the examples of Gwadar and contemporary nuclear cooperation highlight, Beijing is content to follow through on previously-agreed upon bilateral commitments, but has signaled a trepidation to further bolster its physical footprint in South Asia beyond the grandiose rhetoric that often accompanies Sino-Pakistani diplomatic statements and press releases. These facts should give U.S. planners reasons to be reassured about China's strategic intentions over the next two decades, and, should also caution the United States from adopting policies that accept worst-case assumptions about China's behavior as axiomatic realities.

These factors should also help illuminate a finer understanding of the basis behind Beijing's response to Washington's recent operation in Abbottabad, Pakistan, which killed al-Qaeda leader Usama bin Laden. While U.S. media outlets, like the Wall Street Journal, were quick to discern evidence of China 'swinging to the defense' of Pakistan in the wake of the Navy Seals-led operation, such alarmist concerns appear to be unfounded. Indeed, Beijing's Foreign Ministry was quick to celebrate the killing of Bin Laden, but staked a middle course in defending Pakistan's territorial sovereignty, and Islamabad's well-documented efforts over the past decade in combating domestic terrorist and separatist organizations. Indeed, U.S. observers are not wise to project unnecessary concerns about the depth of Beijing's FM statement, especially considering its consistency with public pronouncements in the wake of Kargil and Mumbai. While the current diplomatic and military cleavage between the United States and Pakistan could once again evolve into a period of U.S.-Pak estrangement, it does not appear likely that the Beijing would abandon its gradual, moderated rapprochement with New Delhi at the expense of achieving a deeper foot hold in Pakistan. As the past decade of Sino-Pak engagement makes clear, the decision-making of China's foreign policy apparatus is marked by an adherence to pragmatism, realist sensibility, and, above all, caution – an adherence that stands in stark contrast to Washington's perceived recklessness over this same decade.<sup>32</sup>

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<sup>32</sup> Brian Spegle, "China Swings to Defense of Pakistan," Wall Street Journal Online, May 3, 2006.