

## Li Keqiang Visit to Pakistan: Assessing the Outcome

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## Summary

Wide-ranging agreements and proposals were signed and discussed during Li's visit to Pakistan. The emphasis between the two countries continues to be 'strategic' - 'strategic communication' and 'reinforcing strategic and long term planning'.



Chinese premier Li Keqiang is the first dignitary to visit Pakistan after the recently held elections. The visit, a part of his four nation tour, is to be seen in the backdrop of two important developments; first, it was the second destination on the itinerary after India and; second, it was at a time when there is no elected government in power in Pakistan. During the two day visit, the Chinese Premier was accompanied by Foreign Minister Wang Yi, Minister of Commerce Gao Hucheng, the Chairman of National Development Reform Commission Xu Shaoshi, other high ranking officials and businessmen from the corporate sector. The delegation that arrived in Pakistan had reduced by almost half its size from the visit to India. Islamabad laid out the red carpet for the Premier, commencing the visit by providing an escort of six JF-17 fighter planes to Premier's aircraft as it entered Pakistani airspace. The JF-17 is being jointly produced by both countries and is often touted as a symbol of their 'higher than the mountains and deeper than the seas' friendship. About 50 aircraft have been inducted in the PAF, although the PLAAF has not accepted them in their inventory. Immediately on arrival, Li Keqiang was conferred the Nishan-i-Pakistan, Pakistan's highest civilian award, a tradition that Pakistan has been following for a few decades. Hu Jintao in 2006 and Li Peng in 1999 are the only other Chinese leaders to be conferred this honour. While Hu got the honour four years into his tenure, Li Peng was conferred at the end of his political career. Li Keqiang's award, at the very beginning of his premiership, appears to have long term interest in cultivating his office in the coming years.

China-Pakistan relations have been defined by metaphors and innate sycophancy in the past. This visit was no different. Li Keqiang said "Our hearts beat together and if there is anything time-tested in this world, it is Pakistan-China friendship," while speaking at the Pakistan-China Friendship Centre, adding that "We have a glowing history of friendship, but we have to double our efforts so that this friendship tree be always lush and green". Acting Prime Minister Mir Hasan Khoso equally responded by saying, "In our unique relationship, we have only highs and no lows".<sup>1</sup>

The visit was covered by unprecedented security all over Pakistan. Just a day before his arrival, a roadside bomb exploded near the seafront in Karachi likely targeting a van full of Chinese port workers. While no one was hurt or injured a senior police officer confirmed that "Apparently, the Chinese who are working at the harbour were the target of the explosion".<sup>2</sup> Resultantly, mobile connectivity was shut down all over Pakistan to ensure no untoward incident occurred during the visit. Chinese engineers, workers and even women have been targeted by radical Islamic elements in the recent past forcing some

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<sup>1</sup> 'Sino-Pak 'Unmatchable' Ties To Grow Further: Premier Li', Associated Press of Pakistan, available at [http://www.app.com.pk/en\\_/index.php?option=com\\_content&task=view&id=235896&Itemid=1](http://www.app.com.pk/en_/index.php?option=com_content&task=view&id=235896&Itemid=1) accessed on 23 May 2013.

<sup>2</sup> 'Chinese Engineers Escape Karachi Bomb Ahead Of Premier Li's Arrival In Pakistan', *Reuters*, May 21, 2013

companies like China Kingho mining company shutting shop over safety and security concerns of its staff and personnel in Sindh.<sup>3</sup>

The major event of the visit was the signing of 11 agreements on wide-ranging issues. Chinese Foreign Minister Wang Yi and Pakistan's Foreign Secretary Jalil Abbas Jilani signed the Agreement on Boundary Management System between Xinjiang (XUAR) and Gilgit-Baltistan (GB), a MoU on maritime cooperation and an agreement on border ports and their management system. While the details of the MoU are unclear, the establishment of a boundary management system with Xinjiang is indicative of the concerns that China has on infiltration of East Turkistan Islamic Movement (ETIM) separatists and the increase in terror related incidents in the region. Only last month on 23 April, 21 people including 15 police officers and 6 terrorists were killed in a 'terror attack' in Kashgar prefecture of Xinjiang. In the joint statement released at the end of the visit, Pakistan reiterated, "We regard ETIM as our common threat and stand united in upholding sovereignty and territorial integrity of China."<sup>4</sup>

It is also interesting to note the agreement on 'border ports', a possible reference to the setting up of dry ports along the GB-XUAR border as a part of China's plans to establish an economic corridor between the two countries. Since China has already taken over Gwadar port it would serve as the entry/exit port for the proposed economic corridor.

Xu Shao Shi, Chairman of China's National Development and Reform Commission, and Shahid Amjad Chaudhry, Advisor to the Prime Minister inked a MoU on cooperation on long-term economic corridor. The economic corridor is intended to connect central Pakistan with Western China. "We hope to create a giant economic corridor that would not only enhance China's strategic significance but would also help in restoring peace and stability to Asia," said Li.<sup>5</sup> The joint statement was clear in admonishing Pakistan to hasten the repair of the Karakoram Highway, particularly the Attabad lake area, which had blocked the KKH for over two years.<sup>6</sup> While China appears gung-ho with the prospect, there is

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<sup>3</sup> Tom Wright and Jeremy Page, 'China Pullout Deals Blow to Pakistan', *Wall Street Journal*, available at <http://online.wsj.com/article/SB10001424052970203405504576600671644602028.html> accessed on 23 May 2013.

<sup>4</sup> 'Joint Statement - Deepening Comprehensive Strategic Cooperation Between the People's Republic of China and the Islamic Republic of Pakistan', 23 May 2013, available at [www.mofa.gov.pk](http://www.mofa.gov.pk) accessed on 25 May 2013.

<sup>5</sup> 'Pak-China economic corridor to restore peace in region: Chinese PM', *Reuters*, 22 May 2013, available at <http://tribune.com.pk/story/552820/pak-china-economic-corridor-to-restore-peace-in-region-chinese-pm/> accessed on 25 May 2013.

<sup>6</sup> The Joint statement says "The two sides will make concerted efforts to continuously improve connectivity between China and Pakistan, accelerate work on the Attabad Lake blocking the Karakorum Highway (KKH), carry forward the project of the upgrading of the KKH and the national highway network post-flood rehabilitation project, and promote cooperation in building transport infrastructure."

little for Pakistan to cheer. China is looking for access for markets in the Middle East and Central Asia as a part of its western development strategy. In addition, it intends to meet its energy needs via the proposed oil and gas pipeline which is under construction along the Gwadar- Kashgar Karakoram Highway (KKH). China's economic interests in Pakistan have been abysmal. China's share in the total foreign investment in Pakistan has been a meagre 2.75 percent, nearly all of it from just one company in the telecom sector. The United States on the other hand has invested as much as 26.5 percent of all foreign investment with as many as 30 major companies invested in Pakistan.<sup>7</sup> Bilateral trade between the two has been just over \$9 billion in 2011 with the balance in favour of China by almost three times.<sup>8</sup> Pakistan's export to China is largely cotton while its imports almost all machinery, and a wide range of electronics and consumer goods from China.



Map Courtesy: GIS, IDSA.

<sup>7</sup> Farooq Tirmizi, 'View From Mcleod Road: Why The Sino-Pak Alliance Is Economically Worthless', *The Express Tribune*, May 22, 2013

<sup>8</sup> Ibid. In 2012, China sold Pakistan about \$6.6 billion worth of goods, mostly electronic equipment and machinery. Pakistan sold China about \$2.6 billion worth of goods, nearly all of that cotton yarn.

The economic corridor, running from Gwadar to Kashgar, a distance of over 2000 kilometres, traverses through the heartland of Pakistan. While the exact details of the alignment have not been divulged, the possible alignment, based on existing motorways and reports has been shown in the map in green. The economic corridor is largely East of the Indus, avoiding the traditional 'badlands' bordering Afghanistan. China is known to protect its assets and interests overseas and the permanent presence of Chinese PLA para-militaries along this corridor would be axiomatic. In addition, areas passing through parts of Balochistan and the Northern Areas are likely to see a larger commitment of the Pakistan Army in securing the corridor. Fawning over the Premier, President Zardari said, "Today is one of the happiest days of my life. Gwadar port and our agreements on satellite connectivity among others are a testament to the fact that the dreams of citizens from both the countries are being realised."<sup>9</sup>

Despite all this, China has been hesitant to come to Pakistan's financial aid. In an interesting piece in the online *YaleGlobal*, Urmila Venugopalan notes that China sent a token commitment of \$500 million when Pakistan was on the verge of default on an IMF loan of \$7.5 billion sending a clear message that "The risk of instability within Pakistan is simply too high for Beijing to willingly step in and become the country's main patron".<sup>10</sup>

Another instance is Pakistan's urgent need to release \$700 million for the Neelum Valley Project. Despite President Zardari's personal intervention in getting the promised financial support and the air-dashed trip of Dr Waqar Masud, the EAD Secretary, to Beijing, the China Exim Bank refused to entertain him and said they would release the tranche at an 'appropriate time'. This after the "top man of China had committed during the visit of President Zardari to Beijing in 2009".<sup>11</sup> Even after the disastrous floods that ravaged Pakistan in 2010, Wen Jiabao promised that the "Chinese side will allocate 10 million US Dollars for the Citizen Damage Compensation Plan of Pakistan, and provide 100 million US Dollars in preferential loans and 300 million US Dollars in preferential buyer's credit for projects of great importance to Pakistan".<sup>12</sup> Save \$10 million, the rest were loans or credits.

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<sup>9</sup> ' Pak-China Economic Corridor To Restore Peace In Region: Chinese PM', *The Express Tribune*, 22 May 2013.

<sup>10</sup> Urmila Venugopalan, ' Sorry, Pakistan: China Is No Sugar Daddy', *YaleGlobal Online* available at <http://yaleglobal.yale.edu/content/sorry-pakistan-china-no-sugar-daddy> accessed on 26 May 2013.

<sup>11</sup> Khalid Mustafa, 'Zardari seeks details on delay in China's loan disbursement', *Today News*, 22 April, 2012, available at <http://www.thenews.com.pk/Todays-News-3-104269-Zardari-seeks-details-on-delay-in-Chinas-loan-disbursement>

<sup>12</sup> ' Joint Statement between the People's Republic of China and the Islamic Republic of Pakistan', 21 December 2010, available at <http://pk.china-embassy.org/eng/yingwenzhuan/t780017.htm> accessed on 25 May 2013.



Trade between the two countries rose to \$12 billion for the first time last year, up 18 percent on the previous year, and the two sides are committed to raising this to \$15 billion in the next two to three years. Perhaps the one silver lining in the visit for Pakistan was the agreement on the second phase of the negotiations on the China-Pakistan Free Trade Agreement. China has been going slow on the second phase of the FTA as is evident from the Joint statement made during Wen Jiabao's visit to Pakistan on 21 December 2010 which said, "The two sides jointly declared that the second phase negotiations of the China-Pakistan Free Trade Agreement will be launched in the first quarter of Year 2011 to enhance trade liberalization and promote economic and trade growth of the two countries".<sup>13</sup> That was over two years ago.

The two sides signed the MoU on Maritime Cooperation cooperation in the field of Marine Science and Technology between the State Oceanic Administration of China and the Ministry of Science and Technology of Pakistan. Besides "maritime security, search and rescue and disaster relief at sea, maritime scientific research and environmental protection, and blue economy", they also agreed to "jointly support the construction and development of the China - Pakistan Joint Maritime Research Center, tackle the growing non-traditional threats to maritime security, and effectively safeguard the security of international sea-lanes."<sup>14</sup> Ever since Gwadar has been taken over by the Chinese, it would serve their interests to base naval assets to safeguard the oil and energy flows from the Gulf countries. As China develops its western provinces, the coastal ports on the eastern seaboard would be as much as 3000-3500 kms away, while Gwadar to Kashgar would be less than 2000 kms, resulting in a huge saving for Chinese companies engaged in trade and commerce. China's Overseas Port Holding company, which has taken over as operator of the Gwadar port is expected to relaunch the 19 million tonnes per year capacity Gwadar refinery which will transport petroleum products to Kashgar via pipeline. This project is a part of the Pakistan-China energy corridor.<sup>15</sup>

Li Keqiang also met the entire Pakistan military hierarchy. Chairman of Joint Chiefs of Staff Committee (CJCSC) General Khalid Shameem Wynne, Chief of Army Staff (COAS) General Ashfaq Parvez Kayani, Chief of Naval Staff, Admiral Muhammad Asif Sandila and Chief of Air Staff, Air Chief Marshal Tahir Rafiq Butt exchanged views with the Chinese premier on 'defence cooperation' and other 'matters of mutual interest'. China is

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<sup>13</sup> Ibid.

<sup>14</sup> 'Joint Statement - Deepening Comprehensive Strategic Cooperation Between the People's Republic of China and the Islamic Republic of Pakistan', 23 May 2013, available at [www.mofa.gov.pk](http://www.mofa.gov.pk) accessed on 25 May 2013

<sup>15</sup> Syed Fazl-e-Haider, 'A Great Game Begins As China Takes Control Of Gwadar Port', *The National*, available at <http://www.thenational.ae/thenationalconversation/comment/a-great-game-begins-as-china-takes-control-of-gwadar-port> accessed on 26 May 2013.

deeply concerned about export of terror from safe havens and training camps for Uighur separatists located in Pakistan and realises that the Pakistani Army is the only organisation that can deliver on the promises to curb terror from spilling over into Xinjiang. In a typical ‘scratch my back and I will scratch yours’ China “recognizes that Pakistan has made great efforts and sacrifices to combat terrorism” said the joint statement, while Pakistan reaffirmed “its resolve to combat terrorism, and commits to continuous, active collaboration with and assistance to China in combating terrorist forces including the ETIM.”<sup>16</sup> It is a win-win situation for both nations.

China is Pakistan’s largest supplier of arms. According to SIPRI, in 2012, China exported 55 per cent of its total arms exports to Pakistan alone.<sup>17</sup> Pakistan’s entire strategic weapon arsenal is of Chinese design and supplied largely from China. In addition China has joint ventures with the Pakistan military industrial complex in various projects. Orders from Pakistan are essential to keep the Chinese military industrial complex humming and in turn Pakistan benefits from cheaper and assured supplies of military hardware. The key joint projects which are in various stages of completion are:

- Collaborative R&D in the production of “Khalid” main battle tank. As per SIPRI, 298 have been produced between 2001-2012.
- Transfer of Technology (TOT) and co-production of F-22P frigates (Jiangwei class). Of the four contracted, three have been built in China and the fourth in Pakistan.
- Collaborative R&D and production of JF-17 “Thunder” aircraft. About 250 are likely to be built although 50 are known to be in service.
- Production and subsequent TOT of ZDK-03 AEW&C aircraft. Four such aircraft were to be jointly produced and configured to Pakistan requirements in a deal signed between Pakistan Air Force and China Electronics Technology Group Corporation.
- TOT of J-10B fighter aircraft. Two squadrons comprising 36 aircraft were ordered with reports suggesting that it may be increased to 58.
- TOT and production of K-8 trainers already under way.
- SD-10 missiles and radars systems for JF-17 aircraft.<sup>18</sup>

<sup>16</sup> Ibid.

<sup>17</sup> SIPRI Factsheet March 2013, ‘Trends In International Arms Transfers’, pp 6.

<sup>18</sup> See <http://www.defence.pk/forums/strategic-geopolitical-issues/123802-china-pakistan-all-cooperation-projects.html#ixzz2EpfE4iG6> and Dawn piece “Pakistan to buy missiles, flight systems from China”, AFP, 18 November 2010 available at <http://dawn.com/2010/11/18/pakistan-confirms-missiles-flight-systems-deal-with-china/> accessed on 25 May 2013.

Other weapons supplied include two Azmat class Fast Attack Craft (FAC), 30 C-802 anti-ship missiles for FAC, 36 A-100 300mm self propelled Multi-barrel Rocket launchers, large quantities of Red Arrow anti-tank missiles, 1650 QW-1 portable SAM also called Anza-2, bombs and BVRAAM and SRAAM for the JF-17 aircraft.<sup>19</sup>

The official Chinese press was more circumspect in its coverage of the visit. *Xinhua* wrote about Li Keqiang's five point proposal for "further deepening friendship and cooperation with Pakistan" during his talks with Pakistani President Asif Ali Zardari and Interim Prime Minister Mir Hazar Khan Khoso. Terming Pakistan a foreign policy 'priority', it quoted Chinese premier as saying that "China-Pakistan ties are time-tested. The two countries are all-weather friends and partners that can trust and rely on each other". The five point proposals are; firstly, strengthen strategic communication and coordination, maintain high-level contact, and thus steer the bilateral relationship forward; secondly, the two countries should reinforce strategic and long-term planning, and open up new cooperation areas such as connectivity and maritime sectors; thirdly, raise the level of bilateral trade and realize a dynamic balance while expanding the scale of two-way trade; fourthly, the two sides should boost people-to-people and cultural exchanges and media cooperation; and fifthly, he urged the two countries to promote cooperation in regional and global affairs and safeguard the common interests of developing countries.<sup>20</sup>

While there is nothing new in these proposals that Chinese leadership has not said earlier, the emphasis continues to be 'strategic' - 'strategic communication' and 'reinforcing strategic and long term planning' – euphemisms for continuing to support Pakistan as a strategic outpost in South Asia and a strategic hedge against the rising influence of India in the Indian Ocean region. The nexus was clearly substantiated by Li Keqiang at a press conference with the Pakistani media said "I wish to reiterate solemnly China's continued firm support to Pakistan in its efforts to uphold independence, sovereignty and territorial integrity and achieve national stability and development. This is what China-Pakistan comprehensive strategic cooperation is all about."<sup>21</sup> Clearly, China has reassured Pakistan of its support in keeping it together as it passes through a critical phase where its sovereignty and independence appears threatened.

*The Global Times*, on the other hand, in its op-ed did a fine balancing act stating that "Developing friendly cooperation with both India and Pakistan, a pair of neighbors with many disputes, meets the interests of China, as well as the interests of the whole region.

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<sup>19</sup> SIPRI Arms Transfer Database available at <http://www.sipri.org/databases/armstransfers> accessed on 27 May 2013.

<sup>20</sup> 'Chinese Premier Raises Five-Point Proposal For Boosting Cooperation With Pakistan', *English.news.cn*, 23 May 2013.



China has played a positive role in the continuous easing of the relationship between India and Pakistan. China has not played balancing strategy, using one country against the other.”<sup>22</sup> It further adds that “The relationship between India and China has grown broader while the Sino-Pakistan relations have gained depth”.<sup>23</sup> This indicates a subtle shift in China’s stance on India. One would argue that there is a realisation in China that its engagement with Pakistan must not be at the cost of its relations with India. With US rebalancing to Asia-Pacific and a growing US-India partnership, China is perhaps recalibrating the strategic relevance of Pakistan vis-à-vis India.

To summarise, Li Keqiang’s visit to Pakistan could be assessed to have been more of a compulsion rather than a necessity. It was high on optics with little substance. The outcome reflects no major gains for Pakistan nor added any value to the relationship. It is apparent that China continues to treat Pakistan as a strategic asset, an economic facilitator and a captive market. China has steered clear of the political morass in Pakistan, has shown little inclination in committing financial support to social and development related projects and stopped short of bailing Pakistan out of its financial mess. As one Pakistan paper *Express Tribune* reflected:

The sooner Pakistan wakes up from the “China is our friend” delusion, the sooner we will stop giving control of the country’s economic resources for almost nothing in return. The harsh reality is that Pakistan means almost nothing to China, and that is why the relationship with Beijing has yielded almost no tangible benefits for the Pakistani economy.<sup>24</sup>

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<sup>21</sup> ‘Full text of Premier Li’s interview with Pakistani media’, *Global Times*, 23 May 2013 available at <http://www.globaltimes.cn/content/783708.shtml#.UZ8bJaIwf9Q> accessed on 24 May 2013.

<sup>22</sup> ‘Ties with Pakistan aid China’s soft power’, *Global Times*, 23 May 2013.

<sup>23</sup> Ibid.

<sup>24</sup> Farooq Tirmizi, op cit.