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China's Play in South Asia

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Abstract

This paper examines the changing nature of China's involvement in the South Asian mainland in light of the back-to-back visits by Chinese Premier Wen Jiabao to India and Pakistan. The Chinese leader was in New Delhi on 15-17 December and in Islamabad on 17-19 December 2010. These visits were the subject of two past ISAS briefs in 2010.²

This paper takes a longer-term view of Chinese interest in South Asia in the context of the way the country perceives its role in the global economy and the international political system. The global system is in a state of considerable flux; while the economic dominance of the United States (US) in the global system is declining, that of China and India is increasing. The way these three countries play out their roles on the international stage will have enormous impact on the world economy and the structure of international politics. Pakistan, a substantially smaller economy, which at this time is faced with serious economic strife and security issues, will also have its part on the global stage. In fact, because of its geographical location and also having become the epicentre of Islamic extremism, Pakistan finds itself in the middle of this large-power triangle. The direction it takes could be influenced by China, India and the US.

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² Amitendu Palit, 'Wen Jiabao in India: Mission Business', *ISAS Brief* No.180 (20 December 2010) www.isas.nus.edu.sg/Attachments/PublisherAttachment/ISAS_Brief_180_-_Email_-_Wen_Jiabao_in_India_-_Mission_Business_21122010100044.pdf. Accessed on 7 January 2011; and Rajshree Jetly, 'Chinese Premier's Visits to India and Pakistan: Strategic Implications', *ISAS Brief* No.181 (22 December 2010), www.isas.nus.edu.sg/Attachments/PublisherAttachment/ISAS_Brief_181-Email-Chinese_Premier's_Visits_to_India&Pakistan_22122010114236.pdf. Accessed on 7 January 2011.

China's Rise: Is it a Threat for the Established World Order?

China's extraordinary economic rise began in 1978 with the reforms instituted by Deng Xiaoping. This development has been extensively written about, examined and analysed in a number of studies, including the work done by this author for the Institute of South Asian Studies³. This rise should be viewed in terms of how the world perceives it, as well as how Beijing sees its own progression. More than a quarter century ago, the Chinese economy started moving on the trajectory of growth which made it the second largest in the world by 2010, when it surpassed Japan. Its global influence really increased after the Great Recession of 2008-09. Like the US, Beijing adopted a large stimulus package to stop its economy from a sharp decline. However, China adopted an approach different from Washington for reviving its economy. The US invested in what President Obama called 'shovel ready projects'. The American aim was to create as many employment opportunities as possible. China, on other hand, used the additional money to improve the quality of its physical infrastructure and to improve links with countries in its immediate region. Following the 'Great Recession', the Chinese economy has returned to a similar path of growth that it had enjoyed before, with only a few deviations spanning the past three decades. It has also positioned itself to influence all parts of the Asian continent.

What has now begun to interest academics and policy analysts, even more than China's remarkable economic rise, is the shift in global and economic power that is occurring as result of the growth of China's economy. This will require accommodation of China in the existing economic and political systems and that can only happen if the US is prepared to yield some space to the rising Asian power. As *The Economist* wrote in its special survey titled, *The Dangers of Rising China*, 'in the real world the dealings between rising and declining powers are not straightforward...International relations theorists have devoted much thought to the passing of empires. The insight of "power-transition theory" is that satisfied powers such as post-war Germany and Japan do not challenge the world order when they rise. But dissatisfied ones, such as pre-war Germany and Japan, conclude that the system shaped and maintained by the incumbent powers is rigged against them. In the anarchic arena of geopolitics they believe that they will be denied what is rightfully theirs unless they enforce their claim.'⁴ The implication of this is obvious: for global peace and prosperity the large powers that are actively involved in this period of transition – the US, China, the European Union, India and Japan in particular – should be kept satisfied with their place in

³ See, Shahid Javed Burki, 'Asia in "Catch-Up" Game: I', *ISAS Working Paper* No.106, (09 April 2010), [www.isas.nus.edu.sg/Attachments/PublisherAttachment/ISAS_Working_Paper_106_-_Email_-_Asia_in_the_Catch-Up_Game_\(2\)_13042010114904.pdf](http://www.isas.nus.edu.sg/Attachments/PublisherAttachment/ISAS_Working_Paper_106_-_Email_-_Asia_in_the_Catch-Up_Game_(2)_13042010114904.pdf). Accessed on 7 January 2011; and Shahid Javed Burki, 'Asia in the "Catch-Up" Game: II', *ISAS Working Paper* No.107 (10 May 2010), [www.isas.nus.edu.sg/Attachments/PublisherAttachment/ISAS_Working_Paper_107_-_Email_-_Asia_in_the_Catch-Up_Game_\(Part_2\)_10052010171030.pdf](http://www.isas.nus.edu.sg/Attachments/PublisherAttachment/ISAS_Working_Paper_107_-_Email_-_Asia_in_the_Catch-Up_Game_(Part_2)_10052010171030.pdf). Accessed 7 January 2011.

⁴ Edward Carr, 'The dangers of a rising China', *The Economist* (4 December 2010), p.4.

the evolving structures. Even if one of them is unhappy with its position with respect to the others, the result will undoubtedly be some turbulence in the evolving world order.

The way in which the adjustment in the global economic and political takes place as China continues to rise, will depend on how both Washington and Beijing act and behave over the next few years. Both Washington and Beijing are feeling their way in determining how they should interact with one another. Soon after taking office, President Barack Obama took the position that his country had to step back a bit in order to bring in China as a major player in the global economic and political systems. His speech in Tokyo in November 2009, as he began his first official visit to Asia, welcomed China's rise and indicated America's willingness to find a place for China at the very top of the 'new order' that was taking shape. He seemed to be suggesting a G2 arrangement, in which there will be a more intricate relationship between the two large economic powers, to guide the global economy with more detailed work that is done by the G20 that includes large emerging economies such as India, Indonesia, South Korea and Turkey.⁵

This American initiative resulted in the launch of the conversation termed the 'US-China Strategic and Economic Dialogue' between the two countries that covered a variety of issues in both economic and political fields. The first dialogue was held in Washington in July 2009 followed by one in Beijing on 24 May 2010. In a statement to the participants in the Beijing meeting, President Obama reminded his audience what he had said when we began this dialogue, 'that the relationship between the US and China will shape the 21st century, which makes it as important as any bilateral relationship in the world. Together, we set out to build a positive, constructive, and comprehensive relationship, and we pledged to cooperate to advance our shared interests. That is what we have done.'⁶

But for reasons that remain opaque, China did not initially greet the new American president enthusiastically. There was a lack of warmth expressed during Obama's visits to Beijing and Shanghai. His various public appearances were poorly covered by the Chinese official media and President Hu Jintao did not agree to hold a joint press conference after the two leaders had held their discussions. The Chinese went on to snub the US at the global climate talks in Copenhagen a month after the American leader had visited their country. Beijing also ignored the repeated pleas by Washington to revalue its currency by making it more expensive in terms of the US dollar. These unhelpful reactions to the initial American overtures persuaded the administration in Washington to harden its stance. A year later, when President Obama undertook his twice postponed second official visit to Asia, he decided to make India the first

⁵ For a discussion of President Barack Obama's first visit to Asia see, Shahid Javed Burki, 'President Obama's first Asian visit', *ISAS Brief* No.138 (9 November 2009), www.isas.nus.edu.sg/Attachments/PublisherAttachment/ISAS_Brief_138_-_Email_-_President_Obama's_First_Asian_Visit_22022010155310.pdf. Accessed on 7 January 2011.

⁶ 'Statement of President Barack Obama to the U.S.-China Strategic & Economic Dialogue', *The White House*, www.whitehouse.gov/the-press-official/stat. Accessed on 25 December 2010.

stop in his itinerary. His approach to India was more in line with the one George W. Bush, his predecessor, had adopted towards the other rising Asian powers. During the second visit Obama also made visits to three other countries – Indonesia, South Korea and Japan – in an effort that seemed directed at ‘containing’ China.

At the same time, the US decided to move aggressively against China at the World Trade Organization (WTO) by challenging some of the practices adopted by Beijing in a number of industries in which the US was a competitor. In late December 2010, Washington filed a complaint with WTO that Beijing was supporting the development of its wind-turbine industry by using subsidies not allowed under the rules of the Geneva-based organisation. The US’ move was in response to a detailed brief prepared by the country’s labour unions.⁷ Washington was also upset that Beijing had not used its influence over North Korea to stop the latter’s aggressive behaviour, in particular towards its sister state, South Korea.

These differences notwithstanding, some observers began to notice a thaw in the relationship between China and the US as 2010 drew to a close. According to John Pomfret of *The Washington Post*, ‘after a tense year during which US officials, including President Obama, openly criticised China, and their Chinese counterparts returned the favour, there is a sudden switch in tone from the Commerce Department to the National Security Council. Instead of portraying China as a protectionist or an enabler of North Korea’s provocations, administration officials are praising China, referring to it as a responsible partner.’⁸ Beijing’s softer approach was also visible at the resumed climate deliberations in Cancun, Mexico. While in Copenhagen, the Chinese had been totally unwilling to allow any international inspection of their carbon reduction programmes – an American demand – they agreed to periodically present their progress for foreign review. Some of the changes in the policy stance may be to prepare a better environment for President Hu Jintao’s visit to Washington on 19 January 2011, the first since the assumption of office by Barack Obama.

While it makes sense to view Premier Wen’s South Asia visit in the context of China’s evolving relations with the US, there are reasons of its own that are compelling Beijing to reach out to its large neighbours, not just India and Pakistan but also Bangladesh, Myanmar, Thailand and Vietnam. The Chinese leadership recognises that it needs peace on its borders in order to cement its claim to world leadership. China now has closer and more amiable relationships with its 14 neighbours than it ever had previously. This was one reason why the theme of Wen’s visit to India was friendship not rivalry.

⁷ ‘United Steelworkers’ Section 301 Petition Demonstrates China’s Green Technology Practices Violate WTO Rules’, *United Steelworkers* (October 2010), <http://assets.usw.org/releases/misc/section-301.pdf>. Accessed on 19 January 2011.

⁸ John Pomfret, ‘U.S. and China and improvement tone despite big gap in trust’, *The Washington Post* (24 December 2010), p.A6.

China and India

Premier Wen Jiabao set the tone of his second visit to India in a speech to Indian Council of World Affairs (ICWA) by declaring, 'we will always be friends and will never be rivals. This should be the firm conviction of every Chinese and every Indian.'⁹ However, many in the world looked at the rapid growth of the two Asian giants from the perspective of competition. 'China will rumble along at eight per cent rather than double digits; India will rack up successive years of nine to ten per cent', wrote *The Economist* in early October 2010 citing the work of Chetan Ahya and Tanvee Gupta of Morgan Stanley. 'For the next 20-25 years, India is expected to grow faster than any other large country.'¹⁰ There are reasons why these analysts believe that the Indian growth rate would surpass that of China. What the demographers call the 'demographic dividend' being one of them. It had contributed to China's performance before the results of the 'one-child' policy began to kick in and increased the dependency ratio. In India, on the other hand, the demographic window had just opened up. According to the United Nations Population Division, the proportion of Indians aged under 15 and over 64 – the people who were dependent on those who were in the work force – declined from 69 per cent in 1995 to 56 per cent in 2010. India's working-age population will increase by 136 million by 2020; China's will grow by a mere 23 million.¹¹

The other important difference is the role of the state in the two countries. In spite of the larger role assigned to the private sector from the time of Deng, when the Chinese economy began to open up, the state has remained in the driver's seat. In India, on the other hand, the state had pulled back from the time of the 'license raj'. According to Amit Mitra, the Secretary-General of the Federation of Indian Chambers of Commerce (FICCI), the recent remarkable performance of the Indian economy has been driven by 45 million small entrepreneurs many of whom were engaged in bringing to the market what some economists had begun to call 'frugal innovation.'¹² This offered affordable goods and services to the hundreds of millions of low-income Indian consumers thus keeping the growth of the country's economy anchored in domestic consumption. China, on the other hand, continued to rely on the export of increasingly sophisticated products not only to the West but to all parts of the world.

The Chinese Premier's visit to India emphasised developing closer business ties with his host country. His first visit to India was in 2005. According to Amitendu Palit, writing for ISAS, 'between the Premier's two visits, Sino-Indian merchandise trade has increased from

⁹ Quoted by Jim Yardley, 'Chinese leader hails India and vows to double trade', *The New York Times* (17 December 2010), p.A8.

¹⁰ 'Business in India: A bumpier but a freer road', *The Economist* (2 October 2010), pp.75-77.

¹¹ 'Population Facts no. 2010/5', *United Nations Population Division* (August 2010), www.un.org/esa/population/publications/popfacts/popfacts_2010-5.pdf. Accessed on 7 January 2011.

¹² 'Business in India: A bumpier but a freer road', *The Economist* (2 October 2010), pp.75-77

US\$12.7 billion (2004-05) to US\$42.4 billion (2009-10).’ Overall trade figures would be even larger if bilateral services trade was included ‘on which, unfortunately, no official estimates are available.’¹³ China had become India’s largest trading partner over the last few years. The two countries agreed to work towards increasing their trade to US\$100 billion by 2015 with China committing to take steps to narrow, if not altogether eliminate, the trade gap which was at this time in its favour. At this time, India is primarily an exporter of raw material for the Chinese industry providing some of the minerals for which China has to rely on imports. In return, India imports mostly manufactured products from China. This structure of trade has caused the owners of several Indian industries to complain that China is using practices that do not comply with the regulations of the WTO. There was some expectation that the investments China was planning to make in India would increase the proportion of manufactures in bilateral trade. China’s new enterprises in India were expected to produce not only for the Indian markets but also for export to China.

While New Delhi was pleased with what the Chinese promised on the economic front – particularly in bringing about a change in the structure of trade between the two countries – there were a number of issues in which the Indians would have wanted to see more progress and greater movement on the part of Beijing. The first was the unsettled matter of the long border between the two countries, disputes that had led to an open conflict in 1962 between China and India. The two countries contested the territories in Aksai Chin that China controls, and Arunachal Pradesh, which is one of the Indian states. China eyed India’s attitude towards its incorporation of Tibet with some suspicion. However, these were not the only Indian concerns. New Delhi was less than content when China’s actions did not imply Kashmir as an integral part of India, but as disputed territory with Pakistan. India protested when Chinese officials began stapling a separate paper visa – rather than the usual stamp on the passport – for anyone from the state of Jammu and Kashmir wishing to travel to China. New Delhi viewed this move as a challenge to India’s sovereignty and showed its unhappiness by allowing some Tibetans to protest in New Delhi while Wen Jiabao was in the Indian capital.

The Indians wanted the Chinese to be more proactive in terms of putting pressure on Pakistan to control the extremist Islamic groups that had launched operations against India from the Pakistani territory. India had two demands on which they would have appreciated China’s support. The first was to bring a speedy conclusion to the trials of the people who were alleged to be involved in the November 2008 terrorist attack on Mumbai.¹⁴ It had pleased the

¹³ Amitendu Palit, ‘Wen Jiabao in India: Mission Business’, *ISAS Brief* No.180 (20 December 2010), www.isas.nus.edu.sg/Attachments/PublisherAttachment/ISAS_Brief_180_-_Email_-_Wen_Jiabao_in_India_-_Mission_Business_21122010100044.pdf. Accessed on 7 January 2011.

¹⁴ Mumbai was the site of a deadly three-day siege in November 2008, when gunmen attacked a five-star hotel, a train station, a café and a Jewish prayer centre killing more than 160 people. India is concerned about the activities of *Lashkar-e-Taiba* (LeT), the organisation that the Indians hold responsible for several attacks on India and which is reported to be active again. On 24 December 2010, a week after the departure of the

Indians that President Obama began his trip to their country in November 2010, a month before the Chinese Prime Minister arrived, by staying at the Taj Mahal Palace and Tower, the hotel the terrorists had attacked, and addressing the world on the evil such acts represented. The Chinese leader made no such gesture. India wished Pakistan to dismantle the recruitment and training facilities, which some of the groups determined to hurt India had used and were continuing to use. However, China was reluctant to apply pressure on Pakistan even though it was also concerned about terrorism in its western provinces in which Muslims have a large presence. In fact, as discussed below, Premier Wen applauded the efforts Pakistan was making to combat terrorism and extremism.

Water was the second contentious issue, '[given] reports that China is undertaking hydro projects in Tibet that would affect water flow on the Brahmaputra River in India. In his speech, Mr Wen offered assurances that China would be responsible in any hydro projects in the Himalayas to ensure that downstream nations would not be affected.'¹⁵ This was a veiled hint at what India needed to do as an upper riparian to allay Pakistani fears that it would be hurt by the storage dams it was constructing on the upper reaches of some of the rivers that had been allotted to Pakistan as a part of the Indus Water Treaty of 1960.

Few issues, however, are more potentially long-lasting and divisive than access to energy for the two economic giants. India imports 75 per cent of its oil while China imports a little more than half of its requirements, according to a US Energy Department report. By 2025, China's oil demand will double to about 14.2 million barrels a day (mb/d). By contrast, India imports only about 1.4 mb/d, which is likely to increase to 5 mb/d in the next decade. Both countries are scurrying around looking for sources from which they can obtain assured supplies over the long term.¹⁶ As Vikram Sood, former head of the Research Analysis Wing (RAW), India's external intelligence agency puts it: 'China has much deeper pockets when competing for the same resources. India tends to lose out. This will, long-term, be a real source of tension.'¹⁷ If India was hoping for a concerted action in this difficult area, it was not promised by the visiting Chinese leader.

How successful was the Premier's visit when viewed from India's perspective? The answer came from India's Foreign Secretary Nirupama Rao in a press briefing after the Chinese leader had met his Indian counterpart, Dr Manmohan Singh. 'Asked if Mr Wen's visit had

Chinese Prime Minister, there were reports of another infiltration into Mumbai by terrorists was said to be associated with LeT. The city was put under heightened alert by the Indian authorities. See Rama Lakshmi, 'Mumbai police on manhunt in effort to head off terrorist attacks', *The Washington Post* (25 December 2010), p.A7.

¹⁵ Jim Yardley, 'Chinese leader hails India and vows to double trade', *The New York Times* (17 December 2010), p.A8.

¹⁶ U.S. Energy Information Administration, *Annual Energy Review* (19 August 2010) <http://eia.doe.gov/emeu/aer/contents.html>. Accessed on 7 January 2011.

¹⁷ Quoted in Emily Wax, 'Chinese premier turns on the charm', *The Washington Post* (17 December 2010), p.A14.

essentially accomplished little except maintain the status quo, Ms Rao said the relationship was slowly moving forward. “I would say this is gradual process.”¹⁸

China and Pakistan

As Rajshree Jetly wrote in the ISAS Brief cited below, ‘in contrast to the India visit that was relatively low key in terms of expectations and deliverables, the Pakistan visit was marked by greater fanfare and resulted in more deliverables, signifying the close relations between the two countries. While there was an element of restraint in the Chinese dialogue with India, there was little ambiguity or coyness in China’s affirmative statements during Premier Wen’s visit to Pakistan.’¹⁹

Premier Wen was attempting to achieve a number of objectives during his visit to Islamabad. Four of these were implicit in the statements that he made while in Islamabad. First, Beijing wanted to cement its long-enduring ties with Pakistan by linking the Pakistani economy closer to that of the Chinese. Second, he wanted to further tie the militaries of the two countries. Third, he wished to draw a clear distinction between Chinese and American interests in Pakistan. Fourth, while Washington seemed to be recruiting India to its side in its continuing and growing conflicts with Beijing, the Chinese were attempting to do something similar with Pakistan.

The large Chinese programme of economic assistance to Pakistan announced during the Premier’s stay in Islamabad came at an opportune moment for his hosts. While the Chinese Premier was in Pakistan, Islamabad was engaged in difficult negotiations with the International Monetary Fund (IMF) in an attempt to save its Stand-by Agreement with the institution. At stake was the release of US\$3.9 billion from the Fund out of a total commitment of US\$ 11.3 billion. In other words, half of Pakistan’s reserves of about US\$14 billion were made up of disbursements from the Fund. A hold-up in the release of the next *tranche* would bring Pakistan’s external accounts under great pressure. The Fund’s release was contingent upon Pakistan’s ability to demonstrate that it had the political will to increase the low tax-to-GDP ratio which had declined to less than ten per cent leaving little space for development expenditure. The Fund’s emphasis on better budgetary management by Pakistan had the result of sharply decreasing the size of the public sector development programme. China, by infusing a large dose of resources into development, may have saved the Pakistani economy from collapsing.

¹⁸ Jim Yardley, ‘Chinese leader hails India and vows to double trade’, *The New York Times* (17 December 2010), p.A8.

¹⁹ Rajshree Jetly, ‘Chinese Premier’s Visits to India and Pakistan: Strategic Implications’, *ISAS Brief* No.181 (22 December 2010), www.isas.nus.edu.sg/Attachments/PublisherAttachment/ISAS_Brief_181-Email-Chinese_Premier's_Visits_to_India&Pakistan_22122010114236.pdf. Accessed on 7 January 2011.

Premier Wen Jiabao unveiled a programme of government-to-government assistance amounting to US\$20 billion and another US\$15 billion in private sector deals. In a joint communiqué issued after the talks between the leaders of the two countries, Beijing and Islamabad pledged to cooperate on security and military issues, energy, transportation, space technology, banking, infrastructure development, heavy machinery manufacturing, cultural exchange and finance.²⁰ According to James Lamont and Farhan Bokhari reporting for the *Financial Times* from the Pakistani capital, Wen was aiming to ‘create a deep alliance between Islamabad and Beijing based on economic cooperation that would tie the South Asian nation to China’s economic transformation.’²¹

The Chinese economic effort in Pakistan was not limited to financial assistance and foreign direct investment. There was also emphasis on trade. In his address to the Pakistan-China Business Summit in Islamabad, the Chinese leader noted that the value of trade between the two neighbours amounted to only US\$1 billion in 2002. However, after the signing of the free-trade agreement in 2006, trade began to increase. It was estimated at US\$6.8 billion in 2009. China wanted to see it increase to US\$10 billion in a year or two and reach US\$15 billion by 2015. If this were to happen it would be China rather than the US that would become Pakistan’s largest trading partner in about five years. While the share of the US in Pakistan’s total exports had declined by almost six percentage points since 2001-02, from 24.7 per cent to 18.9 per cent, America still remained the largest importer of Pakistani goods and commodities.²²

Infrastructure development is another area of collaboration between China and Pakistan. This was already an area of Chinese interest in Pakistan. Some high profile projects were constructed with Chinese help. These included the Karakoram Highway (KKH) and the Port of Gwadar that linked China’s western provinces with the Arabian Sea. In the new programme, China indicated that it will help to widen the KKH and make it an all-weather highway, lay a railway line alongside it and further develop the port at Gwadar. There was also indication that China will help to link the Port of Gwadar with Balochistan and Afghanistan by building highways that could carry heavy loads. Gwadar could thus be used to transport minerals that China was already exploiting in these two places.

There has always been a large military component in China’s assistance to Pakistan. In fact, Pakistan is one of those rare countries that are receiving large amounts of assistance from China as well as the US aimed at modernising its military. According to Lamont and Bokhari

²⁰ Ministry of Foreign Affairs, Pakistan, *Joint Statement between the People’s Republic of China and the Islamic Republic of Pakistan* (19 December 2010), www.mofa.gov.pk_Releases/2010/Dec/PR_310.htm. Accessed on 23 December 2010.

²¹ James Lamont and Farhan Bokhari, ‘Wen seals \$35 billion pact in Pakistan friendship’, *Financial Times* (20 December 2010), p.3.

²² Government of Pakistan, *Pakistan Economic Survey, 2009-10* (Islamabad: Ministry of Finance), Table 7.5, p.95.

of the *Financial Times*, ‘ahead of Mr Wen’s visit, Pakistani officials let slip details of a new collaboration to support Islamabad’s increasingly difficult hardware purchases. One project is the development of armed unmanned vehicles, commonly called drones.’²³ There was an intensive use of these aircrafts by the Americans in Afghanistan; according to one count, drone attacks on North Waziristan and other tribal agencies had increased significantly in late 2010, averaging at 12.5 per month during September-December compared to 7.5 in the previous eight months.²⁴ While it was well known that these attacks had the sanction of Islamabad – in fact Pakistani intelligence agencies helped to identify the targets – they caused considerable political risk for the administration headed by President Asif Ali Zardari. One of the many demands made by Pakistan, as a part of the help it needed from Washington to improve its capability for fighting terrorism, was to obtain American technology for manufacturing the drones. The Americans did not oblige and Islamabad turned to Beijing for assistance which it appears to have received.

This was not the only piece of equipment China obliged them with, China was prepared to provide Pakistan in terms of military hardware. ‘The Pakistan navy has plans for the purchase of two missile boats from China, four frigates and helicopters. Submarines are on the cards too.’²⁵ The most visible area of collaboration in the military field between the two countries is in the development of a new fighter aircraft called the JF-17 ‘Thunder.’ Jointly developed by the air forces of the two countries, Pakistan is likely to introduce 250 of these aircrafts in the next five years to its arsenal and also make them available for export to the Middle East and East Asia.

It was not only the size and content of the Chinese economic programme for Pakistan that struck a pleasant note in Islamabad, it was Mr Wen’s position taken on terrorism. He praised Pakistan’s sacrifices in combating terrorism and extremism, words that were in stark contrast to those used in the US’ review of the situation in Afghanistan and Pakistan.²⁶ The American review was made public a couple of days before the Chinese Premier addressed the Pakistani Parliament. ‘Pakistan has paid a heavy price in combating terrorism. The fight against terrorism should not be linked with any religion or ethnic group and there should be no double standards,’ said the Chinese leader as lawmakers burst into applause. Mr Wen continued, ‘The international community should affirm that and give great support, as well as respect the path of development chosen by Pakistan.’²⁷

²³ James Lamont and Farhan Bokhari, ‘A history of military and commercial ties’, *Financial Times* (20 December 2010), p.3.

²⁴ Karin Brulliard and Haq Nawaz Khan, ‘As drone strikes have increased, so have assassinations, Pakistanis say’, *The Washington Post* (24 December 2010), pp.A1-A6.

²⁵ *Ibid.*

²⁶ ‘Overview of the Afghanistan and Pakistan Annual Review’, *The White House*, www.whitehouse.gov/erach/site/Pakistan. Accessed on 25 December 2010.

²⁷ Salman Masood, ‘China praises Pakistan’s fight against terrorism and vows to bolster partnership’, *The New York Times* (20 December 2010), p.A8.

Mr Wen's address to the Parliament was meant to send important signals to both Washington and Delhi. He said that China wanted to forge 'deeper, closer, and stronger ties with Pakistan, and the two will remain brothers forever.' While these words pleased the Pakistanis, they also caused some worry. 'Yusuf Raza Gilani, Pakistan's Prime Minister, careful not undermine efforts to secure peace with India, said the warmth of the relationship with neighbouring China was not "directed against any country"'.²⁸

Conclusion

While the Chinese Premier, on his back-to-back visits to India and Pakistan, advanced the presence of his country in both nations, the greater success was in Pakistan. This was to be expected, since he did not face the kinds of challenges in Pakistan that he had to deal with in India. Despite his emphasis on friendship rather than competition and rivalry, he made fewer advances in New Delhi than he did in Islamabad. In Pakistan, he continued to promote what the two sides have begun to call an 'all-weather friendship,' distinguishing it from the relationship the country had with the US. The friendship with America followed the waning and waxing of Washington's strategic interests in Pakistan and the region in which it was located. At the same time, it became clear that China wished to bring the Pakistani economy to orbit around its own. In Pakistan, Beijing visualises a geographic space that it can use to gain access to the mineral and energy riches of the Middle East and West Asia. China seems confident that the American involvement, in what Washington once called the AfPak region, will not endure beyond the year 2014, the deadline that both Kabul and Washington had agreed upon for America's departure from Afghanistan. Once the Americans exit, China will be left with a lot of space within which to play the new 'Great Game.' To Beijing, India appears the only other contender in this much trodden field.

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²⁸ James Lamont and Farhan Bokhari, 'Wen seals \$35 billion pact in Pakistan friendship', *Financial Times* (20 December 2010), p.3.