

Strengthening ties with China

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CHINA has been a traditional friend of Pakistan and changes of government in the two countries have not had adverse effects on their friendly relationship. Since recognizing the People's Republic of China in 1950, successive governments in Pakistan have put in vigorous attempts to strengthen these ties further. In fact, friendship with China has been a cornerstone of our foreign policy since the late fifties.

China, against the tide of international opinion, maintained a very sympathetic attitude towards Pakistan during the 1971 conflict with India. The famous remark of Premier Chou-en-Lai to Dr Henry Kissinger, at the conclusion of the latter's secret visit to Beijing, is indicative of Chinese sentiments.

He remarked, "Now that we have established contact, do not forget the friends in Pakistan. A bridge does not lose its importance just because it has been used."

Since then, major political and economic changes have taken place in China. While Pakistan strengthened political ties with China, it has failed to foster deep economic ties with its giant neighbour.

Having lived in Beijing for some time, I have witnessed the significant economic development that has taken place on a rapid scale in China. Pakistan could have taken much advantage of this if only its foreign policy had been aligned with the dictates of emerging economic realities. On the contrary, India made the right moves and was able to attract investment from China towards various joint ventures.

Since the early '80s, China has been rebuilding and upgrading its economic system and is simultaneously rewriting and substantially revising its economic framework to function more efficiently in transactions with international markets and to meet internal needs arising from the country's modernization desire and drive.

Pakistan can gain from China's significant success in the launching of special economic zones. China initially set up four special economic zones in Shenzhen, Shantou, Xiamen,

and oil and gas exploration activities.

Moreover, with the WTO regime in force both nations are keen to convert the existing preferential trade arrangement into a mutually beneficial free trade agreement.

The trade volume between Pakistan and China during 2004 was \$1.44 billion, in which the balance of trade was in favour of China to the extent of \$865.6 million. There is, therefore, tremendous room for growth where Pakistan is concerned. Since the people of both countries identify with each other's views and interests, there is a natural base for more enduring and closer cooperation in the form of strong economic and trade ties to reinforce the relationship.

Cooperation in banking is one area that Pakistan has unduly neglected. Currently, only one Pakistani bank has a presence, at the representative office level, in China. The performance in promoting trade deserves no comment. Also, we have failed to attract Chinese financial institutions to open branches in Pakistan.

The Bank of China, which had a presence until 1970, gifted all its branches to the National Bank of Pakistan and has since not returned. We must seek a full branch licence for our banks in China.

Simultaneously, we must impress upon our Chinese friends to establish a banking presence in Pakistan as this would significantly help in promoting Sino-Pakistan business relations.

The visit, therefore, of Prime Minister Wen Jiabao is solid proof of the vitality of friendly relations between China and Pakistan.

This meeting at the top level is bound to give a vigorous impetus

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up four special economic zones i.e. Shenzhen, Shantou, Xiamen, Zhuhai and 13 open coastal cities.

These economic zones have undergone steady growth, achieved great successes and accumulated experience in their pioneering and exploratory work.

They have fully exploited the advantages of their proximity to international markets like Hong Kong, Taiwan and Macao.

With easy access to information and with greater foreign connections, these special economic zones have been successful in attracting foreign investment, introducing advanced technology and have energetically developed and produced readily marketable and highly competitive products, to expand exports.

A larger number of Hong Kong entrepreneurs transferred their production facilities to the special economic zones and it is estimated that these industries in the south of China, account for providing employment to over five million people. Our free economic zone, near Karachi is likely to suffer death from neglect if no immediate attention is given towards adopting new policies, laws and strategy.

Here, we can seek expertise from China.

It is predicted that China, known as the "factory of the world", will surpass America's GNP by 2020 AD. China's economic modernization has been very successful. It has, in the past several years, consistently recorded a GDP growth in excess of nine per cent. With ever-increasing foreign trade and better management of financial resources, China has built up a substantial amount of foreign exchange reserves. China's exports for last year stood at \$593 billion and its per capita income was \$540 as against our per capita income of \$465. China's liquid foreign exchange reserves stood at \$610 billion.

While Pakistan has not been able to use increased trade opportunities in its favour, there have been overtures from Chinese state-owned corporations for an exchange of technical assistance. At present, there are only 31 Chinese companies operating in Pakistan in the oil and gas, IT, telecom, power generation, engineering, automobiles, infrastructure and mining sectors. With the progressive stance of our government to attract foreign direct investment, Chinese delegations have begun investment prospective visits.

Recently, they have shown keen interest and have been subsequently encouraged and ensured of facilitation in the setting up of an oil refinery and a steel mill in Punjab, mining of marble and granite in the NWFP

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tus to the growth of stronger bonds in the political, economic and trade spheres.

On the economic front, it is imperative that General Pervez Musharraf and Prime Minister Shaukat Aziz seize this excellent opportunity to impress upon the Chinese government to initiate movement of direct foreign investment into Pakistan by state-owned enterprises. Chinese corporations, banks, international trust and investment corporations and other non-banking financial institutions must be persuaded to set up their offices and operations in Pakistan. Pakistan must offer attractive incentives to these institutions.

The role of our embassy in Beijing must move towards building deeper economic, and not only political, ties. The recently established consulate-general's office in Shanghai is a positive step in this direction.

The Pakistan foreign policy pundits must quickly come to terms with the fact that Prime Minister Wen Jiabao may not have any special pro-Pakistan feelings. Indeed, it is true that Chinese think tanks still rank Pakistan as the friendliest state, yet over the last two decades China has emerged to take on a pivotal role in global economy and politics.

While Pakistan can continue to expect unstinted support from China, under the present circumstances, our foreign office must bear in mind that China has its own legitimate long-term interests in the region.

While the Chinese may continuously offer us assurances that development of their relations with other South Asian countries would never be to the detriment of its friendship with Pakistan, the fact is that the think tanks in China today are not the generation of the Cold War era.

They are more open-minded, given to capitalistic overtures and pro-West. Islamabad must quickly take cognizance of this fact and make serious efforts to develop the friendship further at all levels both within government circles and at a people-to-people level.

While I am convinced that the ordinary Chinese still value their friendship with Pakistan, there is an entirely new leadership in China whose vision is based on the realities as they exist today.