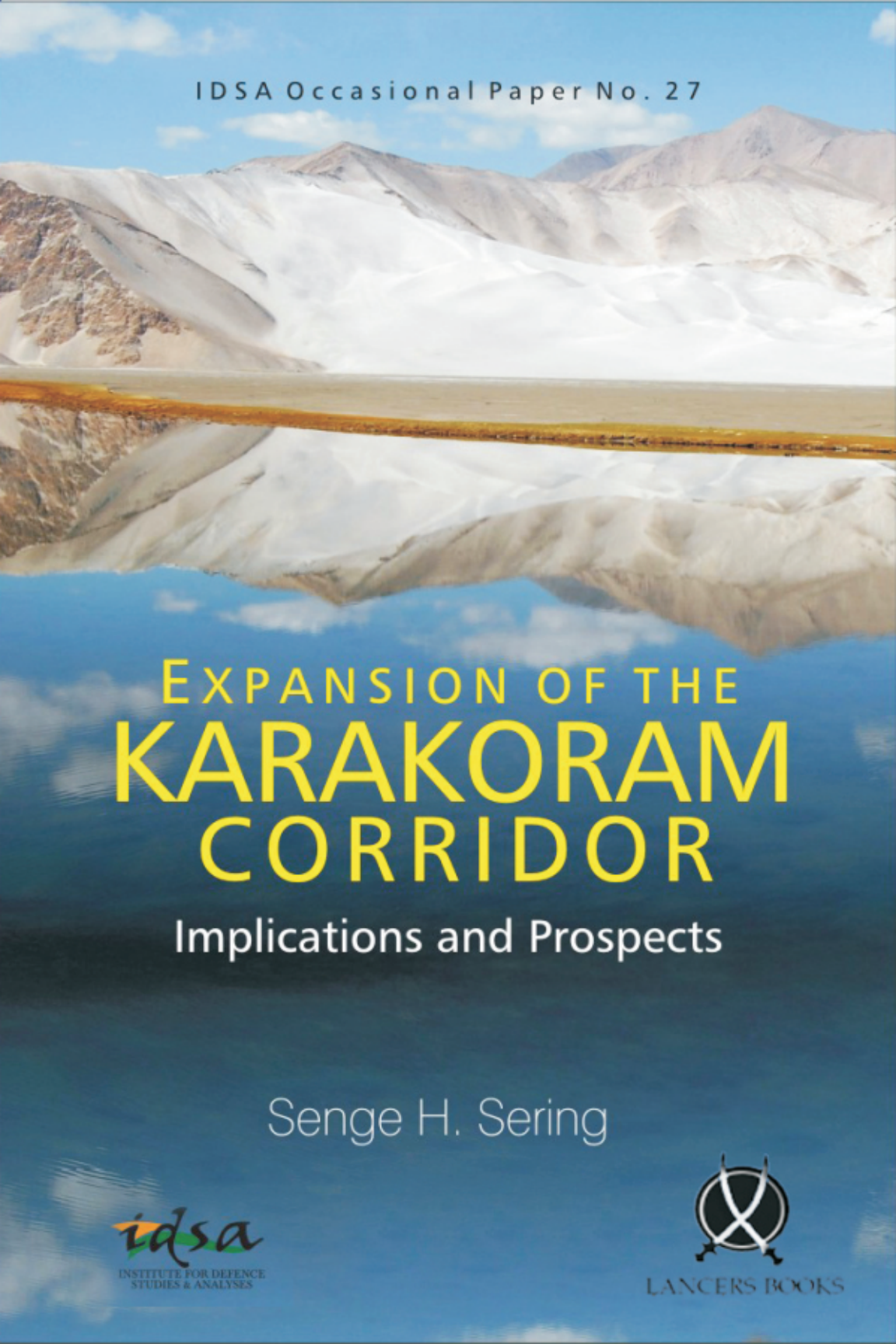


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KARAKORAM
CORRIDOR

Implications and Prospects

Senge H. Sering


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Introduction

The Paper examines Chinese transport projects in Pakistan Occupied Kashmir in general and Gilgit-Baltistan in particular and their impact on local and regional economy and security. China and Pakistan are in the process of expanding the Karakoram Corridor¹ in Gilgit-Baltistan which primarily serves the political and strategic interests of both countries with negligible benefits to the local people. The current expansion of the Karakoram Highway and further proposal for construction of rail-track and oil/gas pipelines is geared towards further cementing the strategic alliance between Pakistan and China. In the long run, both countries intend to use the corridor to enhance economic interaction with other countries in the extended south central Asian region and to create a political block comprising of Iran, Afghanistan and some other southern and central Asian states. This is likely to have significant impact on the strategic environment in the region.

The information used for analysis in this paper was collected from primary as well secondary sources. Primary sources include visit to the area under impact, and collection of information through interviews as well as focused group discussions. The interviewees included government employees, Chinese workers, business owners, tour operators, students, and religious and political leaders in both Pakistan and Gilgit-Baltistan.

¹ Karakoram Corridor is used as a term to refer to three composite projects of Karakoram Expressway, Karakoram Rail-link and Karakoram Oil and Gas Pipeline (OGP). It is used interchangeably with Karakoram Highway in the Paper.

Sino-Pak Strategic Alliance

China is one of the few countries in the world which has made optimal use of geography for its strategic benefit. It has established cordial relations with majority of its neighbours and regional countries based on common interests. This interdependence resulting from economic and security partnerships, often claimed as a diplomatic and economic victory for China, allows China to obtain the natural resources required to sustain its economic growth, extend its sphere of influence through security alliances, and deny its potential adversaries strategic depth in the region.

China's present relationship with its neighbours is totally different from what it was in the early 1960s, when its 12,428 mile frontier was dotted with hostile nations, aligned with either the former USSR or USA.² It was after the 1962-Sino-India War and the subsequent Indo-Soviet strategic agreement that China embarked on a counter-encirclement mission and accepted an offer from Pakistan

² Before Sino-Pak alliance, China was an isolated country with no allies in the region. Starting from north-east, it was surrounded by adversaries like Japan, Korea, USSR, Mongolia, Afghanistan, Pakistan, India, Thailand, Laos, Vietnam, Taiwan, as well as USA and other South-east Asian countries. This political isolation also restricted China from building road and rail connections with its neighbours to promote commercial activities. It was during this time that Pakistan – out of its own need to counter threats from India, Afghanistan and USSR – established friendship with China, and provided it with the first major overland route to approach Indian Ocean, the Middle East and African Continent, which is known as the Karakoram Highway, or simply the KKH.

to form a strategic partnership. One may say that China exploited Pakistan's geographic and strategic vulnerability for their mutual benefit and provided patronage to a country which itself was surrounded by adversaries like the USSR, Afghanistan and India.

The alliance, which later evolved into 'a friendship deeper than the Indian Ocean and taller than the Himalayas', marked a watershed moment in the history of how this partnership shaped the entire global politics. For instance, with the help of Pakistan, China came to an understanding with the US in the early 1970s, which helped China to stave off the threat from the US and build its economy with American help over the next two decades. Pakistan also became a point of reference for China to enhance its diplomatic and economic relations with Middle Eastern countries. It needs to be mentioned here that Pakistan gravitated towards China after the Sino-Indian confrontation in 1962, which ended in a humiliating defeat for India. Both the countries delimited the disputed frontier along the Xinjiang autonomous region of China and the Pakistan Occupied Kashmir³ and since then they have built the road networks to improve connectivity between them.

³ Pakistan ceded 1,942 square kilometres of territory in the Shaksgam valley which provided China with the much needed terrain to build strategic linkage with Pakistan. In Abdul Hamid Khan, Chairman, Balawaristan National Front's appeal letter to Javier Solana, Secretary-General of the Council of the European Union, dated 19th August, 2009, available at http://www.gwank.org/August09/Chinas_Occupation_Balawaristan20090820.html

Gilgit-Baltistan: Strategic Importance

Following the ancient Chinese proverb — “To Get Rich, One Must Build Roads”— the regime physically linked the politically sensitive but resource rich region of Xinjiang to Beijing in the east, and Gilgit- Baltistan in the West.⁴ The proximity of Gilgit- Baltistan to Afghanistan, Tajikistan and India, in addition to Xinjiang⁵ and Tibet, makes the region a diplomatic, strategic, logistical and political asset.⁶ For instance, the Karakoram Highway (KKH) gave China easy access to the Strait of Hormuz and the Suez Canal which was unimaginable for China until then. KKH, a 1,300 km long stretch of road connecting the strategic trading post of Kashgar in Xinjiang to Pakistan’s capital Islamabad, was built by piercing through the formidable Karakoram- Himalayan (K-H) mountain range (Annexure I and also see the Map on page 5). The British viceroy Lord Curzon once said that ‘Gilgit is one of the northern gates of India, through which a would-be invader must advance,

⁴ Seymour Topping, the legendary Associated Press journalist posted in China in late 1940s, and his wife Audrey were the first foreigners to traverse KKH. They were of the opinion that before KKH, the only link of China with rest of the world was via East China Sea. KKH became the most important alternative route to promote strategic depth in the Middle East and Africa.

⁵ Throughout the paper, Xinjiang, the historical name of the region, is used to denote Xinjiang Uighur Autonomous Region (XUAR) of the People’s Republic of China.

⁶ Gilgit-Baltistan is surrounded by Xinjiang to the north, Afghanistan and Tajikistan to her north-west; Chitral to the west; North West Frontier province of Pakistan to the south; Pakistan occupied Muzaffarabad region, as well as the Kashmir valley to the south-east, and Ladakh and Tibet to the east.

if he advances at all'.⁷ It was because of this vulnerability that for thousands of years, militaries on the southern side of the K-H, guarded their mountain passes to safeguard the continent as well as commercial sea-lanes, which extended from Australia to Western Europe.

The colonial rulers feared that if Russians could access India, they could take advantage of the land-routes, connect with port facilities and divert the sea trade overland to Europe. The Russian control over any such alternative surface trade could have jeopardised monopoly of West Europeans leading to the collapse of their empires. No one, therefore, except the West Europeans could understand the significance of the battles, fought over the Karakoram passes in order to guard the open oceans, which determined their domination of Asia as well as their survival in Europe. It was this temptation, which brought 'the great game' to the mountain valleys of Gilgit-Baltistan⁸, "where the long and jealously guarded frontiers of India, China, (erstwhile) Russia, Afghanistan and Pakistan meet" and the region has been characterised as: the lynchpin, the pivot, the cockpit, "the hub, the crown's-nest and the fulcrum",⁹ as well as "the axis of Asia" in Chinese writings.¹⁰

⁷ M.G. Chitkara, *Nuclear Pakistan*, APH Publishing House, New Delhi, 1996, p. 90

⁸ P. Hopkirk, *The Great Game: The Struggle for Empire in Central Asia*, 2001, p.358

⁹ See for a detailed account of the strategic location of the region, John Keay, *The Gilgit Game: The Explorers of the Western Himalayas 1865-95*, Oxford University Press, New York, 1994.

¹⁰ "Brief Introduction of Pakistan", 2005, available on <http://english.cri.cn/2238/2005-4-6/33@224705.htm>

China as the Post-modern Colonial Power

The Chinese eventually breached this mountainous “steel wall” in 1978, a task which the mighty Mongols and Russians failed to accomplish. But even more interesting is the fact that instead of conquering lands for this endeavour, China decided to befriend Pakistan; and built KKH (initially connecting Kasghar in Xinjiang with Havelian, located in the Abbottabad district of Pakistan) which was also called the “Friendship Highway”, to achieve its strategic and economic goals in Afghanistan, the Indian Oceanic Region (IOR), the Persian Gulf, the Middle East and Africa. Similarly China has established naval bases in the warm waters of the Indian Ocean and has brought global trade overland to Central Asia; something the Russians failed to accomplish.

Today, Pakistan and China are taking their strategic relations to an even higher level by investing billions of dollars in Gilgit- Baltistan to expand the Karakoram Corridor and build an expressway, railway line and oil and gas pipeline (OGP) through it. While this may reduce the trade volume for China along the global sea-lanes and significantly reduce the control of Western powers over international commerce; it could also enhance the threat perception among the neighbours, especially India which claims Gilgit-Baltistan as its own. The region is constitutionally a part of J&K, but has been under Pakistan’s illegal occupation since 1947. In short, the post modern great trade route game continues through the corridors of Gilgit-Baltistan though traditional players like Britain and Russia have been replaced by present day powers like China, USA and India.

Pakistan Linked to China's Western Provinces

When China completed the KKH, it termed the highway a 'strategic investment',¹¹ because it provided it with a short and safe link through its western provinces to the Arabian Sea. For this purpose, it constructed feeder roads and linked its highway system with the KKH. For instance, the feeder road built eastward through the Shaksgam, Raskam and Shimshal Valleys (originally part of J&K),¹² linked Gilgit with Hotan,¹³ which is an important military base situated at the cross-section of Tibet-Xinjiang Highway and the Hotan-Golmud Highway. The Hotan-Golmud Highway links Xinjiang to Qinghai province and central China. It reduces the distance between Gilgit and Golmud to almost half, while bypassing the longer Urumuqi-Kashgar Highway.¹⁴ Golmud – once a salty

¹¹ Mahnaz Z. Ispahani, *Roads and Rivals: The Political Uses of Access in the Borderlands of Asia*, Cornell University Press, Ithaca, N.Y., 1989, p. 197

¹² These valleys are under illegal Chinese occupation and belong to Gilgit-Baltistan of J&K.

¹³ Maps of the Surveyor General of Pakistan show the roads linking Gilgit with Xinjiang through Raskam. Mr. Vishnu Prasad of ministry of external affairs of India complained to China for building feeder roads in Shaksgam and Raskam which was violative of the 1963 border agreement between China and Pakistan.

¹⁴ Professor Wang Jianming of The Minority Group Development Research Institute of Beijing stated on March 3, 2010 in an international conference organised by Jawaharlal Nehru University, New Delhi, that once the high-speed rail line between Urumqi and Beijing is completed in 2011, distance between these

marshland— is currently one of the largest goods transit points in western China; a strategic military HQ and the national petrochemical base.¹⁵

Likewise, the feeder road stretching along the southern rim of Xinjiang connects Gilgit with Aksai-chin and reduces the distance between both regions by more than 800 miles.¹⁶ Such interventions have helped to connect military complexes in West Tibet to Xinjiang and Pakistan.

KKH: The Long Arm of Pakistan

Road connectivity with China via the KKH also helps safeguard political and strategic interests of Pakistan. It runs through sensitive and disputed territories allowing the militaries of Pakistan, India, Afghanistan, China and USSR to converge within a striking distance. The completion of KKH -to a great extent - relieved Pakistan of the geo-strategic pressure it had been under since 1947.

two cities will take less than 12 hours to cover. Consequently it will take less than 24 hours to reach Pakistani ports from central China . He also stated that China was building up Xinjiang as a 'bridgehead' to Central Asia. Given China's interests in Pakistan, the KKH could well turn Xinjiang into a bridgehead for the southern Asian region. See http://www.jnu.ac.in/JNUNewsArchives/JNUNews_May_June10/conferences.htm

¹⁵ "Golmud City Set To Become China's Salt Lake City", *Alexander's Gas & Oil Connections, News and Trends: E& S.E. Asia*, volume 7, issue 15: August 8, 2002 available at <http://www.gasandoil.com/goc/news/nts23296.htm>

¹⁶ Aksai-chin is Chinese occupied part of Ladakh (J&K); Isapahani 1989: 190, 202 & ff

The highway enabled Pakistan to access Gilgit- Baltistan and the north-eastern valleys of NWFP. It was a strategic move to extend its internal communication and transportation networks to these areas and exert physical presence to counter the Indian claim over Gilgit-Baltistan, and Afghanistan's claim to NWFP. It helped Pakistan thwart Soviet attacks; consolidate control over occupied territories and its resources, as well as parts of NWFP along PoK; sustain military trade with China; and integrate the people of these regions with the Pakistani mainland.

With Chinese help, Pakistan expanded the network of feeder roads and bridges¹⁷ in the strategic peripheral valleys of Gilgit- Baltistan, which also included converting pony tracks to jeep able roads in the villages along the LoC.¹⁸ This not only helped Pakistan strengthen its military bases near LoC but also increased the ability of its troops to penetrate swiftly and deeply into Ladakh and the Kashmir valley. Likewise, feeders along Qala Panja, Mintaka and Wakhjir Passes provide a direct connection between Gilgit-Baltistan and Afghanistan and Tajikistan. Such connections were further strengthened when China built concrete-base suspension bridges in 1996 in Gupis, Yasin, Darel, Tangir and Shigar valleys. The Darel and

¹⁷ One such bridge linked Muzaffarabad and Uri with Pakistani towns of Balakot and Mansehra and enabled Pakistani troops to reach to forward military posts in AJK (Ispahani 1989: 192)

¹⁸ Professor Kondapalli while referring to *Public Opinion Trends* (POT) magazine and *China Report* mentioned Chinese involvement in the conversion of pony tracks to jeepable roads in Baltistan, Astore and Muzaffarabad districts of J&K.

Tangir bridges link with the Indus right-bank road as an alternate sustainable supply line to KKH, which is termed as 'world's most attractive target for air interdiction'.¹⁹ The bridges also directly connect Diamer and Ghizer districts with Swat, thus bypassing sensitive choke points along the Indus valley and Gilgit town. The bridges in Gupis and Yasin link Pakistan with Tajikistan, and help counter possible Afghan advances into Ghizer and Hunza districts through the Wakhan corridor.²⁰

At the same time, they provide alternate access to the Chitral district, which remains cut off during the winter months, and are accessible only through Afghanistan. The Shigar Bridge provides an alternate supply line to Siachen and Shaksgam sectors in Baltistan. The bridge helped sustain Pakistani presence in the Nubra-Turtuk sector during the Kargil War, when supply routes to Chorbat, Saltoro, Masherbrum and Hushe valleys came under intense Indian attack. Currently, China is also building a concrete bridge near Bunji, which will replace the historical Dogra era Maharaja Pratab Pul, and connect Bunji Dam site, Astore and Baltistan with the main artery from Srinagar to Gilgit. These structures are maintained and upgraded by Pakistan's Special Communications

¹⁹ Ispahani, n.12, pp.201-202

²⁰ Chitral is part of J&K annexed by Pakistan and merged with NWFP in 1975. It has all-weather road link with Afghanistan. During the six months of winter, Chitralis have to travel to Jalalabad, Afghanistan to approach Peshawar, capital of NWFP. Owing to this vulnerability which could allow Afghanistan to capture Chitral, Pakistan took the help of the Chinese to build bridges and roads connecting the district with Gilgit-Baltistan in the east.

Organisation (SCO), Frontier Works Organisation (FWO), and China's Production and Construction Corps (PCCC).²¹ These organisations employ thousands, and more and more Chinese workers continue to arrive to undertake energy related projects.²² SCO maintains telecom and telegraph services²³ while Chinese telecom companies like Huawei,²⁴ Zong and ZTE provide uninterrupted coverage

²¹ PCC is responsible for construction in Xinjiang as well as Gilgit-Baltistan. Although formally detached from PLA in 1985, involvement of PLA officials in the operation of the corps continues.

²² Some local politicians belonging to Balawaristan National Front (BNF) and Karakoram National Movement (KNM) claim that up to 10,000 Pakistani and 5,000 Chinese soldiers are currently present in Gilgit-Baltistan to maintain KKH, extract mineral resources and build energy-related mega projects. Dr Shabbir Chaudary of Kashmir National Party visited Gilgit-Baltistan in March 2009 and testified to the presence of Chinese soldiers who belong to Production and Construction Corps, earlier a part of PLA, In Abdul Hamid Khan, Chairman , Balwaristan National Front's appeal letter to Javier Solana, Secretary-General of the Council of the European Union , dated 19th August, 2009, available on http://www.gwank.org/August09/Chinas_Occupation_Balawaristan20090820.html

²³ "China and Pakistan Bilateral Economic And Trade Relations, published May 21, 2009 available on <http://pk2.mofcom.gov.cn/article/bilateralcooperation/inbrief/200905/20090506267003.html>

²⁴ Huawei provides a range of equipment and services including fixed and switch network, mobile network, data communications, optical network, software and terminals, R&D services, modems, integrated access network, NGN, XDSL, optical transport, intelligent network, GSM, GPRS, EDGE, W-CDMA, CDMA2000, a full series of routers and other LAN equipment and also manufactures mobile phones.

to Gilgit- Baltistan including major towns along the KKH, which improves connectivity and surveillance capabilities.

The Jihad-way

Highway diplomacy, which is the most striking feature of China's trade route strategy, enables both China and Pakistan to use the KKH to contain the growing political and economic influence of their adversaries.²⁵ For instance, China and USA established listening posts in Gilgit-Baltistan and used the KKH to transfer military supplies and manpower from Xinjiang to the Afghan mujahideen to sustain the Afghan-Soviet War during the early and mid-1980s.²⁶ China also used KKH to transport its nationals (from Xinjiang province) to PoK to join the jihadi training camps during the Afghan jihad.²⁷ There were also Chinese

²⁵ Ispahani, op cit, p.197; China describes the road as 'strategic investment', and trade via KKH as 'merely symbolic operation'.

²⁶ Fazal-Ur-Rahman, " Pakistan's Evolving Relations with China, Russia, and Central Asia" *Acta Slavica Iaponica*, No. 16, Slavic Research Center (SRC), Sapporo , Japan, 2007, pp. 213-214. The chapter is available at http://src-h.slav.hokudai.ac.jp/coe21/publish/no16_1_ses/11_rahman.pdf.

²⁷ See Congressional Research Service Report, 17 December 2001; <http://www.uyghuramerican.org/statements/letter-to-colin.html>; Soviet-backed government in Kabul claimed that China funded Afghan Mujahideen with US\$400 million worth of weapons; 300 military advisors and trainers residing in camps at PoK including Gilgit- Baltistan, and Xinjiang. It is said that more than 55,000 fighters received training in camps in Pakistan many of which existed in Gilgit-Baltistan and Chitral.

instructors providing training to the mujahideen.²⁸ According to recent estimates by the locals, there are about 5,000 Chinese (as per local calculations) Uyighur rebels living in Pakistan and PoK. The Soviets termed the KKH as the 'principal artery for the flow of Chinese weapons to the insurgents'. They even planned to attack Gilgit-Baltistan to firstly, interdict KKH; secondly to destroy Afghan training camps and bases; and thirdly to deny China access to Pakistan which was directly involved in helping the mujahideen.²⁹ The policy, which was touted as China's 'highway bogey',³⁰ helped both countries contain their adversary, the USSR, from expanding its political influence in South Asia, and also promoted their own strategic and political interests in Afghanistan. At the same time, it allowed China to gain the trust of the Americans and win the minds and hearts of Arab leaders.³¹ The same highway later assisted China to export military hardware to the Taliban and increase its political leverage.³²

²⁸ In the mid-1980s, there were more than 300 Chinese instructors and advisors stationed in PoK providing training to the Mujahideen. See the interesting Map on CIA operations on page no vii, in John Cooley, *Unholy Wars: Afghanistan, America, and International Terrorism*, Pluto Press, Sterling, Va., 2002, p 59.

²⁹ Rizwan Hussain, , *Pakistan and the emergence of Islamic militancy in Afghanistan*, Ashgate, Aldershot, 2005, p. 102.

³⁰ Ispahani, n.12, p.192.

³¹ China provided military supplies worth \$200 million annually to the Afghan Mujahideen. op. cit (n. 26).

³² *Far East & Australasia Regional Survey of the World 2003*, Routledge, 2004, p. 73

Such interventions converted Gilgit-Baltistan into a virtual war zone and brought instability to the region. Up until the end of Afghan war, the people of Gilgit-Baltistan lived in fear of Russian attacks as well as Chinese military advances.

Low-cost Deterrent to India

The interdependency which both nations achieved through the Karakoram corridor allowed China to use Pakistan as her security front and as a low-cost but high- efficiency deterrent against India's growing political and economic clout.³³ The 1966 Sino-Pak accord enabled Pakistan to access Chinese weapons through the KKH.³⁴ Chinese military contributions have helped Pakistan sustain its wars on the eastern front and continue a low intensity conflict along the LoC.³⁵ According to Press Trust of India (PTI), Tass and Pravda, China used the KKH as a secret corridor for arms smuggling,³⁶ which enhanced its military strength along the Indian border, and enabled it to station specialists in PoK, perhaps to keep a close eye on the

³³ Jamal Afridi and Jayshree Bajoria, "China And Pakistan Relations", July 6 2010 available on http://www.cfr.org/publication/10070/chinapakistan_relations.html

³⁴ Ispahani, n. 11, p.199; Chines Deputy PM, Li Xiannian, upon completion of KKH, said, 'KKH allows us to give military aid to Pakistan'.

³⁵ Ibid., p.187; Starr 2004:143

³⁶ Ibid., p.200; In 1971, KKH was used to ferry military supplies to Pakistan from China. During the 1971 war, a section of KKH was closed for foreigners by orders of President Yahya Khan to conceal clandestine activities on the KKH.

developments in the region as a whole and Indian state of J&K in particular.³⁷ Further, Chinese personnel also trained the Gilgit Scouts to fight in the Ladakh sector. As a *quid pro quo*, Pakistan used KKH to supply high-tech weapons³⁸ including unexploded American missiles from the Afghan jihad theatre to China for reverse engineering.³⁹

The USA relaxed relations with Pakistan following the Afghan Jihad and even imposed sanctions on it, suspicious of its clandestine effort to build nuclear weapons. During this time, China continued to be the primary source for Pakistan's military procurements. It is believed that arms supplies via the KKH have continued even in recent years. According to Professor Kondapalli of Jawaharlal Nehru University, Indian sources monitored and detected the movement of transport erector launchers (TELs) carrying missile barrels on the KKH in 2005.⁴⁰ In fact, China has not ratified the border arms reduction treaty and the mutual reduction of military forces and disarmament on the border treaty with Pakistan, which it signed with its other

³⁷ In 1978, Tass called KKH 'the road of danger'. Similar comments came from *Kabul New Times* in 1982 (Ispahani, n.11, p.192)

³⁸ Ispahani (n.11, p.199.) says China received sophisticated Western weapons from Pakistan through KKH. Chinese foreign ministry official described the ties between the countries as: China's military relationship with Pakistan is one of the closest since we are very good friends we have helped to build their defence.

³⁹ Bhasker Roy, "China, Pakistan And Musharraf", Paper no. 2575, January 31, 2008, available at http://www.southasiaanalysis.org/%5Cpapers26%5Cpa_per2575.html

⁴⁰ Interview on February 9, 2009 at JNU Delhi

neighbours.⁴¹ This policy allows them to continue military supplies via the KKH. The continued use of KKH for exchange of military hardware between China and Pakistan will make India suspicious of the growing nexus between the two countries. In this context, Chinese presence in Gilgit-Baltistan, which India claims as its own is certain to make India anxious and lead to regional instability.

How the Locals View KKH

There are reasons to infer that though the KKH was ostensibly built to ensure development of the region by enhancing local trade, it has largely failed to do so.⁴² The so-called deep state (the military establishment) in Pakistan has used the region for strategic purposes and has not paid any heed to the needs of the local people. Socio-economic statistics of the region show that the locals have not benefited despite the ongoing bi-lateral 'border' trade since the 1970s. For instance, the per capita per annum income of Gilgit-Baltistan is only one-fourth of Pakistan's national average and more than half 1.3 million of its inhabitants still live below the poverty line.⁴³ Further, the literacy rate also remains very low at 15 per cent for males and 5 per

⁴¹ "Mutual Reduction Of Military Forces In The Border Area" available on <http://www.fas.org/nuke/control/mrmfba/index.html>

⁴² Ispahani, n.11, pp.188-195

⁴³ "Socioeconomic Study of Northern Areas and Chitral (SESNA) Report of AKRSP", 2007.

cent for females.⁴⁴ Likewise, the energy consumption rate of the locals is almost ten times lower (5 watts per capita) compared to Pakistan's national per capita average of 48 watts.⁴⁵ In 1996, many business experts pinned their hopes on Pakistan, China, Kyrgyzstan and Kazakhstan, after they ratified their inter- governmental agreement on trade, transit and transportation⁴⁶ However, Pakistan still ranks sixth and last among the trading partners of Xinjiang.⁴⁷ Despite the existence of Preferential Trade Agreement, Free Trade Agreement and Early Harvest Programme on goods (signed in

2007), investments (signed in 2008) and services (signed in 2009), locals have failed to derive the expected benefits. When Sino-Pak trade reached the \$7 billion mark in 2009, the share of trade via KKH was a miniscule 4 per cent, and more surprisingly, while the Chinese share was a staggering 83 per cent of the total bilateral exports.

⁴⁴ World Bank estimates of 1997; no official literacy census has been undertaken over the last 12 years. An overwhelming majority of the local children go to private schools established by NGOs, which receive funds from Western and Middle Eastern countries.

⁴⁵ Abbas Ali, "Awakening of Gilgit-Baltistan(A response to N Khattak)", Op-Ed, *Pamir Times*, September 11, 2008 available on <http://pamirtimes.net/2008/09/11/op-ed-awakening-of-gilgit-baltistan-a-response-to-n-n-khattak/>

⁴⁶ "First Pakistan Container Reaches Almaty Via Karakoram Highway", December 7 2006 available on <http://www.encyclopedia.com/doc/1G1-155626531.html>

⁴⁷ "China Xinjiang Reports Robust Foreign Trade Growth", APP, August 18, 2008 available on <http://pk2.mofcom.gov.cn/aarticle/chinanews/200808/20080805736308.html>

According to local respondents, Pakistan does not share transit revenues accruing from KKH, and income from the dry- port with the regional administration.⁴⁸

Further, the staff at the custom check point, Khunjerab Pass, FWO, SCO, and even the security guards for the Chinese workers mainly come from Pakistan.

According to the local population, while cheap synthetic Chinese products somehow address the short-term needs of poor people, they have adversely affected the local cottage industry. Further, transit and trade is mainly controlled by the Pakistanis and the Hans⁴⁹ and the products exchanged do not benefit local manufacturers and producers⁵⁰ (Annexure II). Likewise, most of the China- product stores are owned and run by Pakistanis.⁵¹ It is also claimed that military's National Logistics Cell has exclusive right to handle freight traffic via KKH, thus

⁴⁸ Gilgit-Baltistan Chief Executive and Chairman of the dry port Mir Ghazanfar Ali Khan admits that the region does not receive any share of the income of the dry port. In 2009, he proposed that a 3 per cent share of the income of the dry port be spent on the development of Gilgit- Baltistan.

⁴⁹ Author interviewed traders of Hassan Khan market, Gilgit on October 29, 2006

⁵⁰ Haroon Rashid, " گلگت، چینی مصنوعات کی بکریاں " , http://www.bbc.co.uk/urdu/pakistan/story/2005/09/050925_gilgit_china_fz.shtml

⁵¹ In Skardo, there are around 15 shops which sell Chinese imported products and more than 70 per cent of them are operated by Pakistanis.

depriving the locals of the revenue from the cross-border transportation service.⁵²

Many people interviewed by the author complained that the road connectivity has largely been used to transport troops to convert Gilgit-Baltistan into a military garrison and support wars; to establish listening posts; and to control the local people. Although Chinese and Pakistani officials blame the separatists in their respective occupied regions for low trade volumes,⁵³ the above statistics reinforce the local opinion that the KKH has so far served the larger interests of regional connectivity for Pakistan and China rather than increasing opportunities for local livelihoods. It still remains to be seen whether the further expansion of the corridor will bring any substantial and tangible benefits for the local people.

Future Expansion of KKH

The KKH expansion project is China's brainchild and an initiative of ex-President of Pakistan, General Pervez Musharraf. The ambitious plan, for improving the cross-regional transportation and commercial network among the client states, will convert KKH into a 90-foot wide expressway for a threefold increase in the existing capacity. The expansion and re-alignment will allow speed with safety and cost reduction by accommodating heavy-laden trailers under extreme climatic conditions (Annexure III).

⁵² Vikram Sood, "Border line Case", *Hindustan Times*, June 7, 2007.

⁵³ Author's interviewed with a Pakistani customs official on November 2, 2009, Islamabad

The corridor development project will cost \$6 billion and will link Central Asia and China to the Asian highway network, passing through Afghanistan and Iran.⁵⁴ Further, a 1,100 km long rail-link worth costing \$10.237 billion will also be laid, which will cut the distance between Pakistan's capital Islamabad and China's trade centre Kashgar to a mere seventeen hours. In addition, oil and gas pipelines (OGP) will also run across the corridor⁵⁵ linking the existing fuel-lanes of Central Asia and China to refineries on Pakistani ports, and the Middle East.⁵⁶ In essence, the conduit will facilitate a range of world class transport services such as freight management, trucking, modern dry-port infrastructure, an efficient logistical chain,

⁵⁴ While the programme is still under implementation, trans-regional trade has already started through the KKH when a Pakistani company 'Pak Caspian Trade Link' supplied a container to Almaty in 2005.

⁵⁵ Considerable Progress with the extension of regional railways", Statement by Afghanistan's Minister of Foreign Affairs at 19th Session of the ECO Council of Ministers In Istanbul on 22nd December 2010, available on <http://www.andrewgrantham.co.uk/afghanistan/tag/china/>

⁵⁶ "China interested in Trans Himalayan Oil Pipeline", October 24, 2006, available at: <http://pk2.mofcom.gov.cn/aarticle/chinanews/200610/20061003508868.html>; Musharraf reportedly said, 'KKH is the eighth wonder of the world and we created it. We are also capable of creating ninth and tenth wonders of the world in the form of railway and OGP linkages between Pakistan and China'. The entire speech is available at: <http://presidentmusharraf.wordpress.com/2006/07/05/apns-award-ceremony-2006/>.

customs clearance and border terminals, which will lead to a quantum leap in regional trade.⁵⁷

The corridor is expected to serve the economic needs of both countries with an eye on advancing their strategic interests in the Gulf.

The Special Feature of Karakoram

Corridor Development Plan is construction of 19 tunnels, which will be dug out on the road- stretch between Hunza and Khunjerab Pass. The construction staffs for this patch are composed entirely of Chinese nationals. Gilgit-Baltistan is highly suitable as a storage base for high-value military weapons like missiles and tunnels enhance such capability. Among them, one major tunnel will pass under the infamous Khunjerab Pass, which is also known as the gateway to India, or China's Khyber Pass. Called the Friendship Tunnel, the Chinese claim it as a significant milestone in the Sino- Pak relations, which will provide all-weather access to revolutionize inter-regional travel and freight carriage.⁵⁸

⁵⁷ See the presentation by Dr. Asad Ali Shah, Member (Infrastructure), Planning Commission, Government Of Pakistan, in Manila, "Pakistan's National Trade Corridor Program", available at <http://www.carecinstitute.org/uploads/events/2007/S OM-Sep/PAK-National-Trade-Corridor-Program.pdf>

⁵⁸ "Pak-China Tunnel at Khunjerab", available on <http://blog.travel-culture.com/2008/12/01/pak-china-tunnel-at-khunjerab/>

Karakoram Corridor (KC): Economic Prospects for Pakistan

Pakistan's objective is to make the corridor economically viable and offer it for international trade and transit on a mass scale. This will not only help the country's economic growth but also enhance its political and strategic leverage vis-a-vis other countries in the region. The transit system will increase commodity exchange between all regional countries including Russia and Eastern Europe translating into significant amounts of transit fee for Pakistan. While Pakistan will achieve energy security, it may help Central Asia and Xinjiang overcome food shortages. It will also enhance tourism and people to people contact among the nations. In the end, it is not just about trade and transit of fossil fuels and minerals among the producers and consumers; it is also about securing KC as an alternate sustainable route reducing dependence on Afghanistan.

China also prefers the transit to the Gulf through Pakistan over Afghanistan and Central Asia, to avoid negotiations with multiple countries and save transit fees. To accommodate increasing trade volumes, China is upgrading the dry-port at Sost from existing handling capacity of 40 containers per day to 400. The countries will also issue visa on arrival to encourage travel and tourism.⁵⁹ If all goes as per plans, then by 2030, Pakistan expects to earn heavily from such trade. The success of Pakistan's

⁵⁹ "Pakistan Considers Relaxing Visa Facilities For Chinese Tourists", June 22, 2006 available on <http://pk2.mofcom.gov.cn/aarticle/chinanews/200606/20060602501358.html>

ambitious economic plans depends on the volume of trade passing through KC as well as the political situation in Afghanistan, which for the time being remains volatile.

The prospect of gaining access to Central Asia's oil, gas and mineral resources is the main reason for an energy-hungry nation like Pakistan to speedily complete the project. Central Asia has proven gas reserves of 236 trillion cubic feet and oil reserves of 200 billion barrels. While Turkmen-Kazakh-China pipelines are in place, their extension to Pakistan through the Karakoram Corridor appears to be an early possibility. Future Russian⁶⁰ and Italian⁶¹ OGP ventures in Kazakhstan and China will add to the prospects of Karakoram Corridor.⁶² Likewise, possible uranium and gas imports from Uzbekistan, and Hydel energy from Tajikistan and Kyrgyzstan⁶³ will make KC a reliable corridor to boost Pakistan's economy further.

⁶⁰ James Topham and Judy Hua, "Russian ESPO Blend crude set to come to Asia", , Reuters Fact Box, December 23, 2009. <http://in.reuters.com/article/2009/12/23/crude-espo-russia-idINTOE5BK09K20091223>

⁶¹ The ENI currently holds 22 exploration and production licenses in Pakistan. The ENI aims to bring gas from Turkmenistan, Kazakhstan to China, Pakistan and India; http://www.dailytimes.com.pk/default.asp?page=2009%5C10%5C01%5Cstory_1-10-2009_pg7_1

⁶² Safdar Khan, "Karakoram Highway's Gwadar link likely", July 05, 2006, at <http://archives.dawn.com/2006/07/05/top1.htm>. Half of Russian oil exports to China come through the Kazakh pipeline, so Turkmen, Kazakh and Russian oil and gas can be extended south and south-east via Gilgit-Baltistan. Russia agreed to build the trans-Siberian oil pipeline and two gas pipelines when Putin visited China last March.

In the end, the success of KC to fulfil domestic energy needs also depends on how Pakistan optimises its strategic relations with the Central Asian countries.

Since the current Chinese investment in Pakistan has reached tens of billions of dollars compared with a meagre \$550 million in 2006, it is imperative for Pakistan to not only maintain this land connectivity but also expand its scope to meet China's needs. China considers these investments strategic and a way to revive Pakistan's economy and save it from becoming a failed state. Pakistan's survival is a key to Chinese dominance and influence in South Asia and in the Muslim world. Land connectivity also enables it to transport heavy machinery, equipment, and additional workers to Pakistan. Currently, more than 60 Chinese public and private sector companies and 10,000 skilled workforce are working on over 250 projects in PoK and Pakistan (Annexure IV & V). The gestation period of many of these mega projects is long and so is Chinese presence. At the same time, given the demographic sensitivities, using the overland route via Pakistan will enable China to consolidate its control and sustain its economic interventions in its western provinces.

KC Securing Chinese Economic Interests

Even during the worst of the global recession, China continued to buy and secure billions of dollars worth of fossil fuels and mineral resources. Even more impressive

⁶³ Agreements to import hydel power from Tajikistan and Kyrgyzstan were signed in 1992; Rizwan Hussain op cit, p.181

is its resolve to achieve it without the use of military, and without the support or reliance on the Western powers. In essence, it shows China's growing diplomatic and economic muscle as well as its strategic success. It is believed that if China can lay its hands on the targeted resources, then it can sustain its economic growth and maintain its international stature as a great power. China's intended investment of \$730 billion in the transport sector in west China⁶⁴ and \$88 billion in Xinjiang⁶⁵ will mean a huge increase in traffic flow and fuel consumption. This is in addition to what China currently consumes for domestic purposes, industrial development, exports and infrastructure build-up.⁶⁶ China which is the world's second largest oil consumer currently imports more than half the oil it uses.⁶⁷ It is also world's largest copper importer. It gets almost half of its oil needs from the Gulf⁶⁸

⁶⁴ "Unlocking Africa's Promise: China & African Mining", *The China Monitor*, Issue 35, November 2008, available on http://www.ccs.org.za/downloads/China_Monitor_20_%20November_2008.pdf

⁶⁵ By 2050, China plans to add 4 million kilometers of road network. In 2009, China ranked first as global car importer <http://german.china.org.cn/english/China/46456.htm>.

⁶⁶ Given the magnitude of needs, Beijing plans to invest US\$150 billion on developing global energy resources in the next 15 years.

⁶⁷ Although energy-hungry China is world's fifth-largest oil producer at 3.7 mbpd, it still imports more than 50 per cent of its oil needs.

⁶⁸ "Kazakhstan-China Oil Pipeline Opens to Commercial operation, China council for the Promotion of International Trade, China Chamber Of International Commerce, Economic & Trade News, July 2006, available on http://english.ccpit.org/Contents/Channel_411/2006/0712/2965/content_2965.htm

and another 30 per cent from Africa.⁶⁹ Xia Yishan, a researcher with CIIS⁷⁰ says that China is strategically transforming Africa into an independent and exclusive oil source.⁷¹ It is investing heavily in oil, gas and minerals to secure her future needs.⁷² For instance, it has become Africa's second largest trade partner⁷³ with volumes reaching \$107 billion in 2008.⁷⁴ In Iran, which is China's second largest oil supplier, investment has surpassed \$125

In 2008, China's crude oil import totalled 127 million tons, about 40 per cent of its total consumption. About a half of China's oil import came from the Middle East, said Pan Derun, deputy chairman of the China Enditem.

According to the article, China's Energy Quest and the Indian Ocean, 80 per cent of China-bound oil and liquid natural gas passes through the Indian Ocean.

⁶⁹ Cindy Hurst, "China's Oil Rush In Africa", *IAGS Energy Security*, July 2006, available at: <http://www.iags.org/chinainafrika.pdf>

⁷⁰ Wu Zhong, "China Aims to Diversify Oil Sources", *Asia Times*, February 28, 2007 available on http://www.atimes.com/atimes/China_Business/IB28C_b02.html

⁷¹ When India won the Angola oil contract, China entered at the last minute, offered incentives worth US\$2.2 billion, compared to US\$200 million of India, in social sector development and clinched the deal.

⁷² International Energy Agency (IEA) estimates that by 2015, China will be consuming 11.3 mbpd

⁷³ Stephanie Hanson, "China, Africa and Oil", June 6, 2008 available on <http://www.cfr.org/publication/9557/>

⁷⁴ James Macharia, "China to Fuel Africa Mining Growth Despite Crisis", *Mail&Guardian Online*, February 12, 2009 available on <http://www.mg.co.za/article/2009-02-12-china-to-fuel-africa-mining-growth-despite-crisis>

billion, taking the bi-lateral oil trade to \$27 billion. The recent \$3 billion oil contract with Iraq will further increase Chinese dependence on the Middle Eastern oil.

In view of its close association with Africa and the Middle East, and the proximity of Pakistani ports to the energy hubs, China's interest in developing KC as a future primary oil supply line is obvious.⁷⁵ However, the usefulness of KC for China is coupled with its ability to transport the required quantity of fuel-supplies from Pakistani ports to Xinjiang.⁷⁶

The expansion of the rail network connecting Pakistan with Iran and Afghanistan will also boost these prospects.

While, it may take some years for the overland route to become economically viable; it will continue to serve China as an additional supply line. Given the length of the sea route and narrowness of the Malacca Strait, which carries 80 per cent of China's oil imports, safety around the choke points always remains a challenge.

The KC will therefore decrease Chinese vulnerability to closure, disruption or interdiction of Malacca Strait and South China Sea.⁷⁷ On the other hand, the Gwadar-KC

⁷⁵ Stephen Blank, "China Hangs fire on Iran-Pakistan pipeline", *Asia Times*, March 9, 2010 available on http://www.atimes.com/atimes/China_Business/LC09Cb01.html

⁷⁶ China's access to Afghanistan and Iran will not involve Pakistani ports after completion of the over land route through KC

⁷⁷ The Strait of Malacca at its narrowest is only 2.8km wide. The United States' control over the Malacca Strait has contributed enormously to Beijing's fears that Washington could choke off its oil supply, in the event of hostilities over Taiwan; <http://pakobserver.net/200906/28/Articles03.asp>

combination also guarantees a logistical advantage by significantly reducing the distance of 16,000 km to a mere 2,500 km between Chinese industrial areas and the Gulf.⁷⁸ Similarly, Kashgar, which is 3,500 km away from the Chinese east shore, is now less than 1,500 km from Pakistani ports near the Strait of Hormuz. The high-speed Urumqi- Beijing rail link (LanXin-II) that will take only 11 hours between the eastern and western most extremities of China will be complete in 2011.⁷⁹ With that, time to commute from central and eastern China to the Pakistani ports will be a few hours only. Using KC as an alternate supply line will increase China's ability to stockpile oil reserves to offset future shortages or any blockade of oil resources. Reliance on Pakistan for additional ports and interlinked overland routes becomes crucial in the wake of Chinese ports getting clogged due to excessive usage. In this context, China is improving the holding capacity of Gwadar port to 100,000 dead weight tonnage (dwt) of dry cargo and 200,000 dwt of oil tankers,⁸⁰ to meet its needs. These statistics help understand why Pakistani ports and KC are the lynchpin that ensures China's long-term economic sustainability.

⁷⁸ Comments by John Vautrain, Senior Vice President of Purvin & Gertz Inc.

⁷⁹ W. Jianming, 'China's Western Development Programme in Xinjiang (2000-2009)', 2010, (Unpublished Dissertation), Centre for South, Central and Southeast Asian Studies, School of International Studies, JNU, New Delhi, India p.2.

⁸⁰ This will allow a full-weight cargo or oil-tanker to arrive at Gwadar, since capacity of Hormuz itself is no more than 150,000 dwt.

Strengthening China's Security

China's economic, political and security interests are interlinked. Linking Gwadar and Ormara ports overland to Chinese western provinces makes gives it foolproof security. Without short and safe overland connection to the ports, China will find its security interests compromised since it lacks blue-water naval capacity and aircraft carriers in the Gulf. With almost half of its oil imports passing through the Strait of Hormuz, China is conscious of the need to enhance its political and military influence in the region.⁸¹ Currently the Chinese navy has access to Pakistan's Ormara and Gwadar naval bases, which would help it in guarding its oil supplies; as well as serving as a security umbrella to countries like Iran to enhance political and strategic leverage.

In addition, the proposed rail link will enable the transport of Chinese supplies to Pakistani ports. Maintaining control over KC will also help China maintain its control over Shaksgam and the neighbouring valleys, which otherwise may create choke points along the historical silk route and threaten Chinese control of Xinjiang. At the same time, overland access to Iran and Afghanistan from Pakistan will help reduce threat perceptions arising from the Indian and

⁸¹ A recent report titled "Energy Futures in Asia" produced by defence contractor Booz Allen Hamilton for Pentagon notes that China has already set up electronic eavesdropping posts at Gwadar, which are monitoring maritime traffic through the Strait of Hormuz and the Arabian Sea.

American presence in the Gulf.⁸² By approaching Afghanistan through Gilgit-Baltistan rather than Central Asia, China will benefit by avoiding competition with Russia for strategic depth in what Russia considers its near abroad.⁸³

KC and its Political Implications for Neighbours

China and Pakistan are undertaking infrastructure projects in Gilgit-Baltistan, a region legally claimed by India. While China admits that solving J&K dispute will bring stability to the region, its increasing involvement in PoK is making the issue more complex and prolonging the dispute.⁸⁴ The feeder roads built through Shaksgam and Raskam help consolidate China's control over these occupied valleys. India considers such advances illegal and a challenge to its sovereignty. At the same time, China and Pakistan consider their 1963 border settlement as final. China recently announced the establishment of a consulate in Gilgit, confirming its support to Pakistan's stance on

⁸² So far, Chinese investments in Afghanistan amount to \$4 billion, mainly in copper mining in Aynak district of eastern Afghanistan as well as some other road projects.

⁸³ Adrien Mong, "Resource Hungry China Heads to Afghanistan", October 14, 2009, available on <http://worldblog.msnbc.msn.com/archive/2009/10/14/2098654.aspx>

⁸⁴ K.S. Shelvankar, "China's Himalayan Frontiers", *International Affairs*, Vol. 8, No 4, October 1962, p. 478

Gilgit-Baltistan.⁸⁵ Chinese media also advances similar notions by using the terms like Pakistan held Kashmir for Muzaffarabad and 'the northern areas of Pakistan' for Gilgit- Baltistan.⁸⁶

Professor Wang Jianming of Minority Groups Development Research Institute of Beijing stated that Chinese government considers Gilgit-Baltistan 'the northern province of Pakistan'.⁸⁷ As a reciprocal gesture, Pakistan accepts China's control over Shaksgam and Raskam valleys⁸⁸ and also acknowledges China's claim over Aksai-chin.⁸⁹

Such violations have compromised peaceful negotiations over the J&K issue. Chinese road network through Shaksgam which also links KKH with Tibet-Xinjiang Highway has led to encirclement of J&K from three

⁸⁵ "Chinese Consulate being established in Gilgit", *Pamir Times*, January 27, 2008, available on <http://pamirtimes.net/2008/01/27/chinese-consulate-being-established-in-gilgit/>

⁸⁶ <http://english.cri.cn/2238/2005-4-6/33@224705.htm>

⁸⁷ Conversation with the author held in Delhi during a conference on Xinjiang on March 4, 2010

⁸⁸ The foreign ministry spokesperson of China commented on the article 6 of the 1963 Sino-Pak 'border' agreement confirming that the deal is final and there is no need to re-open negotiations on the agreement. Srikanth Kondapalli, *World Focus* January 2007 pp 26-31.

⁸⁹ Pakistani maps show Aksai-chin not demarcated land, enabling China to negotiate if and when Pakistan acquires sovereignty over J&K

directions⁹⁰ providing an opportunity for China and Pakistan to launch pincer movements. Chinese experts have talked about a pincer movement in the context of Chicken's Neck in north eastern India.⁹¹ But given Sino-Pak military agreements and their collaboration during the 1965, 1971 and 1999 wars, such a scenario is very much in the realm of possibility in the Karakoram sector.

The possibility of a pincer movement can be seen in the context of the Sino-Pak 'friendship, cooperation and good neighbourly relations' and 'combating terrorism, separatism and extremism' agreements signed on April 5, 2005 and January 4, 2006. Professor Yu Dunxin of ICIR, China says that 'the treaty binds both countries to work as allies against any foreign threat'.⁹² The treaties also prevent them from 'joining any alliance or bloc which infringes upon the sovereignty, security and territorial integrity of the other side'.⁹³ It also forbids the signatories from entering into similar treaties with another country.

⁹⁰ On June 26, 1969, Indian government spokesperson said in New Delhi that the new road was a militarily sinister move directed against India and would enable China to move troops from Tibet and Ladakh to Gilgit, directly cutting the distance from 1,000 to 200 miles.

⁹¹ Thin stretch of West Bengal and Sikkim that is sandwiched between China, Nepal and Bangladesh is called India's chicken's neck.

⁹² Associated Press of Pakistan, November 22, 2006

⁹³ D.S. Rajan, "China: Revisiting the 2005 Friendship Treaty with Pakistan", available at http://www.southasiaanalysis.org/%5Cpapers21%5Cpa_per2058.html

Chinese President Hu Jintao described the Sino-Pak friendship treaty as one providing 'an important legal foundation for bi-lateral strategic partnership' during his visit to Pakistan on November 23-26, 2006. However, since Gilgit-Baltistan is flanked by Ladakh (India), and Afghanistan, which has strong ties with India, Pakistan will be careful about allowing its land to be used to pursue such military adventures. In the context of above-mentioned treaties, China may interlink Indo- China border settlement issues with India's policy on Gilgit-Baltistan. For instance, China may demand Indian guarantees of non- aggression towards Gilgit-Baltistan, especially over the interdiction of KC, before agreeing to talks on Indo-China disputes in western and eastern sectors.⁹⁴

⁹⁴ H.E. Luo Zhaohui, "Address on the Inauguration of Upgradation of the Karakoram Highway", at the Jinnah Convention Centre, on February 16, 2008. Chinese Ambassador to Pakistan said that "the KKH is not only a road linking our two peoples with trade and interaction, but also a great monument, a great symbol of the close relationship between our two countries. The best way to memorise these heroes - Chinese engineers sacrificed their lives for the construction of the KKH - is to strengthen our friendship, deepen our cooperation, and to take good care of the KKH. We will not allow the KKH to be damaged, as we will never allow the Sino-Pak friendship to be damaged. Our relations are based on four pillars, i.e. trade and economic cooperation, defence linkage, people-to-people contact, as well as coordination in regional and global issues. I am 100 per cent sure that, with the up-gradation of the KKH and with the implementation of the Sino-Pak Trade Corridor Programme, our linkage will be more strengthened. Available at <http://pk.chineseembassy.org/eng/zbgx/t414855.htm>;

Some analysts see Chinese projects as part of its plans to encircle India. KC will provide advanced logistical support to access areas along the Indian border, which are dotted with China-specific special economic and industrial zones. Places like Hunza, Gilgit, Diamer, Astore, Skardo, Kishanganga, Muzaffarabad, Mirpur, Lahore, Faisalabad, Kalashah Kaku, Tharparkar and Karachi have a strong Chinese presence.⁹⁵ Further, the presence of 10,000 Chinese workers in Pakistan, whose number continues to grow, is also a concern for India. These interventions are seen by adversaries as strategic investments in the guise of economic support. By increasing its influence on India's western border, China wants to divert India's attention towards the region and keep her engaged in yet another strategic front.

China's permanent naval presence at the narrow entrance of the Persian Gulf is a concern for India which receives more than 70 per cent of its oil through the Strait of Hormuz. Admiral Suresh Mehta⁹⁶ says that the overland

⁹⁵ Rizwan Hussain, op cit., p.234; China has access to the Skardo airbase in Baltistan, which hosted Chinese trainers during the Kargil War to assist Pakistani air force. According to Professor S. Kondapalli of JNU, *Hindustan Times* carried the news that Chinese air force personnel performed their duties at Skardo air field in conjunction with Pakistani pilots to thwart a possible Indian air attack during the Kargil War.

⁹⁶ Former Indian Naval Chief, Admiral Sureesh Mehta said in March 2009, that the Gwadar port had "serious strategic implications for India...Being only 180 nautical miles from the exit of the Straits of Hormuz, Gwadar, being built in Baluchistan coast, would enable Pakistan take control over the world energy jugular and interdiction of Indian tankers". Reported in <http://economictimes.indiatimes.com/paks-new-port-has-strategic-implications-for-india-mehta/articleshow/2720950.cms>.

connect with Gwadar increases China's ability to guard its interests in the Persian Gulf, and makes the threat a permanent one for India as claimed by Pakistani bloggers.⁹⁷ Termed as the Chinese Gibraltar,⁹⁸ Gwadar is merely 72 kms from the Iranian border, and is used as a forward base and a listening post⁹⁹ to monitor US and Indian naval activity in the Arabian Sea as well as any future US-India maritime cooperation in the Indian Ocean.¹⁰⁰ The base will soon have a modern air defence

⁹⁷ Abdus Sattar Ghazali, "India Alarmed on Chinese built Gwadar Port", March 9, 2009, <http://pakistankakhudahafiz.wordpress.com/2009/03/09/india-alarmed-on-chinese-built-gwadar-port/>. Indian analysts have even expressed their concern about the China-Pakistan-Myanmar triangular relationship. See <http://www.southasiaanalysis.org/%5Cpapers5%5Cpaper401.html>; 40% of global oil trade occurs through Persian gulf

⁹⁸ An analytical piece titled "China Opens Strategic Seaport in Pakistan", available at <http://johnib.wordpress.com/2007/04/04/china-opens-strategic-seaport-in-pakistan/>

⁹⁹ Sudha Ramachandran, "China's pearl in Pakistan's waters", *Asia Times Online*, May 4, 2005, available at: http://www.atimes.com/atimes/South_Asia/GC04Df06.html

¹⁰⁰ Under the doctrine of High Sea Defence, China envisions control of Indian Ocean. Gen Zhao Nanqi, Director of the General Logistic Department of the PLA, says, "We can no longer accept the Indian Ocean as only an ocean of the Indians". Beijing has no doubts that India would oppose China's strategic surge as Zhao states, "We are taking armed conflicts in the region into account". http://www.centreasia.org/media/files/Paper_Not_Indias_Ocean_Perceptions_of_Chinese_Presence_in_the_Indian_Ocean.pdf

unit, a garrison, and a first-rate international airport.¹⁰¹ In near future, China will also be able to use the Pakistani ports of Pasni, Jiwani and Sonmiani as they develop. India is also wary of future joint Chinese and Pakistani naval operations against the Indian presence in the Indian Ocean Region. China and India are growing economies desperately dependent on oil and gas for their growth. It is estimated that by 2012, India's oil demand will quadruple to 320 million tonnes of oil, but at the same time, Chinese demand will be 600 million tonnes. Given the depleting portfolios of hydro- carbons and increasing competition over resources; the safety and security of the Hormuz Strait becomes as much essential for India as China. But out of these two emerging economies, China is taking more proactive measures to safeguard its future as far as its energy needs are concerned.

In the coming years, economic development as a result of expansion of the KC will inevitably create interdependence among some of the regional countries and add to concerns of others. China's warming up to Iran and Afghanistan may pose challenges for India in sustaining its political leverage in these countries. NATO had, in the past, asked China to play a greater role in Afghanistan, by providing it with a supply link through Xinjiang as an alternate safe

¹⁰¹ "Chinese Navy Participates in Multinational Naval Exercises in Arabian Sea", *Embassy of the People's Republic of China in Islamic Republic of Pakistan, China-Pakistan Relations, 16th March, 2007* available on <http://pk.china-embassy.org/eng/zbqx/t304172.htm>

President Musharraf said that the navies of Pakistan and China must collaborate for peace and security of the seas.

route.¹⁰² India, aware of Sino-Pak intentions has termed the KKH as Pakistan's grand strategy aimed at consolidating the so-called Trans-Asian axis¹⁰³ and to isolate India and diminish its influence in Afghanistan and Central Asia.¹⁰⁴ According to the deputy general of the China Council for National Security Policy Studies, Li Qinggong, the Sino-Pak partnership and KKH connectivity will be helpful in allowing China to enhance its presence and undertake security and development in Afghanistan.¹⁰⁵

According to media analyses in India, China perceives USA as a destabilising force in the region and for its increasing influence close to its politically sensitive province of Xinjiang. The land connectivity and close neighbourly relations with Pakistan are therefore, used by China to balance out such threats. On some occasions, it has shown its displeasure; by trying to obstruct visit of American geological team in 2004, and more recently

¹⁰² "NATO May ask China for Afghanistan Support," *Associated Press*, February 3, 2009 available at: <http://www.msnbc.msn.com/id/29468470/>

¹⁰³ Stephen Hynd, "China Eyes its Afghanistan Moves", *Roundup*, December 1, 2009, available at: <http://pragati.nationalinterest.in/2009/12/china-eyes-its-afghanistan-moves/>

¹⁰⁴ Hussain, R. 2005: 181

¹⁰⁵ Stephen Hynd, "China Eyes its Afghanistan Moves", *Roundup*, December 1, 2009, available on <http://pragati.nationalinterest.in/2009/12/china-eyes-its-afghanistan-moves/>

American soldiers in 2009, to Gilgit-Baltistan.¹⁰⁶ Given China's growing economic and political muscle, many security experts now believe that if an independent Kashmir becomes a reality in future, given its interest and penetration in PoK, China will benefit more than any other country in the region.

Chinese and Central Asian experts like Nicklas Norling believe that Pakistan, which is central to Chinese national security interests, is what Israel is to Washington. They think it is a swing state whose geopolitical alignments could go either way. The current Chinese out-of-proportion investments in Gilgit-Baltistan including expansion of the KC is seen as an effort to win this tug of war with the US to protect its strategic advantage. On the other hand, the Sino-US love-hate relationship has allowed Pakistan to accrue economic and political benefits from both.

How Highway Diplomacy Shapes Future Political Scenario

As has been stated above, the KC project would enhance China's strategic presence in the region and have political implications on Gilgit-Baltistan as well as the entire region. It may also bring together some of the regional countries and could even lead to long-term interdependency and emergence of a security block. While KC may not yet

¹⁰⁶ B.L. Kak, "China-Pak Dispute Across J&K LoC, *The Daily Excelsior*, October 3, 2004, available at: <http://www.jammu-kashmir.com/archives/archives2004/kashmir20041003b.html>

become an economically viable route, its potential to help form a partially integrated regional political block is high. The KC diplomacy may eventually make China, Pakistan, Iran,¹⁰⁷ Afghanistan and Central Asian countries interdependent allowing China to play the role of a high-value security guarantor.¹⁰⁸ Chinese investments in these countries are perceived as a counter balance to the Western influence. Some security experts consider the close energy cooperation among Iran, Pakistan and China and development of KC as “a possible strategic defeat for USA in the new great game.”¹⁰⁹ China is banking on threat perceptions among the Muslim countries, which see the West encroaching on their strategic space. On Feb 4, 2010, Pakistan’s permanent representative to the UN, Hussain Haroon suggested broader Islamic countries cum China NATO-style alliance to replace the NATO in Afghanistan. The Muslim BIG (business and investment gala), conference in Karachi in 2006 attended by Chinese and Middle Eastern representatives, can be seen as an effort by

¹⁰⁷ “Jamaat-e-Islami proposes 4-nation bloc against US and NATO”, *Daily Times*, June 01, 2009 available on http://www.dailytimes.com.pk/default.asp?page=2009%5C06%5C01%5Cstory_1-6-2009_pg7_35

¹⁰⁸ Air Commodore (Retired) Tariq Mahmud Ashraf, “Future Sino-Pak Relations and War on Terrorism”, available at: <http://www.grandstrategy.com/2008/04/future-sino-pak-relations-and-war-on.html>

¹⁰⁹ Air Commodore (Retired) Tariq Mahmud Ashraf, “Sino-Pakistani Defense Relations and War On Terrorism”, *Terrorism Monitor*, Volume 6, Issue 8, available at: http://www.jamestown.org/programs/gta/single/?tx_tnews%5Btt_news%5D=4862&tx_ttnews%5BbackPid%5D=167&no_cache=1

Pakistan to cement such relations and assume the role of a lynchpin for itself.

The long-term Sino-Pak interdependence will compel China to protect Pakistan's interests in Gilgit-Baltistan, and allow the political impasse between India and Pakistan to linger. This can be corroborated from a statement by former Pakistani minister of railways, Haji Ahmed Bilour, who said that Chinese projects and funds "will increase China's dependency upon us and ultimately they will be more cooperative towards us. We count on them for many reasons."¹¹⁰

Rejuvenated by Chinese monetary support, Pakistan will be in a better position to annex Gilgit-Baltistan, as economic integration and enhanced connectivity will also lead to political integration.¹¹¹ China realises that its investments in Pakistan and PoK be wasted¹¹² if Pakistan loses Gilgit-Baltistan. It benefits Pakistani interests to prolong the Kashmir dispute and enhance resource exploitation. However, some Pakistani analysts have indicated that resentment and dissent in Gilgit-Baltistan may well grow simultaneously as China and Pakistan might fail to address political and economic needs of the

¹¹⁰ "Rs 72 million contract awarded for feasibility of Pak- China Railway Service", available on <http://www.defence.pk/forums/economy-development/32761-rs-72-million-contract-awarded-feasibility-pak-china-rail-service.html>

¹¹¹ W.M. Dobell, "Ramifications of the China-Pakistan Border Treaty", *Pacific Affairs*, Vol. 37, No. 3, Autumn, 1964, pp. 283-295.

¹¹² Vikram Sood, *op cit*.

local people by depriving of them of resource revenues and royalties on natural resources.¹¹³

Such deprivations will also help nationalists gaining political leverage and expand their base.

The leverage that KC may give to Pakistan will eventually help move it a step up from the current observer status. The ambassador of Pakistan to China Masood Khan while addressing the SCO transport ministers' forum¹¹⁴ said:

In our view enhancing connectivity is absolutely vital if SCO is to push forward a trans-regional agenda. Pakistan considers herself as the lynchpin connecting different regions of Asia with Europe and Africa. It provides the shortest access to the warm waters of the Arabian Sea for Central Asia and China. Pakistan is building a North South Trade and Energy Corridor. This corridor of Roads, Railways and Energy pipelines along with manufacturing bases will not only be an instrument for Pakistan's development; it will link SCO members and create a Eurasian land-bridge to connect the Atlantic Ocean to the Pacific by overland rail, road and energy networks. SCO is a powerful vehicle for realising this vision, and for creating a harmonious region.

Russia, a major player of SCO, may also support Chinese efforts to divert global oil conduits overland, which would reduce Western control of international sea-lane trade. Such an initiative supports the commercial aspirations of

¹¹³ "Bloodshed in Chilas", Editorial, *Dawn*, February 20, 2010, available at: <http://archives.dawn.com/archives/32599>

¹¹⁴ "Pakistan a vital lynchpin connection to South, Central, West Asia, Western China", November 11, 2009 available at: <http://blog.travel-culture.com/2009/11/11/pakistan-a-vital-lynchpin-connection-to-south-central-west-asia-western-china/>

east Russian regions and also protects Russia's strategic interests. In the end, the conduit may become the vehicle to carry the Sino-Pak relationship to its perceived logical end, which is the domination of Asia.

The only question is: what volume of goods and fossil fuels must pass through Gilgit-Baltistan so as to prove its worth as the primary transit route for China and Central Asia? The answer lies in several factors including dealing with the terrain, regional political issues, local rights' issues, lack of stability in Pakistan and the brewing civil- military rivalry, which can adversely affect the gestation period as well as productivity of the project.

Moreover, the fear of extremists taking over Pakistan may put a question mark on 'ever-green' Sino-Pak friendship. If Pakistan becomes a failed state due to an economic meltdown or a civil war, then it will be in China's interest to extend its military presence further south of Xinjiang, to create a buffer zone and take pre-emptive action against the extremists before they take over the border regions of Pakistan. This will also enhance China's capability to control any possible Uyghur dissent in Xinjiang. In the long run, China may stake its claim in Gilgit-Baltistan and also become a party in the dispute. This may lead to retaliation from India and the West, and create turmoil in the region.

An India-China Convergence Zone?

There is also a view in Gilgit-Baltistan that greater Indo-China economic integration and reduced dependence on Pakistan for strategic needs may one day compel China to

transform Gilgit-Baltistan into a convergence zone. Further, trade via KC with India and South-east Asia can bring large-scale prosperity to the region. It may also help arms reduction resulting in political stability in the region. Such a scenario may allow the people of Gilgit-Baltistan to establish political and economic relations with India.

Conclusion

China has a huge and long-term presence in Gilgit-Baltistan and is building an extensive road, bridge and telecom network to sustain it. The drivers compelling China to develop the Karakoram Corridor are diverse and mainly pertain to its economic, strategic and political ambitions. However, the projects, which currently serve strategic and economic interests of the investor, need to promote the interests of the local people and enhance their decision-making power and control over project revenues, on a priority basis. Growing Chinese interference in local affairs will create friction among different stakeholders and instability in Gilgit-Baltistan. Chinese and Pakistani control over resource-revenues may be a short-term tactical move, but will fail to provide any long-term strategic gains.

China considers its investment as a way to revive Pakistan's economy and save it from becoming a failed state. Pakistan's survival is key to Chinese dominance and influence in South Asia and the Muslim world. The Karakoram Corridor binds Central Asia, Afghanistan, Iran, Pakistan and China into a regional security bloc, which will be an anti-route to counter Indian and Western influences in the region. However, a regional bloc, which involves South Asian countries, but works against the

unity of South Asia will be counter-productive. It will become a tool to protect the interests of the Middle East and China in South Asia, and therefore will fail to address the needs and concerns of SAARC member-states. Instead of weakening SAARC, Pakistan should rather help make SAARC a functional bloc, and promote economic integration of members, which in turn will help solve the Kashmir issue.

The only question is: what volume of goods and fossil fuels must pass through Gilgit-Baltistan so as to prove its worth as a primary transit route for China and Central Asia? The answer lies in several factors including dealing with the terrain, regional political issues, local rights issues, lack of stability in Pakistan and brewing civil-military rivalry, which can adversely affect the gestation period as well as productivity of the project.

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ANNEXURES

Annexure I

The total length of the KKH from Islamabad to Kashgar, Xinjiang is 1,300 kms of which 806 km lie within Pakistan and Gilgit-Baltistan. At Hassanabdal, it is connected to the Peshawar-Islamabad Highway.¹¹⁵

<i>Length (KM)</i>	<i>Major Cities</i>	<i>Minor Cities</i>	<i>Towns</i>
0		Hassanabdal	
33		Haripur	
41			Sarei Saleh
54			Havelian
70	Abbottabad		
86			Qalanderabad
94	Mansehra		
110			Doddial
115			Shikiari
140			Battal
148			Sharkool
165			Batgram
187			Daut
181			Thakot
218			Besham
257			Pattan

¹¹⁵ Over the length of KKH between Havelian and Khunjerab Pass, 94 bridges were constructed to support the road structure.

<i>Length (KM)</i>	<i>Major Cities</i>	<i>Minor Cities</i>	<i>Towns</i>
294			Komila
352			Sazin
416			Chilas
470			Raikot
500			Jaglot
540	Gilgit		
570			Rahimabad
630			Aliabad
636			Ganish
683			Pasu
720			Sust
755			Dhe
806			Khunjerab Pass

Annexure II

Items traded through KKH between Pakistan and China

None of these items are produced or manufactured in Gilgit-Baltistan. KKH is essentially a transit route to transport Pakistani and Chinese goods with no transit revenues for the locals.

Exports: Dates, wooden decorations, non-stick tawas, ore, lead, fans, rice, bed sheet, shaving cream, agarbatti, ready-made garments, shoes, salt, zari cloth, Portland cement, sports goods, packing material, prayer mats, dry fruits, brass/onyx decoration pieces, herbs, cotton cloth, henna, utensils, mangoes, kinnow, cotton fabrics, other textiles, minerals, sports goods, cutlery, surgical goods, fruits, industrial alcohol.

Imports: Shoes, garments, winter clothing, cloth, blankets, pens, ball pens, sports items, toys, crockery, electronics, auto parts, decoration pieces, watches, fresh and dry fruits, machinery, rugs, tires, hardware, sanitary ware, mobile, computer accessories, cosmetics, cement, drilling equipment, artificial jewellery, decorations, glasses and crockery, shoes, garments, lighters, and foreign cigarettes, building machinery.

Annexure III

Salient Features of the Project for Expansion of Karakoram Highway

Project cost: US\$ 510 million (70 per cent loan by China Exim Bank and 30 per cent by GOP) Project start year: 2008

Construction agencies: Pakistan's National Highway Authority (NHA) and China's State-owned

Assets Supervision and Administration Commission (SASAC) Contractor: M/S China Road and Building Corporation (CRBC)¹¹⁶

Contract duration: 4 years (48 months)

Tunnels: 19

New bridges: 32

Improvement of existing bridges: 92

Progress on KKH expansion in Pakistan: 17 per cent

Progress on KKH expansion in China: China has finished upgrading KKH in her territory

Progress in Central Asian countries: Work under progress

¹¹⁶ CRBC will also import construction machinery and equipment

Annexure IV

List of the Projects being undertaken in Gilgit-Baltistan with Chinese support.

Both Pakistan and China consider land connectivity via Gilgit-Baltistan and Xinjiang imperative to ensure the sustainability and timely completion of these projects as well as initiation of new projects in future. All the projects are being undertaken with monetary, technical, manpower, machinery, and equipment support from China.

1. Chinese Consulate in Gilgit¹¹⁷
2. Five concrete bridges along Gilgit-Skardo road
3. Gilgit-Skardo Highway up-gradation project: involving expansion and re-alignment of 175 km existing paved road, which links Baltistan with Pakistan
4. Khunjerab Pass Tunnel (Friendship tunnel)
5. Concrete-base suspension bridge, Darel Valley
6. Concrete-base suspension bridge, Tanger Valley
7. Concrete-base suspension bridge, Yasin Valley
8. Concrete-base suspension bridge, Gupis Valley
9. Concrete-base suspension bridge, Shigar Valley
10. Diamer Dam, \$12.6 billion, 4500 MW
11. Bunji Dam, \$7 billion, 7000 MW
12. Pratab Bridge near Bunji Dam

¹¹⁷ <http://pamirtimes.net/2008/01/27/chinese-consulate-being-established-in-gilgit/>

13. Naltar Power Project-I 16 MW
14. Naltar Power Project-II 16 MW
15. Naltar Power Project-III 18 MW
16. Shagarthang hydel scheme, 26 MW
17. Yulbu hydel project, costing \$6 billion and generating 3,000 MW¹¹⁸
18. Phander hydel project costing \$70 million and generating 87 MW
19. Basho hydel project costing \$40 million and generating 26 MW
20. Daso hydel project costing \$7.8 billion
21. Harpo hydel project costing \$44.608 million
22. Land Development Project, Sadpara Dam
23. Land Development Project, Manawar-Gilgit
24. Building air-strips on KKH for fighter planes¹¹⁹
25. Sost dry port construction and up-gradation project
26. Joint venture of Sino-Pak Sost Dry-port Ltd.¹²⁰
27. An integrated border management, overland trade and trans-border economic and investment zone replicating China-South East Asia Economic Cooperation module
28. China-specific special economic zones in Gilgit
29. China-specific special economic zones along the KKH near major towns

¹¹⁸ http://www.groundreport.com/Business/Indo-China-Diplomatic-War-Over-Kashmir_3/2915924

¹¹⁹ Representatives of the local political parties like BNF, KNM, GBDA claim existence of 16 such air-strips on KKH

¹²⁰ <http://pk2.mofcom.gov.cn/aarticle/chinanews/200702/20070204398824.html>

30. China-specific special industrial zone in Gilgit over an area of 1,500 acres¹²¹
31. Several mining leases awarded to Chinese companies¹²²
32. Air connectivity from Gilgit and Skardo to Kashgar
33. Chinese bank branches in Gilgit-Baltistan
34. Energy and trade corridor, involving gas and oil pipelines
35. Cross-border cable system¹²³
36. Fibre-optic lines through the Khunjerab Pass tunnels¹²⁴
37. ZTE telecom of China
38. Zong China Mobil Ltd.
39. Huawei telecom industries of China

Some other projects which may most likely attract Chinese financial and technical influence:¹²⁵

1. Pakistan-Tajikistan Highway via Ghizer and Wakhan
2. Up-gradation of airports at Gilgit and Skardo: Skardo has been declared an international airport to facilitate flights from Kashgar and Katmandu
3. Up-gradation of Skardo air-field

¹²¹ <http://www.thenews.com.pk/print1.asp?id=215164> Friday, December 25, 2009

¹²² Political leaders of BNF claim that Chinese companies have already received mining contracts over 300 sites in Gilgit- Baltistan

¹²³ <http://pk2.mofcom.gov.cn/aarticle/bilateralcooperation/bilateralagreement/200706/20070604805796.html>

¹²⁴ <http://propakistani.pk/2009/03/21/china-mobile-offers-to-lay-country-wide-fibre-optic-cable/>

¹²⁵ Based on personal conversation with officials in Gilgit-Baltistan

4. Establishment of a second dry port at Jutal-Gilgit to store machinery for up coming projects of Balakot Model City, Diamer dam, and Sino-Pak rail project
5. Establishment of regional and national grid up to Gilgit-Baltistan
6. Exploitation of gold reserves: Gold quality in Gilgit-Baltistan is claimed to be the best in the world with up to 300 ppm
7. Cement industry
8. Marble cutting and finishing industry
9. Gems finishing industry
10. Skardo Katzura Dam with power generating capacity up to 15,000 MW
11. Raikot hydel Gilgit, 675 MW
12. Tangus hydel Skardo, 625 MW
13. Doijan hydel Astore, 350 MW
14. Altit hydel Hunza, 250 MW
15. Ghwari hydel Ganche, 20 MW
16. Passu hydel Hunza, 10 MW
17. Barugah hydel Gilgit, 10 MW
18. Henzal hydel Gilgit, 20 MW
19. Tangir hydel Diamer, 10 MW
20. Yulbu hydel Skardo, 710 MW
21. Shangus hydel Skardo, 625 MW
22. Kanchi hydel Gilgit, 122 MW
23. Hanuchal hydel Skardo, 16 MW
24. Import of LPG from Xinjiang to Gilgit-Baltistan
25. Import of coal from Xinjiang to Gilgit-Baltistan
26. Import of livestock from Xinjiang to Gilgit-Baltistan
27. Diversion of Shiva-thung River

Annexure V

Chinese Projects in 'Azad Jammu and Kashmir' and rest of Pakistan

In addition to heavy Chinese presence in Gilgit-Baltistan, Chinese companies are currently undertaking projects in Pakistan, and Pakistani occupied Muzaffarabad-Mirpur region of J&K. Some of them are as under:

1. Sino-Pak Joint Investment Company with \$200 million initial capital
2. Thar coal mining project with estimated \$6 trillion worth 33 trillion tons of coal reserves
3. China's Sino Coal Company taking Thar coal mining project with reserves worth 185 billions tones
4. China-specific SEZ in Gwadar
5. \$3.5 billion Saindak copper extraction project¹²⁶
6. \$4.5 billion Gwadar-based Chinese oil refinery with a capacity of ten million tons per annum.

The facility would refine Chinese imports of crude oil from the Gulf countries, and export petroleum products to Xinjiang via KC¹²⁷

¹²⁶ http://english.peopledaily.com.cn/200603/23/eng20060323_252956.html

¹²⁷ All China Federation of Commerce and Industry, Hu Deping, told President Musharraf during his 2006 Shanghai visit

7. Transfer of excess capacity of Chinese petroleum industry to Gwadar, bringing in estimated investment of \$13 billion¹²⁸
8. An oil and gas pipeline from Gwadar to Xinjiang via Gilgit-Baltistan
9. Development of Gwadar Port Energy Zone
10. Gwadar-based Yangtze River oil refinery – a collaboration of Saudi and Chinese companies
11. Chinese oil and gas exploration projects in Pakistan
12. Chinese Reko Diq copper mining¹²⁹ which is four times larger than Saindak mine
13. Rail link from Gwadar to Dalbandin¹³⁰
14. Rail track from Quetta to Kandahar¹³¹
15. M/s Railcop completed Chaman Spinbuldak (Afghanistan bordering town) rail link in 2004 at the cost of Rs 417 million¹³²
16. Rail track from Peshawar to Jalalabad
17. Rail track from Gwadar to Iran
18. Construction of rail coaches in Pakistan
19. Huawei, Chinese telecom equipment production, technology transfer and R&D: Investment up to \$8.3 million in Pakistan

¹²⁸ <http://livenreal.com/news/chinese-mulling-13b-investment-in-gwadar/>; The China Chamber of Petroleum Industry (CCPI) and All China Federation of Industry and Commerce (ACFIC) conveyed to Pakistani authorities

¹²⁹ http://www.atimes.com/atimes/South_Asia/LA12Df03.html

¹³⁰ http://www.thesouthasian.org/archives/2009/empowering_gilgitbaltistan_or.html

¹³¹ <http://pk.china-embassy.org/eng/zbqx/t620067.htm>

¹³² <http://www.andrewgrantham.co.uk/afghanistan/tag/china/>

20. China International Water and Electric Corporation (CIW&EC) constructing a bridge over Jhelum River
21. \$12.6 billion Neelum-Jhelum Hydroelectric Power Project in PoK by CGGC-CMEC Consortium China
22. \$1.5 billion Neelum River (Kishanganga) water diversion project,¹³³ involves a 42-km underground tunnel
23. Kohala Power project in PoK by China International Water & Electric Corporation (CWE) worth \$2.155 billion and generating 1,050 MW
24. Up-raising of Mangla Dam to 60 feet¹³⁴
25. \$300 million project in Muzaffarabad by China International Water and Electric Corporation and China BEIXIN Construction and Engineering in housing, communication and rehabilitation sectors
26. Chinese telecom giant China Mobile Communication Company purchased Pak telecom company Paktel
27. China Mobile Pakistan with 4,500 base stations covering 6.5 million people at 3,500 locations in the four provinces, Northern Areas and Azad Kashmir
28. China Mobile to pump \$2.2 billion into Pakistan¹³⁵
29. Zong telecom company investing US\$500 million; Zong plans to have 10,000 sites by the end of 2009
30. China telecom equipment maker ZTE operational in Lahore and Islamabad

¹³³ Employs 1,100 Chinese engineers and workers

¹³⁴ http://www.groundreport.com/Business/Indo-China-Diplomatic-War-Over-Kashmir_3/2915924

¹³⁵ <http://pk2.mofcom.gov.cn/aarticle/chinanews/200703/20070304455777.html>; <http://pk.china-embassy.org/eng/zbqx/t467154.htm>

31. Medium scale hydel project in FATA
32. Petrochemical complex at Gwadar
33. Support developing nuclear program as both countries have a nuclear deal
34. Two nuclear power plants Chasnupp 1 (300 MW) and Chasnupp 2 (300 MW) completed at Mianwali
35. CHASNUPP-3 (600MW under construction) and CHASNUPP-4 (2000 MW) under implementation at Mianwali
36. Two textile mills in NWFP, two sugar mills in Sindh, a copper mine in Saindak receiving \$29 million loan
37. Upgrading of Heavy Mechanical and Electrical Complex
38. Execution of the Heavy Foundry and Forge
39. A tritium gas purification plant at Khushab
40. Building a missile boat for the Pakistan Navy at the cost of \$19 million
41. Supporting expansion and modernization of Wah Ordnance Factory
42. \$600 million worth Sinda-Jherruk coal project in Sindh
43. Sinda-Jherruk 405 MW power generation project in Sindh
44. \$300 million credit to complete reconstruction projects in Azad Kashmir
45. China helping with Muzaffarabad city development project with total allocation of \$190 million in 90 projects. In Bagh 50 projects will \$123.55 million; 30 projects in Rawlakot city will cost \$38.83 million. Projects include govt buildings, roads, bridges, shopping centres, satellite towns, play grounds,

telecom facilities besides education and health facilities.

46. Thermal and fertilizer plants in Sindh
47. Meat-packing in Peshawar
48. Lumena Resources Corp. and KASB Group of Pakistan joint venture. As incentive, Pakistan allows 100% foreign equity in the major sectors and full repatriation of profits and dividends in all the sectors.¹³⁶ Companies that set up factories get a ten-year tax holiday; don't need a Pakistani partner and are free to bring in foreign partners; there's no tax on equipment; goods will be brought into the economic zone by road but will be processed by customs in the zone.
49. \$200 million investment in an industrial estate in Faisalabad over 1,800 hectares
50. Ruba Group of Pakistan and Haier Group of China joint venture on a 4,300-acre industrial park and special economic zone (SEZ), the first private venture in Pakistan
51. Bus manufacturing Xiamen King Long Automotive to start operation in Lahore Pakistan
52. Ten China-Pak Joint SEZs to come in different parts of the country
53. Also planned are SEZs in Karachi, Islamabad, Peshawar and along the Karakoram Highway
54. Chinese developers were leased 12,000 acres of land in Gwadar to establish SEZ
55. Shanghai-headquartered electronics group SVA to include projects in Pakistan in housing, infrastructure, power and mining

¹³⁶ http://www.atimes.com/atimes/South_Asia/KL16Df02.html

56. State owned China Metallurgical Group, Ruba is building houses in Islamabad for the Defence Housing Authority in a \$5 billion, seven-year project
57. Presently Chinese projects worth \$40 billion are at various stages of implementation
58. Two Chinese companies undertaking projects included up gradation of airport, 147 km of roads, 14 bridges, 13 commercial markets, 12 public parks, four satellite towns, five bus terminals, water supply, sewerage and electric network project in PoK
59. China helping with Muzaffarabad Master Plan (2006-16) envisage 2,782 acres land for building a dry-port
60. Tianjin Zhongbei Harbor Engineering Supervision Corp., China Harbor Engineering Company Group, MCC and the Bureau of Geophysical Prospecting (BGP) are working on a range of projects in Baluchistan. The Chinese have exclusive oil exploration rights in Baluchistan
61. China Harbor Engineering Co. is building an international airport in Gwadar
62. China's Great United Petroleum Holdings is developing a \$13 billion oil refinery
63. China constructing shopping malls in Lahore
64. China helping with thermal and solar energy projects, irrigation and fisheries in Sindh
65. China setting-up a telecommunications university and research complex in Pakistan

66. Gomal Zam Dam project nearing completion¹³⁷
67. Twelve medium and 32 small dams costing \$1 billion irrigating 650,000 acres allocated to Chinese companies in different parts of Pakistan especially Sindh and Balochistan
68. China and Pakistan are developing a special textile zone in Faisalabad¹³⁸
69. Fifty Chinese companies involved in assembling two-wheelers in Pakistan
70. Between 1971 and 1978, China assisted Pakistan in building two defence-related mega projects, first, the Heavy Rebuild Factory for T-59 tanks, and second, the F-6 Aircraft Rebuild Factory.
71. Chinese major projects include Pakistan's steel mills, ship building, aircraft rebuilding and assembly, Binqasim and Karachi ports, upgrading of Pakistan Railways
72. Jinnah Naval Base at Ormara Balochistan
73. Expansion of Pasni port
74. Coastal Highway Baluchistan, connecting with Karachi in east and Iran in west
75. Attock cement factory has 14 Chinese engineers working
76. Gomal zam canal project completed
77. Chinese service and spare parts centre in Peshawar for Chinese rickshaws
78. Phase II of Gwadar seaport
79. Saindak Gold mines

¹³⁷ <http://news.rediff.com/column/2009/aug/28/raman-chinas-growing-role-in-pakistan-occupied-kashmir.htm>

¹³⁸ <http://pk2.mofcom.gov.cn/aarticle/chinanews/200610/20061003447531.html>

80. Hub Hydroelectricity Project
81. Chinese assisted project include a textile mill in PoK
82. Huawei laying Karachi-Hong Kong Optical Fibre network for the PTCL; Huawei is the only vendor which serves all the mainstream telecom operators of the country
83. Department of Fisheries, Government of Sindh and South China Sea Fisheries Research Institute, Chinese Academy of Fishery Sciences signed an MoU to cooperate on marine fisheries and related technologies
84. Sino-Pak collaboration in drip irrigation and hybrid cotton, wheat and rice production
85. Huawei updating Pakistan Electronic Government Directorate with \$1 million
86. Gwadar naval base
87. Chinese telecom to invest \$300 million in Total Telecom¹³⁹
88. LNG terminals and petrochemical complex at Gwadar built by China
89. Dadu lead-zinc mine project
90. China specific SEZ Kalashah Kaku near Lahore¹⁴⁰ over 500 acres
91. China specific hi-tech zones will be established in the country
92. China will establish engineering universities in Lahore and Islamabad.
93. Pakistan China University (PCU) will be set up by

¹³⁹ <http://pk2.mofcom.gov.cn/aarticle/chinanews/200608/20060802845720.html>

¹⁴⁰ <http://pk2.mofcom.gov.cn/aarticle/chinanews/200703/20070304415043.html>

- the Higher Education Commission (HEC) for science, engineering and technical education over the next 10 years in various industrial zones
94. China to set up automobile plant, dairy development, agro industry, real estate, tourism, housing
 95. Pakistan and China Friendship Park
 96. China involved in black plates shipment
 97. \$3 billion worth of joint ventures in chemicals, construction, energy and tourism
 98. Construction of School and Hospital in Mansehra District by China along KKH
 99. Sedimentation management of Terbela dam
 100. Wind power generation
 101. Wind mill manufacturing projects
 102. Pakistan aeronautical complex, Kamra
 103. Pakistan steel mill
 104. Heavy engineering and motorcycle manufacturing
 105. Indus Highway
 106. Pakistan Cycle & Industrial Cooperative, Lahore
 107. Saigols Qingqi Motors Ltd
 108. Zhongxing Telecom Ltd
 109. Sino-Pak Metal Foundry, Nooriabad
 110. Sehala Chemical Complex
 111. Pakistan Glass Ltd
 112. Saif Nadeem Ltd
 113. Haier Home Appliances

China has huge and long-term presence in Gilgit-Baltistan and is building extensive road, bridge and telecom networks to sustain it. The drivers compelling China to develop Karakoram Corridor are diverse and mainly pertain to its economic, strategic and political ambitions. However, the projects, which currently serve the strategic and economic interests of the investor, need to promote interests of the local people and enhance their decision-making power and control over project revenues on priority basis. Growing Chinese interference in local affairs will create friction among different stakeholders and lead to instability in Gilgit-Baltistan. Chinese and Pakistani control over resource-revenues may be a short-term tactical move, but will fail to provide any long-term strategic gains. The role that locals see for China in Gilgit-Baltistan is firstly, to withdraw from the occupied valleys of Shaksgam, Raskam, Shimshal, and Aksai-chin; secondly, to refrain from getting involved in the affairs of J&K including Gilgit-Baltistan; and thirdly, to persuade Pakistan to withdraw from PoK including Gilgit-Baltistan. This can help bring peace and stability to South Asia.

Senge H. Sering was born in Shigar, a valley in the disputed region of Gilgit-Baltistan. He finished his degree in textile engineering from University of Engineering and Technology, Punjab and Masters in Development Studies from University of East Anglia, U.K. During the 1990s, he worked as a cultural activist and helped revive the indigenous script in Baltistan. He also helped establish a non-profit organisation in the Shigar valley to promote education and health services for the local women. Later, he joined a project of Aga Khan Foundation and worked in the monitoring, evaluation and research department. During that time, he was also associated with Baltistan Cultural Foundation. In 2009, he was selected as a visiting fellow to the Institute for Defence Studies and Analyses, New Delhi. Currently, he is managing the Institute for Gilgit Baltistan Studies based in Washington DC. He is also the member of the board of directors of the Gilgit - Baltistan National Congress.