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China's Rise: How Is It Impacting the Gulf, Iran, Pakistan and Beyond?

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Abstract: *In the past three decades, China's rise has evoked diverging interpretations of how its ascent as a global superpower is impacting or could impact relations with the Gulf and Middle East. Issues of security and energy have become pivotal as China embarks on its ambitious "One Belt and One Road (OBOR)" policy. China has opted to craft a proactive and robust cultural, economic and military policy towards the region. China is pursuing this within the framework of neoliberalism and in subtle ways re-shaping it. In this broad regional context, this article focuses on how the Gulf States, Pakistan, Iran in particular, and India in general, are adapting to China's rise. Do they perceive China as an "imperialist power" with "hegemonic designs"? Is it fear, rivalry, and conflict that China's rise is evoking among Iran, Pakistan and India? Or is it the prospects of new economic, military and cultural ties that could enhance opportunities for peace, cooperation and development that are changing the geopolitical dynamics of Iran, Pakistan and India? This article will explore some of these questions and themes.*

Key Words: "Islamic State"; Islamic Militancy; OBOR and Rimland States; "Counter Containment"; New Silk Road and Sunni-Shia Cleavages

This article is divided into five parts: Part I provides the context and interpretations on the emergence of China as a militarily muscular, resource-hungry and economically proactive Asian Power. Part II focuses on the four-fold path that China has adopted to pursue its goals in the Middle East and Greater South Asia. Identifying this geopolitical landscape, the article takes a position that geopolitically and culturally the Middle East and South Asia are interwoven, therefore, the third part focuses on the changing dynamics of China, Iran, Pakistan and Gulf relations and how this impacts the strategies China is adapting to pursue its goals. Part IV highlights the US-China economic interdependence and military contestation. Finally, in the light of these complex and conflict ridden dynamics it explores what the challenges and opportunities for the Gulf, Iran and Pakistan are.

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To understand the changing geopolitical dynamics of Asia and particularly the Arab World, including Iran and Pakistan, one needs to recognize how the rise of China is being perceived and interpreted by scholars. At least six perspectives on the rise of China are presently discussed.

One set of scholars perceive the rise of China in realist terms and argue that rivalry, competition and the search for influence and resources are bound to cause confrontation between China and the US — the US has already embarked on a policy of re-invigorating old alliances (Philippines and Vietnam are cases in point) — and exacerbating tensions and conflict are only a matter of time.^①

A second school draws our attention to the tectonic shift in the structure of global order, whereby the rise of China, India, and even Korea, Japan, and Indonesia, is perceived and conveyed as a shift of power towards Asia. This perspective analyses how the rise of China is thus equated with the rise of Asia and deliberates on how this impacts the future of global relations. According to Kevin Rudd, in China's rise we are witnessing a "geopolitical equivalent of the melting of polar ice caps".^② They suggest that the economic and political structure of the world is tilting in favor of Asia, as China rises.

The third school argues that with the decline of the US as a global hegemonic power, the bipolar world has been replaced by multipolarity: the EU and other emerging democracies have separate agendas and a dispersal of power globally makes maintaining international order quite challenging. A vacuum of power left by the US and a multi-polar world order is also seen as an opportunity for China and other Asian powers to fill (compete for) the space.^③

The fourth school predicts the rise of non-State actors, particularly in the Arab world and larger Middle East in a context where internal strife and externally driven policies of regime change have weakened governance and made states fragile. These vulnerable states and their societies are seen as breeding ground for terrorist groups. Hence, non-state actors are portrayed as a potent force, as the number of fragile states grows; this raises fear about the growth of terrorist groups and fragility of the global order.^④ This is particularly important for China as, internally, it has used strong arm tactics to curb suspected terrorist groups (Uighurs militants, Xinjiang) and, externally, as its trade and foreign direct investment expands in the Middle East, Chinese leadership shows greater solidarity with the partner governments for dismantling terrorist networks in the region. It is pertinent to recall that following the 9/11 attacks on the World Trade Center, and after the US invaded Afghanistan; US troops captured 20 Uighurs militants, who were kept in Guantanamo Bay and the Chinese government considered them as militants and separatists. Thus, China perceives non-state actors, ideologically driven militants and extremists as a threat to the Chinese state and the global order and show determination to dismantle and disrupt their networks.^⑤ Consequently, the Arab World looks up to China for its military aptitude in dealing with terrorism.

^① Christopher Coker, *The Improbable War: China, the United States and the Logic of Great Power Conflict*, New York: Oxford University Press, 2015, pp.3-20; "As America Challenges China, the Temperature Rises in the South China Sea," *Economist*, October 31-November 6, 2015, p.26.

^② Kevin Rudd, "The Future of US-China Relations Under Xi Jinping: Toward a New Framework of Constructive Realism for a Common Purpose (Summary Report)," *US-China 21*, Cambridge, MA, Belfer Center for Science and International Affairs-JKS, 2016, pp.1-41.

^③ Kishore Mahbubani, *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East*, New York: Public Affairs, 2008.

^④ Ahmed Rashid, *Descent into Chaos: How the War against Islamic Extremism Is Being Lost in Pakistan, Afghanistan and Central Asia*, New York: Penguin Books, 2008, pp. Introduction xiii-xiv, pp.61-83.

^⑤ Patricio Henriquez, "The Guantanamo," *Al Jazeera*, December 9, 2015.

The fifth school perceives that despite serious differences and opposing positions on a number of issues at the global level, the US-China convergence is also on the rise. For example, the US has initiated Annual Strategic Dialogues with China, India, Indonesia, Pakistan, Russia and South Africa. Hillary Clinton wrote in *Foreign Affairs*, “The United States aims to deepen and broaden its relationships and to establish a stronger foundation for addressing shared problems, advancing shared interests and managing differences.”^① On June 5-7, 2016 the eighth annual meeting was held in Beijing where the two sides despite tensions in South China Sea resolved to focus on building mutual trust and confidence rather than igniting “disagreements”.^②

Finally, the pragmatic ideation of Chinese Scholars, presented in the framework of harmonization in the global order, is instructive, worth understanding and pursuing. Its deeper meaning and message needs to be analyzed and interpreted. The concept of harmony assumes that chaos in the global order is on the rise and military intervention and application of force would only aggravate and deepen it, therefore, dialogue, peaceful negotiations and developing a shared vision on the management of global order is essential. In that spirit, the concept of “Constructive-realism—Common purpose”, seemingly amplifies the Chinese intellectuals harmonization framework.^③

At the official and intellectual level, China has made considerable effort to develop linkages between development and security and has also propounded that synergy so the two could provide impetus for global development. An official Chinese document emphasizes the principles of peaceful coexistence and asserts, “China’s foreign policy aims to uphold world peace and promote common development. China advocates the building of a harmonious world of durable peace and common prosperity and works with other countries in pursuing this goal”.^④ It aims to pursue this at four levels, political, economic, cultural and strategic. And at all these levels the thrust is pursuing and achieving, political partnerships, economic cooperation and interdependence, cultural and educational exchanges through common purpose, and even cooperation on security issues and conflict resolution through peaceful means. China continues to project and articulate these declaratory principles of its foreign and security policy —Non-interference, respect for national sovereignty and territorial integrity remain core values of this strategy.^⑤ China consequently seeks to avoid the prospects of an arms race and defense rivalry. Yet China’s military buildup and posturing is seen by many states as aggressive and threatening.^⑥ In fact, Admiral Harris, Commander of the US Pacific Command has called China a “provocative and expansionist” power, which in his view is “militarizing” the “disputed waters” of the western Pacific.^⑦ However, the Chinese continue cautiously to reassure the US that they should not be seen as a threat in the Pacific Ocean nor do they intend to challenge American interests. Instead, as President Xi Jinping stated recently at the eighth

^① Hilary Clinton, “Leading through the Civilian Power: Re-defining American Diplomacy and Development,” *Foreign Affairs*, November/December 2010, pp.13- 24, p.15.

^② For full text and key points of exchange in this dialogue meeting, see: <http://www.state.gov/secretary/remarks/2016/06/258091.htm>.

^③ Kevin Rudd, pp. 24-26, 38-40.

^④ For full text of China’s position on peace, development, security, foreign policy, international cooperation and conflict resolution, see: http://www.gov.cn/english/official/2011-09/06/content_1941354_3.htm.

^⑤ Ibid.

^⑥ Andrew Nathan, Andrew Scobell, “How China Sees America: The Sum of Beijing’s Fears,” *Foreign Affairs*, Vol.91, No. 5, September/October, 2012, pp.32-47.

^⑦ Jane Perlez, “American Admirals Bluntness Rattles Beijing and Washington,” *New York Times*, May 6, 2016.

annual conference of US-China Strategic and Economic Dialogue, the Pacific is not an area of “competition” between the US and China but a “stage of cooperation”.^①

It is in this context that this article examines the rise of China and its impact on the Gulf, Iran, Pakistan, and broadly the Middle East. The argument is that China’s strategic policy towards the Middle East is driven by five factors; first, security, second, trade, investment and infrastructure development (the first and second factors are seen as intrinsically linked), third, domestic considerations, fourth relations with the US and finally, opportunities and risks that the neoliberal order provides to China. The recent One Belt and One Road (OBOR) initiative best manifests China’s emergence as a global power and demonstrates its strategic vision for the 21st century and the impact it may have on the countries that could benefit from it.

I. OBOR: Chinese Strategy of Counter- Containment

This article argues that OBOR is China’s counter containment strategy, with three fundamental differences that it links development with security; it has promoted economic drivers, such as trade, investment, infrastructure, and intertwined these by redefining the political economy of development and security. Second, it also brings in cultural and educational exchanges as manifestations of its developmental strategy. Third, it envisions regional connectivity, interdependence and cooperation as drivers of development and security. OBOR is an ambitious initiative which it involves 65 countries, 4.4 billion people and 40% of the global GDP.^② China has envisioned and designed the architecture of OBOR in a manner that it addresses cultural sensitivities, economic needs and security concerns of the participant states. Given this thrust, China is redefining the parameters of a ‘new economic geography’ by adding an element of security to the equation. In addition to factors such as trade, knowledge production and exchange, technological prowess and transportation costs, security acts as a pivotal determinant of the geography of development. Based on this understanding, China’s imagination of the scale and size of infrastructure development challenges traditional concepts. It is able to build on its talent of appropriate engineering skills and complements this with the political will to pursue it. As Harvard Professor F. Warren McFarlan, has aptly observed: “China is a land of engineers—they love to build things and they are very good at it. Their progress on infrastructure projects in the last couple of decades is remarkable.” The OBOR is China’s blue print for reviving the ancient Silk Route into an energized and grandiose New Silk Road.

It is somewhat ironic, though interesting, that the idea of the New Silk Road has American, not Chinese, origins; but the US objective was Containment. In October 1997, at the Central Asia Caucasus Institute, Johns Hopkins University, Senator Brown Buck and S. Frederick Starr, originally proposed the idea of the New Silk Road. In 2005, Starr put out a report, “A Greater Central Asia Partnership for Afghanistan and its five Central Asian neighbors.” In 2006, the Silk Road Strategy Act could not be passed and was also twice rejected by the State Department. In 2008 the Obama administration devising a strategy of US withdrawal from Afghanistan, made a few changes in the proposal and called it the “New Silk Road” strategy, which was supported by the US Central Command in 2010, then

^① “President Xi Jinping Pledges to Promote China-US Relations, Expand Cooperation,” June 8, 2016, http://english.qstheory.cn/2016-06/08/c_1119009320.htm.

^② The Chinese government released a complete document on March 28, 2015 on “On Visions and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road,” The document provides a comprehensive overview of how China has conceived and designed OBOR and aims to pursue its accomplishment, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

the State Department came to support it and refined it. In July 2011, US Secretary of State, Hilary Clinton, delivered a speech in India and presented a blue print of the “New Silk Road” connecting South Asia and Central Asia, with Afghanistan as the centerpiece to realize “transporting energy down south and commodities up north”.^① In June 2014, the State Department outlined the key objectives of the “New Silk Road”. First, security and development in Afghanistan through economic cooperation with Central Asian States, second enhance security and improve economic coordination with Central Asian States, third, containment of Russia, Iran and China. The US continued with the Cold War Mode and did not make any serious effort to raise finances or implementation capacity. It could also neither stabilize Afghanistan nor iron out interest differences among South Asian States and Central Asian states nor bring all on board for support of the New Silk Road. Finally, it strategized containment of the so-called Revisionist Powers (Russia, Iran and China) rather than seek support and cooperation from them, who were geopolitically closer to South Asian and Central Asian States.^②

The Chinese vision entails cooperative security through a developmental path. It is risky, bold and imaginative and they are demonstrating that it is doable. China has the will and the capacity, moreover the road and maritime links they are creating clearly show the direction. While its drivers are technology, trade, economic bridge-building and shared vision for development, it can be contended that although geo-economic forces may drive the OBOR it is also a geopolitical entity. It is rich in resources, oil, gas, radioactive minerals, agriculture and its demography is varied and huge. This adds to the robustness of China's security-development nexus and also highlights the risks that China's OBOR could face. The territorial coverage of OBOR is what Dutch origin American political geographer Spykman called the “Rimland States”—which are on the outer fringes of Eurasia, Europe, Russia and the littoral states of Africa, the Indian Ocean and along China. The defining characteristics of the Rimland are geopolitical in nature. These countries are rich in natural resources (including oil, gas and radioactive minerals) and have strategic locations (some are landlocked while others provide access to warm waters). Additionally, intractable conflicts, internal insurgencies and terrorism are widespread here. Spykman was a visionary strategic planner and thinker. Almost seventy years ago he articulated a strategy for America after the Second World War. He underscored the geopolitical salience of Rimland states in the broader context of a power struggle for global supremacy between the “Land Power” and “Sea Power”. He foresaw the rise of China and articulated that as China develops economically, it would emerge as a continental power of Indo-Pacific Oceans, potentially challenging American maritime supremacy^③. Writing in 1943, he argued,

The Rimland of the Eurasian landmass must be viewed as an intermediate region, situated as it is between the heartland and the marginal seas. It is functioning as a vast buffer zone of conflict between sea power and land power. Looking in both directions, it must function amphibiously and defend itself on the land and sea. In the past, it has had to fight against the land power of the off-shore islands of Great Britain and Japan. Its

^① Joshua Kucera, “The New Silk Road: The United States Hopes That a Combination of Trade and Infrastructure Can Help Steer Afghanistan from Unrest and-Russia,” *Diplomat*, November 11, 2011; Shi Bin, Ye Hua, “The American Concept of the “New Silk Road”: Goals, Measures and Impacts” on an International Conference.

^② Walter Russell Mead, “The Return of Geopolitics: The Revenge of the Revisionist Powers,” *Foreign Affairs*, May/June 2014, pp.69-79; pp.73-75.

^③ Nicholas J. Spykman, *America's Strategy in World Politics: The United States and Balance of Power*, New Brunswick, NJ: Transaction, 2007, pp.92-93 and Introduction.

amphibious nature lies at the basis of its security problems.^①

While announcing the OBOR, President Xi Jinping may have borrowed a leaf from Spykman's strategy to counter US containment of China. In September 2013, President Xi Jinping proposed the idea of the "Silk Road Economic Belt" at a university in Kazakhstan, which was further amplified into a "Maritime Economic Belt".^② The initiative was later specified to contain two international trade connections: The land-based "Silk Road Economic Belt" and ocean going "Maritime Silk Road". The "Belt" is a network of overland road and rail routes, oil and natural gas pipelines, and other infrastructure projects that will stretch from Xi'an in central China through Central Asia and ultimately reach as far as Moscow, Rotterdam, and Venice. Rather than one route, belt corridors are set to run along the six major corridors; 1) Eurasian Land Bridges, 2) through China-Mongolia-Russia, 3) China-Central and West Asia, 4) China-Indochina Peninsula, 5) China-Pakistan, 6) Bangladesh-China-India-Myanmar. The "Road" is its maritime equivalent: a network of planned ports and other coastal infrastructure projects that dot the map from South and Southeast Asia to East Africa and the northern Mediterranean Sea. China has provided \$40 billion for this project alone. The official document envisages it as more than an infrastructure project — it is to usher in closer economic coordination and development policies among the states, remove trade and investment barriers, harmonize technical standards in infrastructure development, establish free trade zones and economic hubs, encourage cultural and educational exchanges, promote "peoples to peoples" contact, and most importantly achieve media cooperation and youth and women voluntary involvement.^③ President Xi Jinping argues that OBOR "should be jointly built through consultation to meet the interests of all, and efforts should be made to integrate the development strategies of the countries along the routes. It is not closed but should be open and inclusive; it is not a solo by China but a chorus of all countries along the routes"^④. What is noteworthy is that it is gaining momentum and many countries, like Pakistan, Iran, Myanmar, Thailand and Russia have welcomed and embraced the project wholeheartedly. Of course, China's primary goal of ensuring its energy and oil supply would be met by this initiative. In a geopolitical context, the states covering the proposed OBOR stretch from the Mediterranean Sea to Indian Ocean and the Arab and Muslim populations straddles across Middle East, Central Asia, South Asia and South East Asia. For students of modern warfare and strategy, the formation and functioning of two US military's global commands, namely, the Central Command (CENTCOM) and the Pacific Command, further explain the pivotal position that the completion of the OBOR would create for China. The OBOR reinforces Spykman's thesis that whosoever controls the Rimland dominates the world, albeit the intention may not be so. In a region that is infested with conflict, sectarian rivalry, and insurgency, has great resource potential and where the state capacities and level of development varies, China's OBOR project is laden with challenges and risks. This raises two critical questions: first, does China have the diplomatic skills to manage the conflicting interests of these states? Second, are these states willing to sacrifice domestic sources to fund the development-security paradigm that China is propounding for infrastructural

^① Nicholas J. Spykman, *The Geography of Peace*, New York: Harcourt, Brace and co, 1944, p.41, 44.

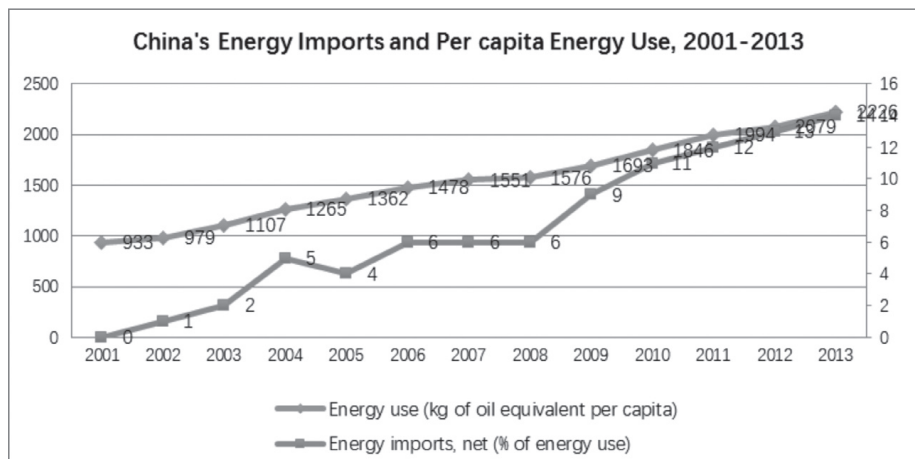
^② "President Xi Jinping Delivers Important Speech and Proposes to Build a Silk Road Economic Belt with Central Asian Countries," November 1, 2013, http://www.china.org.cn/node_7064105/content_30468580.htm.

^③ The OBOR initiative is managed by a small group of experts under the chairmanship of Vice-Premier Zhang Gaoli; the National Development and Reform Commission (NDRC) is the key department assigned to deliver the project along with the Ministry of Foreign Affairs and Ministry of Commerce.

^④ President Xi Jinping's speech at the Boao Forum for Asia, March 2015.

development? In both cases China's geo-economic thrust manifested as "Counter Containment" holds the promise of global transformation, particularly for the Maritime States.

OBOR's "Maritime Belt" component is a manifestation of what realist scholar Robert Kaplan calls, "China's Two Ocean Strategy"^①. China's maritime activities, spanning the Pacific Ocean to the Indian Ocean, up the Arabian Sea and into the Gulf of Aden and Persian Gulf and as far as the Atlantic Ocean, are crafted by three interlinked objectives. First, central to China's maritime expansions has been its increasing reliance on external sources of energy, which account for almost 14% of total Chinese energy use. This has been rising constantly, more than doubling since the rate in 2008 and mirroring the rise in China's per capita energy use (*See figure*).



Source: Adapted from data from World Development Indicators, The World Bank

Since 2013, China has even surpassed the United States in emerging as the World's largest importer of petroleum and liquid fuels.^② A major push behind China's energy policy has been this rise in energy demand causing China to engage with a variety of exporting countries. China now imports from countries in the Middle East (Saudi Arabia, Iran, the UAE, Qatar and Iraq), Eurasia (Russia) South America (Venezuela) and Africa (Angola).

In terms of alternate energy sources, solar energy is a booming industry in China. The country is already heavily engaged in the Middle East, having supply contracts with Saudi Arabia and Egypt and production plants in the UAE and Jordan. Chinese companies such as *Renesola*, *Changzhou Almaden* and *Trina Solar* have various projects in place worth millions of dollars. These activities indicate China's penetration into a diverse set of energy sources and its search for greater opportunities for international collaboration.^③

OBOR strengthens maritime routes that facilitate China's access to energy sources, therefore critical to the country's entire development agenda. While investments on natural gas pipeline systems are underway, including the Central Asia-China gas pipeline (and talks of one complementing the Gwadar-Kashgar road network), trade routes through the sea that allow for the transport of petroleum are equally important. This implies, maintaining access in particular to the Persian Gulf, which retains around 55% of the

^① Robert D. Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, New York: Random House, 2011, pp.277-293.

^② US Energy Information Administration, "China Is Now the World's Largest Net Importer of Petroleum and Other Liquid Fuels," March 24, 2014, <http://www.eia.gov/todayinenergy/detail.cfm?id=15531>.

^③ The Economist Corporate Network, "One Belt and One Road: An Economic Roadmap," 2016.

world's crude oil reserves, or the Gulf of Aden encircled by the Arabian Peninsula to the north and the Horn of Africa to the South (both energy-rich regions), which are instrumental for China's growing energy demands. That is where Pakistan (CPEC/Gwadar) becomes pivotal for China's maritime strategy as an irreplaceable transportation route for the country's energy imports.

China's second area of concern regarding its maritime activities is the need to curb piracy (in the Gulf of Aden, the coastline of Somalia and the Malacca Straits) and associated acts of terrorism to sustain an environment of peace and security within which it can carry out its trade and infrastructural investments. This is all the more important now, as China is unrolling OBOR by making billions of dollars' worth of investments in the form of infrastructure including the construction of sea ports, airstrips, high speed trains and bridges, all of which could be disrupted by criminal violence at sea. While China's rising influence at sea may seem challenging to the US hegemony over the Pacific and Indian Oceans, the interests of the two converge in curbing piracy and maintaining maritime security. Consequently, China has conducted naval security exercises with the US, EU and NATO countries and even India, Pakistan and Japan. China however, has also shown strategic vision in carrying out its own maritime policies in regions that have economic and political value for the country. The Horn of Africa and Gulf of Aden are a case in point.^①

Sceptics are still wondering whether China's anti-piracy activities really are for the good of the international community or whether they follow China's own interests solely.^② Critics point out that in the region around the Horn of Africa, China has failed to collaborate with other forces working to control piracy such as the US and NATO, rather its activity has been characterised by "unilateral action."^③ There has been discussion for instance that China is planning to construct a military base in Djibouti on the Horn of Africa. This could rouse concern among the US, France and Japan which have established bases in the country as well.^④ China, therefore, continues to face criticism and reluctance from potential maritime partners, despite adherence to its declaratory policy principles of territorial integrity, international cooperation and 'win-win' development.

The third issue of China's maritime strategy relates to China's foreign policy principle of conflict avoidance and non-interference. In that order, the success of OBOR and Chinese foreign policy will depend on the diplomatic finesse with which it can carry out its economic/military ventures. China is already embroiled in conflict over its expansion along the Spratly Islands in the South China Sea. India is also challenging China's maritime activities in the Indian Ocean. The US is also taking aggressive postures in both these disputes and exerting pressure on China in order to contain its rising influence in the region. China has launched a diplomatic offensive and is trying to reassure these countries that it believes in resolution of any and all conflicts through peaceful and diplomatic means and it has no intention to violate the sovereignty and territorial integrity of any of these countries. It continues to show case OBOR as panacea for regional connectivity, infrastructure development as "win-win" for all.

Finally, while defending the rise of naval and maritime activity, Chinese scholars have

^① M. G. Minot- Scheuermann, "Chinese Anti-Piracy and the Global Maritime Commons," *Diplomat*, February 25, 2016.

^② Ibid.

^③ Ibid.

^④ S. Tiezzi, "Is China Moving Closer to a Military Base on the Horn of Africa?" *Diplomat*, November 14, 2015.

drawn a distinction between military bases and “soft military presence”.^① It is claimed that while the US has military bases with deployed troops in the Middle East and other regions China conversely provides technical support for port building in places like Djibouti, Oman, Saudi Arabia and the Port of Sudan. These are either part of joint anti-piracy exercises, the maritime implementation, disaster relief or ocean rescue.

China divides its maritime activity in the Middle East and South Asia under three categories: first, Djibouti, Aden, Jeddah and Salalah (Oman) are described as ship fuel and material supply ports of calls. Second, the Seychelles is a fixed wing reconnaissance aircraft landing and taking off point with ship berthing facilities. Third, Gwadar, acts as a complete recharge, rest weaponry and large ship repair center. In the Middle East, the Chinese do not have troops stationed but do have manpower and investments in several projects, which has to be protected through this “soft military” presence. In Saudi Arabia, 70 Chinese enterprises employ 16,000 workers, while in Dubai it has 3,000 enterprises and over 200,000 reside there.^② As China's Growth slows and manufacturing faces competition and labor wages rise, the Arab world offers an opportunity not only as a market and strategic outpost, fulfilling security and energy needs, but also a market for exporting its surplus manpower.

It also merits attention that since the announcement of the “One Belt and One Road”, the US has become equally belligerent in challenging the Chinese military and maritime expansion. Since the Second World War the US has reigned supreme over the Pacific Ocean as its “lake” and unrivaled space. China's assertion particularly in the South China Sea has provoked the US to portray China as a power with hegemonic and aggressive designs. To counter a perceived Chinese threat, the US for the past decade has been attempting to cultivate India as a counterweight, with some success recently. However, with the emergence of Modi as prime minister of India, the prospects of such collaboration have brightened.^③ Recently, Admiral Harry B. Harris, Jr. Commander of the US Pacific Command has proposed an informal strategic coalition of the navies of India, Japan, Australia and the United States to “balance China's maritime expansion”.^④ This overture is again aiming to woo India, which has generally been wary of strategic alliances but now appears to be more receptive.

II. Who Is Resisting the OBOR and Why?

China's OBOR has received mixed reactions and support from neighboring states, India in particular remains skeptical and has resisted the Yunnan-India highway as a ‘tactical’ security threat.^⑤ Similarly, it is suspicious of port projects in (Gwadar) Pakistan, Sri-Lanka, Myanmar and Bangladesh. Alternatively, the current chief of Pakistan's army,

^① Sun Degang, “The Maritime Silk Road and China's Soft Military Presence in the Middle East,” Proceedings of the International Conference on The Silk Web in the 21st Century: Global Landscapes Among the West, China, and Southwest Asia, November 6-9, 2014, Nanjing, China.

^② Ibid.

^③ Rup Narayan Das, “Modi Faces Pressing Questions About India's China Policy,” *China Brief: A Journal of Analysis and Information*, Vol. XIV, Issue 10, May 23, 2014, pp.3-5.

^④ Frances Martel, “US Building India-Australia-Japan Coalition to Counter China in South China Sea,” March 3, 2016, <http://www.breitbart.com/national-security/2016/03/03/u-s-urging-greater-indian-military-presence-in-south-china-sea-to-counter-china/>.

^⑤ China has been working on this road since 2004 and India since 2006, it was expected to open in 2013, see “Yunnan Stretch of China-India Highway Opens for Traffic by 2013,” <http://www.infinitycargo.com/index.php/en/careers/104-news-and-events/news/335-yunnan-stretch-of-china-india-highway-opens-for-traffic-by-2013>.

General Raheel Sharif has recently overtly alleged that the Indian spy agency Raw is actively involved in sabotaging the China-Pakistan Economic Corridor (CPEC).^① Many Pakistani commentators and analysts have either endorsed or built around this narrative of an India hostile to CPEC. That said, the record of economic cooperation and regional connectivity among South Asian states is equally poor. This puts onus on Chinese leadership to demonstrate diplomatic acumen in managing such rivalries and intractable conflicts to pursue the successful completion of OBOR.

A cursory look at India's perspective on the OBOR reveals its predicament. The Chinese project presents both an opportunity and a threat for the country. It is a matter of either leveraging the project for India's own economic-political gains or being stuck in a political tussle over Pakistan's rising stakes in the matter. On the one hand the OBOR and its following infrastructural developments allow India to take advantage of possibilities of enhanced connectivity through road construction, highway links etc. On the other hand, support for OBOR means support for infrastructural investments in Pakistan as well, including its ports and road networks and ensuing economic prosperity. This would require greater cooperation between the two countries. While there may be signs of discomfort on both sides, there is also a segment in India that realises the importance of regional trade and economic interaction. Despite, initial reluctance, work on the Bangladesh, China, India, and Myanmar (BCIM) Corridor has begun, for example. Furthermore, estimates suggest that India's exports to China account for \$7.56 billion while its imports from China are around \$52.26 billion, indicating an evident dominance of Chinese products in Indian markets.^② It is difficult to see how India could flourish without at least some economic and diplomatic relations with China, even if this means supporting US, China Containment strategy? While on the South Asian front the challenge for China would be not only to diffuse India-Pakistan tensions but also be more proactive in promoting peace, regional connectivity and trade between the two. Given a limited mediatory role and experience and Indian perception that China is Pakistan's patron, the prospects of its role as an arbitrator remain limited.

An equally important concern that the Chinese leadership had perhaps not anticipated is the reaction of the civil society in some of the affected countries. For example, in Myanmar, the Myanmar government canceled the Kunming-Kyaukpyu railroad project. Transition to democratic rule in Myanmar could further weaken Chinese connections with its old military regime. Similarly, a regime change in Sri Lanka has also led to a re-assessment and curtailment of Chinese projects in the country, although on a recent visit to Sri Lanka, the Chinese president was able to seek assurances about the continuation and completion of China's projects in the country.^③ In addition, transparency and sufficient consultation have emerged as another issue in the media who have raised concerns about the terms on which China has signed agreements with some of the countries where roads, pipelines and ports are being built (Pakistan is a case in point).

From the Chinese perspective, the OBOR would continue to be depicted as an economic initiative with a lot of potential and promise for investment, trade and infrastructure development. However, its geopolitical implications and strategic outreach would demand skillful diplomacy and confidence building and fortifying shared interests in cultural and educational exchange programs to dispel the suspicions and apprehensions of

^① Syed Shah, "Raw Involved in Destabilizing Pakistan, General Raheel Sharif," April 12, 2016, <http://www.dawn.com/news/1251654>. Two days later, while having a meeting with the visiting Iranian President Pakistani General repeated the same charges.

^② T. Maini, "What the US Gets Wrong About India's Relationship with China: India's relationship with China Goes Far Beyond Security Issues," *Diplomat*, March 13, 2016.

^③ "China to Build Vast Controversial 'Port City' in Sri Lanka," *Guardian*, March 11, 2016.

neighbors and outside powers, particularly the US and India. Since the 1950s and 1960s the US has been consistently and skillfully coaxing India through economic and strategic incentives to stand up against China. During the 1962 Sino-Indian war, the Kennedy administration was swift in supporting India militarily, diplomatically and through economic aid. However, India's response has been cautious and calculative and not fully supportive of the US, China Containment strategy. The India–Pakistan limited war on Kargil (1999) led to a paradigm shift in US-India engagement and marked the beginning of deepening relations between India and US. While distancing from Pakistan, the US became strident in cultivating and supporting India as an “emerging power” and “largest democracy” in return seeking India's support in pursuit of its China Containment strategy.^① Despite US overtures until recently, India's response was lukewarm; but, with the coming to power of Narendra Modi as Prime Minister, this has seemingly undergone change. Since becoming prime minister in 2014 Modi has made four visits to the US and defense and security collaboration between the two on defining the parameters on containing China and recognizing the status of India as an alternate power to China in Asia are manifested through the Joint Statement of president Obama and prime minister Modi.^②

III. Cold War and Containment: Brief Historical Overview and Relevance for OBOR Today and Tomorrow

Changing political realities alter the geo-strategic significance of an area and could also give new meaning to its geo-economic potentialities. During the Cold War (1947-1991) the Rimland was the principal instrument for Containment. In the US led war against Communism the Arab and Muslim states had generally been supportive of the US, if not totally aligned with it. With the collapse of the Soviet Union the significance of the Rimland states has not diminished but has gained new salience, as religious extremism and terrorism were perceived to have emanated from the region. In the post 9/11 world a number of Rimland states were identified as a primary source of security threat and the US portrayed Iraq, Iran and North Korea as the “axis of evil”. Countries from Pakistan (inclusive of the Persian Gulf) to the Philippines were seen as being infested with “terrorists” with Islamic connections. So Containment is neither dead nor has it become totally irrelevant; its meaning and manifestations are undergoing change. The vision that China has created about the OBOR propounds security and development as two sides of the same coin. If successfully presented as geo-economics and not geo-politics, with a win-win situation for all, a transformative change could be expected in the region. Conversely, during the Cold War era the US led alliance system did not go beyond security cooperation with the member states. Even the current dispensation of the US shows that alliances are driven largely by security threats, defense and containment considerations. The Chinese on the other hand, through the OBOR, are promising an era of development and regional connectivity across the Rimland states, China and the Arab World.

In January 2016, before the visit of President Xi Jinping to Saudi Arabia, Iran and

^① See for example two scholarly studies that provide refreshing insight on the subject; Stephen Cohen, *India: Emerging Power*, Washington, DC: The Brookings Institution Press, 2001, pp.127-156, 229-267; Strobe Talbot, *Engaging With India: Democracy, Diplomacy and the Bomb*, Washington, DC: The Brookings Institution Press, 2004, provides an insightful overview, how US has been engaging with India and “lost half a century” in bringing on board with the US, see, pp.1-22; 154-169.

^② The Joint Statement issued by White House on the conclusion of Prime-Minister Narendra Modi and President Barack Obama on June 7, 2016. Available on the White House website, accessed on June 15, 2016. For this point see the section on, “Securing the Domains”.

Egypt, China's Arab Policy Paper was issued, which provided a comprehensive overview of China's pre-Cold War, post-Cold War and future direction of its policy towards the Arab world.^① It showed sensitivity towards the Arab world's cultural and political concerns and promised solidarity in continuation of its earlier policy. A repeated theme of China has been that it supports defending sovereignty, independence and territorial integrity and seeks solutions to conflict through political means. China's Arab policy can be divided into three phases, in the formative phase of the Cold War era (1947-1978), China pursued a solidarity policy with the Arab world, supporting the struggle of the Palestinian people, defending Arab states' territorial integrity and upholding principles of non-interference. In the second phase (1978-1991), China underwent internal reform and external opening up. It allowed and embraced the market economy system internally and began to accept the principles of free market externally, thus, welcoming globalization—trade, foreign direct investment, banking and Internet connectivity. This reliance and interdependence on the global market pushed China closer to the Arab world for its insatiable energy needs and by 2004 China announced its policy of cooperation with the Arab world. The third phase began in 2004 when the China-Arab States Cooperation Forum was established, which identified the range of cooperation from nuclear technology to energy and education and health- the scale and range had a wide spectrum.^② Finally, in 2016 China-Arab relations have undergone an unprecedented transformation, where China is showing flexibility, sensitivity in understanding Muslim culture and also creating within in China to show greater tolerance for Islamic civilization by restoring and reviving its historical links and cultural heritage.^③

To fully comprehend the increasing interest and presence of China and the impact OBOR could have on the Gulf and the Middle East, including Iran and Pakistan, it is important to provide a brief overview of contemporary political history. One can argue that in the case of the Middle East, geopolitical dynamics are complex and vary depending upon timing and circumstances. Since the Khomeini Revolution these are driven by the Iran-Saudi Arabia rivalry. This sharpened the Sunni-Shia cleavages in the region as manifested through the Iraq-Iran war (1979-89), (Gulf war 1991) and the US invasion of Iraq (2003) and intensification of civil war in Syria. Cognizant of these internal rivalries and conflicts China is prudent to downplay any mediatory role or interventionist intent and highlights benefits of economic partnerships and regional connectivity. The OBOR should, according to China, be seen as an opportunity to further deepen the geopolitical ties that have been cultivated by both sides over the past several decades. Central to China's expansion, however, has been its increasing reliance on foreign sources of energy, an area of development that is inherently contentious. With the global economy being highly sensitive to energy markets, it would be difficult to isolate or ignore the political aspect of China's energy demand as a rising international super power.

Internal strife, Palestine-Israel conflict, regional wars and more recently global war on terrorism have continued to shape the dynamics of the Arab world since 1960. Then China had marginal presence and in 2016, it has become a major regional player and unfolding and completion of OBOR could make its presence larger than life. The second half of the 1960s was dominated by two developments, first, rivalry within the Arab world between

^① Full text of China's Arab Policy is available on Xinhuanet, PDF Download in English, released on January 13, 2016.

^② Ibid.

^③ Kyle Haddad-Fonda, "If China Builds It, Will the Arab World", the article provides an insightful report on how China by reviving Islamic history, culture and architect of Yinchuan is attempting to attract Arab visitors and also show tolerance for Islam by promoting religious tolerance and diversity as China's policy, May 15, 2016.

Egyptian President Jamal Abdul Nasser and Shah Faisal Bin Saud of Saudi Arabia and second, by the humiliating defeat of the Arab armies in the Six-Day June 1967 Arab-Israeli war. The Arab-Israeli war shattered Nasser and discredited the Pan Arab leadership. Besides establishing the supremacy of Israel in the Arab world, it also led to the rise of Monarchists in the Arab world. After the war, Saudi Arabia, Kuwait, Libya-all these monarchies agreed to provide economic assistance to Egypt. Besides a loss of territories, military hardware, human life and resources (Sinai oil fields in case of Egypt, West Bank tourism and agriculture in case of Jordan, Golan Heights in case of Syria) the Arabs and the Islamic world were sunk with a feeling of shame, humiliation and frustration that followed the defeat. Israel conquered 42,000 square miles of land and became three and half times larger than its original size. Egypt lost almost 85% of its military hardware worth \$2 billion, similarly the Jordanian military capability was badly damaged, and Syrians military losses were the lowest.^①

The Arab-Israel 1967 war had three consequences for the Arab World: 1) Israel's superiority as the most powerful state militarily - conqueror and occupier in the Arab World and across the Islamic world was clearly established, 2) The Palestinian question gained the status of a core issue in the Arab world and across the region, and, 3) Saudi Arabia began to replace Egypt as the leader and dominant voice in the Arab/Islamic world.

As the Arab world was struggling to develop policies to respond to these changes, in 1968 the British government announced that it would withdraw its military from the Gulf and East of Suez by 1971. This meant that a number of tiny "British protectorates" – Qatar, Bahrain, Dubai, Abu Dhabi, "Seven Trucial States" would need to define their arrangements of statehood. It unleashed a war of territorial claims and counter claims-Iran declared that Bahrain belonged to her. This alarmed the Gulf Monarchies; Iran under the Shah began to build up arms and projected its military power as the dominant power in the Gulf. This intensified Iran-Arab power rivalry. Concerns about oil flow from Gulf to Europe and Japan incited debate on who will dominate the Gulf and the Indian Ocean. The Soviet Union caused further alarm by announcing what it called the "Asian Security Plan", which was perceived as a Soviet bid to seek access to "warm waters".^② The Arab world and Muslim countries were further jolted when on August 21, 1969 Israel occupied Al-Aqsa Mosque in occupied Jerusalem, which is regarded as the third holiest place for Muslims. The event hurt Muslim sentiments, evoked mass protests in the Islamic world and compelled their leaders to evolve some kind of a collective response to challenge the Israeli aggression.

During 1969-79, the Palestinian issue engulfed the Arab states and interstate rivalries dominated the political scene. In 1978 president Anwar Sadat, emboldened by the outcome of 1973 Arab-Israel war, signed the Camp David Accords recognizing Israeli right to exist, established diplomatic relations and in return got back the Sinai. It was a bold and pragmatic decision in pursuit of Egyptian national interest but was not received enthusiastically in the Arab world. In fact, Egypt quietly stepped down as the sole spokesman of the Arabs leading to the death of pan-Arabism.^③ With Egypt neutralized, the

^① In this short duration war, Egypt lost between 10,000 to 15,000 men, including 40 pilots and 1,500 officers; Jordan lost 700 soldiers and 6,000 were reported missing or wounded; Syria had 450 dead. Israel reported 679 dead and 2,563 wounded. For a detailed account of the war and its after affects see Michael B. Oren, *Six Days of War: June 1967 and the Making of Modern Middle East*, New York: Oxford University Press, 2002, pp.305-327.

^② Soviet Union announced this in 1968 but could not muster support for it.

^③ For an interesting and useful account of rise and fall of Nasser's "ideology" and pan-Arabism, see Fouad Ajami, "The End of Pan-Arabism," in James F. Hoge, Jr and Fareed Zakaria, eds., *The American*

Iranian and Saudi Arabian monarchies at ease and confident, most observers felt that the Arab world was under the effective control of pro-US leaders. However, many of the analysts did not anticipate that the Soviet Union would invade Afghanistan and the Shah of Iran and his powerful army would so quickly lose the moral authority in the face the Khomeini revolution. In 1979, Khomeini's Revolution in Iran and Soviet intervention in Afghanistan changed the complexion of politics in the Arab world and across the Rimland States. These two events gave impetus to the militant Islamic movements in various parts of the Arab world and across Muslim countries. It also roused suspicions about the emergence of 'revolutionary and anti-monarchy' Iran, which could threaten Saudi and Gulf monarchies through the spread of its revolutionary message.

IV. Holy Wars and Un-holy Alliances and the Rise of Islamic Militancy

Between 1979-1991, while China underwent internal economic reform and modernization, the Arab world remained the focus of three major concerns; first, the Palestinian issue continued to agitate and ignite the Muslim public (Israel invaded Lebanon in 1982 and uprooted the Palestinians and their "infrastructure of terror") and the leaders in the Islamic states could not wish it away and continued to pass resolutions of solidarity and sympathy with the Palestinians.^① To appease the Palestinians, both the monarchies and other Arab states began to provide financial assistance to Yasser Arafat, who acquired the status of head of a state, without a state, besides being the 'sole spokesman' of the Palestinians.^② Second, the Afghan war (1979-89) was transformed and galvanized into a Holy War (Jihad) under US patronage, Islamic militants (Jihadists) were mobilized from Arabi and Ajami states (non- Arab, like Pakistan), and they fought side by side with their Afghan brethren. By all accounts it was a successful war, which the Afghans valiantly fought against the "Soviet infidels" and brought down the "evil empire".^③ Third, ironically, on the other side Iraq invaded Iran in 1980 and for 8 years an Arab and Ajami state fought against each other, devastating each other and undermining the unity of the so called "Muslim Ummah". Having declared victory over Iran, in 1990 Saddam Hussain invaded Kuwait, the Arab Monarchies were shaken, and they requested the help of the International Community and the US. To help vacate Iraqi aggression against Kuwait, the US launched Operation Desert Storm and forced Iraq out of Kuwait.

Gulf, Iran and China:

The persistence of the Palestinian issue, the Afghan War, the Khomeini Revolution and the Iraq-Iran War, contributed towards the resurgence of Islamism. It solidified Islamic sentiment, mobilized the Islamic militants in the Islamic world and instrumentalized Islam as an ideology of political action and holy war. It also led to a mushroom growth of religious institutions from Afghanistan to Indonesia.^④ Religious schools were not new to the Islamic world, they had been there as institutions of learning for centuries, but these wars politicized and weaponized them. More importantly, they gave legitimacy to Islamic

Encounter: The United States and the Making of Modern World, New York: Basic Books, 1997, pp.350-364.

^① The 1970, 1976 and 1982 dislocations of the Palestinians also forced thousands of them to relocate in the Persian Gulf and other Arab states for employment opportunities.

^② Fouad Ajami, p.360.

^③ For an early and one of the most insightful and informative studies on the subject see John K Cooley, *Unholy Wars: Afghanistan, America and International Terrorism*, London: Pluto Press, 2000, pp.3-20.

^④ Ahmed Rashid, *Descent into Chaos: The US and the Disaster in Pakistan, Afghanistan, and Central Asia*, pp. 44-60,

militancy and many weak states in the Rimland (Chechnya, Tajikistan, Cambodia, Thailand, Indonesia, and the Philippines to name a few) became sanctuaries for potential terrorists. Given this context of conflict, fragility of states and rise of Islamic militancy, the power of oil, gas and other resources further promotes China–Iran relations. During an era of sanctions against Iran, the US was persistent to draw a wedge between China and Iran. The US put pressure on Iran, under the pretext that Iran was developing a nuclear program but really denied Iran the ability to sell oil, while also seeking to persuade China not to buy oil from Iran. The paradox of hostility and cautious strategic cooperation between the US and Iran is likely to persist for the immediate future, however, the signing of a nuclear deal in July 2015 has opened up new vistas of investment and cooperation between Iran and rest of the world.

It is in this context that the article analyses the threats and opportunities that China (1949-78) and Iran (1945-79) perceived and pursued in the pre-1978 phase and post-1979 phase in the Gulf region and devised strategies that helped them seek common choices that defined their national interest. Focusing on two events, the Arab-Israeli War and the British decision to withdraw from East of Suez, it would be argued that Iran began to aspire as a regional hegemon under the Shah while China remained occupied with its internal developments and its role and impact in the Arab world was marginal. However, during the 1979-91 phase, Iran looked inwards while (1978-91) China opened up to the world. The role and presence of both remained marginal in the Arab world.

Four factors that glue China-Iran relations and help in energize the partnership in 2016 are: first, civilizational bonding, second, anti-America posturing of the Ayatollahs/clerics, third, geo-strategic-ambition to be a regional player in the Gulf, and fourth, rise of resource hungry and militarily muscular China. The resource rich but sanctions ridden Iran and China band together to secure the safe flow of oil and gas supply to China. Despite US sanctions on Iran, the US–China interests converge on ensuring safety of the Gulf for securing the supply and flow of oil and curbing piracy in the region. Ironically, the Saudi interests are no different, as long as Iran is willing to accept Saudi domination in the region. Dealing with these dynamics would however entail a tightrope walk for China.

Civilizational Connection: Two thousand years of civilizational contacts have been maintained between China and Iran. Both invoke this great civilizational bond – emphasized by both the Shah and the post Shah Revolutionary regime – commonality of ancient ties and civilizational connections invoked by communist China pre-Mao and Post-Mao. Both are emphatic in conveying anti-imperialist struggles and humiliation under the occupying powers and are keen to restore dignity and build relationships based on mutual respect, non-interference and territorial integrity of their respective states.

Anti-imperialism and anti-US dispensation: Iranian hostility towards the US could be traced from a set of factors rooted in history from the early 20th century. Besides the anti-monarchy stance of the Ayatollahs, the Communist Revolution in Russia, the Balfour Declaration (1917), the Kemalist revolution in Turkey (1924), the Western occupation of Iran, the capture of oil resources, and in 1953, the overthrow of Mussadiq, all have fed into an anti-Western sentiment in Iran. Three consequences of the First World War, which has relevance for contemporary Iran: Between 1906-1921 Iran went through internal convulsions, the Iranian Ayatollah's fear of losing Persian identity, loss of faith and rise of foreign power decide to support Reza Shah who establishes an authoritarian, secular and Western backed regime, following Kemal Ataturk of Turkey. He turns on to be a modernist leaving the Ayatollah's in the lurch. In that broad context, the US replaced the British and triggered the overthrow of Musaddiq in 1953, which had a deep impact on Iranian psyche. Both leftist and religious factions had to deal with how to synchronize religion/Islam with

modernity and secular development. So, Khomeini as a political leader strategized to create the blend: He attacked the Shah's modernizing efforts; policies of any reform in Shiism and confronted his policy of reliance on the US. In the process, he denounced the very idea of monarchy.^① In the case of China the story of humiliation ensues with the Opium Wars (1839-42), when China ceded Hong Kong to Britain, which led to opening up of Chinese ports, initially to Britain and subsequently to European powers. During the Sino-Japanese War (1894-5), Japan occupied Taiwan and then until Japan's defeat in 1945, China experienced through internal rebellions, occupation of territories and humiliation until the communist revolution in 1949.^② Thus, a narrative of humiliation and anti-imperialism remains a potent factor in solidifying Iran and China's partnership and worldview.

For the Chinese, Iran, Iraq and Libya have shown too well that the regime change policy that the US has pursued led to restraining its influence and damaging its reputation in the region. The Persian Gulf retains around 55% of the world's crude oil reserves, Iran in particular accounts for 15% of China's demand for oil and gas. Iran has been a strategic partner of China and would remain pivotal for the US as well. By developing markets of energy exchange, arms and defense collaboration, Iran and China together can provide an alternative to US domination in the Middle East.^③ It is this strategic alliance between Iran and China that plays a pivotal role in determining the future of the global political economy. According to analysts, in a hypothetical situation where Iran were to shift allegiance to the US, China's position would be severely compromised. Not only would a significant source of energy be jeopardized, but also through Iran, the US could extend its influence to the Caucasus and Central Asia, a position so far contended by China and Russia. Strengthening relations with Iran now, are an investment into China's future economic and geopolitical security.^④ Even under the economic and political sanctions imposed on Iran, China provided unwavering support, offering technical knowledge on a variety of sectors including energy production, military technology and even helped Iran develop its nuclear program.

Recent developments show that strategic partnerships and economic cooperation between Iran and China will further expand and grow. In fact, it serves Iran's interest to stay close to China as China accounts for around 50% of Iran's oil exports, has introduced cheap consumer products to Iranian markets and has invested in a number of infrastructural and transportation projects. In just a year, from 2013 to 2014, trade between the two countries rose by 72%. Iran's presence as a founding member of the Asian Infrastructure Investment Bank (AIIB) further indicates the strong diplomatic ties between the two countries. While visiting Iran in January 2016, President Xi Jinping said, he wanted to open a "new chapter" on Iran-China relations, while the Iranian Supreme leader Ayatollah Ali Khamenei responded, "The Islamic Republic will never forget China's cooperation during (the) Sanctions era".^⑤ In January 2016, China and Iran signed their first international Think Tank cooperation agreement. The Iranian Ministry of Foreign Affairs, the Iranian Institute for Political and International Studies (IPIS), the National and Development and

^① John W. Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, Seattle and London: University of Washington Press, 2006, pp.3-28, pp.29-128, for detailed description and analysis on the snapshot view provided above.

^② Ibid., pp.57-94.

^③ V. Srilatha, "China-Iran Relations: Implications for India," *Area Studies*, Vol.9, No.1, 2015, pp.51-65.

^④ Ibid.

^⑤ Michael Singh, "China's Middle East Tour: Beijing's Post Sanction Ambitions," *Foreign Affairs*, January 24, 2016. The article provides a brief overview and analysis of President Xi Jinping's visit of three countries, Saudi Arabia, Egypt and Iran.

Reform Commission of China (NDRC) and the Renmin University signed a Memorandum of Understanding (MOU). The primary focus of collaboration would be “Road and Belt”.^①

V. China and Pakistan: the Most Allied of Allied Allies

Although the grandiloquence of China-Pakistan relations claims to be “taller than the Himalaya’s and deeper than the sea”, the reality is that the China-Pakistan axis is primarily strategic, military and security driven in its origins and substance. It is equally important to recall that Pakistan-US relations have also been primarily military and strategic in nature, content and origin. The edifice of both China-Pakistan and US-Pakistan relations is also built around strategic and geopolitical considerations.^② However, there is a fundamental difference between the two, in the case of China and Pakistan, geographical contiguity and civilizational roots are part of inheritance, while the US has been seeking geographical proximity through alliances (CENTO, SEATO) to pursue its strategic goals. In popular Pakistani perception, China is recognized as an “all weather friend”, while America is seen as a “fair weather friend”. It could be argued that for OBOR, the China Pakistan Economic Corridor (CPEC) initiative offers unprecedented opportunity for both countries to transform ties and deepen relations to new economic, cultural, educational and strategic partnership horizons. While the Chinese policy makers have put in enormous, thought, energy and invested resources to conceive, design and pursue CPEC as an essential component of OBOR, the Pakistani policy makers have been struggling to comprehend the enormity of the task but the determination to seize the opportunity is visible and gaining momentum. To reap the benefits of CPEC, the onus is on Pakistani side and here is why:

The CPEC offers Pakistan an opportunity for both economic and human development. Through the CPEC, a network of road and communications infrastructure will be developed spanning over 3000 km from the city of Kashgar in China to Pakistan’s southernmost tip, Gwadar. It will augment the geostrategic location of Pakistan in the Persian Gulf and also in the Arabian Sea, connecting and providing access to China to the rest of South Asia, the Middle East and Africa. In addition to infrastructure development, there are three key elements to the CPEC: the development of the Gwadar port, investments in the energy sector and the development of industrial zones, both in western China at close proximity to Pakistan and within Pakistan as well.^③ Pakistan will be able to benefit from these opportunities if policies surrounding the CPEC are transparent and evidence-based and are backed by a deep and clear understanding of local conditions. Pakistan will need to charter negotiations with China on the CPEC in a manner that boosts trade in Pakistan, provides Pakistanis with an opportunity for technical learning and creates employment in the country. Such a framework should also ensure human development in terms of investments in health and education.

In this context, Pakistan needs to create a threshold that meets four minimal requirements: First, building consensus on CPEC; the political leadership of Pakistan continues to struggle to build consensus on the CPEC, although it is evolving but slowly.

^① Chen Yingqun, “China and Iran Sign First Think Tank Cooperation Agreement,” *China Daily*, January 23, 2016.

^② Andrew Small, *The China-Pakistan Axis: Asia's New Geopolitics*, New York: Oxford University Press, 2015. Introduction chapter of the book provides a perceptive overview of Pakistan-China relations with some understanding of the role of US. His logic of China-Pakistan relations founded on ‘shared enmity with India’ is misplaced, pp.1-6.

^③ M. Ahmar, “Strategic Meaning of the China-Pakistan Economic Corridor,” December 2015, http://issi.org.pk/wp-content/uploads/2015/12/Moonis-Ahmar_3435_SS_41_20142015.pdf.

This demands accounting for provincial demands and developing a shared vision with the provincial leadership on the benefits of CPEC. On the other hand, the Pakistani military has demonstrated strong resolve to support the project and would remain a pivotal player on Pakistani side. While a separate security force has been created for the protection of Chinese workers in Pakistan, the cost and consequent effects of creating additional army division have come under criticism.

Second, a prevalent security threat and terrorism makes it imperative to provide protection to Chinese companies and their technical personnel. Pakistan continues to be a destination of global terrorism; it's a victim and also its source. There is growing realization that domestic sources of terrorism must be dismantled, disrupted and destroyed. Third, among a sizeable segment of Pakistanis, India continues to be seen as obstructing CPEC, thus undermining not only the project but also prospects of infrastructural development and regional connectivity.^① China could play a critical role in reducing the Pakistan-India rivalry and also transforming South Asia from a region of conflict to a region of peace and development. Fourth, to fully benefit from the potentialities of CPEC, Pakistan needs to rework on 2006 Free Trade Agreement between China and Pakistan and devise laws and procedures that make the country trade and investment friendly, cut red-tape whereby Chinese entrepreneurs feel encouraged and welcome to invest and partner with Pakistani business groups.

To overcome these hurdles Pakistan needs to undergo a paradigm shift from a security state to a development state where pursuit of internal peace and harmony promotes a culture of internal reform. This demands a reassessment and reevaluation of three decades of adventurist policies. By prioritizing internal peace and harmony, socio-economic reform and building political consensus Pakistan could curb terrorism. While pursuing internal socioeconomic reform China has sought peace within and abroad, particularly in its neighborhood (India, Myanmar) setting an example of pursuing diplomacy skillfully, effectively, to exploit resources to consolidate development.

The CPEC infrastructure development, if pursued with imagination and commitment, could reduce regional disparities in Pakistan. For example, besides, Gilgit Baltistan (G-B), the smaller provinces like Khyber Pakhtunkhwa (KP) and parts of Balochistan could benefit in terms of employment generation, basic road infrastructure and chances for skills up-gradation. But these benefits can only be accrued if Pakistan reforms its negotiating mechanisms and designs agreements that ensure its trade needs are met.

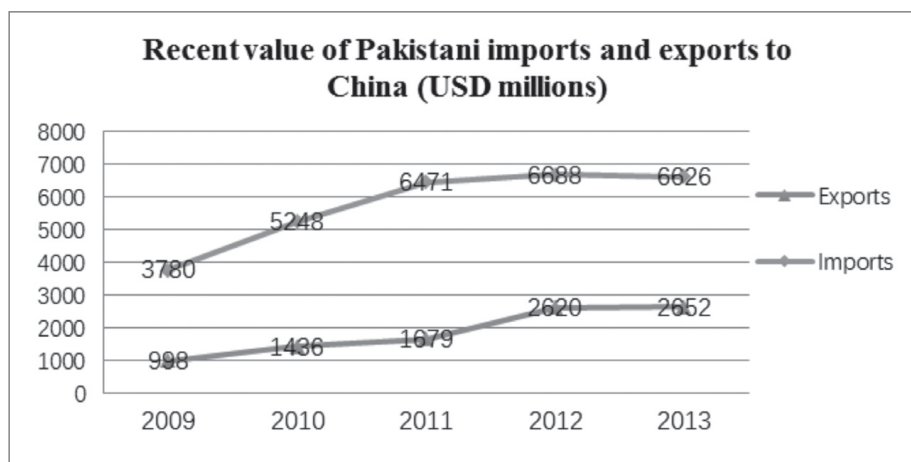
Pakistan has numerous trade agreements with its regional counterparts; however, these have yet to bring the promised investments. Some of the agreements that include China as a partner are the Quadrilateral Agreement on Traffic and Transit between Kyrgyzstan, Kazakhstan, China and Pakistan, the Bilateral Agreement between Pakistan and China on International Road Transport and a Framework Agreement between the railway administrations of China and Pakistan. These are in addition to trade and transport agreements with Afghanistan, Tajikistan, Uzbekistan, Kyrgyzstan and India.^② In fact, China and Pakistan's road infrastructure agreements go back decades. The Karakoram Highway (KKH) for instance, functional since 1979, is another mega project collaboration between China and Pakistan. Even today, the KKH is recognized as one of the highest international highway covering an area of around 1300 km and connecting the Gilgit-Baltistan region of Pakistan to the Chinese autonomous region of Xinjiang.

^① Ahmad Rashid Malik, "The Chabahar Pact," *Pakistan Today*, June 22, 2016. Dr. Malik writes frequently on the subject and perceives India as obstructing CPEC.

^② A. U. Khan, "China Goes West: Reviving the Silk Route," *Regional Studies*, Vol.32, No.3, 2013, pp.85-99.

Yet trade between the two countries has suffered due to logistical and administrative bottlenecks. For example, transport trucks traveling from Pakistan to China have not been able to make it as far as Kashgar, being stopped at Tashkurgan instead for offloading. Visa issuance has also been a problem for Pakistani transporters causing delays and monetary costs.^① Seasonal conditions add to the functioning of some of these agreements. The Khunjerab Pass in the KKH for instance is closed during winter months and trade between China and Pakistan via the route comes to a standstill. More importantly, supporting services such as adequate banking infrastructure, marketing or road safety mechanisms are clearly poorly managed or insufficient, limiting the full potential of road trade between Pakistan and its neighbouring countries. For the success of the CPEC, these logistical challenges and administrative efficiency would need to be seriously addressed.

Data on trade between Pakistan and China reveal that China is a major source of Pakistani imports, and destination for Pakistani exports (*see figure*).



Source: Adapted from The Pakistan Business Council, 2015

Conversely, Pakistan's contribution to China's overall trade is insignificant, accounting neither for its top ten importing source countries nor the top ten exporting destination countries.^② Furthermore, trade in goods that the North of Pakistan has competitive advantage in such as fresh fruits in Gilgit-Baltistan do not show up as a major exporting good to China, despite the geographic proximity and the presence of the KKH to facilitate land-based trade. Some studies have even pointed out that Pakistan does not receive the same tariff concessions as China's other trading partners such as ASEAN countries do, leading to questions over the effectiveness of the free trade agreement between the two countries. Data suggests that top exports like cotton yarn, fish and frozen fish products, leather goods and dried fruit, get much higher tariff rates (ranging from 3.5% to 9.8%) than ASEAN countries, which receive no tariffs for these products.^③ Similarly, China's recent FTA with Australia could damage Pakistan's position as the third largest exporter of raw cotton to China. Australia ranks as the fourth largest exporter of raw cotton to China and the terms and conditions of their FTA could have significant impacts on local

^① Ibid.

^② The Pakistan Business Council, "Second Review of Phase I of the Pakistan-China FTA and Recommendations for Phase II Negotiations," April 2015, <http://pbc.org.pk/wp-content/uploads/2015/04/Al1-Pages-6th-Proof.pdf>.

^③ Ibid.

markets in Pakistan.^① With such a trade environment, Pakistan's competitiveness for major export products could be severely challenged.

Other areas of concern that need to be dealt with to enhance Pakistan's export competitiveness include developing financial and credit markets for exports, enhancing investment in export-oriented sectors, diversifying exports including the services sector and graduating from specialisation in perishable agricultural products to value added and innovative products, tackling the energy crisis and developing a long-term trade diplomacy strategy.^②

Pakistan will need to pay greater attention to its trade and commerce policies for the success of the CPEC. Pakistan has launched another "Strategic Trade Policy Framework" (2015-18) with similar assertions as the first two frameworks. The extent to which the current framework will be successful in improving the country's export competitiveness and how it will be different from past policies will have direct implications for CPEC. China and Pakistan could develop a shared vision on promoting trade and investment in livestock/poultry, the agriculture sector, textiles, energy and other industries to restore a balance between China- Pakistan trade and boost Pakistani exports to China. In that spirit one of the areas in which China and Pakistan could partner is the Halal food market that caters to a Muslim population of 1.6 billion and where the size of Halal food market is estimated to be close to \$650 billion and projected to go up to \$1.6 trillion in the next decade or so.^③ Pakistan and China could systematically develop protocols that adhere to Quranic injunctions on Halal food that are acceptable to Muslim countries.

Uprooting terrorism and maintaining internal peace and harmony continue to be the key challenges for Pakistan. It would benefit from CPEC provided it is determined to uproot, dismantle and destroy any terrorist networks on its territory. In the past two years there has been considerable progress, particularly in Karachi, the Federally Administered Tribal Areas (FATA) and Balochistan. Further foreign and local investment can come and development could be enhanced if Pakistan is able to create a terror free environment.

The CPEC could usher in a new era of social and economic transformation in Balochistan, if Pakistani policy makers address the cultural sensitivities of the Baloch people. The province houses the port city Gwadar, is Pakistan's largest province area-wise, but one that is sparsely populated. The political economy of the province presents a paradox: it is rich in natural resources, including minerals, such as gold, copper and coal, and energy reserves, including natural gas; however, it is characterized by socioeconomic underdevelopment, widespread poverty, low-skilled labour and poor infrastructure, making it a difficult terrain to engage in. Additionally, over the decades, successive governments in Pakistan have not paid adequate attention to the social and economic uplift of the Baloch people. With a major part of the CPEC passing through Balochistan, the CPEC can both help alleviate tensions and also open up new opportunities for economic development. Balochistan is apprehensive that the CPEC can catalyse the process of resource extraction from the province; therefore, they need to be assured about the dividends of development leading to improvements in human resource capacity and quality of life. The government in the province of KPK has similar expectations, demanding that CPEC related activity in KPK should go beyond just highway construction. ICT infrastructure, railway networks

^① Ibid.

^② A. H. Siddique, "Trade and Payments in Pakistan Economic Survey 2012-13," http://www.finance.gov.pk/survey/chapters_13/08-Trade%20and%20Payments.pdf.

^③ Bethany Allen-Ebrahimian, "China Wants to Feed the World's 1.6 Billion Muslims," May 2, 2016, <http://foreignpolicy.com/2016/05/02/why-china-is-trying-and-failing-to-woo-the-worlds-muslims-with-food-halal-market/>.

and energy investments should also be ensured for the province.

Suicide bombings and target killings in Karachi and penetration of terrorist attacks in the relatively safer urban areas of Punjab, further add to the risk associated with bilateral investment projects. The global war on terror has cost Pakistan billions of dollars since 2001. It is estimated that economic costs amounted to \$4.53 billion in 2014-15 and another \$730 million from “lost export opportunities.”^①

China and Pakistan share a history of strong geopolitical interests and military ties. Transformation and expansion into economic, commercial, educational and cultural ties that enlarges the framework of cooperation that the two countries need to build on. The China-Pakistan Economic Corridor (CPEC), under the OBOR framework, is perhaps one of the most critical components of the Chinese plan of action. For China, it is a ‘flagship’ program and its success is pivotal for the credibility of OBOR. The CPEC’s geo-strategic location requires that both China and Pakistan develop sophisticated diplomatic and foreign policy skills to make the salience of the CPEC understandable to people within the country and across the region.

The above-mentioned analysis shows that for both the US and China, relations with Iran and Pakistan have been driven by strategic considerations. For Pakistan, China continues to be strategic as military equipment supplier and also as partner. In the case of Iran, too, China remains an important military hardware supplier and stable supporter—during Iraq-Iran war 1979-89, China supported Iran, while the West led by the US supported Iraq. Now, China aims to provide economic investment and Iranian businesses are wary of Chinese cheap goods and erosion of its industrial base, similar fears prevail in Pakistan. This trend is further reinforced as Pakistan has agreed to create a special force of 10,000 soldiers to protect the Chinese people and enterprises along the China-Pakistan Economic Corridor (CPEC). China will have over 200 projects and 14,000 technicians and engineers, “Their task will be to provide the necessary safety and security of Chinese working in Pakistan and the Chinese companies and industries set up there.”^② Thus despite, internal debate and evolving consensus among the political leadership in Pakistan, the military has shown greater dedication and commitment to pursue the project and this resolve could help the political leadership build consensus and ensure the success of the CPEC. Pakistan would remain pivotal and supportive of China’s OBOR strategic vision.

Conclusion

The cases of the Gulf States, Iran and Pakistan clearly show that OBOR is energizing the parameters of ‘new economic geography’—where its focus on trade, investment, infrastructure development, and indeed security, has shaken the foundations of US strategy of Containment. Since the US has not abandoned Containment as a policy choice with potential rivals, especially and this is true in the case of “Rising China”, the OBOR can be viewed as China’s counter-containment strategy. It is appropriate to note that as the US becomes self-sufficient in its oil requirements, China is emerging as the World’s largest energy consumer and its oil imports are expected to grow from six million barrels a day to 11 million per day in 2016, according to State owned China National Petroleum

^① S. Rana, “Economic Survey 2014-15: Losses Due to War on Terror Down by a Third to \$4.5b,” *The Express Tribune*, June 4, 2015.

^② According to a report, Pakistan military will raise one division comprising of 10,000 soldiers to protect Chinese workers and investment on CPEC; <http://www.dawn.com/news/1177322>.

Corporation (CNPC).^① Most of this is going to come from the Middle East, therefore, it will need to look at the labor market, investment climate and infrastructure and technology to extract and ship oil from the region to China. It is in this context that OBOR becomes an immediate, medium term and long term goal of China's strategic developmental agenda. On the other hand, China's rise as a maritime power is not that dissimilar from America's maritime ascendancy in the early 20th century and particularly after the World War II. China's ascendancy is recent and in its formative phase. Since 1979, Chinese warships have called on Iranian and UAE ports, its aircrafts have also been allowed to refuel at the Iranian ports. China is setting up a naval base in Djibouti and also in Gwadar. The Gwadar port facility will expand Chinese naval presence and influence in the Gulf, Arabian Sea and into Indian Ocean, while connecting road/rail network with Western China. It could also promote greater Naval collaboration between China and Pakistan. In the Gulf and the Middle East, including Israel, China promises to make investments in technology, promote trade and transfer military technology besides import of oil. China's influence and presence in the Arab World and other Rimland states is mounting. This is making Western Powers nervous, which had reigned supreme in the region for over a century. However, more than in the Middle East, the Arabian Sea and the Gulf, it is in the South China Sea and South Western Pacific, where Chinese maritime forays are more disconcerting for the US, as the Pacific Ocean has been an "American Lake" for almost a century. The US is reluctant to concede space to China in the Pacific Rimland. The US continues to counter China's rise through twin policies of diplomatic "engagement" and "re-balancing", through aggressive posturing in the Pacific Rimland and the South China Sea. While China is cautiously and prudently trying to ensure that its rise remains peaceful, reinforces economic and strategic partnerships and synergizes security and development. It is skillful in projecting OBOR as a tool to build regional connectivity, trade, and investment among Rimland States but also jutting it as a soft tool to counter containment. The edifice of OBOR is built on economic development, regional connectivity and enhancement of Chinese security through counter containment; this makes the "rise of China" different from the other Great Powers of the 19th and 20th century.

^① "China Oil Demand to Grow 4.3 Percent in 2016: CNPC Research," *Reuters*, January 26, 2016.