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Pakistan caught up in intensifying US-China rivalry

In response to the turn by Pakistan's newly-elected government to an emergency bailout from the International Monetary Fund (IMF), China has cautioned against the loan, saying it could affect economic cooperation between Islamabad and Beijing.

Chinese foreign ministry spokesman Lu Kang told a press briefing in Beijing last week: "China wants an 'objective and professional' evaluation of the loans. The measures to be worked out by the IMF should not affect the China-Pakistan relations," he warned.

Prime Minister Imran Khan announced on October 10 that Pakistan's government had to borrow from the IMF since the country's foreign reserves had fallen last month to \$US8.4 billion. Khan said he would also be seeking financial help from "friendly countries," by which he meant China and Saudi Arabia.

Amid a worsening balance-of-payments crisis, the Pakistan government desperately needs an estimated \$12 billion and is looking toward China for further financial assistance. It is under pressure from the US, however, to distance itself from China and wind back projects associated with the massive proposed China Pakistan Economic Corridor (CPEC).

US Secretary of State Mike Pompeo effectively warned the Khan government in late July that any IMF loan would be contingent on lessening Pakistan's economic dependence on China. "Make no mistake: we will be watching what the IMF does. There is no rationale for IMF tax dollars—and associated with that, American dollars that are part of the IMF funding—for those to go to bail out Chinese bondholders or China itself."

The US has added to the pressure by demanding that Pakistan do more to suppress militias that use its border areas to mount attacks on US-led occupation forces and government

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targets inside Afghanistan. Last month the Trump administration cut off \$300 million in military aid to Islamabad.

The CPEC is a crucial component of China's infrastructure strategy—the Belt and Road Initiative (BRI)—which is aimed at linking Eurasian landmass and countering US efforts to strategically isolate and encircle it. Washington is mounting an offensive against BRI on all fronts, including in the media with a growing drumbeat in the US and international media accusing China or luring countries into “debt traps.”

The CPEC includes the development of road, rail and pipeline links between the Pakistani port of Gwadar on the Arabian Sea and western China. For Beijing, such a corridor would secure China's links to Africa and the oil-rich Middle East and strengthen its ability to resist a US naval blockade of China's vital shipping routes through South East Asia in the event of conflict.

Facing pressure from the US, the Pakistan government is seeking to “remodel” the terms of the CPEC to lessen the financial burden and focus the project on economic rather than strategic issues. In preparing for his first visit to China as Pakistan's premier next month, Khan is insisting that the emphasis of the CPEC shift from infrastructure to agriculture, job creation and foreign investment.

Information Minister Fawad Chaudhry told the media: “Earlier, the CPEC was only aimed at construction of motorways and highways, but now the prime minister decided that it will be used to support the agriculture sector, create more jobs and attract other foreign countries like Saudi Arabia to invest in the country.”

Earlier this month, Sheikh Rashid, the railways minister, said the cost of the rail projects in Pakistan as part of the CPEC had been brought down, but had to be further reduced. The main rail project is a major upgrade to the major line stretching 1,872 kilometres from Karachi in the south to Peshawar in the north of the country.

“We have brought down railways projects' cost to \$6.2 billion from \$8.2 billion. It's my wish to further bring it down to \$4.2 billion,” Rashid said. “I am the biggest supporter of CPEC, but I also want that the railways have minimum burden.”

China is committed to pressing ahead with the CPEC, which entails nearly \$60 billion in infrastructure funds. Speaking to Pakistani Foreign Minister Shah Mehmood Qureshi during UN sessions last month, China's top diplomat, State Councillor Wang Yi, hailed his country's “all weather” partnership with Pakistan.

While not naming the US, Wang pointedly warned that “any conspiracies attempting to incite disharmony or interfere in China-Pakistan relations will not prevail.” He declared

that China and Pakistan should continue to make “all-out” efforts to promote the economic corridor, expand trade and reduce poverty.

China is also seeking to strengthen ties with Pakistan on other fronts. In mid-September, at a meeting with Pakistan Chief of Army Staff General Qamar Javed Bajwa, Chinese President Xi Jinping said: “Pakistan is our time-tested iron friendship and the Pakistan army has a pivotal role towards this lasting relationship.” He praised the Pakistani armed forces and declared: “China shall continue to support Pakistan as a strategic partner.”

Just days before Bajwa’s visit to China, Commerce Minister Abdul Razak Dawood had suggested that the government might suspend CPEC projects for a year. Facing pressure from Washington and Beijing, Pakistan is engaged in a desperate balancing act as it confronts a deepening economic and social crisis at home.

Pakistan is not the only country seeking to modify its BRI projects. Malaysia has suspended or cancelled \$26 billion in Chinese-funded projects, while Myanmar is negotiating a significant scaling back of a Chinese-funded port project on the Bay of Bengal. Undoubtedly, the US and its allies are applying pressure behind the scenes in a bid to undermine China’s plans.

Pakistan is also seeking funds elsewhere. Information Minister Fawad Chaudhry has announced that Islamabad and Saudi Arabia have signed three major investment deals involving CPEC projects, including a new oil refinery at the deep-sea port of Gwadar.

This week, Prime Minister Khan ignored the uproar over the murder of Saudi journalist Jamal Khashoggi to attend the showcase Future Investment Initiative conference in Riyadh and was promised at least \$6 billion in financial support. The US, no doubt, backs the loan from one of its key allies in the Middle East as a means of lessening Pakistan’s economic dependence on China.

As the Trump administration intensifies its confrontation with China, countries like Pakistan are finding it increasingly difficult to balance their relations with Washington and Beijing. This intense manoeuvring is another indication of sharpening geo-political tensions and the rising dangers of war.