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Hearing on China and South Asia**

For over six decades, China has stood by Pakistan's side as a pillar of its foreign policy; a major developer of its military and nuclear capabilities; an ally in the region and multilaterally; and a trusted intermediary when tensions with the United States and India flare up.

This relationship is now in flux. The traditional framework for pursuing their national interests is no longer sufficient for China or Pakistan. Due to changes in geopolitics, the deteriorating security situation in South Asia, and growing energy demands, Pakistan and China now view regional connectivity and economic diversification as major drivers in protecting their national interests in the region. Their joint economic expansion, embodied in the \$45 billion China-Pakistan Economic Corridor (CPEC) project, promises to alter the balance of power in the region. It will also have ramifications on Pakistan's internal politics, economic viability, and relations with its traditional patrons and neighbors.

While the new framework may seem to exist at the expense of the United States, it also offers a potential opportunity for the United States to benefit from Chinese efforts to promote stability in Pakistan and the region. Through modest investments, sustained engagement, and more information, it is possible for the United States to better understand and manage the elusive but critical Pakistan-China relationship. The United States must do so, however, with strong pragmatism about how much China and Pakistan can deliver on their ambitious economic commitments and their subsequent impact on stability.

Deeper than the Atlantic and Pacific Oceans

At the Chinese-run port of Gwadar on Pakistan's southern Makran coast, a sign welcoming visitors reads: "*The Pakistan-China friendship is deeper than the Atlantic and Pacific Oceans.*" Chinese businessmen, Pakistani military officers, and a smattering of locals bustle about the port, which is a major hub of activity in the otherwise desolate and barren landscape of Pakistan's Baluchistan province.

Gwadar port, which China acquired in 2013, is a central node of China's strategy to improve Asian connectivity by building a new "silk road" and is the centerpiece of China's economic expansion into Pakistan. It will be a major link on CPEC, a massive collection of projects consisting of special economic zones, dry ports, rail links, energy,

and other infrastructure projects across Pakistan that will connect the major Chinese trading hub of Kashgar to the Persian Gulf.

Since the late 1990s, China-Pakistan economic ties have strengthened, partially due to a convergence of American, Pakistani, and Chinese security interests on the rising threat of Islamic radicalization. During former President Pervez Musharraf's tenure from 1999 to 2008, China began to view its "stake in Pakistan's economic success as a safeguard against the infiltration of Islamic radicalism into its restive Xinjiang province."¹

Likewise, Pakistan

"began to recognize the need for economic growth as a remedy against the rising menace of Islamic radicalization within society and subsequent risk of state failure... This took on new urgency, not least because of pressure from Washington, following the September 11 attacks on the US."²

When President Asif Ali Zardari was elected in 2008, he continued where Musharraf left off. Despite the broadly held view in Pakistan that Zardari was unpopular with the Chinese, he took innumerable private and official trips to China to discuss the possibility of many of the outcomes we witness today in CPEC. When the business-friendly government of Prime Minister Nawaz Sharif was elected in 2013, the tenor of the China-Pakistan relationship became markedly more positive in both public and private settings.

Three Mutual Interests

Underpinning that positivity are three mutual interests that guide the current direction of China-Pakistan relations.

First, both China and Pakistan seek to contain India and the United States. The 2008 passage of the U.S.-India Civil Nuclear Agreement signaled to Pakistan and China that India was the strategic partner of choice for the Americans, leaving Pakistan looking like a nuclear pariah and China the loser in its global competition with India. Additionally, Indian commitments to upgrade Iran's Chabahar Port, which is just 76 nautical miles from Gwadar, have renewed Chinese and Pakistani interests in containing India.

Second, both countries want to eliminate threats posed by closer links between al Qaeda, the Pakistani Taliban, and anti-Chinese Uighur militants belonging to the East Turkestan Islamic Movement (ETIM). China and Pakistan also want to prevent the ideologies of groups like the Islamic State from influencing anti-state militants in Pakistan and China – a motivation that grows out of the rising influence the Islamic State in South Asia.

Third, both countries seek greater economic diversification, energy security, and regional connectivity. China's commitments to countries on its peripheries is motivated by prospects of economic gains during a time of market instability. It is also seeking more

¹ Matthias Hartpence, "The economic dimensions of Sino-Pakistan relations: an overview" in *The Journal of Contemporary China* September 1, 2011; p. 583.

² *Ibid.*

³ Shannon Tiezzi, "China Powers Up Pakistan: The Energy Component of the CPEC", January 13, 2016, Available at: <http://thediplomat.com/2016/01/china-powers-up-pakistan-the-energy-component-of-the-cpec/> (Accessed March 1, 2016)

efficient trade routes as part of its “One Belt, One Road” initiative. Pakistan’s changing relations with traditional patrons like the United States and Saudi Arabia means that it too is looking for new ways to stimulate economic growth and end chronic energy shortages.

Regional Drivers of Change

The expansion of China-Pakistan relations has been shaped by a number of regional drivers of change in recent years.

Pakistan and China are concerned that the U.S. drawdown in Afghanistan will create a security vacuum in the region. While both countries have viewed the U.S. presence in Afghanistan as problematic, they still want to benefit from the influence the United States has on balancing power between the many stakeholders in the region. In the absence of that lever, China and Pakistan must rethink their respective policies on Afghanistan and how they might fill the void left by the United States.

Instability in the Middle East has pushed China and Pakistan closer together. China and Pakistan worry that the rise of the Islamic State in Syria and Iraq will further radicalize their own Islamist movements and sectarian groups. Additionally, Saudi Arabia’s unmet requests for Pakistani cooperation in Yemen and Syria have added a layer of tension to Saudi-Pakistan relations, compelling Pakistan to invest more in its other alliances.

The U.S. opening with Iran and lifting of sanctions bolsters China’s economic expansion in Pakistan. As talks on the U.S.-nuclear deal progressed in 2015, China committed to financing the construction of the long-delayed Iran-Pakistan pipeline, which will transfer gas from southern Iran to Gwadar as well as connect to the industrial hub of Karachi through already existing distribution systems. If successful, the pipeline would address Pakistan’s energy crisis while also strengthening China’s connectivity agenda in the region.

Domestic Drivers of Change

Within Pakistan, a combination of strong political will and economic necessity move China relations forward.

A “China deliverable” is a political win for the Sharif government. CPEC’s focus on infrastructure and energy can help the Sharif government deliver on its campaign promise to end electricity shortages, reform the energy sector, and complete big-ticket infrastructure projects. If CPEC energy deliverables begin to show progress by 2018, as the government indicates, then Prime Minister Sharif will have a strong foundation to campaign on in the national elections that year.

China can bolster Pakistan’s energy security. Pakistan desperately needs energy. Through a combination of Chinese financing, support from investors in the Middle East, and development assistance from donors like the United States, successive governments

have repeatedly attempted to tackle the problems of the energy sector, which center on weaknesses in expanding power system capacity.

Due to the gravity of the problems, the crisis persists. In recent years, energy shortages have become more acute and resulted in protests and the destruction of public property. In 2013, Sharif set out an ambitious agenda to raise tariffs, increase generation, and improve efficiency by mobilizing private sector expertise, management, and finances. However, high costs of energy subsidies, ongoing circular debt issues, and lack of investment in infrastructure still prevent progress, making for a mediocre attempt by the Sharif government to solidify Pakistan's energy security. That is why the massive CPEC focus on energy, if successful, could be a game-changer for Pakistan.

CPEC will include 14 Chinese-constructed energy projects that will “provide an additional 10,400 MW of electricity by March 2018 – more than enough to make up for Pakistan's 2015 energy shortfall of 4,500 MW.” Combined with an additional seven other projects slated under the CPEC framework, “altogether these projects should eventually produce 16,400 MW of power, roughly the same as Pakistan's current capacity.”³

Pakistan seeks to diversify relationships with its patrons and neighbors. Both the United States and Saudi Arabia have come to Pakistan's aid during times of economic crisis with budget support, soft loans, and emergency assistance. However, as support for Pakistan in the U.S. Congress diminishes and Saudi-Pakistan relations grow tense, Pakistan realizes it may face limitations in securing financial and economic support through its traditional patrons. While Pakistan is not looking to replace those relationships, its expanded economic ties with China suggest an interest in other countries filling the void.

Pakistani Concerns about Engagement with China

Work on some CPEC projects has already started and a handful of rail and road projects are intended for completion by 2018. But Pakistani government still has significant concerns about its ability to keep up with the CPEC timeline, which aims for full operationalization by 2030.

Pakistan recognizes that its weak human resources capacity, especially in technical expertise, may cause delays both in implementation and in the sustainability of CPEC over time.

The implementation process could lead to a prolonged struggle between the center and peripheries of the Pakistani government over access to resources generated by CPEC. As an initial step towards mitigating such fears, Prime Minister Sharif hosted an All-Parties Conference last May to explain CPEC; he established a special bicameral parliamentary committee of top political leadership from all parties for regular oversight of CPEC; and he charged the Ministry of Planning, Development, and Reforms with formally conducting CPEC outreach.

³ Shannon Tiezzi, “China Powers Up Pakistan: The Energy Component of the CPEC”, January 13, 2016, Available at: <http://thediplomat.com/2016/01/china-powers-up-pakistan-the-energy-component-of-the-cpec/> (Accessed March 1, 2016)

But opposition parties viewed the information from these initial engagements with deep suspicion, fearing they will tilt in favor of Prime Minister Sharif's party, his home province of Punjab, and his businesses of choice. The outreach has also brought to light the complexity of issues involved in CPEC implementation and the many unanswered questions. For example, provincial stakeholders want more information on the exact route, the sequence in which it will be developed, the timeline for its development, details on investments required to develop the route, and the sponsors involved.

Many Pakistani political analysts believe CPEC implementation will be a major test of Prime Minister Sharif's commitment to provincial autonomy, as the endeavor comes at a time in Pakistan's history when more power is being devolved from the federal government to the provinces. If opposition parties, private sector stakeholders, or local communities do not view CPEC outreach as transparent or as being unfairly fast-tracked, then the government will be vulnerable to public criticism, possible protests, and even violence by local militants in areas along the proposed CPEC route. If political infighting causes CPEC to fail, it could also negatively impact civilian ties with the military, which is the primary steward of the relationship with China.

The military faces challenges in managing security along portions of the CPEC route in disputed Kashmir and Baluchistan, where there is an ongoing local insurgency against the Pakistani military. Chinese workers and citizens face specific threats from Pakistani Islamists and by Baluch nationalists who view China's presence as an extension of Punjabi economic encroachment in the province. China also fears backlash from its own Uighur separatists residing in Pakistan. The largesse of CPEC makes protecting Chinese interests even more difficult. To mitigate Chinese concerns on security, the Pakistani military has committed a 12,000-member security force to protect the route.

This serious move by the military is a testament to ongoing Pakistani worries that if CPEC implementation takes too long, is too dangerous, or is overly complicated, that China may pursue other options, such as routes in Iran. Further raising these fears was the January 2016 trip of President Xi to Iran, during which media reported Chinese commitments of \$51 billion into Iran – a little over the amount committed to CPEC.

Pakistani Perspectives Unified on China but Divided on Chances of Success

Pakistani elites across the board are unified on China's role as an "all-weather friend" but are divided on the chances of success for renewed economic engagement.

Civilian and military officials in Islamabad are the most positive on China-Pakistan relations as they stand to benefit the most – politically and financially – from increased engagement. The shared political will among this group, which crosses the civil-military divide, is a major force behind CPEC. This group views China's growing economic and geopolitical influence in Asia as a hedge against the United States and India – and they want Pakistan to take advantage of that. This group's bullish perspectives on China-Pakistan relations serve as a counterweight to skepticism in Washington and New Delhi

on the viability of CPEC. Others play the China card more directly - as one Pakistani government official recently told me, “it is important for the U.S. to keep some balance of power in the region,” because it may not like who comes in after it leaves Afghanistan.

Many Pakistanis have high expectations of Chinese commitments. This is due to a common practice of the Pakistani government using China’s “all-weather” friendship as a way to placate public criticism during times of economic and political insecurity. The message is simple: *Pakistan should not worry because “big brother China” will always be there to help when everyone else abandons it.* The extent to which Pakistanis truly believe this varies, but it remains an unavoidable part of the political culture.

The private sector is much more cautious and realistic, knowing that large-scale projects with China have failed in the past and that deals, such as the 2007 Free Trade Agreement, were harmful to some Pakistani industries.

Pakistani activists are just as hawkish, viewing CPEC implementation in Baluchistan and Kashmir as threatening to local communities, who are already political and economically marginalized. They find little truth in statements like that of Sun Weidong, the Chinese Ambassador to Pakistan, who in 2015 told a gathering of Baluch tribal leaders and investors that CPEC would end unemployment in Baluchistan.

The variation in Pakistani perspectives on China is unified by one constant. In characterizing China as an “all-weather friend,” Pakistan’s relationship with China is *by design* intended to be in opposition to the United States, especially during times of crises for U.S.-Pakistan relations. The military and civilian leaders who have crafted and refined this approach over the decades have been successful in getting Pakistanis to subscribe to it, despite the fact that it has never truly lived up to its public expectations.

Recognizing the attitudes of the Pakistani people towards China is critical to understanding why CPEC is so important for Pakistan. CPEC is acknowledgement that China – a recognized power in the world – has enough confidence in Pakistan to make long-term and large-scale commitments that the United States was incapable of doing, allowing Pakistan an opportunity to redefine itself when its identity continues to fall under the dark shadow of terrorism and instability.

China-Pakistan Convergence on Regional Security, with Limits

As Pakistan and China expand economic ties, they have shown some progress on counterterrorism cooperation, mainly in limiting the ability of Uighur militants to operate alongside Pakistani militants. For example, Pakistan has closed Uighur settlements, arresting and deporting fighters. Another significant development has been Pakistan’s crackdown in North Waziristan on the al-Qaeda affiliated ETIM. Pakistan has also taken action against its own militants that have targeted Chinese interests in Pakistan, such as in 2007 when President Musharraf led a siege on the Red Mosque, a well-known militant seminary, after its students were involved in kidnapping Chinese nationals.

These developments have raised expectations that China can tip the balance on problematic Pakistani relations and actions in Afghanistan and India. However, the troubling asymmetry surrounding the terms of China-Pakistan counterterrorism cooperation rejects that view. For example, China demands swift action against Uighurs but assumes a less antagonistic approach to the Afghan Taliban. China has not asked Pakistan to target Afghan Taliban groups like the Haqqani Network, which threaten American and Afghan national interests.

China's participation in the quadrilateral peace talks with the Taliban does offer an opportunity to better understand the Chinese position on stability in South Asia. However, the United States should temper expectations that China can influence Pakistan's relations with the Taliban through the talks. The set-up actually enables China and Pakistan to strengthen their complimentary approaches to Taliban engagement. China needs to maintain relations with the Taliban so that it doesn't offer safe haven in Afghanistan for Uighur militants. Pakistan wants to use the Taliban to serve as a hedge against Indian influence in Afghanistan and to also ensure the Taliban doesn't offer safe haven for anti-Pakistan militants from the tribal areas.

Pakistan and China need to be part of reconciliation negotiations, but their involvement may not go outside seeking a limited peace with anti-Chinese militants in Pakistani and Chinese borderlands. Beyond this, we have yet to see how China and Pakistan can concretely work together and with others in a process to guarantee a comprehensive regional security.

A Stalled Peace with India

China-Pakistan counterterrorism cooperation does not feign to focus on the militancy problem in Pakistan's Punjab province, where anti-India militants, such as Lashkar-e-Taiba, plan attacks on Indian targets and support Taliban fighters in Afghanistan. As long as Pakistan addresses Chinese security concerns on the Afghanistan border, it is likely that the Chinese will continue to accept Pakistani inaction in Punjab – where the Pakistani military is far more entrenched with jihadist networks than on the Afghan border and where the Sharif government also deals more intimately with such groups.

Chinese expansion into Pakistan will be viewed by India as yet another attempt to contain it through economic and military ties with its neighbors. It may also have the added effect of tarnishing what little sentiment there is left in the Indian government for rapprochement with Pakistan. We should also pay attention to how this dynamic unfolds in Afghanistan, where India and China both maintain a significant economic and development presence.

Specific Recommendations for U.S. Action

While the parameters of CPEC have been made public, what remain unclear are the private conditions or terms associated with it. For example, what impacts will CPEC have on the more foundational aspects of the relationship, such as China's supply of military

equipment to Pakistan, its support to Pakistan's nuclear program, and its support on behalf of Pakistan on the United Nations Security Council? These are important questions for the United States to consider as it attempts to make sense of China's growing role in Pakistan.

The lack of information, policy awareness, and available research on China-Pakistan relations makes it difficult to suggest recommendations for U.S. action. But the United States can get a better handle on this elusive but critical relationship with modest investments, sustained engagement, and more information.

Specific recommendations for U.S. action include the following:

Recommendation 1: The U.S. Congress should provide funding for independent studies, policy analysis, scholarly research, and conferences that will track, report, and inform on Chinese economic activities in Pakistan and its broader strategy to utilize South Asia in its connectivity agenda.

Recommendation 2: The United States should assess its current ability to report on China's growing role in Pakistan and South Asia, and the U.S. Congress should prioritize additional resources for expanded reporting of the subject in relevant U.S. embassies.

Recommendation 3: The United States should create a formal mechanism, built upon the conversations started under the U.S.-China Counterterrorism Dialogue, to engage China on counterterrorism issues in South Asia. Over time, such a mechanism could enable greater mutual understanding of U.S. and Chinese counterterrorism interests in the region and may even allow for selective information sharing with China on militancy in Pakistan and Afghanistan.

Recommendation 4: CPEC is a massive endeavor that will require complementary initiatives sponsored by other countries. The U.S. Congress should advise that portions of U.S. development funding to Pakistan be directed towards projects that complement CPEC goals, such as conducting environmental studies for proposed coal-based power plants or feasibility studies for transit infrastructure development.

Recommendation 5: Given the Chinese expansion of Gwadar Port and increased foreign country activity along the coastlines of Iran and Pakistan, the United States should consider creating a mechanism or platform that would enable it to have more in-depth conversations with Pakistan on maritime conduct and naval engagement.

Conclusion

Moving forward, the United States must be pragmatic about how much China and Pakistan can deliver on their ambitious economic commitments and their impact on stability.

The United States should look for ways to engage China on counterterrorism, but with caution, as China's foreign policy in South Asia continues to evolve and much remains to be seen of its direction. A watchful approach is all the more necessary as the terms of U.S. engagement with Pakistan still depend heavily on potential adjustment to the drawdown calendar in Afghanistan and on the tenuous security situation on the Afghanistan-Pakistan border.

The United States must also recognize that while Chinese support to Pakistan may alter the balance of the U.S.-Pakistan relationship, it will not replace it. Pakistan is still likely to seek American financial, development, and diplomatic support if need be – especially if any part of its government continues to support the U.S. counterterrorism agenda in the region.

Finally, no one donor or relationship can stabilize Pakistan. Even if CPEC was 100% successful, Pakistan's internal security situation requires more than energy and infrastructure investment to stabilize it. It requires a new system of governance in the tribal areas. It requires the state to be strong enough to fight the growing influence of militancy that has roots in the country's national security policies. It requires greater investments in the Pakistani people.

Stabilizing Pakistan is a multifaceted approach that must be led by Pakistani institutions and leaders and aided by foreign partners. And while Washington's ire with Pakistan may fluctuate from time to time, its focus on its political and economic stability should not. Playing the long game with Pakistan is important, as we are learning more and more from the Chinese.