

**Testimony before the U.S.-China Economic and Security Review Commission  
China and South Asia**

March 10, 2016

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Members of the Commission,

Thank you for this opportunity to address you today as part of your hearing on China's role in South Asia. It is an honor to participate with other leading experts on this topic. As you have offered a series of questions to guide our discussion, I have endeavored to answer each question in turn. My answers tend to reflect a South Asia-heavy perspective and are informed, in part, by a recent research trip to Pakistan.

Let me observe from the outset, however, that the topic is an extremely timely and exciting one. China's new initiatives and ambitions should make it clear that we must focus greater attention on strategic connections across Asia and not be wedded to a longstanding tradition of stove-piping our policy and academic research between East, South, Central, and West Asia. Over the coming decades, as the region becomes increasingly interconnected, our strategies and policies must keep pace.

**1. Describe the tenor of China-Pakistan relations in recent years. To what extent has the Xi Administration pursued relations with Pakistan similarly to or differently from previous administrations?**

The China-Pakistan relationship has experienced a burst of high-profile activity in recent years, centered on the China-Pakistan Economic Corridor and linked to China's broader ambitions for its western periphery. But there is also much continuity in the relationship.

**Continuity:** China under the Xi administration will continue to back Pakistan's military. The joint development of the JF-17 fighter jets is an example of conventional defense cooperation, but past history suggests that China will quietly work with Pakistan on nuclear and missile programs as well. Continuity clearly also extends to the diplomatic and political arena, where the two sides profess deep and abiding friendship and have a long history of cooperation in international forums like the United Nations. On the trade front, continuity

prevails in the form of overall growth as well as a mounting surplus of Chinese exports to Pakistan.<sup>1</sup>

**Change:** The Xi administration's ambitious "One Belt, One Road" (OBOR) initiative places Pakistan in a different strategic framework for Beijing. Although Pakistan has held utility to China for decades since the early 1960s, principally as a reliable and cost-effective means to balance India, now Pakistan also serves as something of a pilot project for OBOR, where a first round of infrastructure and energy investments is already underway.

In addition, although cooperation on counterterrorism and in Afghanistan has been a feature of Sino-Pakistani relations dating back to the 1980s, China is now more directly involved in Afghanistan and more focused in what it is demanding from Pakistan on counterterror operations.

The most obvious instance of China's greater attention to Afghanistan is found in its decision to play a leadership role in the "reconciliation" dialogue between the Afghan state and the Taliban insurgency. U.S. and Afghan government officials hope that China's participation will place additional pressure on Islamabad to bring insurgent leaders to the negotiating table.

China's heightened concerns over Uighur separatist movements—sparked, in part, by several deadly terrorist incidents inside China—has motivated the Xi administration to place greater attention on stemming the tide of radical Islamist ideologies from its western periphery.<sup>2</sup> Although the number of anti-Beijing terrorists is almost certainly tiny, China has placed significant pressure on Pakistan to "do more" to deny these groups sanctuary on its soil. Pakistan, accordingly, has highlighted its actions against the East Turkistan Islamic Movement (ETIM) in the context of military offensives along the Afghan border.<sup>3</sup>

More broadly, at least part of Beijing's motivation for investing in the countries of its western periphery lies in the belief that economic growth will undercut the appeal of

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<sup>1</sup> Total bilateral trade between China and Pakistan grew from slightly over \$1 billion in 1995 to over \$16 billion in 2014, but whereas Pakistan's exports to China have grown roughly twelve-fold (to \$over 2.7 billion/year), imports from China to Pakistan have grown nearly twelve-fold (to over \$13 billion/year). Statistics gathered from <http://comtrade.un.org/data/>.

<sup>2</sup> Benjamin David Baker, "Pakistan Announces That It Has Defeated ETIM. So What?," *The Diplomat*, October 22, 2015 accessed at <http://thediplomat.com/2015/10/pakistan-announces-that-it-has-defeated-etim-so-what/>; "Reports: Unrest in China's Xinjiang Kills 35," *CNN*, June 28, 2013 accessed at <http://edition.cnn.com/2013/06/27/world/asia/china-xinjiang-violence/>; "Chinese police say Tiananmen Square crash was 'premeditated, violent, terrorist attack'," *Washington Post*, October 30, 2013, accessed at [https://www.washingtonpost.com/world/asia\\_pacific/chinese-police-say-tiananmen-square-crash-was-premeditated-violent-terrorist-attack/2013/10/30/459e3e7e-4152-11e3-8b74-d89d714ca4dd\\_story.html](https://www.washingtonpost.com/world/asia_pacific/chinese-police-say-tiananmen-square-crash-was-premeditated-violent-terrorist-attack/2013/10/30/459e3e7e-4152-11e3-8b74-d89d714ca4dd_story.html;); "China mass stabbing: Deadly knife attack in Kunming," *BBC*, March 2, 2014, accessed at <http://www.bbc.com/news/world-asia-china-26402367>; "Knife Attack at Xinjiang Coal Mine Leaves 40 Dead, Injured," *Radio Free Asia*, September 22, 2015, accessed at <http://www.rfa.org/english/news/uyghur/attack-09222015150820.html>.

<sup>3</sup> See, for instance, the June 16, 2014 Inter Services Public Relations press release No PR126/2014-ISPR accessed at [https://www.ispr.gov.pk/front/main.asp?o=t-press\\_release&id=2577](https://www.ispr.gov.pk/front/main.asp?o=t-press_release&id=2577).

fanaticism and that a stable periphery is required to build stability within China's western provinces.

**2. What are the main objectives and concerns guiding Pakistan's economic engagement with China? What are the key drivers of the China-Pakistan Economic Corridor (CPEC) for China and for Pakistan? Who are the major stakeholders in the CPEC projects in China and Pakistan?**

Pakistan has political and strategic aims for CPEC. Politically, the civilian government of Prime Minister Nawaz Sharif perceives that by delivering a range of "early harvest" projects—primarily in the area of energy and transportation infrastructure—it will have a strong case to make in the next round of national elections in 2018. Strategically, Pakistan's current civilian and military leaders appear to believe that Chinese investments are the best way to turn the nation's sagging economic fortunes and strengthen the state against challengers, both foreign and domestic.

Thus, CPEC benefits from the support of nearly all major stakeholders in Islamabad. This is also true in Beijing, where CPEC enjoys the blessing of President Xi Jinping, which empowers bureaucrats charged with the planning and implementation of the effort.

Beyond that, many different parties are involved in CPEC on both sides. The Pakistani civilian government is shepherding its initiatives through the Ministry of Planning, Development and Reform, but it is also clear that other power players of the Nawaz Sharif government—including the ministries of Finance and Water and Power as well as provincial governments—are involved in different aspects of planning and implementation. The military is also playing a leading role, first by standing up a new force to secure CPEC projects and workers, and also by using its own Frontier Works Organization for roads and other projects in parts of the country particularly hard-hit by violence.<sup>4</sup>

On the Chinese side, the National Development and Reform Commission (NDRC) has participated in a series of working groups with its Pakistani counterpart in a Joint Cooperation Committee, and relevant experts from both sides have participated in Joint Working Groups on energy, infrastructure, Gwadar port, and long-term planning. Chinese companies are involved in projects and bidding for new ones, many of which are being financed by concessional rate loans from China's EXIM bank.

**3. How does Beijing conceive of the role Pakistan plays in bolstering China's energy security?**

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<sup>4</sup> Syed Raza Hassan, "To protect Chinese investment, Pakistan military leaves little to chance," *Reuters*, February 7, 2016 accessed at <http://www.reuters.com/article/pakistan-china-security-gwadar-idUSKCN0VH06F>; "Linking Gwadar: FWO pulls off rare road building feat," *Express Tribune*, July 23, 2015 accessed at <http://tribune.com.pk/story/924783/linking-gwadar-fwo-pulls-off-rare-road-building-feat/>.

Pakistani briefings on CPEC almost always stress the fact that an overland energy corridor through Pakistan to the Arabian Sea trims thousands of miles off the maritime route between China and the energy-rich Gulf States. And it is conceivable that one day a combination of roads, rails, and pipelines could offer China a partial alternative to the Malacca Strait, where 85 percent of its oil imports and more than 35 percent of its liquefied natural gas imports now flow.<sup>5</sup>

Yet it is hard to believe that many serious Chinese analysts see CPEC as a realistic solution to China's Malacca dilemma, at least not in the short-to-medium term future. The terrain through Pakistan and over the Himalayas into western China is some of the most difficult in the world. Pipelines through restive Balochistan can hardly be considered more secure than the maritime tanker trade, and the sheer volume of China's energy demand—projected to double U.S. energy consumption by 2040—could not be slaked by this route, even if China follows through on every penny of the promised investments in Pakistan's port and transit infrastructure.<sup>6</sup>

That said, Pakistan offers China a long-term western access route that Beijing is not in a position to ignore. Depending on Chinese demand, Pakistani stability, and the state of the global energy market, it is at least conceivable that several decades from now Pakistan could become a viable energy artery into China's western provinces.

#### **4. How does the Sino-Indian competition for influence in South Asia inform China's economic relationship with Pakistan?**

It is important to begin by recognizing that China's trade and investment relationship (and potential) with India is greater than with Pakistan.<sup>7</sup> Although China and India are wary neighbors and their relationship has the potential to become even more competitive over time, the two also (like China and the United States) appreciate the imperative for economic cooperation.<sup>8</sup>

That said, CPEC must be recognized as a strategic tool for China. China bolsters Pakistan's economy in part to preserve Pakistan's traditional role as a strategic distraction for India (if not a full balancer or rival). And as China's naval ambitions grow, Pakistan's location along the Arabian Sea holds obvious appeal as well. Gwadar port may never achieve

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<sup>5</sup> "China," *U.S. Energy and Information Administration*, last updated May 14, 2015 accessed at <https://www.eia.gov/beta/international/analysis.cfm?iso=CHN>.

<sup>6</sup> "World Energy Outlook 2015," *International Energy Agency*, 2015, accessed at [http://www.iea.org/publications/freepublications/publication/WEB\\_WorldEnergyOutlook2015ExecutiveSummaryEnglishFinal.pdf](http://www.iea.org/publications/freepublications/publication/WEB_WorldEnergyOutlook2015ExecutiveSummaryEnglishFinal.pdf)

<sup>7</sup> Total China-India trade in 2014 was over \$70 billion, as compared to \$16 billion between China and Pakistan. Statistics from <http://comtrade.un.org/data/>.

<sup>8</sup> This is a point I make in my recent Council on Foreign Relations *Contingency Planning Memorandum*, "Armed Confrontation between China and India," accessed at <http://www.cfr.org/china/armed-confrontation-between-china-india/p37228>.

significant commercial success, but as a real or potential base for Chinese warships, it undoubtedly expands China's range of strategic options.

## **5. How does Pakistan conceive of its relationship with China vis-à-vis India and the United States?**

Some Pakistani strategists portray tighter relations with China as a strategic masterstroke, both with respect to India and the United States.<sup>9</sup> By their logic, an increasingly powerful China will serve as an even more effective external balancer against the India threat, thereby neutralizing Pakistan's main enemy and possibly even forcing New Delhi to deliver concessions in their outstanding disputes. Simultaneously, Pakistan can use U.S.-China competition to its advantage, encouraging Washington and Beijing to enter a bidding war for influence in Pakistan and extracting maximum benefits (with minimal conditions) along the way.

But there are significant flaws with this Pakistani narrative. First, China's willingness to back Pakistan must be weighed against Chinese economic interests in India and, more generally, against China's interest in the stability of its neighborhood. On every recent occasion of Indo-Pakistani tension, China has counseled restraint from Pakistan; Beijing seems to have little desire to advance Pakistan's territorial claims against India; and on multiple occasions, most recently in the Kargil conflict of 1999, China refused to save Pakistan from serious military setbacks against India.

Second, few U.S. policymakers perceive the need to compete with China for influence in Pakistan. The U.S.-China competition is not the same as the U.S.-Soviet Cold War game of competing alliances, and for various reasons it may never be. Moreover, far from being a "strategic prize," Pakistan is widely perceived in Washington as a weak, possibly failing state—a place where the United States would prefer to be less involved if not for persistent concerns about international terrorism and nuclear proliferation. By now, American frustration with Pakistan is high enough that dropping Pakistan into China's lap holds at least some appeal. In short, if Pakistanis attempt to play the "China card" with the United States, they are more likely to irritate U.S. officials than to worry them.

## **6. Where do U.S. and Chinese interests converge and diverge regarding Pakistan? Assess opportunities for U.S.-China cooperation regarding Pakistan (including but not limited to those related to Afghanistan).**

Washington and Beijing are both interested in fighting Islamist terrorist groups in Pakistan, but they hold different priorities about which groups are most threatening. Where China prioritizes the Uighur threat and shows no concern about anti-Indian groups

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<sup>9</sup> Author interviews in Islamabad, February/March 2016.

(like Lashkar-e-Taiba), Washington has generally placed its greatest emphasis on fighting international terrorist organizations like al-Qaeda.

This mismatch in prioritization has generally stifled meaningful counterterrorism cooperation between Beijing and Washington, and while efforts to explore better working relationships in these areas should be encouraged, they are unlikely to pay off in the near term. Looking ahead, closer China-Pakistan ties need not pose obstacles to U.S.-Pakistan counterterror efforts, and U.S. officials will want to avoid perceiving cooperation with Pakistan as being in competition with the Chinese, even as Pakistani officials may attempt to spur precisely that reaction.

Both China and the United States also share an interest in avoiding all-out war between Pakistan and India, although their other views on India differ markedly. U.S.-China cooperation in crisis management has helped reduce tensions in recent Indo-Pakistani disputes. Additional discussions between Washington and Beijing on how better to coordinate their tactics along these lines would be worthwhile.<sup>10</sup> It is less clear that Washington and Beijing can play a greater role in mediating the underlying differences between India and Pakistan, as the greatest progress toward normalization is more likely to come through direct talks between top Indian and Pakistani leaders.

In Afghanistan, Chinese and American leaders are united in wanting to advance the process of a political settlement that would end the Taliban insurgency, but their timelines and priorities differ. Washington's political timelines and desire to reduce its military presence in Afghanistan undoubtedly helped to spark China's unprecedented diplomatic engagement in the Quadrilateral Consultative Group, but Beijing is generally less time-sensitive, more concerned about long-term, post-NATO conditions in Afghanistan as they relate to regional conflicts, and eager to avoid taking sides in a conflict that could range for many more years. The most Washington can hope is that Beijing will see a near-term political settlement in Afghanistan as a better bet than any of the alternatives, and will therefore encourage Pakistan to facilitate that outcome (as much as it is able).

Finally, both sides would prefer to see a politically stable and secure Pakistan, one that is more able to address the economic needs of its fast-growing population. Here is where one would expect that the United States and China would find the most room for harmonizing their development efforts in Pakistan, if not coordinating them in a deeper sense. U.S. assistance programs, especially in the areas of infrastructure, could be linked to Chinese projects in ways that are mutually beneficial. For example, where China is building a power plant, the United States can help improve the capacity of electrical transmission lines or connecting rail. Over time, such steps should improve the chances that U.S. investors also see an attractive environment for their own projects where currently the risks and challenges are too great.

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<sup>10</sup> For more on this topic, see my chapter on "Pakistan Contingencies," in *Managing Instability on China's Periphery* accessed at <http://www.cfr.org/asia-and-pacific/managing-instability-chinas-periphery/p25838>.

That said, the United States and China clearly differ on the issue of how political systems relate to peace and development. Whereas the United States can be accused of hypocrisy in its on-again, off-again application of democratic principles to policy in Pakistan, China simply has no such aspiration. As a practical matter, for the time being both sides will continue to work with Pakistan's civilian institutions, knowing that the army dominates national security and foreign policy and calls the shots on much else as well, including its own budget. U.S. policies would be complicated, however, if the army were to reassert direct control over civilian institutions as it has during long periods of Pakistan's independent history.

**7. The Commission is mandated to make policy recommendations to Congress based on its hearings and other research. What are your specific recommendations for congressional action related to the topic of your testimony?**

CPEC and the overall intensification of China's role in Pakistan offer Washington a timely opportunity to recast U.S. strategy in Pakistan. There are benefits to the United States of playing a role in Pakistan that is less "front and center" than it has been since 9/11. With China catching more attention, Pakistani expectations for the United States have already been reduced in ways that, ideally, should permit U.S. officials to continue to focus on areas of greatest priority without some of the radioactive political baggage of the past.

Given persistent U.S. concerns about terrorism, nuclear proliferation, the war in Afghanistan, and Pakistan's own fight against internal insurgency, Washington has every reason to remain involved in Pakistan, if with an agenda that is more targeted, politically sustainable, and clear about U.S. ends and means.

For the Obama administration and its successor, this suggests the need to exploit the advantages of Chinese involvement in Pakistan without getting sucked into a needless competition for "influence." The United States should rest assured that it offers Pakistan opportunities and resources that China cannot, and therefore that U.S. influence and access will not depend on Chinese policy.

Moreover, because U.S.-China tensions are high in many other areas, in Pakistan (and Afghanistan), we should actively seek out opportunities for cooperation, even if only at a tactical or operational level. Where U.S. civilian assistance can help to enhance the viability of CPEC projects in ways that create jobs, growth, and incentives for additional outside investment that should be a priority. This will require active diplomatic outreach to both Chinese and Pakistani counterparts, recognizing that, at least initially, they may be skeptical about U.S. goals.

For Congress, the primary question for U.S.-Pakistan relations is how best to structure U.S. civilian and military assistance programs. In general, we suffer from a too-frequent inability to link ends and means in a credible manner, leading skeptics to doubt the

wisdom of our assistance.<sup>11</sup> There is a constructive role for U.S. aid to Pakistan, and it should include development funds intended to improve the potential for security over the long run. Where possible, these should be harmonized with Chinese efforts as a means to enhance the efficacy of both.

In addition, no matter China's policies, U.S. military assistance for objectives shared with Pakistan—namely the fight against anti-state insurgents like the TTP—should continue as long as those threats persist and where our specific goals overlap. Other U.S. assistance to Pakistan, much of which has been conceived as leverage to advance our aims in Afghanistan or to encourage other Pakistani reforms in their economic or military policies, will hold value if it is tied to conditions with flexibility appropriate to our purposes and realistic expectations about Pakistan's likely strategic choices culled from recent and historical experience.

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<sup>11</sup> Daniel Markey, "Stop Writing Pakistan Blank Checks," *Foreign Policy*, February 18, 2016 accessed at <http://foreignpolicy.com/2016/02/18/pakistan-corker-military-aid-blank-checks-corruption-terrorism/>.