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EXECUTIVE SUMMARY

Both security and economic reasons make Pakistan a partner of outstanding importance for China in the BRI. Their partnership is based on a sense of reality and the absence of a strategic alternative for both of them. This holds in particular with respect to the unifying rivalry with India and the distance to the West. While economic relations between the two countries have already deepened in recent decades, bilateral cooperation is now also being strengthened in the military sphere. As the article shows, Pakistan is not only interested in China's economic capabilities in this regard, but also in digital modernization and cyber warfare.

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Introduction

While the exchange of data is now possible between almost any two populated places on earth, the increase in international trade occurred due to cheaper sea transportation alternatives with container ships since the late 1960s. Because sea transportation has been a much cheaper transportation alternative and most people throughout the world live within proximity to coastlines, the classical land-based transportation routes were widely ignored during the past fifty years and many land-locked countries in Central Asia and Sub-Saharan Africa felt globally behind. States such as Pakistan and Afghanistan in particular have long led a shadowy existence in international trade and, despite their central location between Asia, Europe and Africa, were part of the periphery. With the BRI, China is enabling new alternatives for these states while expanding its political, economic and military network in the process.

Pakistan is of interest to the People's Republic primarily because of its geostrategic location: To emphasize the distance between these Western provinces and their nearest ports in China, the direct distance from Urumqi or Kaxgar in the Western 'restive' Xinjiang province to the closest Chinese harbor of Tianjin is not much different from the distance to Pakistan's Gwadar (both approximately 3,000 km), the latter being much closer to China's customers in Europe and Africa.

In this contribution, we will show that a mix of security and economic reasons make Pakistan a partner of outstanding importance for China among the more than 130 nation states which are more or less closely involved in the BRI. The fact that Pakistan is predestined to be a partner for China in the current situation is already clear from the following circumstances:

1. Pakistan has a population of more than 200 million.
2. Pakistan has a direct border to Xinjiang province and as such can provide direct access to the Indian Ocean, which allows Chinese vessels to bypass the Strait of Malacca.
3. Pakistan and India, the second country with a population above one billion and a strategic rival of China, waged several wars, among them the first conventional war among nuclear powers.
4. The West is currently almost not present in Pakistan.

Pakistan's interest in China is often reduced to China having access to skills at establishing infrastructure, modernizing society in general and providing a counterweight against its neighbor India. In the following will we show that the situation is more complex for both partners in this "marriage of convenience".

China's Economic Engagement in Pakistan

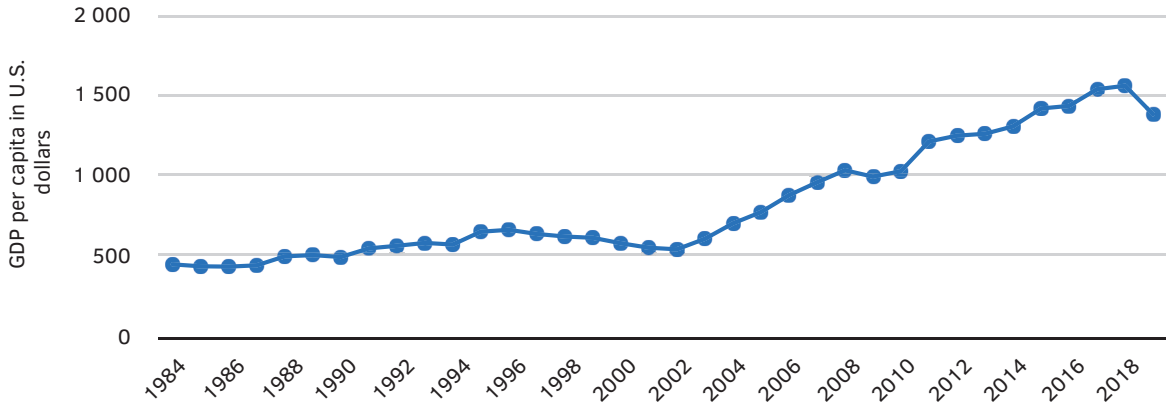
Financial streams from China are exceeding their counterparts from the West in very few countries: Besides small-populated countries like Laos, Tajikistan, Sri Lanka and Kazakhstan, Pakistan is the 'big fish' in this small pond. The American Enterprise Institute records 95 large projects of Chinese firms from 2005 to 2060 with an overall investment sum of approx. USD 60 bln.

In 2019 China's investments in the BRI countries were obviously under scrutiny: Whereas China's foreign investment in the first half of 2019 dropped substantially in order to make use of Chinese liquidity abroad more efficiently in the future, Pakistan was almost not affected by this recalibration. In 2019 China started three huge projects on

hydropower and two on coal mining with an overall contract sum of USD 5,375 bln. This underlines the Chinese strategy to concentrate on a few partner states instead of diversifying in a wider sense.

According to the Word Bank classification, Pakistan is a lower-middle income country. The central challenge for its government is, however, to deal with the increasing population. Pakistan's population grew by approx. 40 million people (or annually by approx. 2 %) during the last 10 years. Figure 2 shows the development of the GDP per capita from 1984 until present.

Figure 1: GDP per capita in Pakistan from 1984 – 2019 (Source: Statista)



Pakistan's trade balance is characterized by huge deficits for many years now: The surplus of imports over exports increased from USD 20.541 bln. in 2014 to USD 37.738 bln. in 2018. Of a particular interest is of course China: whereas the exports to China counted approx. USD 1.8 bln, the imports counted for USD 11.45 bln.; i.e. a six fold difference (cf. e.g. http://www.gtai.com).

The CPEC is a network of approx. 3,000 km of rails, roads and pipelines that intends to transport oil and gas from Pakistan's harbor Gwadar to Kaxgar in Xinjiang province. Its finalization is foreseen in 2030. Whereas the geo-strategic objectives of China have been described above, the central motivation for the Pakistani government is the creation of jobs (est. 700,000) and a contribution of 2 - 2.5 percentage points per year to the GDP growth. China and Pakistan seem thus be in a win-to-win situation.

The Security Component of Cooperation

Beijing's economic ambitions in Pakistan are also venturing into troubled waters, as is evident from the country's security environment. At the same time, China is involved in several conflicts at once within the framework of the CPEC. In addition to the conflict over the Kashmir region between India and Pakistan, the unrest and fighting against Pashtun separatists in the Federally Administered Tribal Areas (FATA) in the west of the country, and the continuing radicalization within parts of Pakistan's Muslim society, Chinese actors in the country are inevitably confronted with this situation.

China's role as Pakistan's long-standing partner can be seen as an advantage here. The two states have also worked closely together in the area of military and intelligence cooperation since the 1960s. Thus it was

not only U.S. technology but also Chinese technology that enabled Pakistan to arm itself with nuclear weapons in the 1980s.[1]

China is also in close contact with its southern partner in questions of political support around the Kashmir region. Both states managed to settle their territorial disputes in Kashmir as early as 1963, while India was unable to reach an existing agreement with either China or Pakistan on the division of the strategically important region. Moreover, nationalist policies under India's Prime Minister Narendra Modi, with the change in the status of Jammu and Kashmir, once again opened up the rifts with Pakistan and China. In response, in September 2020, China and Pakistan in turn presented new maps of the region that almost ignored Indian claims on the ground, further fueling the current political situation. It is therefore the common interest that binds Pakistan and China together here, especially since Pakistan has a member of the UN Security Council at its side in China.[2]

With the CPEC, which in parts passes close to the Kashmir region, there are, however, consequences with regard to the situation in Kashmir that must at best be described as ambivalent. From Delhi's point of view, the corridor is a threat, since it also further strengthens Pakistan's claim to the region. In addition, Pakistan's Chinese involvement in the north and east of the country provides a kind of safeguard against Indian military action, since in the event of an open conflict Chinese facilities and personnel would also be affected, which China would not accept without hesitation.[3]

But it is not only in questions of the Kashmir conflict where China and Pakistan share the same interests. They also share the same fate with regard to various separatist tendencies. While the government in Islamabad has to wrestle with the Pashtun and Baluchi groups in particular, Beijing fears a strengthening of Uyghur and Tibetan minorities in its provinces Xinjiang and Tibet.

Pakistan in particular hopes to gain a double advantage from cooperation with state and private actors from China: Since the expansion of the port of Gwadar in southern Pakistan with the western and southern sectors of the corridor being two central building blocks in the bilateral project in the troubled province of Baluchistan, China also has a central interest in pacifying the situation on the ground. Particularly after the kidnapping and murder of Chinese citizens of the Baluchian capital Quetta in May 2017, those responsible for the project felt compelled to expand security measures. Islamabad sent up to 13,000 soldiers to the region, and several private and state security companies are now also active on the Chinese side.[4] In addition, several bilateral task forces have been established in the fight against terrorism and separatism, which are also intended to promote technological transfer. Since Chinese companies such as Huawei and Antiy Labs are now leading the way in the field of data services and civil and military monitoring of the network and public space, the government of Imran Khan is hoping for new opportunities here as well. For example, several Pakistani hacker attacks on Indian infrastructure seem to have been carried out with the help of Chinese companies and technology. Nevertheless, it must be noted that a large-scale cyber war or a surveillance system of its own population, as in China, is still a very long way off in Pakistan, as the

1 Paul Kerr/Mary Beth Nikitin, "Pakistan's Nuclear Weapons: Proliferation and Security Issues," Washington, D.C.: Congressional Research Service, Report for Congress, updated November 14, 2007, 3-4.

2 Christian Wagner/Angela Stanzel, "Kartenspiele in Kaschmir, Neue geopolitische Realitäten im Konflikt zwischen China, Indien und Pakistan," SWP 85 (2020), 6-7.

3 Christian Wagner, "The Effects of the China-Pakistan Economic Corridor on India-Pakistan Relations," SWP Comment 25 (2016), 2.

4 Stefan Lukas, "Neue Perspektiven in Nahost – Wie Chinas Initiativen politische Verhältnisse in der Region grundlegend verändern," SIRIUS – Magazine for Security Studies 2 (2019), 25-26.

government simply does not have the financial capacity at present to think in Chinese dimensions.[5]

Like the respective US governments, however, the government under Xi Jinping must now also realize that Pakistan can be an ambivalent partner. Because of the strong position of the military, various religious foundations and the Inter-Services-Intelligence (ISI) in the state apparatus, Pakistan's dealings with Islamist groups, above all the Taliban and, to some extent, al-Qaeda, must be viewed as extremely problematic from the Chinese perspective. After the latest accumulation of Islamist-motivated attacks in several Chinese cities in the years 2013-2015, China is pursuing a zero-tolerance policy toward Islamist groups – not only in its own country. The fact that this is not supported by all Pakistani officials is difficult for Chinese foreign policy to accept.[6]

But it is not only at the interstate level that differences of opinion are currently straining the common relationship, although these are rarely communicated to the outside world. Pakistani public opinion no longer sees China only as a savior. Various business associations are too afraid that domestic companies will be left empty-handed when it comes to awarding contracts for individual projects under the CPEC.[7]

Government debt on the part of Chinese partners also threatens to lead to further criticism of China, since in Islamabad, too, it has been observed very clearly how China's policy has dealt with the highly indebted Sri Lanka.[8] The planned handover of the two Pakistani islands Bundal Island and Bhuddo Island near the metropolis of Karachi to China is also causing fierce resistance in the public as well as in the political opposition and is increasing the threat to Chinese personnel on the ground.[9] In addition to all this, there are ideological differences, which are borne especially by the conservative Muslim stratum, because they are reluctant to cooperate with a communist state apparatus.

From a security policy perspective, the CPEC and China's new actions in the Kashmir conflict must be seen against the background of the general political situation. With the withdrawal of US forces from Pakistan in 2011 and the temporary cancellation of US aid by the Trump administration in September 2018,[10] China sees its chance to displace US dominance in South Asia as well. By integrating Pakistan into the Shanghai Cooperation Organization (SCO) and expanding the military base in Gwadar, Beijing is thus creating new facts in the region that have so far met with little resistance.

5 Aamna Rafiq, "China-Pakistan Cyber Security Cooperation," Pakistan Observer, November 6, 2019.

6 Krzysztof Iwanek, "The Deafening Silence of Pakistani Jihadists and Radicals on China's Uyghurs," The Diplomat, September 20, 2019.

7 As a consequence of the one-child-policy, there is currently a surplus of 30 – 40 million most often lowly educated men in the marriageable age. From the Chinese government's perspective, these men represent a danger for the social stability of China. Cf. Linowski et al.

8 As a result of the enormous debt of Sri Lankan entities to Chinese partners, Sri Lanka had to lease its deep sea port Hanbantota to China for 99 years; cf. Anusha Ondaatjie, Asantha Sirimanne, "Sri Lanka leased Hambantota port to China for 99 yrs. Now it wants it back," Business Standard, November 30, 2019.

9 Adnan Aamir, "Pakistan politicians fear losing strategic islands to China," Nikkei Asia, October 13, 2020.

10 "US military to cancel $300m in Pakistan aid over terror groups," BBC, 2 September 2018.

Conclusion

China and Pakistan admit a remarkable number of serious differences in world policy perception; however, their six decades of partnership is based on a sense of reality and the absence of a strategic alternative for both of them. As Pakistan's population is large and different to the Han, it is unlikely that China will try to bring them in a self-perceived dependency from China. Conversely, Pakistan needs China's experience and technical skills to modernize its economy to deal with its growing population which needs jobs. We thus expect stable ongoing economic and security relations between China and Pakistan in the middle future. However, Pakistan's increasing dependence on the People's Republic of China in particular could lead to further potential threats to India. A special eye on India from each partner backs this main scenario.

The EU and other political actors like the USA should avoid thinking and acting in power blocs but keep in mind that solutions of most of the qualitatively important future issues require the cooperation of all important nations or federations.

For this, maintenance and development of formal and informal relations not only among politicians, but among scientists and artists, too, are of a crucial importance.

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