

Strategic Analysis Paper

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Pakistan's Strategic and Foreign Policy Objectives

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Key Points:

- **Pakistan's foreign policy initiatives are an attempt to preserve the state's legitimacy, stability and security, by:**
 - *Attempting to secure access to new sources of energy, both domestically and regionally with Iran and Central Asia.*
 - *Viewing Iran as an important source of energy, a counterweight to Balochi secessionists, and a strategically important land corridor to access western Afghanistan and the western Central Asian region through Turkmenistan, the Caucasus region, Asia Minor and the Middle East.*
 - *Seeing its relations with China as critical to its future strategic security, internal stability and economic prosperity.*
 - *Seeking to prevent India from being a perceived threat to its regional strategic interests. It is likely to contest, limit and possibly even prevent Indian influence, where possible.*
 - *Trying to position itself to influence any future Afghan government and to prevent the Taliban from further destabilising Pakistan.*
 - *Recognising the need for continued US financial assistance and diplomatic support, which is vitally important for Pakistan's economic security and stability, and also offers a means to influence India's foreign policy.*

Summary

In recent years Pakistan's foreign policy has steadily transformed from one that was limited in regional scope, largely towards the Middle East and South Asia, to a policy that is moving towards developing and strengthening relations with China, Iran, Central Asia and Russia. The changing priorities behind Pakistan's strategic interests have emphasised the need to secure: new sources of energy; new markets for its products, services and labour; a favourable balance of power in the region; a way to contain and limit India's expanding regional influence; and the necessity to retain an amicable relationship with the US.

Analysis

Energy Security

In addition to concerns over Afghanistan, increasingly on the minds of senior Pakistani decision makers, is a growing awareness about meeting the nation's escalating energy demands. For example, with demand reportedly three times greater than supply, the energy shortfall has had a major impact on industry and has regularly forced businesses to cease operations. Pakistan imports 85 per cent of its oil and has relied heavily upon Middle Eastern countries to acquire energy; such as Saudi Arabia, which is Pakistan's largest supplier of petroleum. Given these considerations, the need to secure new energy sources will also remain a fundamental goal of Pakistan's foreign policy.

Currently, Pakistan has been aggressively seeking to exploit new petroleum and gas reserves both domestically and regionally. The Pakistani state-owned Oil and Gas Development, which extracts and produces 60 per cent of Pakistan's domestic oil, is actively prospecting for new reserves in the resource-rich but restive Balochistan Province. 'We are following a very aggressive exploration policy,' said the company's Chief Executive Shah Mehboob Alam. The low intensity insurgency being waged by Balochi secessionists, however, has slowed the pace of exploration operations.

Similarly, in its quest to secure energy Pakistan has also looked towards Iran, which is also strategically important to Pakistan as a land corridor to the Middle East, Asia Minor, the Caucasus and the western Central Asian region. It has accordingly sought to upgrade relations significantly. For some time, both Iran and Pakistan have been engaged in improving communications and transport links to strengthen relations. For example, in 2009 Iran provided US\$72.3 million to lay a 170 kilometre transmission line to export 1000MW of electricity to Pakistan. More recently, in 2010, Pakistan signed a deal with Iran worth US\$7.6 billion, to build the long-delayed pipeline project to pump 750 million cubic feet of natural gas daily from the South Fars field to Pakistan by mid-2015. The initiative was hailed by Pakistan's Petroleum and Natural Resources Minister Naveed Qmar, who regarded it as 'a milestone toward meeting energy needs of the country.' Bilateral trade between the two countries has also grown from around US\$500 million in 2005 to approximately US\$2.3 billion in 2009.

A by-product of stronger relations has been enhanced bilateral security cooperation, especially in relation to countering Balochi secessionists, who present an intractable problem for both countries.

Given the instability in southern Afghanistan, Iran is also increasingly important to Pakistan as a land route to the countries of western Central Asia, namely, Turkmenistan, Kazakhstan and Uzbekistan. Through this link, Pakistan has been able to access Turkmenistan's market more readily than it has in the cases of Kyrgyzstan, Kazakhstan and Uzbekistan. 'Presently these relations are being restrained by the absence of fast, smooth and cheap transport system. At present trade is being handled by air which is not a cheap way,' said a senior Pakistani trade official. Yet Pakistan has demonstrated a strong interest in importing electricity from Turkmenistan and in joint-venture partnerships to develop Turkmenistan's South Yolotan-Osman gas field.

In addition to Iran, Pakistan has also looked to Central Asia to secure energy and access to new markets. Since 2010, Pakistan has embarked on a diplomatic offensive to enhance its relations with such Central Asian countries as Kazakhstan, Kyrgyzstan, Tajikistan,

Turkmenistan and Uzbekistan. It has signed a number of bilateral and multilateral agreements. 'The process is underway to boost relations with Russia and Central Asian Republics,' said Shah Mahmood Qureshi, Pakistan's Foreign Minister.

In the same year Pakistan's Central Asian ambitions were given greater impetus when it joined the 10 member Central Asia Regional Economic Cooperation. Pakistan is increasingly interested in expanding relations with the Central Asian states to exploit its geo-strategic position as a corridor to the Indian Ocean. This has particularly become the case with the new Chinese-built port facility at Gwadar.

For Pakistan to access Tajikistan and Kyrgyzstan, it requires the cooperation of Afghanistan to use the Wakhan Corridor, a narrow strip of land belonging to Afghanistan that borders Tajikistan, western China and Pakistan. In recent times both Pakistan and Tajikistan have moved upon their longstanding interest to build the 1306 km long Pakistan-Tajikistan Highway, to link the Tajik capital of Dushanbe to the Karakoram Highway in Pakistan. There are also indications that Tajikistan remains eager to export energy. One example is the CASA-1000 power project signed in March 2011, which aims to transmit 1000 MW of surplus electricity from Tajikistan and Kyrgyzstan to Pakistan, by a 750km transmission line. As seen in April 2011, Tajikistan has similarly offered to help Pakistan fund and build 600MW and 220MW hydro plants.

As part of its Central Asia focus, Pakistan is also looking towards expanding trade relations with Russia, which is also reportedly seeking to expand trade and access routes to new markets throughout the region. As reported in *Dawn* late last year, the Chairman of the Pakistan-Russia Business Council, Muhammad Farooq Afzal, affirmed: 'Russia is keen on funding infrastructure projects such as roads, rail and energy in Tajikistan, Afghanistan and Pakistan. The positive results of the meeting will give access to Tajikistan and Russia for Pakistani ports and in return Pakistan will get access to the Central Asian markets and rich Siberian regions through road and rail. With a population of 145 million, and a consumer market of 1.27 trillion dollars, the Russian Federation is an enormous market. Together with the neighbouring countries, Russia and is a potential market in the field of textile and garments, rice, leather, sport goods, surgical equipment and pharmaceuticals. If an aggressive export strategy is adopted, Pakistan can raise its consumer goods export to Russia up to one billion dollars within a year.' Since then efforts to improve relations have led both countries to establish an inter-governmental commission to examine the potential to enhance trade and economic ties.

China-Pakistan Relations

Over the last decade Pakistan's strategic partnership with China has become increasingly important to its future security, stability and prosperity. 'The Pakistan-China relationship is much more than a strategic confluence of interests between two countries,' affirmed Pakistani President Asif Ali Zardari in early 2009. Similarly, in February 2010 Pakistan's Foreign Minister, Makhdoom Shah Mahmood Qureshi, told an audience at the Shanghai Institute of International Studies: 'Pakistan-China relationship has three constituents: strategic partnership; economic cooperation, and people to people contacts. In this calculus, the security dimension has been the strongest; but now the two sides are making conscious efforts to underpin this relationship with strengthened economic cooperation, and deepened cultural interaction at the level of the people.'

Although modern bilateral relations with China and Pakistan have fluctuated since they officially began in 1951, there has been a notable strengthening of relations after the US intervention in Afghanistan in 2001. Spanning the period from 1999 to 2009, there have

been a number of key examples of Chinese investment and support such as: assistance with the construction of a 300-MW nuclear power plant in Punjab Province; a joint-venture partnership in developing and producing the Al-Khalid-2000 Main Battle Tank and the JF-17 Thunder multirole fighter aircraft; provision of \$198 million out of \$248 million to build Gwadar port; signing of a bilateral free trade agreement; co-operation in civil-nuclear technology as demonstrated by the Khusab Nuclear Programme; acquisition of modern Chinese-built F-22P frigates; initiatives to build a fibre-optic line, an oil and gas pipeline, and a rail track connecting Gwadar to China; and the provision of an EXIM Bank loan of US\$105 million for Pakistan Railways to purchase 75 Chinese-made locomotives.

By 2010 bilateral trade had increased to US\$7 billion, up from US\$2 billion in 2002, and both countries have since announced plans to increase this further to US\$15 billion by late 2011. Since 2010, over sixty Chinese companies have been operating in Pakistan on 122 projects, involving some 11,000 Chinese businessmen, engineers, technicians and workers.

In the same year China offered to invest US\$10 billion in Pakistan for two hydro-power projects to generate 7,000 and 12,000 MW. Similarly, in December 2010, China again signed 22 new agreements with Pakistan as part of its agenda to further expand trade and cooperation. They covered agriculture and livestock, banking and finance, civil aviation, culture, diplomacy, electronics, energy, mining, politics and space technology.

India-Pakistan Rivalry

Although it is now more than six decades since both countries attained independence, India and Pakistan have not achieved a satisfactory relationship, despite several attempts to do so. Instead, there have been tensions from the Cold War era, three major wars, a nuclear arms race, the perennial dispute over Kashmir and strains over water sharing rights. Conversely, although both countries have engaged in posturing over Kashmir and issues of national security such as terrorism, it remains to be seen whether either Pakistan or India would want a major conventional conflict. Indeed, there are proponents in both countries who advocate reconciliation, and although the prospects of normalising relations appear remote at this stage, such an outcome in future may not be completely unrealistic.

Currently, trade relations between India and Pakistan are small but have shown signs of growth over the last decade; in 2000 trade was an estimated US\$500 million, but by 2008 it was reportedly over US\$2 billion. As suggested by a report published by the Washington-based Peterson Institute for International Economics, this figure does not include indirect trade to Pakistan via other countries, such as Dubai, Oman and Iran. Clearly, the likely benefits for both countries of normalising relations are substantial, as the trade flows under optimum conditions reportedly have the potential to reach over US\$40 billion annually. Similarly, the normalisation of relations also has the potential to benefit both countries from the standpoint of energy initiatives, such as the proposed Iran-Pakistan-India and the Turkmenistan-Afghanistan-Pakistan-India pipeline projects.

But for dialogue to succeed, both countries need to harmonise their conflicting strategic interests and also find means to engage in dialogue without serious domestic political fallout. For example, Pakistan has grown uneasy about India's growing presence in Central Asia; for example: the use of an air base in Tajikistan since 2002; defence cooperation programmes with Tajikistan and Uzbekistan; and India's initiatives to access and exploit mineral and energy reserves in the region.

Some Pakistani officials are also concerned with other Indian initiatives in the region, namely: the provision of concessional loans to Tajikistan and Uzbekistan, such as the US\$17 million loan to Tajikistan for the modernisation of hydroelectric infrastructure; the provision of financial aid to develop a trans-Afghan highway and railroad; a highway linking Turkmenistan, Afghanistan and Iran to the Persian Gulf port of Chah Bahar, which is also being upgraded and expanded with significant Indian aid. But, while India's presence in Central Asia is of increasing concern, Pakistan appears to be most alarmed by India's expanding inroads in Afghanistan.

Afghanistan-Pakistan Relations

Due to Afghanistan's location, the outcome of the US-led intervention in shaping the current and future political and security environment is of critical importance to Pakistan. In line with this, Pakistan has traditionally sought to retain a zone of influence, or buffer, which it has done historically with elements of the ethnic-Pashtun population. It would appear that such a policy was pursued with a view to sustaining Pakistan's internal security and stability. Similarly, Pakistan would also be looking to influence an Afghan government to ensure that it does not support any dissident elements that are detrimental to Pakistan's security.

In this sense, Pakistan could possibly adopt a number of strategies that are intended to shape Afghanistan's security environment in a manner that aligns with its core interests: co-opt or accommodate key Taliban factions by supporting the movement generally; restrict the movement's influence to the Afghan side of the border; or to militarily confront the Taliban. At this stage it would appear that the second option is the most likely, with the last option the least likely.

In today's context Pakistan's economic interests in Afghanistan remain modest. There are reportedly over 100,000 Pakistani professionals and skilled workers who reside and work there. Two-way trade between the countries is estimated at US\$1.5 billion and, in 2010, both Pakistan and Afghanistan showed serious interest in improving transport infrastructure by jointly constructing the Chaman-Kandahar and the Peshawar-Jalalabad rail links. Similarly, for some time now Pakistan has granted Afghanistan transit rights to India for its exports. Recently, Pakistan has also demonstrated serious interest in seeking transit rights through Afghanistan to Tajikistan, by building a highway and railway through the Wakhan Corridor.

These Pakistani initiatives, however, appear to be partly a reaction to counter India's growing influence in Afghanistan. Since the US-led intervention first began in 2001, India is known to have opened four consulates throughout Afghanistan, in Herat, Jalalabad, Kandahar and Mazar-e-Sharif. Today, as emphasised by the Centre for Strategic and International Studies in Washington, India's presence can be summarised by the following examples: growth of bilateral trade, which in early 2008 was worth US\$358 million; the provision of US\$1.2 billion to fund infrastructure development projects, such as the Zaranj-Delaram highway, Salma Dam power project in Heart Province, and Afghanistan's new parliament; the presence of over 4,000 Indian engineers, labourers and security personnel (reportedly including 500 Indian policemen), working on various development projects; involvement in training Afghan police, civil servants and diplomatic staff; and further assistance in the spheres of education, health, energy, telecommunications and transport.

Such a large Indian presence has also invited Taliban hostility, given India's traditional support to the Northern Alliance, which has resulted in numerous attacks against Indian nationals engaged in development and reconstruction work. To complicate matters further, India has also accused Pakistan's covert intelligence agency, Inter-Services Intelligence, of

encouraging Taliban hostility. Some US reports have gone as far as to suggest that Pakistan and India are engaged in a “shadow war” in Afghanistan, but these allegations appear to be unsubstantiated. Nonetheless, what remains evident and appears to be intensifying, is the India-Pakistan rivalry, which, if left unaddressed, could have major and destabilising implications for the region’s future.

US-Pakistan Relations

Despite the huge investment of financial, material and human resources the US has provided to Pakistan, the strain in relations has steadily grown with each passing year of the war in Afghanistan. This was exemplified in early 2010 by Pakistan’s Foreign Minister Qureshi, who reportedly stated on two separate occasions: ‘We have already done too much ... Pakistan has done its bit, we have delivered.’ Similarly, after a meeting with US officials, Qureshi affirmed: ‘A very strong perception in Pakistan that, despite our very good relations, the United States has not paid sufficient attention to Pakistan’s concerns, security concerns vis-à-vis India.’

Such sentiment has persisted even though the US provides Pakistan with more foreign aid than it does most other countries. According to a US congressional report published in June 2010, titled: *Pakistan: Key Current Issues and Developments*, by mid-2010 Pakistan had received nearly US\$10.5 billion in aid since 2001, and an additional US\$8.5 billion in “reimbursements” for counterterrorism operations.

Efforts by the US to enhance bilateral relations by engaging in a number of strategic initiatives and dialogues, such as: the United States-Pakistan Trade and Investment Council, under the US-Pakistan Trade and Investment Agreement signed in 2003; and, more recently, the US-Pakistan Joint Trade Study Group; the US-Pakistan Strategic Dialogue; and the yet to be formed US-Pakistan Bilateral Investment Treaty, have had mixed results. This can particularly be seen by the trade figures for 2010, which stand at US\$5.4 billion and remain well short of Pakistan’s rapidly growing trade with China.

Nonetheless, Pakistan is likely to be concerned over the long-term status of US financial support, especially after the US seeks to withdraw from Afghanistan. It will, therefore, continue to impress on the US the need to ensure Pakistani stability; recognising Pakistan’s nuclear capability and its potential as a haven for radical groups. Indeed, the US withdrawal from Afghanistan could be detrimental to Pakistan, given that it is dependent on significant US economic aid, and also on revenue generated as a major supply route for US expeditionary forces in Afghanistan.

In the event of a US withdrawal from Afghanistan, it is possible that Pakistan will still seek to maintain amicable relations with the US, however strained they may be. Hence, this would be partly to ensure continued US aid, but also to diminish the probability of the US strongly aligning itself with India.

Pakistan is part of a rapidly changing region that is characterized by political instability, insurgency and serious acts of terrorism. It also has significant energy, population, and food and water challenges. Whether it is able to achieve its strategic and foreign policy objectives remains to be seen. What is clear, however, is that Pakistan is increasingly embracing new allies other than the West.

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