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# AFTER “AFPAK”: REFRAMING EUROPE’S PAKISTAN POLICY

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## SUMMARY

Since 9/11, Europeans have seen Pakistan through the prism of Afghanistan – what became to be known as “AfPak”. But as NATO troops withdraw from Afghanistan, it is time for a new approach to Pakistan. Despite substantial European development aid, Pakistan is arguably becoming less stable by the day. This is particularly frightening given Pakistan’s nuclear weapons. It therefore remains important for the EU to prevent Pakistan becoming a failed state even as NATO withdraws from Afghanistan. But the EU is not keeping pace with developments in Pakistan, which has an increasingly central role in the emerging regional competition between external actors – in particular, China and India.

It is time for Europe to move on from its “AfPak” focus and develop a new policy that takes into account regional dynamics and external actors. Europeans should see Pakistan not simply as a security threat to Afghanistan but rather as part of the problems of the region as a whole, to which a tailored and coherent approach is necessary. The European Union should use its leverage as Pakistan’s largest trading partner and one of its biggest sources of development aid to establish a meaningful security dialogue with Pakistan and promote regional co-operation. Such a new approach to Pakistan could be a first step towards the development of a broader European South Asia strategy.

Since 9/11, Europe has viewed Pakistan through the prism of Afghanistan, where it has paid a heavy price over the last decade. Of the 3,427 coalition deaths in Afghanistan, more than 800 were from the 25 EU member states that, between them, have deployed over 33,000 troops to the NATO-led International Stabilisation and Assistance Force (ISAF). Europeans also committed around €8 billion in aid for the period 2002–2010 to Afghanistan’s stabilisation and reconstruction.<sup>1</sup> Given this investment, and the importance of Pakistan to Afghanistan, it is understandable that European policy tends to focus on Pakistan above all as “a partner in the fight against terrorism”.<sup>2</sup> But if Europe continues to view Pakistan through this prism alone, its policy is likely to keep failing.

Despite the resources Europeans have committed to Pakistan since 2001, the country is arguably becoming less stable by the day. The political situation remains fragile as the Pakistani Army, its Inter-Services Intelligence (ISI), Pakistan’s intelligence service, and extremist groups such as the Taliban vie for power. The leaderships of the Taliban in both Afghanistan and Pakistan are regrouping, recuperating, and planning attacks. As NATO troops withdraw from Afghanistan, there is a danger that Afghanistan will once again become a terrorist hub. There are also key threats

<sup>1</sup> European External Action Service, “EU engagement in Afghanistan”, April 2011, available at [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/missionPress/files/110411\\_EU\\_engagement\\_Afghanistan-version\\_8\\_EN01.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/missionPress/files/110411_EU_engagement_Afghanistan-version_8_EN01.pdf).

<sup>2</sup> Pakistan-European Community Country Strategy Paper for 2007–2013, p. 15, available at [http://eeas.europa.eu/pakistan/csp/07\\_13\\_en.pdf](http://eeas.europa.eu/pakistan/csp/07_13_en.pdf).

emanating from Pakistan itself and these are independent of its perceived or real role in Afghanistan: a failed state, organised crime, terrorism, and nuclear proliferation – all with regional and global implications. In other words, even as the West withdraws from Afghanistan, it cannot afford to lose interest in Pakistan.

Moreover, a number of other external actors are also increasingly exerting an influence on Pakistan. Above all, Pakistan is a key element in China's regional strategy. The EU is failing to keep pace with these regional dynamics and developments. The first step for Europeans should be to develop a clearer sense of what they want from Pakistan and how this relates not just to Afghanistan but also to China and India – and to the relations and rivalries between the two. This could be a first step towards a South Asia strategy that will address the complexity of the region. A European policy should focus more on identifying the means needed to improve Pakistan's security situation. In particular, Europeans should seek to translate their trade links into leverage to influence security.

## A failing state

For the last decade, Europeans and Americans have tended to view Afghanistan and Pakistan as one problem – what the late Richard Holbrooke called "AfPak". There was, of course, some logic to this: Pakistan shares the Pashtun tribal areas with Afghanistan and the government in Islamabad has some limited but real influence over the Afghan Taliban and warlords. Western policymakers have long believed that the ISI through its activities supported the Taliban against NATO in Afghanistan – indirectly through lack of action against (Afghan) Taliban structures present in Pakistan, but possibly also directly and purposefully.<sup>3</sup> Several reports have alleged that the ISI (and elements of the Pakistani military) supported the Taliban (and other Afghan insurgents).<sup>4</sup> Therefore one might suggest that the path to stabilising Afghanistan starts from Pakistan. As a landlocked state, Afghanistan also relies on Pakistan for access to the sea via Karachi, so Pakistan could also play a key role in promoting trade with Afghanistan.

However, Pakistan continues to become less stable. Following the May 2013 election, a civilian government that had completed a full term handed power to another democratically elected civilian government – the first time this had happened in Pakistan. But Prime Minister Nawaz Sharif, who won the election, faces the same domestic difficulties as during his previous terms in office (from 1990 to 1993 and 1997 to 1999), as well as having plenty of new

challenges. In the summer of 2014, the former cricketer Imran Khan and the anti-government cleric Tahirul Qadri joined forces to launch a campaign to bring down the government, which culminated in thousands of protesters breaching security to enter the government district of Islamabad.

The Pakistani government and military also face militant networks that are fighting against the state, most notably the Tehrik-i-Taliban Pakistan (TTP), the largest Islamist militant group in Pakistan.<sup>5</sup> TTP claimed responsibility for a hostage-taking incident at Karachi airport in May, which led to a gun battle that lasted all night. Days later, the Pakistani army launched a ground offensive against militant strongholds near the Afghan border in North Waziristan and finally launched an operation against the "safe havens" of militants and terrorists, which previous military chiefs had been reluctant to do.

This terrorism is also linked to ethnic tensions in Pakistan. Thus, the Sunni "Punjabi Taliban", who are also aligned with TTP, target the Shia minority in Pakistan. Other ethnic minorities such as the Baluchis or Sindhis also feel they are discriminated against socially, politically, and economically.<sup>6</sup> Ethnic nationalist and separatist movements are fighting the Pakistani state in Sind, Baluchistan, and Khyber Pakhtunkhwa (formerly known as North-West Frontier Province), which is home to the Pashtuns – the link to Afghanistan. Islamist insurgency groups targeting US and NATO forces, such as the Haqqani network, are often allied with the (Afghan) Taliban. According to the South Asia Terrorism Portal (SATP), more than 50,000 Pakistani citizens died as a result of terrorist violence between 2003 and June 2014.<sup>7</sup>

Despite the resources it has deployed, the West has so far had limited success in Pakistan. The US increased its economic and development assistance to \$7.5 billion over five years between 2010 and 2014; the EU has increased its development assistance from €50 to €75 million a year for 2011–2013, not including the EU member states' bilateral aid to Pakistan. In 2012 alone, the UK's aid amounted to almost \$300 million; other EU member states contributed roughly another \$200 million.<sup>8</sup> But despite such international assistance, Pakistan remains one of the

5 The TTP is an umbrella organisation of various Islamist militant groups that united in 2007 in resistance to the Pakistan state and the US–NATO led forces in Afghanistan–Pakistan. It is not affiliated with the Afghan Taliban, although their interests converge in terms of enforcing their interpretation of Sharia law. However, they fight different targets (Islamabad vs. Kabul). Although difficult to estimate, the personnel strength of TTP should be around 10,000. See Qandeel Siddique, "Tehrik-e-Taliban Pakistan – An Attempt to Deconstruct the Umbrella Organization and the Reasons For Its Growth in Pakistan's North-West", DIIS REPORT 2010:12, Danish Institute for International Studies, available at [http://subweb.diis.dk/graphics/Publications/Reports2010/RP2010-12-Tehrik-e-Taliban\\_web.pdf](http://subweb.diis.dk/graphics/Publications/Reports2010/RP2010-12-Tehrik-e-Taliban_web.pdf).

6 Minorities, such as the Baluchis, have always been perceived to be at a disadvantage to Urdu speakers, mostly Punjabis or Muhajirin (Arab: migrant). Indeed, Punjabis dominate high-level positions in politics, the military, and the economy, and are economically and socially advantaged. Riots of the Bengali minority culminated 1971–72 in a civil war, which led to the separation from Pakistan, and the creation of Bangladesh.

7 "Fatalities in Terrorist Violence in Pakistan 2003–2014", data until 8 June 2014, available at <http://www.satp.org/satporgtp/countries/pakistan/database/casualties.htm>.

8 World Bank figures on net official development assistance and official aid received, available at <http://data.worldbank.org/indicator/DY.ODA.ALLD.CD>.

3 As published by WikiLeaks in 2010, disclosing a collection of US military logs on the war in Afghanistan (Afghan War Diary).

4 See, for example, Matt Waldman, "The Sun in the Sky: The Relationship Between Pakistan's ISI and Afghan Insurgents", June 2010, Discussion Paper 18, Crisis States Research Centre, available at <http://www.lse.ac.uk/internationalDevelopment/research/crisisStates/download/dp/dp18%20incl%20Dari.pdf>; Carlotta Gall, *The Wrong Enemy. America in Afghanistan, 2001–2014* (New York: Houghton Mifflin Harcourt, 2014).

poorest and least developed countries in Asia, which faces diverse security challenges and a strained relationship between the government and the military.

Recently, tensions between Pakistan's military and government increased again when Geo, the leading private news broadcaster in Pakistan, aired accusations that the ISI was behind the shooting of one of Pakistan's most famous journalists, Hamid Mir. In response, the ISI accused Geo of being anti-state. A day after Geo then decided to sue the ISI for defamation, it was shut down. Just one year since Nawaz Sharif became prime minister, he has clashed with the army chief, Raheel Sharif, over whether to negotiate with the TTP and whether to prosecute former president Pervez Musharraf. In March, Musharraf became the first senior member of Pakistan's military establishment to go on trial, which the army – naturally – opposed. If history is anything to go by, Pakistan might be on the path to another military coup – just as in 1999, when General Musharraf toppled Sharif.

What makes this prospect particularly frightening, of course, is Pakistan's nuclear weapons arsenal, which the world has followed with great concern since 1998, when Pakistan conducted nuclear weapons tests. Although in 2002 Musharraf established the National Command Authority (NCA), a controlling body consisting of army and governmental representatives, Pakistan's nuclear weapons are traditionally controlled by the army. The TTP attack against the Kamra air force base in Pakistan in August 2012 renewed concerns about the security of Pakistan's nuclear weapons and prompted Pakistani officials to insist that their nuclear weapons complex remained well protected.<sup>9</sup> The Obama administration has also repeatedly expressed confidence about the control over nuclear weapons of Pakistani authorities and acknowledged the improvement of the safety of nuclear facilities.<sup>10</sup>

According to the Failed States Index, Pakistan is already a failed state.<sup>11</sup> But in reality Pakistan is at most failing – that is, it is a state that is losing coherence rather than gaining it, while still retaining governance structures that function in basic ways. Thus, the objective of European policy should continue to be to support state-building in Pakistan and prevent it becoming a failed state – particularly given the issue of Pakistan's nuclear weapons. But Europe can no longer view Pakistan in isolation or as an appendix to Afghanistan. In particular, the EU must realise that it is not operating in a vacuum in Pakistan. Rather, Pakistan is increasingly becoming the site of a competition between other non-Western external actors – in particular, China

and India – which will become even more influential in Pakistan as NATO troops withdraw from Afghanistan.

## The role of China and India in Pakistan

Above all, Pakistan has become an essential part of China's posture in South Asia. China is increasingly using Pakistan to balance against India – as illustrated by the construction of new naval bases, the development of new energy and trade routes, and military co-operation and arms sales. Although China has long been an investor in Pakistan and co-operated on security with it, it has stepped up its engagement with Pakistan since Xi Jinping took over as Chinese leader last year. The number of bilateral visits has increased and old plans are being re-evaluated. During the same period, much attention has been paid to China's increasingly assertive foreign policy and, in particular, clashes with Japan, the Philippines, and Vietnam in the East and South China Seas.

In February, China reportedly agreed to provide around \$900 million to develop a deep-water port in Gwadar on the Arabian Sea.<sup>12</sup> China invested \$248 million in the first construction phase and, in February 2012, China Overseas Port Holdings Limited took over management of the port after the Singapore Port Authority terminated its contract. Deals were signed to develop infrastructure in the city of Gwadar and construct an international airport. Road and rail construction is also being planned in order to link the port with China – in particular, to extend the Karakorum Highway to Kashgar. This is part of the China–Pakistan Economic Corridor (CPEC), an infrastructure project linking Gwadar to Xinjiang that will cost around \$18 billion and could include construction of an oil pipeline. China and Pakistan also agreed to build a national research centre on hydropower. Thus, Musharraf's vision for Pakistan “to become a hub of trade and communication activity” might become a reality.<sup>13</sup>

Considering the security situation and structural weaknesses, Pakistan does not look like an attractive place for China to invest in. In fact, Chinese citizens in Pakistan have been attacked and, in 2011, the Chinese firm China Kingho Group, one of China's largest private coal miners, cancelled a \$19 billion plan to build a coal mine and power and chemical plants over 20 years in southern Pakistan out of security concerns.<sup>14</sup> Attacks against Chinese were most of the time directed against the Pakistani government, as was the case of the Baloch Liberation Front (BLF), an armed group fighting for a free Baluchistan, targeting the port of Gwadar.

<sup>9</sup> “Pakistani Minister Insists Nuclear Weapons are Under Tightest Protections”, NTL, 2 October 2012, available at <http://www.nti.org/gsn/article/pakistani-minister-insists-nuclear-weapons-are-under-tightest-protections/>.

<sup>10</sup> “Interview with General David Petraeus”, Fox News, 10 May 2009, available at [http://www.realclearpolitics.com/articles/2009/05/10/fox\\_news\\_sunday\\_david\\_petraeus\\_96429.html#ixzz34iC4MYX](http://www.realclearpolitics.com/articles/2009/05/10/fox_news_sunday_david_petraeus_96429.html#ixzz34iC4MYX). See also Anwar Iqbal, “Safety of Pakistan's nuclear assets has improved: US”, Dawn.com, 27 October 2013, available at <http://www.dawn.com/news/1052111/safety-of-pakistans-nuclear-assets-has-improved-us>.

<sup>11</sup> The Failed States Index 2013, available at <http://fip.statesindex.org/rankings-2013-sortable>.

<sup>12</sup> Hina Maghul Rind, “China to provide \$900m for Gwadar development”, The News International, 21 February 2014, available at [http://www.thenews.com.pk/Todays-News-3-233869-China-to-provide-\\$900m-for-Gwadar-development](http://www.thenews.com.pk/Todays-News-3-233869-China-to-provide-$900m-for-Gwadar-development).

<sup>13</sup> Banquet Speech by President Musharraf in Honour of President Hu Jintao, 23 November 2006, available at <http://pk.china-embassy.org/eng/svhjt/t282192.htm>. See also, for example, “Development projects: Nawaz signs \$18 bn tunnel deal with China”, The Express Tribune, 5 July 2013, available at <http://tribune.com.pk/story/572857/china-pakistan-relationship-sweeter-than-honey-nawaz/>.

<sup>14</sup> Tom Wright and Jeremy Page, “China Pullout Deals Blow to Pakistan”, the *Wall Street Journal*, 30 September 2011, available at <http://online.wsj.com/news/articles/SB1000142405297020340550457660671644602028>.

In 2013, a day before Chinese Premier Li Keqiang arrived in Islamabad, Chinese engineers in Karachi escaped a major bomb attack. Shortly after, Baluch separatist militants targeted Chinese engineers working at Gwadar.<sup>15</sup>

In fact, China's investments seem to be strategically rather than commercially motivated, and in particular to be part of an attempt to balance against India. China has also built ports in Chittagong in Bangladesh, in Hambantota in Sri Lanka, and near Sittwe in Myanmar, and has now begun adding overland supply lines. Indian analysts believe that Beijing seeks a "string of pearls" – that is, a network of bases linking strategic sea lanes around India.<sup>16</sup> The Pakistani government and military seem to be willing to allow China to play this role even if it increases tensions with India. As a retired Pakistani military general said in an interview, for example: "If the Chinese want to use Gwadar for military activities in the Indian Ocean or to attack Taiwan, they can use it".<sup>17</sup>

India has already expressed its concerns about deepening defence co-operation between China and Burma. In 2009, the Myanmar Oil & Gas Enterprise signed a \$2.5 billion agreement with China National Petroleum over a gas pipeline (from Myanmar's western coast to China's south-western Yunnan province), which is expected to start its operation this year. Another gas pipeline started operating in July 2013.<sup>18</sup> In May 2014, India responded by signing a memorandum of understanding on security co-operation (and exchange of information) between Indian and Burmese security agencies. China has also begun to play a bigger role in the Maldives – long considered almost a client state of India. In Sri Lanka, China is today the second-largest source of imports behind India and a free trade agreement is pending.

In addition to expanding trade and investment with India's neighbours, China is also continuing military co-operation with Pakistan. Although since the 1990s China has officially regarded the Kashmir issue as a bilateral matter between Pakistan and India – China did not get involved in the Pakistan–India Kargil conflict in 1999 – it continues to support Pakistan through major conventional arms sales and by providing technology and know-how. In 2013, Pakistan emerged as the largest recipient of Chinese arms exports, accounting for 54 percent of Pakistan's imports, and

47 percent of Chinese arms exports.<sup>19</sup> Pakistan and China jointly developed the JF-17 fighter, which started service in Pakistan in 2010, and the F-22P or Zulfiqar-class frigate for the Pakistani Navy. Pakistan also plans to acquire six new nuclear-powered submarines from China. Thus, China is contributing to the arms race between India and Pakistan.

In the last decade, this arms race has accelerated. From the period of 2004–2008 to the 2009–2013 period, Pakistan's arms imports from China increased by 119 percent.<sup>20</sup> Pakistan was among the five biggest arms importers in the world during the period of 2009 to 2013 (together with China, India, the United Arab Emirates, and Saudi Arabia). Meanwhile, India's imports of major arms increased by 111 percent between 2004–2008 and 2009–2013, making it the world's largest arms buyer. India's imports were 14 percent of the global total – almost three times larger than those of China or Pakistan, the second- and third-largest arms importers. The Pakistani army has around 600,000 men – one of the world's largest after China, the US, and India, which has around 1.1 million men. Pakistan's military power and budget is less than that of India but it spends more as a proportion of GDP.<sup>21</sup> Pakistan and India each possess approximately 100 nuclear weapons.<sup>22</sup>

Since taking over as Indian prime minister in May, Narendra Modi has sought to defuse tensions with Pakistan – for example, for the first time, Sharif was invited to attend the Indian prime minister's inauguration together with the leaders of other South Asian Association for Regional Cooperation (SAARC) countries. Modi also aims to increase bilateral trade with China, which reached a record \$74 billion, making China India's largest trading partner after the US and the United Arab Emirates. Although the trade volume between China and India shrank in 2012, as India's exports to China fell by 16 percent, the two-way trade between India and China could reach \$100 billion by 2015. In February 2014, China submitted a five-year trade and economic planning co-operation plan to India, offering to help finance the upgrading of India's rail, road, and power infrastructure and to buy into India's telecommunications market.<sup>23</sup>

On the other hand, territorial issues between China and India are still deadlocked and mistrust remains on both sides. China claims the Indian state of Arunachal Pradesh, and last year there was a three-week standoff in Ladakh after

15 For example, in 2004, three Chinese engineers were kidnapped and killed; in 2006, three Chinese workers were shot; in 2007, a bus with Chinese engineers on board was bombed, and in the course of the Red Mosque incident some Chinese were kidnapped but then released. Insurgencies on Gwadar port continue to target Chinese workers as well. See, for example, Sajjad Shaukat, "Creating Fissures between Pakistan and China", *Zameer* 36, 10 February 2014, available at <http://zameer36.com/creating-fissures-between-pakistan-and-china/>.

16 Many in India perceive the Chinese establishment of deep-water ports and overland infrastructure as a network of (potentially military) bases encircling their country like a "string of pearls". The phrase was originally used in a report published in 2004 on behalf of the US Department of Defense. See Juli A. MacDonald, Amy Donahue, Bethany Danyluk, *Energy Futures in Asia*, Booz Allen Hamilton, 2004.

17 A similar voice out of a think-tank in Pakistan: "A military purpose of Gwadar is not unthinkable if there is a common interest, a threat or an opportunity." Author interviews in Islamabad, 18 and 19 May 2010.

18 Transporting 12 billion cubic meters of natural gas to China.

19 Siemon T. Wezeman and Pieter D. Wezeman, "Trends in International Arms Transfers, 2013", Stockholm International Peace Research Institute, March 2014, p. 4, available at <http://books.sipri.org/files/FS/SIPRIFS1403.pdf> (hereafter, Wezeman and Wezeman, "Trends in International Arms Transfers").

20 Wezeman and Wezeman, "Trends in International Arms Transfers".

21 In 2012, India's military expenditure was 2.4 percent of GDP; Pakistan's was 3.1 percent.

22 "16 June 2014: Nuclear forces reduced while modernizations continue, says SIPRI" Stockholm International Peace Research Institute, available at <http://www.sipri.org/research/armaments/nuclear-forces>.

23 Dilasha Seth and Yogima Seth Sharma, "China offers to finance 30 percent of India's infrastructure development plan", the *Economic Times*, 20 February 2014, available at [http://articles.economictimes.indiatimes.com/2014-02-20/news/47527235\\_1\\_india-s-infrastructure-development-plan-infrastructure-sector](http://articles.economictimes.indiatimes.com/2014-02-20/news/47527235_1_india-s-infrastructure-development-plan-infrastructure-sector).

Chinese troops moved into Indian territory. “Arunachal Pradesh is an integral part of India and will always remain so”, Modi declared in February.<sup>24</sup> “No power can snatch it from us.” In May, just after he was elected prime minister, India increased the number of troops guarding the border with China. Meanwhile, Chinese troops exercise along the Line of Actual Control.<sup>25</sup> In mid-July, while Modi and Xi were attending the BRICS summit in Brazil, there were further incursions.<sup>26</sup> It remains to be seen whether or not Modi will turn out to be an “Indian Nixon” in relation to China and Pakistan, as Ashutosh Varshney has suggested.<sup>27</sup> But as long as this remains a conjecture, Pakistan will continue to be China’s most reliable partner in the region.

China’s intentions are also difficult to establish with any certainty. But if there is one thing that can be said with certainty about China’s activities in South Asia, it is that they are strategic. Chinese investments are not randomly scattered around Asia but rather form a network for trade, energy, and other resources – and possibly also in order to expand the Chinese military’s range of operations. Pakistan, and Gwadar specifically, is geographically and strategically at the centre of China’s posture in South Asia. The problem is that China’s approach in Pakistan also undermines Europe’s attempts to achieve important objectives to which it is committed such as disarmament and non-proliferation. In particular, by strengthening the Pakistani military, China contributes indirectly to the weakness of the Pakistani state.

## A new European Pakistan policy

Given these new regional realities as well as the withdrawal of NATO troops from Afghanistan, it is time for Europe to develop a more coherent and comprehensive approach to Pakistan. European policy has traditionally involved two pillars: aid and trade. But the EU has been unable to translate its resources into European leverage over the security situation in Pakistan, which has continued to deteriorate. What is needed now is a new approach that links more closely EU member states’ economic relationships with Pakistan with the EU’s security co-operation with Islamabad and its disarmament and non-proliferation agenda. In particular, the EU should aim to use its trade and aid links as a way to establish a meaningful security dialogue with Pakistan and promote regional co-operation.

## Trade and aid

Taken as a whole, the EU remains Pakistan’s largest trading partner: total EU–Pakistan trade amounted to €8.3 billion in 2013.<sup>28</sup> Germany is Pakistan’s biggest European trading partner, with 2.4 percent of the Pakistani market, followed by the UK with 2.1 percent and France with 1.2 percent. As of January, Pakistan now also benefits from the EU’s enhanced Generalised System of Preferences (GSP+), which is granted to countries that ratify international conventions relating to human and labour rights, environment, and good governance.<sup>29</sup> Since 2004, the EU has funded a Trade Related Technical Assistance (TRTA) programme, which aims to enhance in three phases Pakistan’s capacity on WTO-related issues, and to strengthen Pakistan’s public and private sectors.<sup>30</sup>

The EU is also one of the largest donors of aid to Pakistan: the EU member states and institutions together gave around \$756 million in 2012, compared to around \$625 million from the US.<sup>31</sup> The UK is by far the most active EU member state – in 2012, net bilateral aid (that is, development assistance and official aid) to Pakistan accounted for almost \$300 million – a decrease from \$331 million in 2011 but almost as much as in 2010. Germany contributed around \$100 million in 2012 – a decrease from \$142 million in 2010 – but is expected to increase its contribution to an estimated \$150 million in 2013. France increased its aid commitment from around \$14.5 million in 2010 to approximately \$23 million in 2012. The Netherlands contributed \$29 million and Sweden \$14 million in 2012. Aid flows from the EU institutions accounted for around \$190 million in 2012. Norway contributed around \$30 million in 2012, which, though down from \$83 million in 2010, remains higher than France’s contribution.

The EU should seek to find ways to use this trade and aid to greater effect – in particular as a security tool. Pakistan’s GSP+ status commits it to fulfil the EU’s requirements, in particular regarding international human rights conventions and media freedom – as the EU reminded Pakistan during the Geo affair. Thus, trade is already being used as a development tool. But it could be used to a much greater extent. In particular, the EU should explore the possibility of using the prospect of furthering bilateral trade, of promoting direct investment, and even of an EU–Pakistan free trade agreement (FTA), in order to make progress on security.

<sup>24</sup> Rahul Karmakar and agencies, “Modi advises China to shed its ‘expansionist’ attitude”, *Hindustan Times*, 22 February 2014, available at <http://www.hindustantimes.com/india-news/allaboutnarendramodi/no-power-can-s snatch-away-india-s-territory-says-modi-in-arunachal/article1-1186995.aspx>.

<sup>25</sup> The demarcation line, the “Line of Actual Control” (LAC), was initially proposed by Zhou Enlai as a basis for settlement between China and India, in 1959. The LAC was then the informal cease-fire line between India and China after the 1962 war, until its existence was officially accepted in 1993.

<sup>26</sup> Sneha Shankar, “Chinese Troops Intrude Across Indian Border Twice In Last 3 Days”, *International Business Times*, 17 July 2014, available at <http://www.ibtimes.com/chinese-troops-intrude-across-indian-border-twice-last-3-days-1630790>.

<sup>27</sup> Jason Burke, “Narendra Modi: what does his victory mean for America, China and Pakistan?”, the *Guardian*, 19 May 2014, available at <http://www.theguardian.com/world/2014/may/19/narendra-modi-india-election-victory-america-china-pakistan-world>.

<sup>28</sup> European Commission, 14 April 2014, available at [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113431.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113431.pdf).

<sup>29</sup> The “GSP+” enhanced preferences mean zero tariffs on essentially the same product categories (in practice, mainly textiles and leather) as those covered by the general GSP arrangement. Countries that have GSP+ status commit to implement 27 core international conventions. A country can lose its GSP+ status if it fails fully to implement all conventions. See <http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/>.

<sup>30</sup> See EC–TRTA Pakistan, available at <http://www.tradecapacitypakistan.com/structure.html>.

<sup>31</sup> Figures in this paragraph are from the World Bank, available at <http://data.worldbank.org/indicator/DY.ODA.ALLD.CD>.

Pakistan is not yet ready for such a wide-ranging framework as an FTA: the security situation is unstable, corruption is widespread, and there are other structural weaknesses ranging from massive tax evasion to poor infrastructure. It needs support to the energy sector, institution building, safe-guarding of human rights, improvement of the rule of law, and implementation of international labour standards. Europe could make support around these issues conditional on progress on security.

The EU could also create greater leverage by using aid more effectively. It could use conditionality more effectively or threaten to cut all aid, which, because of Afghanistan has never really been considered. Going beyond the "AfPak" prism could create space for a new debate around the role of European aid to Pakistan. But trade and aid can only be used effectively in this way as leverage to encourage Islamabad to implement reforms, and to fight corruption or terrorism, if Europeans collectively use all of their tools coherently. The EU institutions and leading member states such as France, Germany, and the UK should co-ordinate to use dialogue with Pakistan on trade and development to get serious on security issues.

In 2008, France, Germany, Italy, the UK, and the EU co-founded "Friends of a Democratic Pakistan", a group consisting of 26 countries and the World Bank. The group aimed to support the Pakistani government in its efforts to set up a stable democracy and to promote social and economic development. However, this had limited success. The World Bank launched a similar initiative, the Pakistan Development Forum (PDF), which is hosted by Pakistan. In view of its strong interests in Pakistan but lack of concrete strategies towards it, Europeans should consider taking a leading, and creative, role in the PDF. "Strings-attached" aid through the PDF could also be an alternative to guaranteed aid in the framework of the OECD Development Assistance Committee.

### Security

In 2012, a Five-Year Engagement Plan was initiated as a new political framework for EU–Pakistan relations and a bi-annual "Strategic Dialogue" between the EU High Representative for Foreign Affairs and Security Policy and the Pakistani foreign minister was also launched. At the second session of the dialogue, in March 2014, both sides agreed on a dialogue on non-proliferation and disarmament. But the first round of the dialogue, which took place in Islamabad in June, produced only limited results: in a press release, the EU delegation to Pakistan said only that "the sides found the talks very substantive and useful and agreed to hold a second meeting in Brussels next year".<sup>32</sup>

The dialogue is a good start, but the absence of any concrete commitments by the Pakistani military illustrates how difficult it is for EU member states to engage with Pakistan on security issues.

Some in Europe argue that the way to engage with Pakistan on security issues, and in particular to develop closer links with the Pakistani military, is through arms sales. In the past, France, Germany, and Sweden have all been major exporters of arms to Pakistan. France supplied heavy military equipment such as submarines and fighter jets until it temporarily halted arms sales to Pakistan in 2011 as a reaction to concerns about links between Pakistani military, the ISI, and terrorists, and about India's security. Sweden continues to sell to Pakistan and in 2012 exported weapons systems worth \$95.2 million.<sup>33</sup> German export licences for military equipment to Pakistan had been in decline from €96.6 million in 2010 to around €14 million in 2011 but have subsequently increased again to €33.1 million in 2012.<sup>34</sup> Arms exporting EU member states argue that, if they reduce sales to Pakistan, other powers such as China – which has increased weapons sales to Pakistan in recent years – will simply fill the gap.

This justification of arms sales is often part of a broader argument that the Pakistani military is the indispensable partner that is needed to prevent the complete fragmentation of the country. In other words, the argument is that, like the Chinese, Europeans should bet on, and aim to strengthen, the military. In reality, however, the Pakistani army is as much the problem as the solution. The greatest threat to regional stability is an India–Pakistan war. The Pakistani army could again support Kashmir militants who launch attacks in Indian cities, as in Mumbai in 2008, or provoke India through direct military action, as in Kargil in 1999. The Pakistani military has also contributed to the formation of Islamist terrorist networks that operate internationally. In the past, Sharif has failed to reduce the military's influence; this time, the West should continue to back him in his attempt to do so.

However tempting it is to sell weapons to countries such as Pakistan at a time when Western powers are cutting defence budgets, with jobs at stake in the arms industry, the strategy of selling weapons to Pakistan in exchange for strategic dependence is a short-sighted one. There is a danger that weapons or military equipment sold to Pakistan will end up with militant groups. Moreover, as long as member states undermine the EU's efforts by issuing licences to sell arms to Islamabad while trying to conduct a serious dialogue on disarmament and non-proliferation, it will be hard

<sup>32</sup> European Union Delegation to Pakistan, press release on First EU–Pakistan Dialogue on Disarmament and Non-Proliferation, 16 June 2014, available at [http://eeas.europa.eu/delegations/pakistan/documents/press\\_corner/20140616\\_01\\_en.pdf](http://eeas.europa.eu/delegations/pakistan/documents/press_corner/20140616_01_en.pdf).

<sup>33</sup> "Sweden: Arms Exports Decline in 2012", Defense News, 28 February 2013, available at <http://www.defensenews.com/article/20130228/DEFREG01/302280030/Sweden-Arms-Exports-Decline-2012>.

<sup>34</sup> Bundesministerium für Wirtschaft und Technologie, "Bericht der Bundesregierung über ihre Exportpolitik für konventionelle Rüstungsgüter im Jahre 2012, Rüstungsexportbericht 2012", October 2013, pp. 19–21, available at [http://www.sipri.org/research/armaments/transfers/transparency/national\\_reports/germany/germany-2012](http://www.sipri.org/research/armaments/transfers/transparency/national_reports/germany/germany-2012).

to convince China and others to desist from selling arms to Islamabad. Meanwhile, it will be difficult to persuade Pakistan to agree to disarmament while India's military capabilities remain greater.

Even if some EU member states do continue to sell weapons to Pakistan, they must at least do so in a coherent way that is linked to the EU's strategy for regional security. Such strategy could entail promoting confidence-building measures, military-to-military contacts, or prior notification of exercises. Decisions on arms sales to Pakistan taken by member states have an impact on the EU's state-building efforts. But if member states and the EU co-ordinate such sales, it could give Europeans a way to urge good behaviour on behalf of the Pakistani military.

### *Regional co-operation*

An increased European role within regional frameworks could also improve co-operation between Europeans and Asians with, and on, Pakistan. In its regional strategy for Asia in the period from 2007 to 2013, the EU committed to encouraging co-operation and regional integration through forums such as SAARC and the Association of Southeast Asian Nations (ASEAN).<sup>35</sup> SAARC, which was set up in 1985 by seven South Asian countries (Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka) and now also includes Afghanistan, is a particularly promising forum for improving regional co-operation with, and on, Pakistan. The EU, which has had observer status since 2006, has made little progress in its relations with SAARC, mainly due to persistent problems within the organisation. Nevertheless, the EU should also examine what else it can bring to the table, and member states, such as Germany which had started to enhance co-operation with SAARC on trade issues, could take the lead.<sup>36</sup> The EU could also exert influence within SAARC through ASEAN.

Meanwhile, there is also increasing co-operation on Afghanistan within the Shanghai Cooperation Organisation (SCO), which consists of China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan. Although Afghanistan is an observer to the SCO, SCO members are not yet collectively engaged in supporting counterterrorism and counter-drugs operations or training Afghan security forces. But when President Hamid Karzai was in Beijing in May, Xi reassured him that China was in favour of a greater role for the SCO on Afghanistan. Beijing has already begun providing training for a few hundred Afghan security and technical personnel, and has joined efforts to host training for Afghan diplomats

with the US since 2010.<sup>37</sup> Europeans could offer China similar joint training projects, thereby encouraging China to provide more resources for Afghanistan. China should also be encouraged to take the lead within the SCO, strengthening the commitment of SCO members to Afghanistan.

In 2014, China is scheduled to host the annual "Heart of Asia" conference on Afghanistan, which was initiated in 2011 and includes 15 countries from South Asia, Central Asia, Eurasia, and the Middle East.<sup>38</sup> It is an overdue effort to engage the whole region, which consists of very different players driven by varying combinations of objectives, to stabilise Afghanistan. The conference, in which the EU has been involved since its inception, offers an opportunity for the EU to increase engagement with China and other countries on joint co-operation in Afghanistan.

### **Towards a South Asia strategy**

Working with other regional actors in such forums could form part of a new approach that takes into account the new regional dynamics and is therefore able to deal with new contingencies that might emerge over the next decade. How should the EU respond if tensions between India and Pakistan increase again? Will India align itself with other countries in the region? How should it respond if China uses Pakistan even more aggressively to balance against India? How will the competition between China and India affect countries such as Bangladesh or Myanmar? Europe's current approach to Pakistan, which views it primarily as an extension of Afghanistan and through the NATO and EU missions there, cannot address these questions. Europeans therefore need to reframe the debate on Pakistan and to find a way to reconcile their various interests in the region. In short, what the EU needs is a South Asia strategy.

This should be a strategy that takes into account the roles that other powers play in the region – and in particular the way that China is increasingly using Pakistan to balance against India. Thus, Pakistan is a good example of how, as François Godement has argued, "China is now a global challenge for Europe: its policy choices no longer affect only its neighbourhood but every global issue from trade and the economy to climate change and nuclear proliferation, as well as every region from Africa to the Middle East".<sup>39</sup> In developing a policy towards Pakistan, Europeans need to carefully evaluate China's activities there and consider how to respond. In other words, in order to achieve its objectives

<sup>35</sup> European Commission, Regional strategy for Asia 2007–2013, May 2007, available at [http://europa.eu/legislation\\_summaries/external\\_relations/relations\\_with\\_third\\_countries/asia/r15016\\_en.htm](http://europa.eu/legislation_summaries/external_relations/relations_with_third_countries/asia/r15016_en.htm).

<sup>36</sup> Germany is involved in the SAARC Trade Promotion Network, a project promoting intra-regional trade potentials in the SAARC region. The project is implemented by German International Co-operation with funding from German Federal Ministry for Economic Co-operation and Development.

<sup>37</sup> During Zhou's visit on 5 November 2012, he announced that China had agreed to train some 300 Afghan police officers over the next four years. See Peter Mattis, "Zhou Yongkang's Trip Highlights Security Diplomacy", The Jamestown Foundation, China Brief, Volume 12, Issue 19, 5 October 2012, available at [http://www.jamestown.org/programs/chinabrief/single/?tx\\_ttnews\[pointer\]=5&tx\\_ttnews\[tt\\_news\]=39930&tx\\_ttnews\[backPid\]=25&cHash=a2e0779b902f732eca9d9a79fe86a48#.U52xWi-2F4s](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews[pointer]=5&tx_ttnews[tt_news]=39930&tx_ttnews[backPid]=25&cHash=a2e0779b902f732eca9d9a79fe86a48#.U52xWi-2F4s).

<sup>38</sup> The "Heart of Asia" process was initiated in 2011 in Istanbul, engaging 15 countries including China, India, Iran, Pakistan, Russia, and Saudi Arabia.

<sup>39</sup> François Godement, "A Global China Policy", European Council on Foreign Relations, June 2010, p. 6, available at [http://www.ecfr.eu/page/-/ECFR22\\_CHINA\\_BRIEF.pdf](http://www.ecfr.eu/page/-/ECFR22_CHINA_BRIEF.pdf).

in Pakistan, Europe needs first to make an assessment of China's interests and decide whether it is, or could be, a positive force in the region.

In addition, however, a South Asia strategy must be one that links the economic relations that EU member states have with states in South Asia – including arms sales – with the EU's own non-proliferation and disarmament agenda. While the EU, led by the High Representative, seeks a meaningful dialogue with Pakistan on non-proliferation and disarmament as part of its "Strategic Dialogue" with Pakistan, member states continue to pursue their own policies towards Pakistan. For example, in some cases, they sell weapons to India; in other cases to Pakistan; some such as Germany even sell to both. Europeans are unlikely to have much effect on Pakistan unless they do a better job in co-ordinating their approach. That means member states co-ordinating more effectively with each other and with the EU institutions.

Pakistan illustrates how difficult defining a South Asia strategy will be – but also how important it is. In the end, European policy towards Pakistan will only succeed if it is embedded in a larger strategic vision that takes into account not just the influence of Pakistan on Afghanistan but also the influence that other countries in the region – in particular, China and India – exert on Pakistan. It is in the interest of Europeans to pull together all the threads of their Pakistan policy and weave them into a concept that furthers Europe's overall interests in Asia.



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