The Implications of the China–Pakistan Economic Corridor for Pakistan–European Union Relations

Abstract

The China–Pakistan Economic Corridor (CPEC) holds the potential to transform Pakistan along with its turbulent regional environment. In the short run, the multiple networks of infrastructure that the project provides will eventually improve Pakistan–European Union (EU) trade. Moreover, while the CPEC is unlikely to bring an immediate strategic shift in the bilateral dialogue, which is particularly lacking in political dynamics, its long-run promises can help to foster such dynamics. The project, if successful, can help Pakistan to establish a peaceful domestic environment and subsequently promote the country’s fresh image to reverse its soft power losses in Europe and beyond. This paper investigates contemporary Pakistan–EU relations, which have so far attracted little attention from international relations scholars. It presents the bilateral dynamics in the context of the CPEC, which is an unprecedented investment by China in Pakistan. The paper concludes by shedding light on the differences between China’s and the EU’s strategies vis-à-vis Pakistan. Despite the fact that the study focuses on one particular South Asian state, it can serve as a case study for the comparative analysis of China’s and the EU’s presence in third countries, especially those that, like Pakistan, have joined the Belt and Road Initiative.

Keywords: China–Pakistan Economic Corridor, Pakistan, China, the European Union, Belt and Road Initiative, Europe-Asia relations
Introduction

Established in 2013 and characterized as a game-changer, the China-Pakistan Economic Corridor (CPEC) holds the potential to transform Pakistan along with its turbulent regional environment. As Siegfried Wolf (2018, p. 87) confirms, “A multifaceted development project like the CPEC influences many aspects of state and society: it relates to the economic, political, and social spheres, as well as foreign policy objectives and geopolitics”. Pakistan’s and China’s official narratives confirm the positive character of these profound influences. However, given Pakistan’s and South Asia’s fragility, these influences can be unexpectedly twisted into negative ones. While many scholars studying on the CPEC have already concerned themselves with the project’ potential consequences, this paper focuses on the understudied element that...
is the CPEC’s impact on Pakistan-EU bilateral dynamics. I hypothesize that in the short run, the multiple networks of infrastructure that the project provides will improve Pakistan–European Union (EU) trade exchange. However, such an improvement is unlikely to bring a strategic shift in this bilateral dialogue on its own. While the already existent infrastructure seems sufficient to facilitate the relatively dynamic Pakistan–EU trade relationship, neither Islamabad nor Brussels has managed to build this trade cooperation into a solid political partnership. Consequently, the bilateral relationship continues to lack political dynamics, with Pakistan stuck at the periphery of the EU’s foreign policy and vice versa. The CPEC’s long-run promises can help to foster such dynamics. The project, if successful, can help Pakistan to establish a peaceful domestic environment and subsequently promote the country’s fresh image to reverse its soft power\(^1\) losses in the EU and beyond.

This paper investigates contemporary Pakistan–EU relations, which have so far attracted little attention from international relations scholars. To identify the implications of the CPEC for Pakistan–EU relationship, first I explain the institutional framework that regulates these bilateral relations. Then, I present the CPEC’s consequences to select those that will eventually influence the bilateral dynamics. The paper concludes by shedding light on the differences between China’s and the EU’s strategies vis-à-vis Pakistan. Despite the study’s focus on Pakistan, it can serve as a case study for the comparative analysis of China’s and the EU’s presence in third countries, especially those that have joined the Belt and Road Initiative (BRI).

**Pakistan-EU Relations**

Trade remains the most significant part of overall economic and political cooperation between Pakistan and the EU. The EU absorbs 35% of Pakistan’s total exports (European External Action Service [EEAS], 2019a), mainly composed of textiles and clothing. The trade relationship is asymmetrical;

\(^1\) Soft power became a key concept in international relations after its inception by Joseph S. Nye (1990). Soft power implies persuasion, cooption and the wielding of the power of attraction to bring other states to ‘want what you want’. Soft power stands in contrast to traditional hard power, which evokes the primacy of coercion in foreign policy through the use of threat or force.
for instance, in 2018 Pakistan accounted for 0.3% of the EU’s external trade in goods, while the share of the EU in Pakistan’s external trade in goods was 16.1% (European Commission [EC], 2019). Ironically, and despite Brussels’s efforts, the two partners in trade would hardly recognize themselves as strategic political allies. Former Vice President of the European Commission (2009–2014) and High Representative of the Union for Foreign Affairs and Security Policy (2009–2014), Catherine Ashton, emphasized the significance of Pakistan–EU relations: “Whether the issue is our mutual security, the joint effort to tackle drug-trafficking, the drive to increase commerce or to meet the Millennium Development Goals, Europe’s relationship with Pakistan is crucial” (Islam, 2012). EU efforts to build a strategic relationship with Pakistan are reflected in the firm and multifaceted institutional framework that reaches beyond trade cooperation and facilitates the relationship. The framework includes:

1. **Pakistan–EU 5-year Engagement Plan (2012–17) and EU–Pakistan Strategic Engagement Plan (SEP) (2019)** was adopted to provide a comprehensive political framework for the bilateral dynamics and build a strategic

Table 1. EU–Pakistan 5-year Engagement Plan and EU–Pakistan Strategic Engagement Plan

<table>
<thead>
<tr>
<th>Areas/Elements (in the order of their appearance in the two plans)</th>
<th>EU–Pakistan 5-year Engagement Plan (2012–2017)</th>
<th>EU–Pakistan Strategic Engagement Plan (2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic/Political</td>
<td>Peace and Security</td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td>Democracy, Rule of Law, Good Governance, and Human Rights</td>
<td></td>
</tr>
<tr>
<td>Democracy</td>
<td>Migration and Mobility</td>
<td></td>
</tr>
<tr>
<td>Trade and Investment</td>
<td>Trade and Investment</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>Sustainable Development (Economic, Social, and Environmental Sustainability, Climate Change, Energy)</td>
<td></td>
</tr>
<tr>
<td>Sectoral Cooperation (the field of aid effectiveness, migration issues, cooperation in culture, education agriculture)</td>
<td>Education and Culture</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Science and Technology</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dialogue Framework</td>
<td></td>
</tr>
</tbody>
</table>

partnership. The areas that the two plans cover vastly overlap (Table 1). The SEP innovates vis-à-vis the Engagement Plan as it includes such emerging areas as sustainability and the natural environment. It assumes the Pakistan–EU partnership will be intensified by “strengthening sectoral dialogues (…), aiming inter alia at the effective implementation of the United Nations’ Sustainable Development Goals (SDGs) and more specifically, at the focal sectors of EU development co-operation, in line with Agenda 2030, as well as the European Consensus and Pakistan’s Vision 2025” (SEP, 2019, point VIII (iv)).


3. The Pakistan–EU Joint Commission serving as a forum that meets annually to review the SEP’s implementation.

4. The Generalised Scheme of Preferences (GSP+) status, bestowed on Pakistan in January 2014. The GSP+ was designed for lower- and middle-income countries, which Brussels recognizes as “vulnerable due to a lack of diversification when exporting to the EU, and due to their insufficient integration within the international trading system” (EC, 2016, p. 9). Due to the GSP+, Pakistan is granted “full removal of EU customs tariffs on over 66% of product tariff lines” (EC, 2017b).

The trade-oriented character of Pakistan–EU relations requires to focus on the last of the listed elements. The GSP+ refers vastly, but not exclusively,
to trade exchange. Islamabad enthusiastically received the EU decision to award Pakistan this preferential status. The then prime minister Nawaz Sharif (2013–2017) said that “increase in exports would resultantly facilitate in economic growth and help in generation of millions of additional jobs in the country” (EU Grants GSP Plus Status to Pakistan, 2013). In a year Pakistan’s exports to the EU rose by 21.5%, and subsequently amounted to €5.5 billion in 2014. EU–Pakistan trade exchange in goods has continued to grow steadily since Pakistan received GSP+ status (Figure 1).

![Figure 1. EU Trade in Goods with Pakistan, Annual Data 2008–2018](source: EC, 2019, p. 3).

In 2018, the EU imported from Pakistan – its 41st trading partner – mainly textiles and textile articles (76.4%), raw hides and skins, saddlery (5.9%), and vegetable products (5.3%). Pakistan, in turn, imported machinery and appliances (30.8%), products of the chemical or allied industries (16%), base metals and articles thereof (14.8%) from the EU-28 member states (EC, 2019, p. 6).

The EU holds the position of Pakistan’s second largest trading partner, first export partner, and third import partner, surpassed only by China and the United Arab Emirates. The EU overtakes Islamabad’s strategic allies such as the US (in export and import) (Table 2).

Yet the EU may lose this position after Brexit, as the UK remains Pakistan’s top trade partner in Europe (Pakistan Business Council, 2017, p. 6). Pakistan has already expressed its interest in receiving a status similar to GSP+ with
Table 2. Pakistan’s Top Trade-in-Goods Partners in 2018

<table>
<thead>
<tr>
<th>Imports</th>
<th>Partner</th>
<th>Value Mio EUR</th>
<th>%World</th>
<th>Exports</th>
<th>Partner</th>
<th>Value Mio EUR</th>
<th>%World</th>
<th>Total trade</th>
<th>Partner</th>
<th>Value Mio EUR</th>
<th>%World</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>World</td>
<td>50,922</td>
<td>100.0</td>
<td>World</td>
<td>World</td>
<td>19,634</td>
<td>100.00</td>
<td>World</td>
<td>World</td>
<td>70,556</td>
<td>100.00</td>
</tr>
<tr>
<td>1</td>
<td>China</td>
<td>12,035</td>
<td>23.6</td>
<td>1</td>
<td>EU-28</td>
<td>6,701</td>
<td>34.1</td>
<td>1</td>
<td>China</td>
<td>13,597</td>
<td>19.3</td>
</tr>
<tr>
<td>2</td>
<td>United Arab Emirates</td>
<td>7,335</td>
<td>14.4</td>
<td>2</td>
<td>USA</td>
<td>3,167</td>
<td>16.1</td>
<td>2</td>
<td>EU-28</td>
<td>11,347</td>
<td>16.1</td>
</tr>
<tr>
<td>3</td>
<td>EU-28</td>
<td>4,646</td>
<td>9.1</td>
<td>3</td>
<td>China</td>
<td>1,562</td>
<td>8.0</td>
<td>3</td>
<td>United Arab Emirates</td>
<td>8,119</td>
<td>11.5</td>
</tr>
<tr>
<td>4</td>
<td>Saudi Arabia</td>
<td>2,707</td>
<td>5.3</td>
<td>4</td>
<td>Afghanistan</td>
<td>1,041</td>
<td>5.3</td>
<td>4</td>
<td>USA</td>
<td>5,600</td>
<td>7.9</td>
</tr>
<tr>
<td>5</td>
<td>USA</td>
<td>2,432</td>
<td>4.8</td>
<td>5</td>
<td>United Arab Emirates</td>
<td>785</td>
<td>4.0</td>
<td>5</td>
<td>Saudi Arabia</td>
<td>2,957</td>
<td>4.2</td>
</tr>
<tr>
<td>6</td>
<td>Indonesia</td>
<td>2,032</td>
<td>4.0</td>
<td>6</td>
<td>Bangladesh</td>
<td>632</td>
<td>3.2</td>
<td>6</td>
<td>Indonesia</td>
<td>2,301</td>
<td>3.3</td>
</tr>
<tr>
<td>7</td>
<td>Qatar</td>
<td>2,003</td>
<td>3.9</td>
<td>7</td>
<td>India</td>
<td>319</td>
<td>1.6</td>
<td>7</td>
<td>Japan</td>
<td>2,105</td>
<td>3.0</td>
</tr>
<tr>
<td>8</td>
<td>Japan</td>
<td>1,934</td>
<td>3.8</td>
<td>8</td>
<td>Sri Lanka</td>
<td>311</td>
<td>1.6</td>
<td>8</td>
<td>Qatar</td>
<td>2,090</td>
<td>3.0</td>
</tr>
<tr>
<td>9</td>
<td>India</td>
<td>1,687</td>
<td>3.3</td>
<td>9</td>
<td>South Korea</td>
<td>270</td>
<td>1.4</td>
<td>9</td>
<td>India</td>
<td>2,006</td>
<td>2.8</td>
</tr>
<tr>
<td>10</td>
<td>Kuwait</td>
<td>1,217</td>
<td>2.4</td>
<td>10</td>
<td>Indonesia</td>
<td>269</td>
<td>1.4</td>
<td>10</td>
<td>Afghanistan</td>
<td>1,469</td>
<td>2.1</td>
</tr>
</tbody>
</table>

the UK. The Pakistan Business Council’s (2017, p. xvii) report stresses that GSP+ “is crucial to ensure at least the current level of exports since most Pakistani products with high actual and/or potential exports values already benefit from zero tariffs under this scheme”.

In return for duty-free access to the EU market, “beneficiary countries must ratify and effectively implement 27 core international conventions. (…). These conventions cover human and labour rights, environmental protection, and good governance” (EC, 2016, pp. 2–3). Hence, the GSP+ assumes conditionality, and these conditions reach far beyond trade-related issues. In particular, they refer to challenges that Pakistan has struggled to deal with for almost its entire existence. In the context of this conditionality, Wolf (2019, p. 87) argues that due to Pakistan’s recognition as a state sponsor of terrorism by some IR analyst and practitioners, “the European Commission could remove the GSP+ status as a possible sanctuary measure towards Pakistan”. However, the EU refuses to share this perception of Pakistan, and continues to grant the country GSP+ status.

Mutual Soft Power Losses

As Pakistan–EU cooperation suffers from strategic deficiencies, Pakistan rarely sees the EU as one of the leading world powers. In 2012 only 3% of its citizens expressed confidence in German chancellor Angela Merkel (Pew Research Centre, 2017a), a top European leader and the head of the government in the country that is the second trade partner of Pakistan in the EU. Furthermore, only 1% of Pakistanis perceived the EU as a leading economic power in 2015 (Pew Research Centre, 2017b), the year after the GSP+ triggered a sharp increase in Pakistan’s exports to the EU. Brussels seems unattractive to Islamabad vis-à-vis Washington and Beijing, two longstanding allies of Pakistan.

Moreover, the EU has been losing its attractiveness even more since the Brexit referendum. Contrary to Pakistan–EU dynamics, the Islamic Republic’s relations with the UK extend beyond trade exchange. Hence, due to common historical experiences and their outcomes, including the large Pakistani minority living in the UK, London is more likely to establish strategic political relations with Islamabad than Brussels. The UK has already
confirmed its intentions to rebuild relations with the Islamic Republic. In 2016, the then foreign secretary (2016–2018) and current prime minister Boris Johnson told the Pakistani newspaper *Dawn*, “The message we want to get over is that UK is here for Pakistan, we are supportive of Pakistan, we understand many of the issues Pakistan faces and we are here to be useful and at the same time build bilateral economic relationship” (Syed, 2016, November 26).

However, the Islamic Republic has suffered more profound soft power losses in the EU-28 than vice versa. Unfortunately, Pakistan's image of a fragile, terrorist-sponsor state, even if not officially shared by Brussels, seems to prevail in the EU member states and beyond. According to a survey conducted in 2009, over 60% of respondents from Italy, France and the UK, followed by 59% of Spanish, 57% of German and 46% of Polish respondents, said that Islamic extremists taking control of Pakistan would be a major threat for their country. The possibility of such an outcome was presented as “a possible international concern” for each surveyed country (Pew Research Centre, 2009).

**The European Perspective on the CPEC**

Brussels positively received the announcement of the CPEC, which in the long run will eventually profit EU member states. The over 60 billion USD project aims at building networks of highways, railways and energy infrastructure to connect Gwadar Port in Balochistan with Kashghar in Xinjiang in north-west China. Primarily, the CPEC benefits China, Pakistan and regional cooperation in Asia by (Kuszewska & Nitza-Makowska, 2017, pp. 40–41):

1. Providing an alternative energy supply route to Shanghai (to the one through the Strait of Malacca, via which 80% of China's oil is transported) to reduce shipments' time, cost and security risks;
2. Upgrading Pakistani transport infrastructure with a planned Karachi–Lahore motorway, a rebuilt Karakorum Highway and an extended railway network that reaches Chinese Xinjiang in order to physically connect Asia's regions and boost the economies of the underdeveloped Pakistani cities that the routes reach;
3. Expanding Pakistani energy infrastructure to improve resource transportation (through, for instance, a Gwadar-Nawabshah gas pipeline); help Pakistan decrease common energy shortages; connect energy-abundant Central Asia with energy-deficient South Asia; and provide China with access to crucial energy supply routes on the continent;

4. Advancing Gwadar Port and Gwadar International Airport to provide Central Asian Republics with an efficient trade route and increase the significance of Baluchistan, Pakistan’s least populous and most underdeveloped province (Rafi, 2016).

A pilot initiative under the BRI, the CPEC promises to profoundly transform Pakistan and the region. Beyond the listed consequences, it strengthens the multidimensional China-Pakistan “all-weather friendship” as the two sides coined their bilateral relationship. Under the CPEC, the two countries have been strengthening their cooperation on counterterrorism to provide a secure environment for the project’s developments. As such, the CPEC helps to improve Pakistan’s domestic security situation – on the one hand. On the other hand, the growing political and physical presence of Chinese in Pakistan can fuel separatist and terrorist activities, and subsequently aggravate the fragile security situation in Pakistan and South Asia, including the crucial China-Pakistan-India triangular dynamics. These outcomes, either they are positive or negative, depend on the way the project is materialized and are hard to assess at the current initial stage of the CPEC’s development.

Eventual Pakistan’s transition, into more a reliable actor of international relations under the CPEC, serves Brussels’s interests due to the longstanding economic, developmental relationship between Pakistan and the EU, as well as the Islamic Republic’s critical role in overcoming regional security-related challenges.

Brussels may benefit from the CPEC’s ambitious long-term goals, which include Pakistan’s transition into a reliable actor on the international stage. Although Pakistan’s characteristics as a fragile state dealing with severe terrorist threats has been preventing the country from making such a transition, Islamabad believes in the CPEC’s game-changing potential to finally foster economic and political development in the country. For instance, the Minister for Planning Development and Reform, Ahsan Iqbal (2017), foresees
that the project will encompass “agricultural development, and poverty alleviation, financial cooperation as well as livelihood improvement including municipal infrastructure, education, public health and people-to-people communication which will result in thousands of new ventures and millions of jobs in every part of Pakistan”. His voice is one of many positive ones that prevail in the official narrative.

The objectives of the EU in Asia align with the objectives of China’s BRI, including the CPEC. As Vandewalle (2015, p. 12) writes, “European objectives in Asia focus on infrastructural connectivity, economic corridors and, most importantly, fostering regional integration”. What is more, both China and the EU need a secure environment in Pakistan for their strategies vis-à-vis the country to succeed”. According to Wolf (2018, pp. 86–87), “China has four major conditions for Pakistan to implement the CPEC: First and foremost, Pakistan needs to establish a stable security environment; it must ensure national harmony and consensus; and it must achieve timely implementation of the CPEC projects”.

However, the EU’s and China’s paths that lead to the achievement of their goals in the Islamic Republic seem different. Contrary to the EU schemes, including the GSP+, China’s initiatives do not attach any political strings. Yanzhong and Ding (2006, p. 29) noted, “This is evident when countries, authoritarian or liberal, like Vietnam, Russia, Kazakhstan, India, Iran, and Brazil, have shown their interest in the so-called Beijing Consensus”. As in this case of China’s alternative to the Washington Consensus mentioned by Yanzhong and Ding, the BRI attracts and includes diverse countries regardless of their political regime, level of development and other domestic characteristics.

**Conclusion**

Pakistan’s international recognition has been overwhelmed by its being labelled a terror state that sits in a hostile neighborhood. Such features have effectively prevented the country from economic and political development. Countering these characteristics, the CPEC’s long-run consequences can help to establish a peaceful environment in Pakistan and subsequently foster the country’s fresh image to reverse its soft power losses in Europe and beyond. Thus, it will enable Pakistan to finally benefit from its geopolitical potential
to become a pivotal state. Pakistan’s transition can trigger the Pakistan–EU political dialogue that remains the missing component in their overall cooperation. While the institutional framework that facilitates these bilateral dynamics does extend beyond trade, it has been ineffective in deepening strategic political ties.

Establishing a peaceful environment and improving connectivity in Pakistan serves both China’s and the EU’s strategies vis-à-vis the country. However, while the EU and China have similar goals, they are applying different strategies to achieve them. Contrary to China’s schemes, the EU’s ones emphasize conditionality. Brussels’s conditions vis-à-vis Pakistan refer to, for instance, improving the standards of democracy and human rights, as well as fostering sustainable development. The lack of such political strings is a feature of China’s foreign strategies including the BRI. However, it’s unlikely that Beijing’s strategies, regardless of how successful they are, will serve the EU as a model to follow in Pakistan and beyond.

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References

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3 Christophe Jaffrelot (2016) downplays Pakistan’s various characteristics as an ideological state or a garrison state to emphasize other ones, such as client state and pivotal state.


