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Pakistan on a Tightrope

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BESA Center Perspectives Paper No. 1,176, May 19, 2019

EXECUTIVE SUMMARY: Pakistan risks falling off a tightrope as it attempts to balance its relations with rivals Saudi Arabia and Iran.

Recent developments – including the Baloch nationalist attack on a luxury hotel in the strategic port city of Gwadar and a legal dispute over completion of a gas pipeline that took place against the backdrop of Saudi-Iranian-Qatari competition for the Pakistani gas market – suggest that Pakistan is in an increasingly tenuous position.

The South Asian nation's seemingly unsustainable tightrope walk is likely to have consequences for the security of China's massive US$45 billion investment in the China Pakistan Economic Corridor (CPEC), a crown jewel of Beijing's Belt and Road Initiative. It could also affect the roughly US$10 billion the Saudis are planning to invest in a refinery and copper mine in the troubled Pakistani province of Balochistan. Pakistani hopes are dwindling that it will be able to contain political violence – a necessity if it is to attract more badly needed foreign investment and avoid sanctions for inadequate counterterrorism measures.

The assault on the highly secured Zaver Pearl Continental Hotel Gwadar (a part of Pakistan's largest luxury hotel chain), in which at least five people were killed, was the second incident since Pakistani PM Imran Khan and Iranian president Hassan Rouhani agreed last month to step up security cooperation along their 959-kilometer-long border.

Many Baloch – members of an ethnic minority on both sides of the border – feel economically disadvantaged and marginalized, and a minority of them harbor nationalist aspirations. Security-led repressive policies by both Iran and Pakistan have fueled militancy and offer ample opportunity for manipulation by regional powers.

In an emailed statement claiming responsibility for the hotel attack, Baloch Liberation Army (BL) spokesman Jihand Baloch said the assault targeted "Chinese and other investors who were staying at the PC hotel." The hotel was believed to have had few guests because of Ramadan.

In an earlier statement issued after an attack on a coal mine in which five people were killed, Baloch asserted that "Balochistan is a war-torn region and we will not allow any investments until the independence of Balochistan."

BLA operatives have in the past seven months hit various Chinese targets beyond the boundaries of Balochistan, including a convoy transporting Chinese engineers in Karachi and the People's Republic's consulate in the city.

Baloch nationalist militancy is not the only problem confronting Pakistani security forces in the strategic southwest of the country. ISIS claimed responsibility for an attack last month on a market in the Baloch capital of Quetta frequented by Hazaras, a beleaguered Shiite minority, in which 19 were killed and dozens injured.

Iran blamed allegedly Saudi- and US-backed, Balochistan-based Sunni Muslim militants for an assault in February on the Iranian side of the border that killed 27 Revolutionary Guards.

In an apparent bid to build confidence, Khan admitted during his visit to Tehran that militants operating from Pakistan had attacked targets in Iran but vowed to put an end to that.

Complicating his efforts to walk a fine line between Saudi Arabia and Iran and safeguard crucial Chinese and Saudi investment is the fact that the Trump administration's stepped-up maximum pressure campaign against the Islamic Republic is restricting Islamabad's ability to live up to prior commitments to Iran. This is fueling Iranian concern that Saudi Arabia will be able to influence Pakistani policy.

Jeddah-based *Arab News* quoted Mobin Saulat, managing director of Pakistan's state-owned Inter State Gas Systems, as advising his Iranian counterparts that US sanctions were preventing it from completing the Pakistani leg of an agreed gas pipeline despite statements by Khan and Rouhani that they are seeking to enhance connectivity between their countries.

Iranian suspicion of Saudi covert activity in Balochistan, as well as of the kingdom's ability to influence Pakistani policy, stems from multiple factors.

These include massive Saudi financial assistance to help Pakistan avert a financial crisis; questions among international oil executives about the economic rationale for the kingdom's plan to build a refinery in Gwadar; a plan published by a Riyadh think tank calling for the fostering of an insurgency among Iran's Baloch minority; reports by Pakistani militants of Saudi funding for anti-Shiite and anti-Iranian Sunni Muslim militants in Balochistan; and evidence that broader segments of the Pakistani population are buying into Saudi-inspired ultraconservative interpretations of Islam as a result of the kingdom's decades-long support for religious and cultural institutions, as well as media.

Iran's province of Sistan and Balochistan hosts the Indian-backed port of Chabahar, a mere 70 kilometers up the Arabian Sea coast from Gwadar. A shadowy militant Sunni Muslim group claimed responsibility for a rare suicide bombing in Chabahar in December.

Pakistan scholar Madiha Afzal noted in a new Brookings report that "Saudi Arabia has succeeded in changing the character of Pakistan's religiosity in a bid to expand its influence in the Muslim world, and in its mission to counter Iran."

While US sanctions may have – at least for now – killed off the Iran-Pakistan pipeline, Saudi influence appears to have failed to stop Pakistan from entertaining a gas deal with Qatar, another of the kingdom's nemeses. This is despite an almost two-year-long Saudi- and UAE-led diplomatic and economic boycott of the Gulf state.

Qatar recently lowered the price in a bid for a major Pakistani liquefied natural gas (LNG) contract in an effort to outcompete Saudi Arabia, which last month sent a delegation to Islamabad to discuss Pakistan's gas needs.

The competition is about more than commercial advantage. While Qatar sees its gas exports as part of its soft power strategy, Saudi Arabia views the Pakistani contract as part of an effort to establish the kingdom as a major trader and marketeer as it strives to position itself as a significant gas exporter over the next decade.

Pakistan's ability to stay on the tightrope could be further endangered if it fails to convince the Financial Action Task Force (FATF), an international anti-money laundering and terrorism finance watchdog, that it is taking sufficient steps.

Last year, Pakistan was grey-listed by the group and risks being blacklisted if it fails to demonstrate to the FATF in talks later this month that it has substantially improved its controls. Blacklisting would significantly curtail Pakistan's access to international finance at a time when it is seeking a bailout by the International Monetary Fund.

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