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The China – Pakistan Economic Corridor

A Brief Introduction to the Belt and Road Initiative

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INVESTING IN YOUR FUTURE



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Estimated reading time:

12-15 minutes

Estimated learning time:

20-25 minutes

Class V: China – Pakistan Economic Corridor

Summary

This course gives a description on the “flagship” project of the Belt and Road Initiative, which is the China-Pakistan Economic Corridor. The Corridor’s success and potential problems is analyzed.

Topics of the class include:

- A short historic summary of the relationship between China and Pakistan
- Detailed analyzes of the projects included in the China-Pakistan Economic Corridor
- Potential problems that could hinder the completion of the Corridor

Short Historic Overview of the Relation between Pakistan and the People’s Republic of China

The official relations between Pakistan, the newly independent country and the People’s Republic of China started in January 1950 as Pakistan was among the very first countries that recognized the PRC and ended diplomatic relations with the Republic of China. There are some reasons for this, the most important being that the newly formed Pakistan (only seceded from India in 1947) had basically no allies or supporters and was facing an India that was not ready to accept the independence of the country which is noticeable by its invasion of Kashmir. In summary, this explains why Pakistan was eager to make a good relationship with China. But why was China ready to do the same?

The short answer for this was Tibet. India did not like the annexation of Tibet by the People’s Liberation Army one bit because that event basically ended Indian influence there. At the same time Pakistan did not say anything, did not criticize Beijing at all. This so-called indifference (or political move) was soon noted by Chinese officials and basically made the groundwork for the Sino-Pakistani relationship. The PRC’s relations with India deteriorated rapidly: after the mid-1950s many Tibetan exiles and/or political activists moved to India and helped to start the Tibetan Uprising in 1959, after which the leader of the Tibetans, the Dalai Lama, moved to India as well, which welcomed him with open arms. The PRC was not happy to say the least, Indian-Chinese relationship was at an all-time low while the Sino-Pakistani relations began to improve swiftly.

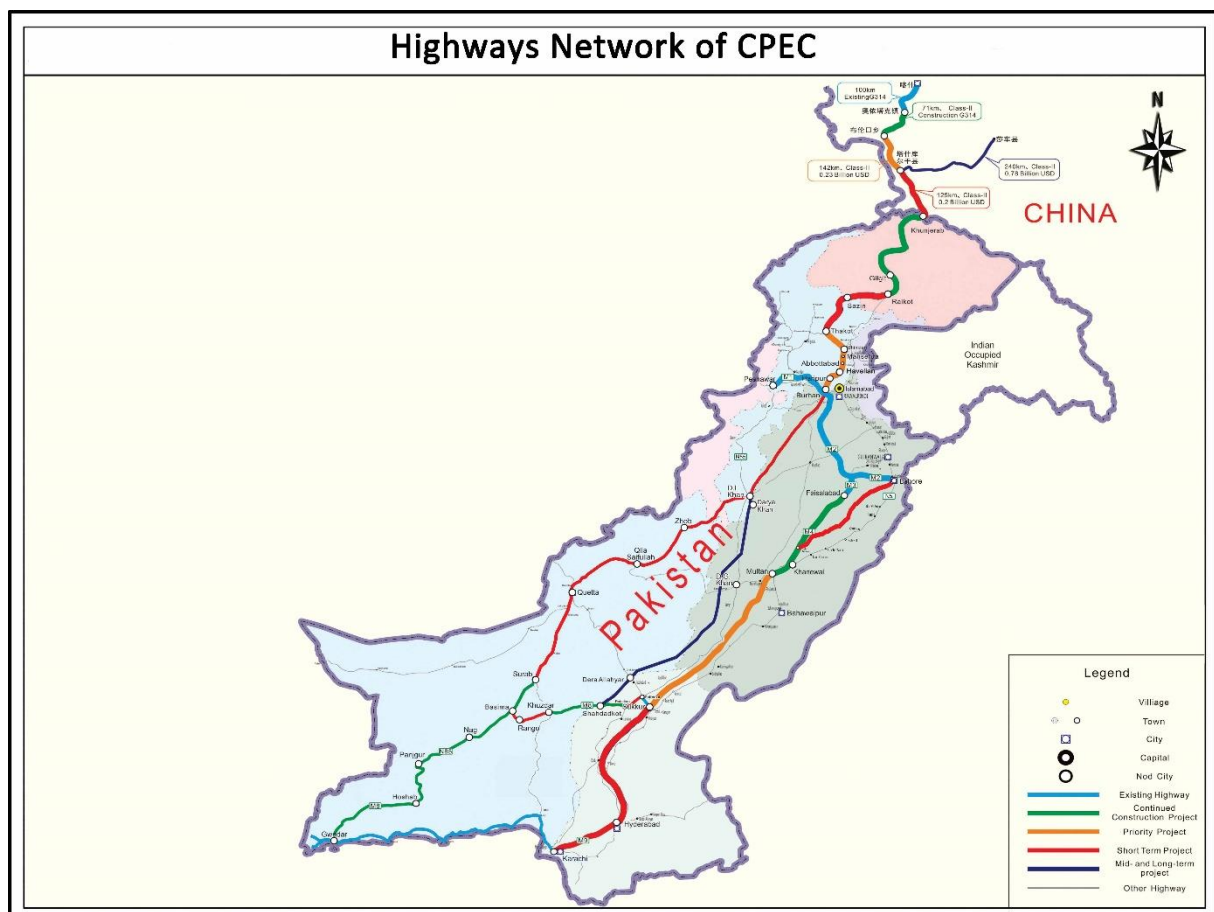
At the beginning of their relationship there were some border disputes between them, since northern Pakistan has a common border with the PRC, but after 1959 these were resolved relatively quickly, and all differences were settled by the early 1960s (1962 December to be precise). Following the Pakistani-Indian war of 1965 China began to aid Pakistan militarily as the latter was always friendly toward it and only considered India as its sole enemy in the world (and as we have seen Chinese-Indian relations were bad around this time). By that time China has given economic aid as well to Pakistan which further increased after East-Pakistan (today’s Bangladesh) seceded in 1971. Following this, they formed a strategic alliance in 1972 on one common basis: to try and contain India’s dream to be a regional power and achieve hegemony in South Asia by further territorial expansions. During this time, Pakistan helped to make the historical meeting between Nixon and Mao possible. Ever since then, China and Pakistan maintain a very close relationship, they support each other in strategic issues without questioning the other.

It is no wonder that the China – Pakistan Economic Corridor is considered as the most important part of the Belt and Road Initiative.

As mentioned before, Pakistan’s northern part borders China, namely the Xinjiang Uygur Autonomous Region (Xinjiang Province). It is therefore **important for Beijing as it provides a potential corridor through the Karakoram Highway to the Indian Ocean**, to the seaport at Gwadar in Baluchistan making the PRC able to reach the west side of India with relative ease – and much faster than it would normally take through the South China Sea and the Strait of Malacca. The work on expanding the port in Gwadar has already begun and is well underway.

The China-Pakistan Economic Corridor, or CPEC for short, can be considered the flagship project for the Belt and Road Initiative, although its success so far can be questioned. At the beginning of 2014 China planned to spend at least 60 billion USD on infrastructure developments in Pakistan which is a substantial amount even though some of this money would be loans to Pakistan, which will have to be repaid eventually.

The CPEC mainly comprises infrastructure projects, which are under construction throughout the whole of Pakistan, connecting Xinjiang to the Indian Ocean. We are not just talking about roads and railways but options for telecommunication, industrial parks, warehouses and so on. The CPEC consists of three main routes inside Pakistan.



1. Picture: The planned main routes of the CPEC in Pakistan. Source is the official webpage of the Pakistani government regarding CPEC. See: <http://cpec.gov.pk/maps>

One of the three main routes is the **Western one**, which has a total length of 2463 km, starting from Khunjerab and passing through Burhan, Dera, Quetta, and ending at Gwadar. Approximately one fourth of it is completed as of now.

The **Eastern Route** of CPEC has a total distance of 2686 km, starts from Khunjerab and passes through Burhan, Faisalabad, Multan, Khuzdar, Basima and ends at Gwadar again. About a 793 km section of the Eastern route (from Khunjerab to Burhan) is the same as parts of the Western and Central routes.

The **Central Route** of the project is planned to be 1633 km long and it begins from Burhan, goes through Pindigheb, Rajanpur, Khuzdar, Basima and Hoshab, terminating at the port of Gwadar. It is also planned to connect the northern part of the Central route to the Karakoram Highway. The problem with this route is – although this should be literally a central pathway that could connect the western part with the eastern part of the country in numerous intersections, and that it would be the shortest and would be the easiest to build – that it is the most underdeveloped. The reasons for this are political: **lobbies from Baluchistan wants the Western route to be built first, while lobbies from Punjab wants the Eastern one to be completed as soon as possible. So, with a little exaggeration no one wants the Central Route to be done.**

Around these routes numerous special economic zones are planned to be or are being built currently. Some features of the planned Corridor have already been completed. Besides infrastructure projects, the energy sector is also very important. So far 9 special economic zones are being planned to be constructed. These zones (SEZ from now on) are regions dedicated for industrial development and for this the **Pakistani government is willing to adjust the country's tax and economic policies** (that is to keep prices low to encourage investors – not necessarily just Chinese companies but interested parties worldwide).

The planned SEZs need modern roads and railways throughout all of Pakistan. **One of the major undertakes of the CPEC is the modernization of the road network in the country.** New highways are planned to connect the port of Gwadar to Karachi then to Hyderabad. From there new roads will go to Lahore and then to Islamabad. The newly reconstructed Karakoram Highway (made much more durable and additional lanes have been added) will then leave the country to enter China. The modernization of the road network will roughly cost 11 billion USD when finished, financed by Chinese low-interest loans (notice that it is not interest free).

#	Project Name
1	Rashakai Economic Zone , M-1, Nowshera
2	Dhabeji Special Economic Zone
3	Bostan Industrial Zone
4	Allama Iqbal Industrial City, Faisalabad
5	ICT Model Industrial Zone, Islamabad
6	Industrial Park Pakistan Steel Mills Port Qasim
7	Mirpur Industrial Zone, AJK
8	Mohmand Marble City
9	Moqpondass SEZ Gilgit-Baltistan

1. Table: The list of the China Pakistan Economic Corridor Special Economic Zones. Source is the official webpage of the Pakistani government regarding CPEC. See: <http://cpec.gov.pk/special-economic-zones-projects>

For the second most important part of the CPEC – namely the energy sector – around 33 billion USD will be spent to modernize Pakistan’s energy infrastructure on the one hand and to build new power plants on the other. This latter part is extremely important since currently power shortages are quite common in Pakistan as there are simply not enough facilities to provide enough energy for the growing needs of the country. Additional new long pipelines are being built between Gwadar and the Eastern part of Pakistan which will be linked to Iran in the west to help natural gas and oil transportation between the countries. Although **hydrocarbons are going to be the main source of electricity production with these projects, hydroelectric, wind power and a solar farm (envisioned to be one of the largest in the world) are also being built as part of the development of Pakistan’s energy sector.**

CPEC will also include the construction of agricultural farms, (standardized) railways, airports, a fiber-optic based telecommunication network (linking Pakistan with China, and through China to Europe) and a high-speed train. This telecommunication connection will bring Chinese and Western culture, movies, and television to Pakistan (theoretically). All of these projects will be built according to Chinese plans, with Chinese labor, and connected to Chinese businesses

“Safe Cities” initiative is primarily designed to safeguard Chinese workers from Pakistani extremists by essentially transforming many of Pakistan’s cities. This will utilize the use of lighting and cameras to create safe zones all around the country. However, there is also serious criticism regarding this initiative. Firstly, many Pakistanis

believe that the new surveillance system will be used to watch people and gather data on them, which could be used by the state later on to manipulate or blackmail its citizens. Secondly, it includes building new safer buildings in urban centers, and because of that many are concerned that much of the traditional areas of some of the historic cities or parts of those cities of Pakistan will be destroyed. Moreover, the “Safe Cities” initiative is also proposed to help in the training of the local police and military on anti-terrorist and bomb detection techniques.

There is one additional information that we need to mention: **China has become Pakistan’s biggest trading partner in the last 10 years. The bilateral trade in 2006 was registered 5.2 billion USD a year which increased to 16 billion USD by 2016.** That had the effect of increasing Pakistan’s GDP growth to a huge 5.7%. But in spite of this Pakistan’s economic growth is pretty one sided. **It hugely depends on China and its exports. Pakistan’s exporting capability, especially to other foreign countries can be still considered low and they are almost exclusively raw materials or goods that does not require high skilled labor or advanced technology to make (wool and related items for example).**

Problems

Economically CPEC may be beneficial for Pakistan, although it will create a heavy debt burden for the country (which it might or might not be able to repay). **Pakistani politicians have argued** that the project will produce equal opportunities for all regions of Pakistan (again which might or might not be true) and they have also argued **that CPEC will improve Pakistan’s economic development** and could create new businesses and jobs all around the country. They have also added that CPEC will most likely have a big impact on the living standard of the common people – again this not necessarily true.

Given the level of corruption and the rigid class system in which most of the nation’s wealth goes to a very small upper class, it is doubtful that much of the inflow of capital will help the “common people.”

In addition, it is doubtful that this investment will create jobs in Pakistan, particularly meaningful jobs. Chinese workers will likely take most of the skilled and management positions and there is a slim chance that the skilled Chinese workers will try and teach the Pakistani hands. Even though this might change in the future, the level of corruption and the social structure of Pakistan really hinders this advancement because of a number of factors. These factors include low level of education, tribal rivalries, basically non-existent women rights, public health problems, illiteracy and Islamic extremism.

So, the questions is, will CPEC really help Pakistan?

On the one hand, the 60 billion USD investment will bring resources to Pakistan, which can certainly use better roads and an updated and efficient railway system, and the project may help modernize Pakistan’s traditional, outdated, and very inefficient agricultural system. On the other hand, it is now becoming clear that **CPEC is hindered by** the very

nature of Pakistani society, particularly **the provincial tensions and the lack of effective leadership** since the governmental structure is decentralized with greater power and autonomy in the provinces.

It is also likely that the project will create class anger and antagonism in Pakistan, because it is probable that most of Pakistan's society will not get anything out of the CPEC, since at least 60% of the country's population works in agriculture and most of them live in rural areas. These areas will be either largely unaffected by the planned developments or worse, the agricultural estates in which these people work at will be used up for infrastructural developments and the people will be forced to leave (best case scenario they will get some compensation for their lands, worst case scenario they will be chased away).

One of the problems that is already facing CPEC is **Pakistan's regional and ethnic differences and conflicts**. These rivalries and feuds have played a major role in Pakistan's short history. The reason for this is that the country has some very peculiar regulations in place. For instance, although the official language of Pakistan is Urdu, (and English), Urdu is only spoken as a native language by about 8 percent of the complete population.

These ethnic and regional rivalries do not just represent differences in culture or language, but also represent bitter rivalries for the sphere of politics and economics. This can be easily observed on the fact that the Punjabis basically governs the country or more precisely the national government is almost exclusively formed by them while the Pashtuns are prominent in the Pakistani military. As a consequence, there were many times when the military interfered with the national government, staged a coup, removed the leadership and declared martial law.

Baluchistan, which is scheduled to play an important role in CPEC, is a good example of a province in ethnic turmoil. It is the **largest province** in Pakistan and has many natural resources. However, the Baluch **have the lowest standard of living** of any ethnic group in the country and they feel alienated from the Pakistani power structure as important positions in politics are virtually unreachable for them.

To go on with the list of (potential) problems, many Pakistanis fear that the whole project will only enrich the Panjabis (members of the national government and their circles), who are already „ahead” of the other ethnic groups. One of the routes in the original plan, referred to as the Western Route that would have connected Kashgar to Gwadar, was to go through the Khyber Pakhtunkhwa Province and then into the northern part of Baluchistan. It was changed by the central government to be moved further eastward. After that both the provincial governments of the Khyber Pakhtunkhwa and Baluchistan have voted against the realization of the CPEC.

The fate of the project in Baluchistan is key to the ultimate success of CPEC though, since the use of the Port of Gwadar is one of the project's key elements. However, **increasing**

calls in Baluchistan for the creation of a separate state and an ensuing (possible) armed conflict pose an enormous challenge to the corridor. Baluchistan has been trying to secede from Pakistan since 2009. With current plans of the CPEC, it is very likely that any attempts at separatism will bring along strong retaliation from the central government.



2. Picture: The ethnic map of Pakistan. Source: https://commons.wikimedia.org/wiki/File:Major_ethnic_groups_of_Pakistan_in_1980_borders_removed.jpg

One of the main reasons Baluch nationalists oppose the project is that it could ultimately turn the demographic balance against them as other ethnic groups will move into the province to try and profit from the efforts of the CPEC. Even at this time the Baluch people only make up about 55 percent of the population of Baluchistan. The anger towards the CPEC has increased to the point that Chinese citizens have been kidnapped and killed by Baluch militant groups. On May 13th, 2017 Baluch gunmen has killed 10 laborers working on the CPEC project in Gwadar.

The other reason is much more simple: CPEC, and with it China's cultural and economic incursion into Pakistan is reminiscent to many of the British colonization.

Another huge problem in the Country and for the CPEC is the number of militant extremist groups. The issue is that the national government can't or won't do anything against them, the reason being that sometimes they find them useful, while the military actually uses them for their own purpose (making attacks on Indian forces in Kashmir for example) so they are not turning on them. But these groups are not just against Western influence but against any type of foreign influence. And China fits into this category well.

These militant Islamic groups could be especially dangerous for the Chinese projects in Pakistan in the long run. China does not have a good reputation in the Islamic world as it has shown little to no tolerance for Muslim groups within China, most especially with its recent treatment of the Uygur ethnic minority in Xinjiang province.

Questions for Self-Checking

What is the reason behind the special relationship between Pakistan and China?

Why is Pakistan considered the flagship project in the BRI?

Why is the province of Baluchistan problematic regarding the BRI?