Iron Brothers: Assessing the China-Pakistan Economic Corridor

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Abstract

CPEC is a set of multi-billion dollar bilateral infrastructure agreements between the People's Republic of China and the Islamic Republic of Pakistan. The author's main aim for this dissertation is to conclude whether CPEC will benefit Pakistan's development by assessing the different viewpoints expressed by academics. The literature review looks into the background of Pakistan and China and various aspects of China's BRI and CPEC. The main body covers six key areas: SEZs, energy security, the debt crisis, Punjab favouritism, Baloch separatism and Pakistani foreign relations. The author concludes by providing suggestions for the Pakistani government to ensure CPEC is beneficial to Pakistan's development if met.

Contents

List of Abbreviations

BNP – Balochistan National Party

BRI – Belt and Road Initiative

CPC – Communist Party of China

CPEC – China-Pakistan Economic Corridor

HDI – Human Development Index

IMF – International Monetary Fund

KP - Khyber Pakhtunkhwa

LSG – Leading Small Group

PML-N – Pakistan Muslim League – Nawaz

PSDP - Public Sector Development Programme

PTI - Pakistan Tehreek-e-Insaf

SCO – Shanghai Cooperation Organisation

SEZ – Special Economic Zone

Introduction

The China-Pakistan Economic Corridor (CPEC) is perhaps one of the world's largest infrastructure overhauls seen in the last decade. It is comprised of 70 projects, ranging from coal-fired power plants to fibre optic cables, and is currently worth over $62 billion in Chinese investment (Ministry of Planning and Development, 2019; Siddiqui, 2017).

CPEC is the flagship for China's Belt and Road Initiative (BRI), a global development strategy similar to the US Marshall Plan. It marks the beginning of a new venture in Sino-Pak relations, which already has a strong military and political base. The aim: to ensure sustained economic growth for both Pakistan and China's western region of Xinjiang.

However, the question must be asked: Is CPEC good for Pakistan?

By this, I mean, is CPEC good for Pakistan economically and politically? This is an important question considering Pakistan's history as a client state to foreign powers such as the US and Saudi Arabia. These relationships have plunged Pakistan into over $82.19 billion of external debt, with 29.5% of its population below the poverty line (CIA, 2019).

In addition, Pakistan's involvement in the US War on Terror claimed the lives of over 23,375 Pakistani civilians while leaving the country with several terrorist organisations to deal with (Al-Jazeera, 2018). Meanwhile, corrupt Pakistani officials hoard money in overseas bank accounts while the poor suffer from a crippling economy. It is no wonder we should be concerned with the recent developments concerning Pakistan's newfound love for China.

Will CPEC break or reinforce the status quo?

That being said, CPEC doesn't just affect Pakistan; it could have implications for the whole world. Pakistan is located in one of the world's most strategically important locations. The Indus River has always been the crossroads between civilisations and ruled by great powers such as the Achaemenid Empire, Alexander's Macedonian Empire, the Mongols, the Mughals and, most recently, the British Raj.

Today, Pakistan borders two of the world's fastest-growing economies: India and China, not to mention the oil-rich Middle East and mineral-rich Afghanistan. With the Strait of Hormuz only 600km from Gwadar port and direct access to the Arabian Sea, Pakistan will undoubtedly play a crucial role in the global economy with the help of CPEC.

What does CPEC mean for the BRI? And what does the BRI mean for the world and its future?

In this dissertation, I aim to answer these questions and highlight the steps Pakistan should take to ensure it can get the most out of CPEC.

Literature Review

There are many articles, websites, essays, and reports concerning CPEC, but there is a lack of literature in the form of books. This may be because CPEC is still a relatively new initiative, so the impact is still debatable. Furthermore, whilst most sources look at how CPEC will impact Pakistan economically and politically, few sources touch upon the social implications of CPEC. I intend to cover these issues in the main body of this dissertation. I believe this will be an angle of approach that will allow me to add my own opinion with justification.

My research has been separated into three sections: 'China and Pakistan', 'The Belt and Road Initiative' and 'The China-Pakistan Economic Corridor'. This corresponds to how I researched the topic by starting with a large scope and narrowing it down to CPEC. First, I began by looking into the respective backgrounds of China and Pakistan. This allowed me to understand the motives behind CPEC and why both countries are pursuing it. This then translated to a focus on China's BRI. This allowed me to understand how the BRI fits in with China's overall foreign policy and how it could lead to a potential clash between the US and China, for which Pakistan could be the battleground. It also allowed me to understand how China invests in other countries compared to CPEC. Lastly, my research into CPEC gave me an understanding of the various projects taking place in Pakistan, the risks associated with CPEC and the impacts of CPEC. This, alongside my look into the BRI and my preliminary research into China and Pakistan, has allowed me to create a detailed picture of CPEC's impact on politics and economics on the global, regional and local scales.

Each literature review will have the following components:

Source Analysis: Key information and facts presented in the source.

Source Evaluation: Assessment of the reliability and bias of the source.

Alongside the research contained within this literature review, I have also attended lectures given by key figures on CPEC and the BRI. This includes the High Commissioner of Pakistan, Mr Mohammad Nafees Zakaria and Professor Kerry Brown, the current director of the Lau China Institute at King's College London. In addition, I have read numerous news reports and watched documentaries concerning CPEC and the BRI. These will be referenced individually in my discussion. They have not been included in the literature review because they are not key pieces of research, nor are they broad or deep enough to warrant individual analysis. They are, instead, more supplementary to the ideas I present in my discussion.

China and Pakistan

Marshall, T., 2015. *Prisoners of Geography: Ten Maps That Explain Everything About the World.* London: Elliott and Thompson.

Source Analysis:

Chapter 2: China

Marshall outlines the geography of China and how it affects China's domestic and foreign policy. Among the various topics covered, Marshall also points out how China wants to challenge the USA for its spot as the number one global superpower. This is being realised in two ways: China's BRI, which includes CPEC, and China's recent naval developments. Essentially, China wants to replace the USA as a global superpower by building a powerful navy to challenge US naval superiority. By doing so, China will be able to protect its trade routes and hold political influence over many countries across the world. To do this, however, China needs to circumvent the Strait of Malacca, one of several global trade choke points. If China cannot do so, its economic growth could be severely threatened, resulting in many issues for its large population of over one billion people.

Chapter 7: India and Pakistan

Marshall outlines South Asia's geography and analyses the poor relationship between the two former British colonies: India and Pakistan. Focusing on Pakistan, he points out how the country has been involved in several wars with its considerably larger neighbour, India, and global conflicts such as the US's War on Terror. Strategically speaking, Balochistan is Pakistan's most important province. Making up 45% of the country, Balochistan has vast mineral wealth and natural gas. The coastal city of Gwadar is particularly important and has attracted billions of dollars of investment from China, which saw a new deep-water port inaugurated in 2007. In 2015, China and Pakistan agreed upon $46 billion worth of infrastructure projects linking Xinjiang to Gwadar, collectively called CPEC. This will allow China to bypass the Strait of Malacca and gain direct access to the Arabian Sea. However, due to concerns over Balochistan secessionist movements, a security force of up to 25,000 troops is being formed. That being the case, Marshall remarks that “until more of the wealth that Balochistan creates is returned home and used for its own development, the area is destined to remain restive and occasionally violent”.

Source Evaluation:

According to the author’s page in Prisoners of Geography, Tim Marshall has over twenty-five years of reporting experience at Sky News, the BBC and LBC/IRN radio. He has reported from 30 countries and covered conflicts in Eastern Europe and the Middle East. He has written for numerous reputable newspapers and is considered a leading authority on foreign affairs. Furthermore, since Marshall is not a direct stakeholder in CPEC, it is safe to say that his insight is reliable and vital to understanding the motives behind CPEC and the bigger picture behind China’s BRI.

The Belt and Road Initiative

Kugelman, M., 2019. Great Potential, Many Pitfalls: Understanding China's Belt and Road Initiative. *Asian Affairs*, 50(2), pp. 180-186.

Source Analysis:

Kugelman overviews China's BRI while addressing some of the project's key issues. China's BRI will involve more than 60 countries, a third of the world's population and 40% of the global economy. It is clear to see that China's BRI is going to be something that will directly or indirectly affect everyone, no matter their country's geopolitical links with China. Kugelman also highlights how CPEC is the most extensive and operationalised part of the BRI region.

One aspect of China's BRI that faces fierce criticism is the use of investment to increase its influence abroad despite Beijing's emphasis on the BRI purely being a business venture. This was clearly evident when, in 2017, Sri Lanka could not pay back its loans to China and then signed an entire port – albeit one paid for by China – over to them under a 99-year lease, thereby compromising its sovereignty as a direct result of the BRI. This is known as 'debt trap diplomacy', which is when loans from one country force the indebted country to become dependent on the lender.

Additionally, there is also a concern over whether the BRI will contain a military component, a claim that Beijing denies. This is because as China expands its influence, it may be able to use investment as leverage in establishing military bases near BRI projects in the name of security, as was done in Djibouti, another recipient of Chinese funding. Another criticism is the lack of transparency about BRI projects, indicating a hidden motive of the authoritarian Communist Party of China (CPC).

On the other hand, proponents of China's BRI, such as Pakistani officials, highlight the economic advantages that come with Chinese investment:

- Better infrastructure in poorly integrated regions.
- More electricity generation in energy-insecure regions.
- New local employment opportunities as a result of development brought about by BRI projects.
- Ability to bring about prosperity and stability to troubled parts of the world.

That being said, Kugelman also discusses the risks and challenges faced by China's BRI. One such challenge is security. The BRI region includes some of the world's most unstable areas where conflict is strife and terrorists hold sway. That being the case, China has proven willing to invest in volatile regions such as South Sudan and the Democratic Republic of Congo. However, it is important to note that Kugelman highlights Pakistan has undergone security improvements in recent years.

Another risk for the BRI is water insecurity, which is rife in South Asia and the Middle East. In particular, Pakistan has one of the lowest per capita water availability rates, proving to be a considerable obstacle for CPEC, which requires vast amounts of water. Gwadar, the flagship of CPEC and arguably the BRI as a whole, is located in the extremely arid province of Balochistan and depends on water tankers brought in from a dam nearly 100 miles away.

Lastly, Kugelman brings to light a 2018 study by the Center for Global Development, which lists 23 countries at high risk of 'debt distress' from BRI-related financing, including 8 of particular concern. Pakistan is one of these 8 countries and is projected to have a debt ratios of 70%. More importantly, the study also pointed out that China has charged Pakistan interest rates twice as high as other BRI countries.

Source Evaluation:

Michael Kugelman is the Deputy Director of the Asia Program and Senior Associate for South Asia at the Woodrow Wilson International Center for Scholars in Washington, DC. He is an expert on Afghanistan, Pakistan and India and their respective relations with the US. He has edited and co-edited 11 books and written for well-respected newspapers, such as The New York Times, on topics ranging from US policy in Afghanistan to water, energy, and food security in South Asia. However, due to Kugelman's apparent affiliations in the US, it is safe to say that there may be a slight bias against China's BRI and CPEC.

Yu, S., 2019. The Belt and Road Initiative: Modernity, Geopolitics and the Developing Global Order. *Asian Affairs,* 50(2), pp. 187-201.

Source Analysis:

Yu deconstructs China's BRI, looking at the political-philosophical foundations and their implications for global world order. There are two visions for the BRI upon which its success is contingent: the modernisation vision and the common destiny vision. The modernisation vision is the idea that BRI countries will participate in China's economic prosperity through development and investments from China. The common destiny vision is the idea that BRI countries will share certain moral and cultural values. Yu concludes that there will be a change in the world order centred around China's BRI in the coming decades, resulting in a stand-off between East and West with liberal democratic countries pitted against the conservative authoritarian governments of China's BRI region.

Source Evaluation:

Dr Shirley Yu is an affiliate of King's College London's Lau China Institute and a former news anchor on China Central Television. She is the Chief Strategic Officer of Xin Yuan Group Co Ltd. Yu has advised several international companies, including China's Legend

Holdings and UK-based public companies, through her own advisory firm. Yu is clearly an expert on global affairs yet may be biased towards China's BRI and CPEC due to her numerous connections to Chinese interests.

Wang, Y. & Liu, X., 2019. Is the Belt and Road Initiative a Chinese Geo-Political Strategy?. *Asian Affairs,* 50(2), pp. 260-267.

Source Analysis:

The authors base their argument on the premise that the modern world is in a state of economic imbalance that has resulted in conflict and poverty. They then give a history of global trade, highlighting how the global economic centre used to be China via land routes such as the Silk Road. This then shifted westwards towards European powers via sea trade and globalisation as a result of colonialism following the collapse of the Silk Road. They claim that by 2025, the global economic centre will shift back to China due to the BRI, which will cover both sea and land routes, helping to bridge the gap between coastal, affluent areas and inland, underdeveloped areas. This will eventually bring the world into a state of economic balance, which should theoretically eliminate conflict and poverty. In doing so, the world will be able to come together as a community with a shared future aiming to embrace peace, prosperity, and security whilst being environmentally conscious and eliminating the geopolitical barriers caused by colonialism. Therefore, the BRI is not a geopolitical strategy with an ulterior motive but simply a means to a common destiny that benefits all, as put forth by the teachings of Confucius.

Source Evaluation:

Yiwei Wang is the Director of International Affairs and the Director of the Center for European Studies at the Renmin University of China. He was a diplomat at the Chinese Mission to the European Union from 2008 to 2011. He has authored several books, including

China Connects the World: What's behind the Belt & Road Initiative and *The Belt & Road Initiative: What China Will Offer the World in Its Rise*. Wang is a well-respected authority on China's BRI. However, his affiliation with China makes him biased towards China's BRI and CPEC.

Xuejun Liu is a graduate of Renim's School of International Studies. Likewise, his affiliation with China and Wang may be a source of bias towards China's BRI and CPEC.

Pantucci, R., 2019. China in Central Asia: The First Strand of the Silk Road Economic Belt. *Asian Affairs*, 50(2), pp. 202-215.

Source Analysis:

Pantucci gives an overview of China's involvement in Central Asia. In 2001, China established the Shanghai Cooperation Organisation (SCO) to ensure economic engagement with its immediate western neighbours. However, the SCO moved in a security direction as the other members resisted China's attempts to create economic structures under the SCO and were more concerned with the threat posed by anti-state groups. Following the 2009 Urumqi Riots, China decided it needed to develop the region of Xinjiang. To do this, China would need to increase economic activity between Xinjiang and its immediate Central Asian neighbours. As a result, China invested in Central Asia to create markets for Xinjiang to access and export its goods while developing and strengthening infrastructural links between Xinjiang and Central Asia. This eventually grew into the BRI.

Pantucci highlights the economic, political and security aspects of China's relations with Central Asia and how these paint a picture of how the BRI will play out in other countries such as Pakistan. First, China starts by investing in a country through extractives, infrastructure, and markets. As China invests in a country, it will get dragged into local politics. This is because local leaders seek Chinese support, and China needs to win over local populations to continue working on projects unhindered. This can be seen through the establishment of Confucius Institutes and the growing presence of Chinese ambassadors in local politics. As Chinese presence grows in these countries, China has an increased duty to ensure the safety of its assets, whether it is people or investments. This requires China to also take on a security role in BRI countries. This can be achieved via training local security forces, as seen through the China National Institute for SCO International Exchange and Judicial Cooperation, or the dispatching of Chinese troops. Ultimately, this challenges China's non-interference policy, which is at the core of Beijing's view on its relationship with the world.

Source Evaluation:

Raffaello Pantucci is the author of *"We Love Death as You Love Life": Britain's Suburban Terrorists* and is currently a senior research associate for the Royal United Services Institute, the world's oldest independent think tank on international defence and security. His research focuses on China's relations in South and Central Asia. Therefore, it is fair to say Pantucci is a respected authority on China's BRI. Despite this, it may be important to note that he has lived for over three years in Shanghai, where he was a visiting scholar at the Shanghai Academy of Social Sciences, which could be a source of bias.

Rolland, N., 2019. Beijing's Response to the Belt and Road Initiative's "Pushback": A Story of Assessment and Adaptation. *Asian Affairs,* 50(2), pp. 216-235.

Source Analysis:

Rolland provides a deeper understanding of the major concerns associated with the BRI, exploring both domestic and international concerns. Among domestic concerns is the idea that the BRI may overextend China's resources, which could result in incomplete projects. Similarly, there are also concerns amongst Chinese financial institutions about how much they lend to BRI countries. Lastly, some Chinese intellectuals have also pointed out that China is offering $60 billion in aid to 166 countries despite poverty levels in China itself.

Internationally, much criticism has been made about the BRI and China's intentions. Most notable is the idea that China uses BRI projects to further its geostrategic aims. Rolland points out that 23 out of the 68 BRI countries are at risk of debt distress, of which 8, including Pakistan, were at very high risk. Thus, confirming Kugelman's earlier analysis. In 2018, 27 out of 28 EU countries (excluding Hungary) accused the BRI of hampering free trade, giving unfair advantages to Chinese companies and attempting to influence globalisation to suit China's needs. Recipient countries also began to push back against China by cancelling or renegotiating BRI projects, such as Pakistan, which cancelled the $14 billion Diamer-Bhasha Dam. Furthermore, the BRI has prompted counter-responses, such as the US doubling the Overseas Private Investment Corporation's portfolio cap to $60 billion and India and Japan's launch of the Asia-Africa Growth Corridor in 2017.

Lastly, Rolland highlights the various ways China has responded to these concerns. This includes implementing BRI Leading Small Groups (LSG) at multiple levels of administration, repeated risk assessments, support to Chinese think tanks and detailed planning tailored to each project. More importantly, since 2018, there has been a greater focus on implementing 'soft' projects that aim to create a more positive image of the BRI through poverty alleviation, people-to-people exchanges, and human development. This resulted in the creation of the China International Development Cooperation Agency to enable cooperation in these areas. By doing so, China hopes to create positive perceptions of the BRI whilst still achieving its geostrategic goals.

Source Evaluation:

Nadège Rolland is a senior research fellow for political and security affairs at The National Bureau for Asian Research. She is the author of *China's Eurasian Century? Political and Strategic Implications of the Belt and Road Initiative* and has spent 20 years as a French government official. This could be a potential source of bias as her views on the BRI may be influenced by France's position on China.

Schwemlein, J., 2019. Flawed by Design: The Challenge of Flawed Democracies to China's Rise. *Asian Affairs*, 50(2), pp. 249-259.

Source Analysis:

Schewmlein assesses the extent to which China does business with flawed democracies and how that has affected the BRI. Currently, two-thirds of BRI countries are classified as flawed democracies. Schewmlein points out how electoral transitions in these flawed democracies have resulted in changes in negotiations with China. This is because newly elected governments seek to assert greater influence over the direction of BRI investment. Schewmlein gives examples from Nepal, Malaysia, Pakistan, and the Maldives. In the case of Pakistan, when the Pakistan Tehreek-e-Insaf (PTI) party won the 2018 elections, it resulted in a series of statements that claimed that the previous Pakistan Muslim League – Nawaz (PML-N) government did a lousy job at negotiating with China. The PTI government renegotiated CPEC with a greater focus on local job creation and social welfare.

Schewmlein puts this down to the fact that democratic transitions represent an opportunity to correct past mistakes and that flawed democracies are vulnerable to outside influence that is both fragile and temporary. This is because of the following factors:

- Short-termism
- Pain aversion

- Elite capture
- Division and conflict
- Voter ignorance

Among the myriad reasons for changes in BRI deals given by new governments, three stand out. Firstly, corruption is rife in flawed democracies, and democratic transitions help focus attention against previous governments' corruption. However, it is important to note that any allegations of corruption are directed inwards and not towards Chinese firms. Secondly, financial obligations resulting from the work of previous governments don't sit well with new ones, so they may attempt to renegotiate BRI deals. Lastly, the growing demand for local participation due to local businesses lacking the resources to compete with large Chinese firms may also result in renegotiation.

Source Evaluation:

James Schwemlein is a non-resident scholar in the Carnegie Endowment for International Peace's South Asia Program and a consultant to the World Bank. At the World Bank, he examines the implications of China's BRI and advises recipient countries on how to maximise the economic benefits and mitigate the risks associated with Chinese investment. He has also worked as a former US diplomat in South Asia and on US foreign economic policy. He served as a trade policy officer in Pakistan from 2008 to 2009 and desk officer from 2009 to 2010. More recently, he served as senior advisor to the US special representative for Afghanistan and Pakistan from 2011 to 2017. In conclusion, Schwemlein is an important authority on South Asian affairs and China's BRI. However, it is important to note his numerous affiliations with the US and Pakistan, which may be a source of bias and vested interest.

The China-Pakistan Economic Corridor

Ministry of Planning and Development, 2019. *CPEC | China-Pakistan Economic Corridor (CPEC) Official Website*. [Online] Available at: http://cpec.gov.pk/ [Accessed 24 December 2019].

Source Analysis:

According to the website, there are a total of 70 projects that come under CPEC in various stages of development, from ‘planning’ to ‘completion’ (see Appendix I). Surprisingly, 6 of these projects are financed by Pakistan’s Public Sector Development Program (PSDP). Energy takes the lion’s share with 22 projects, followed by CPEC’s flagship port-city of Gwadar with 9 projects and the 9 proposed Special Economic Zone (SEZ) projects.

Source Evaluation:

The main division under the Ministry of Planning and Development is the Planning Commission of Pakistan, currently headed by Pakistan’s current Prime Minister Imran Khan, an avid proponent of CPEC. Therefore, while the website does include information on the various CPEC projects, it is important to consider that there is a clear bias towards CPEC that may result in unsavoury details being glossed over.

Ministry of Planning and Development, 2017. *Long Term Plan for China-Pakistan Economic Corridor (2017-2030),* Islamabad: Ministry of Planning and Development.

Source Analysis:

The manifesto starts with a brief introduction of China and Pakistan’s relationship, one of mutual cooperation dating back to the formal establishment of diplomatic ties between the two states, before defining the geographical area that makes up CPEC (see Appendix II). Following this, it details the various aspects of China and Pakistan that will allow the countries to maximise their output from CPEC. In short, these are the superior industrial power of China and the vast amount of human and natural resources in Pakistan. Similarly, CPEC's place in the BRI and the recovering world economy will allow for ample opportunities. Meanwhile, potential challenges include geopolitical and security risks and restraints due to geographical factors and economic growth prospects.

Regarding the vision for CPEC, Pakistan aims to use CPEC to fully harness its demographic and natural endowment. In contrast, China wishes to use CPEC to develop its western regions and further the BRI. In addition, CPEC also aims to increase South and Central Asia's role in the global economy. By 2020, CPEC is expected to address the bottlenecks in Pakistan's development and boost both countries' economic growth. By 2025, the construction of CPEC is to be well underway and near completion, with all the goals of Pakistan's Vision 2025 to be completed. By 2030, the construction of CPEC will be completed, with South Asia grown into an international economic zone with global influence. The manifesto goes on to outline the guidelines and mechanisms for implementing CPEC.

Source Evaluation:

The main division under the Ministry of Planning and Development is the Planning Commission of Pakistan, currently headed by Pakistan's current Prime Minister Imran Khan, an avid proponent of CPEC. Therefore, while the manifesto does include information on CPEC's strategic aims, it is important to consider that there is a clear bias towards CPEC that may result in unsavoury details being glossed over.

Rafiq, A., 2019. The China-Pakistan Economic Corridor: The Lure of Easy Financing and the Perils of Poor Planning. *Asian Affairs,* 50(2), pp. 236-248.

Source Analysis:

Rafiq explores the idea of 'Punjab Speed', which refers to the ability of the Punjab province of Pakistan to match the speed at which China can complete its domestic infrastructure projects following the completion of major projects in the province during the PML-N government. However, this may exacerbate the already resentful views expressed in other provinces of Pakistan, which see CPEC as giving preferential treatment towards Punjab. Rafiq details how Pakistan could not absorb China's high investment over a short period and had to import machinery to complete the projects. Coupled with the already high energy imports, this widened Pakistan's current account deficit. As a result, the Pakistani rupee devalued on several occasions in 2018, and annual growth is expected to slow down from 6% to 4% in the short term. Currently, Pakistan is seeking a bailout from the International Monetary Fund (IMF) and has received assistance from China, Saudi Arabia, and the United Arab Emirates. Rafiq clarifies that Pakistan must make systematic reforms, particularly in the energy sector and judiciary, for CPEC to be truly effective.

Source Evaluation:

Arif Rafiq is a non-resident fellow at Washington DC's Middle East Institute. His research focuses on political reform, religious extremism, terrorism, and great power politics in South Asia. Previously, he worked for the Saban Center for Middle East Policy at the Brookings Institution and led public relations firms such as Burson-Marsteller and Ruder Finn. Furthermore, from 2011-2013, he was listed by Foreign policy as one of the top 100 foreign affairs commentators on Twitter. Rafiq has the credentials to be a reliable source on CPEC.

Rafiq, A., 2017. *The China-Pakistan Economic Corridor: Barriers and Impact*, Washington DC: United States Institute of Peace.

Source Analysis:

Rafiq gives an overview of what CPEC is and what has happened regarding its history so far. The report goes on to outline the potential impacts of CPEC on Pakistan. For example, an influx of economic migrants to Gwadar could result in issues concerning social cohesion as Baloch people become a minority and have to compete for jobs. On the other hand, CPEC could help Pakistan achieve a GDP growth rate as high as 7 to 8% once the energy crisis is addressed and could help attract investment if it is successful.

In addition, Rafiq also looks into the political and economic barriers of CPEC. Despite support for CPEC being mostly unanimous across all sides of the political spectrum, separatists in Balochistan and Sindh take a hostile stance on CPEC. Although initially in support of CPEC, the separatists soon lost faith in the idea after failed talks with the Pakistani government and public support for their separatist movements from India. Rafiq notes that premature industrialisation, a heavy debt burden, and circular debt can seriously impede the next two phases of CPEC if not addressed with appropriate policy changes.

Rafiq finishes his report with recommendations for the Pakistani, US and Chinese governments. In short, Rafiq believes that Pakistan must create a CPEC authority headed by the Prime Minister, make information regarding CPEC projects more public and transparent, ensure the best interests of Baloch people, reform government trade and electricity agencies, dedicate a fixed percentage of royalties toward human development in Balochistan, consider additional connectivity projects and avoid conflict by inviting India to take part in trade via CPEC. For the US, Rafiq recommends that the government continue moral support for CPEC, emphasising the US's desire to see Pakistan develop and facilitate the integration of Afghanistan into CPEC. Lastly, he recommends China refrain from getting involved in Pakistan's internal politics even if it relates to CPEC and increase social expenditure, especially in Balochistan and Gilgit-Baltistan.

Source Evaluation:

Arif Rafiq is a non-resident fellow at Washington DC's Middle East Institute. His research focuses on political reform, religious extremism, terrorism, and great power politics in South Asia. Previously, he worked for the Saban Center for Middle East Policy at the Brookings Institution and led public relations firms such as Burson-Marsteller and Ruder Finn. Furthermore, from 2011-2013, he was listed by Foreign policy as one of the top 100 foreign affairs commentators on Twitter. Rafiq has the credentials to be a reliable source on CPEC.

Roy, N., 2019. China-Pakistan Economic Corridor – Is it the Road to the Future?. *Asian Affairs*, 50(2), pp. 268-282.

Source Analysis:

Roy assesses the extent to which CPEC has become a major source of tension in Asian geopolitics. CPEC will allow China to bypass all maritime chokepoints except the Strait of Hormuz. However, it may give rise to issues concerning security both in Pakistan and China. Balochistan separatists and other terrorist organisations in Pakistan pose serious threats to Chinese infrastructure and workers. Likewise, Kashgar has also been the site of recent security concerns due to Uyghur uprisings against the CPC. CPEC could address these issues by bringing about economic prosperity in the long term or could worsen these situations as separatist groups view CPEC as an extension of the oppression they face at the hands of their respective states.

Similarly, there are also international concerns regarding CPEC. For example, India is not particularly happy with CPEC. It runs through the disputed region of Gilgit-Baltistan, which is part of Kashmir, a region that both India and Pakistan claim as theirs. Furthermore, CPEC could also raise security concerns between India and China in the Indian Ocean, which the Indian economy heavily relies on. In conclusion, the most significant obstacle in the way of CPEC is security.

Source Evaluation:

Nalanda Roy is an associate professor at Georgia Southern University's Department of Political Science and International Studies. In 2016, she published *The South China Sea Disputes – Past, Present and Future*. Her interests lie in global politics, Asian politics, security, immigration, conflict resolution, international law, globalisation and human rights. While it is clear that Roy is well-versed in global affairs and China's BRI, it is important to know that she has an MA in International Relations from India's Jadavpur University. This could result in a bias against Pakistan and CPEC.

Chapter One: Are SEZs Good for Pakistan?

CPEC is going to see many changes to the Pakistani economy. In particular, under CPEC, Pakistan will introduce new SEZs. These are areas where business and trade laws differ from the rest of the country.

China is helping Pakistan establish a total of 9 SEZs**,** most likely based on the Chinese model, such as Shenzhen in the Guangdong province and Kashgar in Xinjiang (see Appendix III) (Ministry of Planning and Development, 2019). Chinese SEZs are export-oriented and primarily driven by market forces. They give special tax incentives for foreign investment and have greater independence from the central government on international trade activities. Furthermore, Chinese SEZs are listed separately in national planning and retain the authority to pass legislation. This gives SEZs the same power as provincial-level administrations regarding economic policy.

Proponents of CPEC put forward the idea that SEZs will bring about economic growth by liberalising the Pakistani economy via increased exports and foreign direct investment.

“If there is one proposition with which virtually all economists agree, it is that free trade is almost always better than protection” (The Economist, 1998).

This is based on the theory of comparative advantage (a country’s ability to produce goods and services at a lower opportunity cost than its trade partners). In short, by liberalising the Pakistani economy, Pakistan will be better off. This is because it will naturally force Pakistan to specialise in whichever industries it has a comparative advantage, such as raw cotton. Overall, this would increase Pakistan’s output in those industries, leading to increased exports and economic growth as a result.

Pakistan would then be obligated to increase trade in whichever industries it lacks a comparative advantage, such as dairy products. This will allow other countries to specialise in whichever industries they have a comparative advantage while trading with Pakistan in whichever industry they lack a comparative advantage. Theoretically, this would increase world output and, by extension, economic growth for all countries (The Economist, 1998).

In China, following the establishment of its first SEZs in 1980 and various economic reforms designed to open up the country to global trade, GDP skyrocketed from $191 billion (1980) to $1.2 trillion (2000) and eventually $13.6 trillion (2018) (World Bank, 2019). China is a textbook case study of how market liberalisation can significantly transform a country's economic position.

If Pakistan learns from China, there is no reason the country would not also achieve long-term economic growth. Furthermore, the CPEC proposed SEZs are said to have the potential to generate over half a million direct jobs and over a million indirect jobs in Pakistan (Malik, 2019).

However, as seen in the case of the Kingston Free Zone in Jamaica, free trade is not always conducive to the betterment of a country's citizens. In the 1980s, Jamaican citizens were forced to work in poor conditions on low wages for foreign companies that were not legally required to operate according to government standards.

SEZs worldwide have been responsible for the rampant exploitation of workers and loss of government revenue. Other negative socio-economic impacts include suppressing labour rights, preventing trade unionisation, and poor environmental standards. Evidently, without proper government regulation, the SEZs proposed by CPEC can potentially exacerbate existing problems concerning Pakistani labour. This, in turn, could have severe social and political implications for Pakistan, which already has the third-largest number of people trapped in modern-day slavery at 3.19 million after China and India (Reuters, 2018).

Chapter Two: Will CPEC End Pakistan's Energy Insecurity?

One major obstacle to Pakistan's economic success is the country's poor energy provision. Pakistan currently ranks 115 out of 137 countries for reliable electricity, with only 70.8% of the country's population having access to electricity, leaving over 52 million people without access (CIA, 2019; World Bank, 2019).

Private sector investors see the lack of reliable electricity as a potential risk to profit. And rightly so; in 2015 alone, power sector inefficiencies cost the Pakistani economy $18 billion (6.5% of GDP) (World Bank, 2018). Couple this with the associated social implications, such as increased strain on healthcare and lower quality of education, and you have a recipe for disaster.

When you compare this to the rapidly emerging economy of China, where access to electricity is at 100%, it is clear to see the importance of a reliable energy supply in developing a strong economy (World Bank, 2019). By introducing energy reforms, Pakistan could save $8.4 billion in business losses and increase total household incomes by at least $4.8 billion annually (World Bank, 2018).

Proponents of CPEC claim it will fulfil the electricity demand and ensure the reliability of electricity supply in Pakistan. After all, CPEC includes a total of 22 projects dedicated to energy generation and supply, which, when combined, offer a power capacity of 12.4 GW (Ministry of Planning and Development, 2019). When this is added to Pakistan's current installed power capacity of 30 GW, there will be more than enough energy to overcome Pakistan's deficit of 5 GW (Energypedia, 2019). Therefore, in theory, CPEC will fulfil

Pakistan's energy demands and leave room for demand to increase, which is crucial for long-term economic growth.

However, the question remains: does it work in practice?

Of the 22 energy projects, only 8 are fully operational, leaving a significant energy deficit from a lack of power capacity (Ministry of Planning and Development, 2019). Furthermore, transmission inefficiencies frequently lead to blackouts across the country. Pakistan's transmission capacity sits at 22 GW, well below the country's current installed power capacity (Rehman, 2018). This slow progress meant CPEC did not achieve its 2020 goal of addressing the bottlenecks in the country's economic and social development (Ministry of Planning and Development, 2017).

In other words, CPEC has already failed to achieve 100% energy access by its own deadline of 2020. If the country cannot even provide enough electricity for its people, how will it provide enough energy for the second phase of CPEC? Therefore, in practice, CPEC has failed to fulfil its own goals, let alone the electricity demand of Pakistan.

In due course, these projects will be completed. However, if they are to be completed in the same timeframe as CPEC's second and third-phase projects, there will be dire consequences for the Pakistani economy. Without sufficient energy provision, Pakistan will have to increase energy imports to complete its second and third-phase projects, such as the New Gwadar International Airport, which began construction in October 2019.

This will increase the country's current account deficit, as seen with the 'Punjab Speed' predicament (Rafiq, 2019). As a result, the Pakistani rupee will be devalued yet again, and annual growth will continue to slow. Pakistan will then be forced to seek another bailout from the IMF, the World Bank, and other countries like China.

Even if all the energy projects are completed, they will become obsolete over the long term. Of the 12.4 GW provided by CPEC, 8.2 GW are coal-based (Ministry of Planning and Development, 2019). The negative impacts of burning coal are widely documented. Pakistan is a country with four major cities (Peshawar, Islamabad, Lahore and Karachi) with air quality rankings ranging from unhealthy to hazardous (AQI, 2019). Is it wise to invest in coal-fired power plants? While coal is more reliable and efficient, it will not last forever.

Once Pakistan exhausts its domestic supply of Thar coal, it will have to import coal from abroad, most likely from China. Pakistan already depends on Saudi Arabia and Iran for oil and gas, making up 80% of its energy mix (Energypedia, 2019). Add China to the mix, and Pakistan will become even more vulnerable to the influence of foreign powers and the fluctuating prices of fossil fuels. This is ultimately counter-productive to achieving sustainable long-term economic growth for Pakistan.

Chapter Three: Is CPEC a Debt Trap?

Another major issue afflicting Pakistan's economy is the ongoing debt crisis (see Appendix IV). Since the establishment of CPEC, Pakistan's total external debt has increased from around $60 billion (2013) to over $90 billion (2018). However, it is important to note CPEC itself did not cause the debt crisis.

As Pakistan accumulates more debt, the country will have to use more money to service debt in the future. Between 2017 and 2018, Pakistan serviced $7.5 billion of debt, of which $2.3 billion was interest. Due to the increasing issue of debt servicing, the current account deficit increased from $18 billion (2017) to $21 billion (2018) (Rehman & Tahir, 2019).

Furthermore, due to the interest of such debt having reached a high level, Pakistan has had to borrow more money to repay its obligations. Despite declaring he would rather die than go to the IMF seeking a bailout, Pakistan's Prime Minister Imran Khan was forced to turn to the IMF for $6 billion in the face of a weak economy, making it the 12th time Pakistan has had to rely on the IMF (Bokhari & Findlay, 2019).

Pakistan is in the midst of a perpetual cycle of debt, which must be addressed if the country ever wants sustainable long-term economic growth. Will CPEC exacerbate or relieve the debt crisis?

Proponents of CPEC are often quick to point out the insignificance of Pakistan's external debt to China, which is currently around $6 billion, less than 6% of Pakistan's total external debt (Khawar, 2019). In fact, the majority of Pakistan's external debt is owed to multilateral lenders such as the IMF and the World Bank (Masood, 2019). However, nobody calls these organisations a 'debt trap' despite having plunged many more developing economies into debt than China.

On the contrary, CPEC offers increased trade, allowing the country to repay its debt in the long term. Pakistan is forecasted to collect between $6 billion to $8 billion from CPEC toll taxes and rental fees, with 4% of China's total trade ($154 billion according to 2015 figures) passing through CPEC (Rafiq, 2017). Other lenders do not offer this, making the debt from China less of a burden as CPEC provides the funds to pay it back.

On the other hand, Pakistan is one of 8 countries of particular concern regarding the risk of debt distress (Kugelman, 2019; Rolland, 2019). Furthermore, China has been charging Pakistan interest rates as high as 5% compared to the 2% to 2.5% rate given to other BRI countries (Hurley, et al., 2018). Due to the high cost of electricity and transmission losses, Pakistan would also have to pay Chinese companies for electricity Pakistani distribution companies cannot afford, resulting in a currency crisis as Chinese companies move money outside the country.

In addition, an increase in CPEC-related imports combined with decreasing exports, as the Pakistani market is flooded with Chinese products, could push the country further into a currency crisis. Therefore, it is fair to say while CPEC represents an opportunity for Pakistan to end the debt crisis, it also poses a risk of falling even deeper into it.

There is also the concern that if Pakistan cannot repay Chinese loans, China may begin seizing assets as it did with Hambantota Port in Sri Lanka (Kugelman, 2019). Thereby compromising Pakistan's sovereignty and robbing the country of potential revenue. However, the likelihood of this occurring is very slim.

A study by the US-based Rhodium Group found most of China's debt renegotiations end with the debt being completely written off (see Appendix V) (Kratz, et al., 2019). Furthermore, China's long-standing political and military relationship with Pakistan, which saw the joint development of the JF-17 Thunder fighter jet, Al-Khalid tank and Pakistan’s nuclear infrastructure, makes asset seizure all the more unlikely for Pakistan.

If Pakistan can utilise CPEC and policy reforms to increase exports, there is no reason why the debt crisis cannot be solved in the long term. Therefore, the argument that CPEC is a ‘debt trap’ is not entirely fair. CPEC itself did not cause the debt crisis. CPEC itself will not exacerbate the debt crisis. CPEC itself will not even relieve the debt crisis. To pin all the responsibility on CPEC is neither fair nor well-grounded. It is, in fact, Pakistan’s own economic policy that will determine whether the country remains in debt, not CPEC.

Chapter Four: Does CPEC Favour Punjab?

Since Pakistan's creation in 1947, the country's politics have been dominated by the Punjab province. Of Pakistan's 342 seats in the national assembly, 174 seats are reserved for Punjabi politicians, as Punjab makes up the majority of the country's population. By dominating the lower house of Pakistan's parliament and contributing to 57% of the country's GDP, Punjab has proven itself to be the most influential province of Pakistan (Dawn, 2010).

This has led to controversies in the past. For example, the proposed Kalabagh Dam has been debated for the last 40 years. The project is advocated by Punjab-based power brokers but has been opposed by politicians from the country's smaller provinces, such as Sindh, which sees the project as a threat to its water security. Therefore, it is a viable concern CPEC may favour Punjab over the other provinces of Pakistan.

Proponents of CPEC tend to claim all Pakistani provinces will benefit equally. Following the 18th amendment to the country's constitution in 2010, many powers were devolved at the federal level and given to the provinces (Hussain, 2019). It was seen as a step towards democracy, allowing the smaller provinces greater autonomy from the Punjab-dominated centre.

As a result, when it comes to CPEC projects, parliament only provides oversight and is not responsible for coordination and decision-making (Rafiq, 2017). It is down to the provinces to plan and execute projects with China. Therefore, it is argued the notion of CPEC favouring Punjab is a false narrative. Due to the devolved power, all the provinces are in the same boat regarding CPEC.

On the other hand, given the history of Punjab's dominance politically, economically, and socially compared to the rest of Pakistan, Punjab remains the most equipped and desirable province to absorb investment from China. This has led to two major controversies concerning CPEC’s lack of transparency and alleged favouritism towards Punjab. Despite being resolved, these issues have fuelled an overall distrust of Punjab amongst Pakistan’s other provinces.

The first controversy began in 2014, when politicians from the Khyber Pakhtunkhwa (KP) province began claiming the CPEC route had been shifted from KP towards Punjab, thereby excluding the region from Chinese investment. The original route proposed in 2006 passed through the impoverished areas of Balochistan, southern Punjab and central KP, including the provincial capital of Peshawar (see Appendix VI) (Bengali, et al., 2015; Rafiq, 2017).

Following the rise of the Tehrik-e-Taliban, which grew to threaten most of KP, the route was changed to avoid KP. In response, PTI held a dharna to dislodge the PML-N for electoral fraud with the alleged support of a former Inter-Services Intelligence chief. In 2015, politicians staged a walkout from the Senate. To placate critics, the government proposed CPEC would have three routes (Eastern, Central and Western). By 2017, the issue was resolved. However, the debate may resume should there be another change in government (Schwemlein, 2019).

The second controversy is centred on the Orange Line in Punjab’s capital of Lahore (Rafiq, 2017). When CPEC formally launched in 2015, the mass transit rail line stood out as a municipal project amongst largely intercity and interregional connectivity-focused projects. This led to an outcry amongst the smaller provinces of Pakistan.

No Pakistani city outside Punjab’s jurisdiction, except Islamabad, has a mass transit system. Including it as part of CPEC, despite having to be subsidised at $160 million per year to keep fares affordable, is a clear example of CPEC’s favouritism towards Punjab (Dawn, 2016). Following the controversy, it was asserted that the Orange Line was not part of CPEC;

instead, it was a bilateral agreement between the Punjab government and China planned four years prior.

It was not until December 2016, following document leaks confirming the project had been on the CPEC agenda early on, that the Orange Line was formally added to the Planning Commission of Pakistan's list of CPEC projects (Rafiq, 2017). Following this, additional municipal rail projects were added in Karachi, Quetta and Peshawar to appease the smaller provinces (Ministry of Planning and Development, 2019).

Chapter Five: Will Gwadar Port End Baloch Separatism?

Balochistan has proven itself to be a difficult province for the Pakistani leadership to handle. The conflict goes back to 1948, when Kalat, a princely state that used to make up most modern-day Balochistan, acceded to Pakistan. The Khan's brother opposed the move, and since then, multiple insurgencies have been fought against Pakistan. However, it was not until the latest insurgency following disputes between the Rajiha, a subtribe of the Bugti tribe, and the government over natural gas concessions in 2003 that anything close to a unified Baloch revolt occurred.

By 2013, the insurgency subsided but is still said to be operational in the Awaran region and Makran coast (Rafiq, 2017). With CPEC's flagship Gwadar port located on the Makran coast, Baloch separatism poses a considerable security risk. Will CPEC placate or provoke the Baloch separatists?

Proponents of CPEC put forward the idea that making Gwadar the focal point of the economic corridor will bring about economic growth and social development for the people of Balochistan. Thereby putting an end to Baloch disenfranchisement and, by extension, the broader anti-Pakistan sentiments fuelling Baloch separatism.

Following the 2013 elections, the PML-N had to form a coalition with the Balochistan National Party (BNP). This nationalist party is pro-Pakistan yet wishes to see more autonomy for Balochistan. By maintaining the support of the BNP, the government has been able to move towards more equitable development through CPEC, thereby avoiding an intensified insurgency. Baloch politicians admire China's ability to rapidly improve its standard of living and see CPEC as a means to uplift the Baloch people if done right (Rafiq, 2017). Therefore, Gwadar port is the only solution for the Baloch insurgency.

However, the BNP still echoes the view Balochistan should have control of its resources. This view is shared by Baloch separatists and has been central to the historical struggle in the province.

Balochistan is home to over $1 trillion of natural resources; however, despite being so mineral-rich, the region has the lowest human development index (HDI) in Pakistan (Baloch, 2015). Any income generated by these resources has primarily been used for the social development of Pakistan's other provinces, mainly Punjab, rather than the betterment of Balochistan from whence they came.

With this in mind, the BNP has called on the federal government to hand control of Gwadar port over to the Balochistan provincial government (Dawn, 2015). Unfortunately, the port remains in the hands of Chinese Overseas Port Holdings Limited (South China Morning Post, 2013). This could spell disaster for Pakistan. With Gwadar now in the hands of China, resources are bound to leave not just Balochistan but Pakistan as a whole. Therefore, little to no income generated will ever reach the Baloch people. Social development will continue to stagnate, and anti-Pakistan sentiment will worsen.

The nature of CPEC's interregional connectivity dictates resources are bound to leave Balochistan no matter what. Promising no resources leave the province would be impractical and counter-productive. Instead, what can be done is to ensure Balochistan receives a disproportionally high benefit from CPEC projects to help de-escalate the insurgency and improve its low HDI. Unfortunately, this has not been the case.

Take, for example, the Saindak copper mine project. Only 2% of revenue is awarded to the Balochistan province; meanwhile, the Metallurgical Corporation of China receives 50%, and the Pakistani federal government receives the remaining 48% (Muhammad, 2014). In addition, the Balochistan Mineral Resources Development Board, formed in 2015 to oversee exploration and mining licenses, is indirectly controlled by the federal government. Seven of the nine members are bureaucrats, with only the final two being elected officials (Rafiq, 2017).

This almost certainly indicates CPEC has so far continued the status quo. Until more is done to ensure the social development of Balochistan, the insurgency will continue to pose risks to CPEC.

Chapter Six: Will CPEC Improve Pakistan's Foreign Relations?

It is almost an unwritten rule that when it comes to Pakistani foreign affairs, one has to mention India and vice versa. The Indo-Pak rivalry is virtually iconic in nature, going back to the establishment of the respective countries as they gained independence from the British, resulting in the largest human migration in history. Over a million people lost their lives, and many more were displaced in what is now known as Partition. Since then, Pakistan and India have fought a total of four wars.

Considering South Asia's tumultuous history, there is a genuine concern CPEC may exacerbate the strained - if not dysfunctional - relationship between Pakistan and its much larger, economically superior neighbour.

Proponents of CPEC point towards the fact CPEC offers the opportunity to foster an economic partnership between India and Pakistan. It is within Chinese interests that as many countries as possible join the BRI as part of the country's common destiny vision to bring peace and economic balance to the world (Wang & Liu, 2019; Yu, 2019). Hence, China invited India to BRI meetings in 2017 and 2019.

Similarly, Pakistan also wishes for peace with India. Following the flare-up in Indo-Pak tensions during the 2019 Pulwama Attack, which saw cross-border airstrikes carried out by both sides, Pakistan released a captured fighter pilot as a peace gesture (BBC, 2019). Furthermore, Pakistani Prime Minister Imran Khan expressed his wishes for peace following the victory of the Bharatiya Janata Party in the recent 2019 Indian elections, a desire reciprocated by Indian Prime Minister Narendra Modi (Mackenzie, 2019).

Unfortunately, India declined both Chinese invitations. This is part of India's fear of being encircled by the BRI, thereby being shut out from international trade (Roy, 2019). As a result, India has been reluctant to join BRI negotiations so far, being critical of Chinese activities in the South China Sea and CPEC on the grounds it undermines India's sovereignty claims over Kashmir (Pandit, 2018).

In fact, this fear has driven India to exploit the instability in Balochistan by publicly announcing its support for Baloch separatists in 2016 in an attempt to sabotage CPEC (Thakuria, 2019). Since then, the Baloch insurgency has been emboldened, leading to increased attacks on Pakistani military personnel and CPEC labourers (Rafiq, 2017).

On the 18th of April 2019, Baloch militants blocked the Makran coastal highway and executed 14 members of the Pakistan Armed Forces (Aamir, 2019). This highlights how, instead of being used as a tool for peace, CPEC has instead been exploited and used to deepen the Indo-Pak divide.

On the other hand, following India's brutal lockdown in Kashmir, it was China that brought the issue to the UN Security Council on behalf of Pakistan (UN, 2019). This was partly due to the long-standing Sino-Pak relationship but also to protect Chinese interests in Kashmir, namely CPEC. As a result, it could also be argued CPEC, having brought China and Pakistan closer, has proven itself to serve Pakistani interests on the world stage by bringing important issues into the spotlight. Furthermore, the international perception of Pakistan has significantly improved, in no small part due to CPEC, in recent years (Mehmood & Ahmad, 2019).

However, at the time of writing, the Kashmir lockdown continues, and Indian Muslims are now at risk of losing their status as Indian citizens (Al-Jazeera, 2019; Chotiner, 2019). These issues will most certainly lead to more stand-offs between India and Pakistan. CPEC may not solve the many Indo-Pak disputes; however, it has given Pakistan the upper hand in international discourse, that is, the support of China.

Nonetheless, its well-known influence goes both ways, and Sino-Pak relations are no exception. By supporting Pakistan's stance on the Kashmir dispute, China has effectively bought Pakistan's silence on the various human rights violations occurring within Chinese borders. Pakistan has failed to publicly address China's ethnic cleansing of Uyghur Muslims in Xinjiang despite jumping at any chance to call out India (Dhume, 2019). Considering the fact Pakistan was created on the basis of protecting the rights of Muslims and the country's close ally, Turkey, has denounced China for its treatment of Muslims, this hypocrisy will undoubtedly lead to some future political complications.

Conclusion

In conclusion, it is clear to see CPEC does indeed have the potential to revolutionise Pakistan. Not just economically but socially and politically as well. However, as highlighted, more needs to be done by Pakistan to ensure it can capitalise on this opportunity. Pakistan must ensure it does not fall into the many pitfalls of large investment packages, such as CPEC, which many other developing countries often fall into. It is also important to remember CPEC will not change the status quo on its own and needs the necessary policy changes to be truly effective. As such, I have decided to summarise the key steps I believe must be taken to ensure CPEC yields the greatest rewards with minimal losses.

First, as recommended by Arif Rafiq, Pakistan needs to create a formalised CPEC authority that oversees all investments from China (Rafiq, 2017). This should be led by the Prime Minister with equal representation from all provinces. This will ensure CPEC projects are distributed evenly and improve interagency coordination. As a result, this will build a sustainable consensus in favour of CPEC.

Second, I would suggest the government introduce their own version of China's LSGs to supplement the CPEC authority (Rolland, 2019). Every project should have its own LSG that focuses on community dialogue to ensure local residents are kept in the loop, and their needs are addressed. This will significantly improve the public's approval of CPEC.

Third, Pakistan must scale back on CPEC projects until the energy crisis is addressed. I propose Pakistan put all non-energy projects on hold and introduce more projects focused on increasing transmission efficiency. Once the energy projects are completed and the energy crisis ends, Pakistan should begin work on other CPEC projects. This will help avoid another 'Punjab Speed' incident (Rafiq, 2019).

Fourth, I would recommend CPEC place more emphasis on renewable energy. In doing so, Pakistan can ensure a sustainable energy supply, which will help foster long-term economic growth. Introducing solar panels on a local scale will be especially effective in rural communities. In fact, Balochistan has a solar power potential of over 2,200 kWh/m^2 per year, making it the ideal location for concentrated solar power plants (World Bank, 2020).

Fifth, CPEC should invest in more welfare projects on the local level, especially in Balochistan. This will help ensure the correct social development measures are being taken to improve education and healthcare provision throughout Pakistan. As a result, Pakistan's HDI will increase along with household incomes. Thereby, CPEC will be able to alleviate poverty and contribute to the betterment of Pakistani citizens.

Sixth, Pakistan must review its economic policy to increase government revenue and protect workers' rights, especially in SEZs. By doing so, Pakistan will end the debt crisis and ensure Pakistani citizens are not exploited by foreign companies. More importantly, it will provide the government with the necessary funds to continue social development throughout Pakistan.

Lastly, Pakistan must ensure peace with its neighbours so CPEC can continue unhindered. To do this, Pakistan must invite its neighbours to the negotiation table and discuss how Pakistan can facilitate trade between South Asia and the wider world. One example would be connecting Afghanistan to CPEC via an Afghanistan-Pakistan economic corridor (Rafiq, 2017). Thereby giving Pakistan access to Afghanistan's natural resources and giving Afghanistan access to the Arabian Sea.

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Appendices

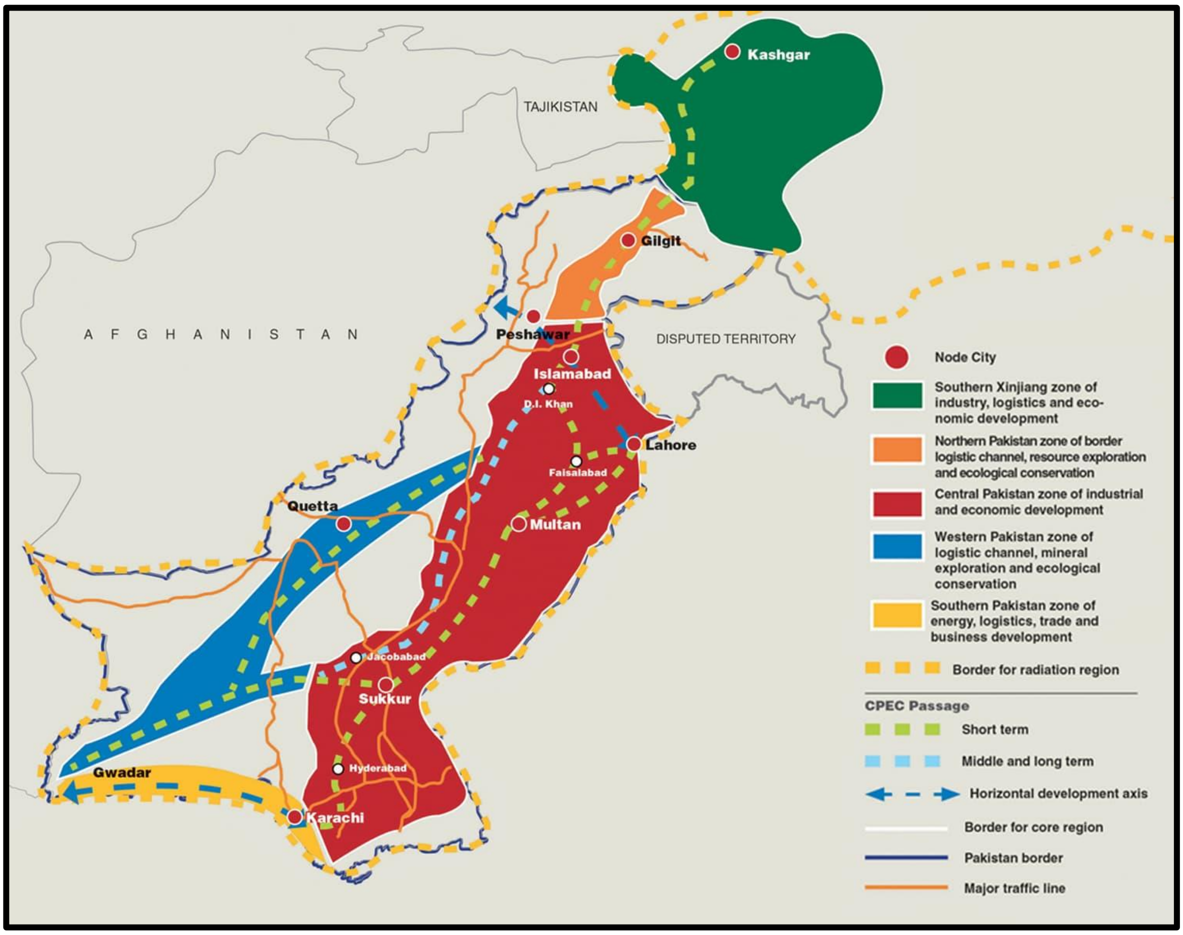
Appendix I – CPEC Projects (Ministry of Planning and Development, 2019)

CPEC PROJECTS CHINESE-FINANCED PROJECTS	
Energy	There are currently 17 priority projects, 3 actively promoted projects and 2 potential projects related to generating and transmitting electricity. These include coal-fired power plants, wind farms, solar parks, transmission lines, and hydropower. The projects are estimated to cost more than $20 billion, with a combined power capacity of around 12.5 GW.
Infrastructure	There are currently 5 road projects financed by China, including the Peshawar-Karachi motorway, alongside 3 rail projects, including expanding and reconstructing the existing ML-1 line between Peshawar and Karachi, essentially connecting north to south. These projects are estimated to cost more than $12 billion.
Gwadar	A total of around $1 billion is to be invested into the BRI's flagship project, Gwadar on the coast of Pakistan's Balochistan province, in the form of: • Gwadar East-Bay Expressway. • New Gwadar International Airport.

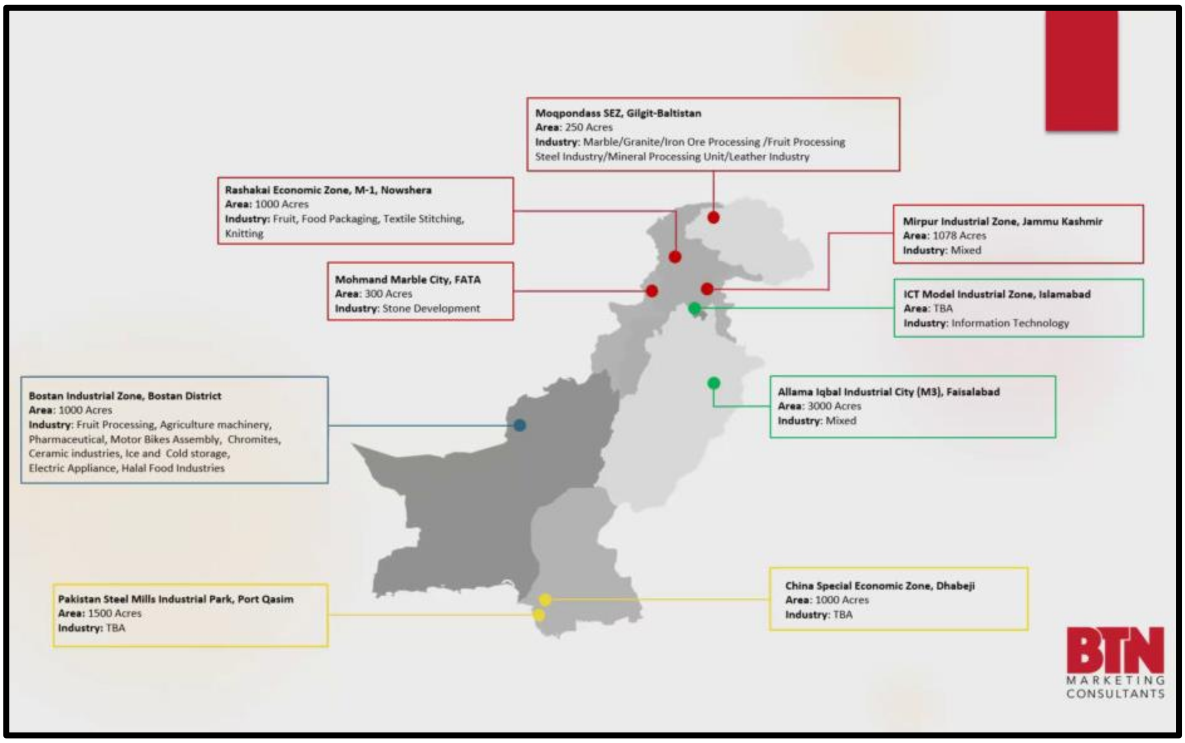
	• Construction of breakwaters. • Dredging of berthing areas and channels. • Development of Free Zone. • Water treatment, supply and distribution facilities. • Pak-China Friendship Hospital. • Pak-China Technical and Vocational Institute at Gwadar. • Gwadar Smart Port City Master Plan.
Rail-Based Mass Transit	There are currently 4 mass transit projects in the works, of which 2 are undergoing feasibility studies, and 1 has a completed feasibility study. The final project, Lahore's Orange Line, is currently under construction and is estimated to cost around $1.6 billion.
Provincial	A total of 6 provincial-level projects, including a seaport, 3 roads, a canal and an iron ore mining, processing, and steel mills complex, are currently in the early planning phases.
SEZs	There are a total of 9 proposed SEZs throughout Pakistan. None of which are currently underway.
Social Sector Development	Alongside the various infrastructure projects, CPEC will also include the following: • People-to-people exchanges. • Transfer of knowledge in different sectors. • Establishment of the Pakistan Academy of Social Sciences. • Transfer of knowledge in the education sector through a consortium of business schools.

Technology	A cross-border optical fibre cable was inaugurated in 2018 and cost $37.4 million. A pilot project for Digital Terrestrial Multimedia Broadcast is currently in its planning stages and is estimated to cost around $4 million.
PSDP PROJECTS	
Western Route Projects	There are a total of 6 motorway projects taking place in western Pakistan. Currently, 3 are in the early stages of development, 1 is under construction, and 2 have been completed. The total cost of all the projects is estimated to be around $2 billion.

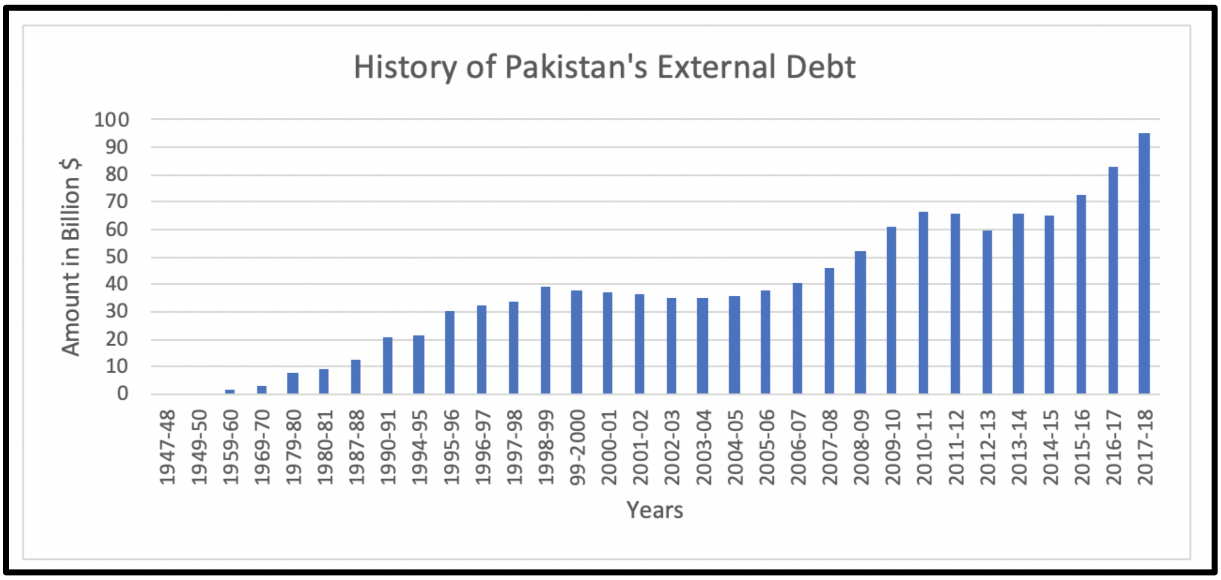
Appendix II – Spatial Layout of CPEC (Dawn, 2019)



Appendix III – CPEC SEZs (BTN Marketing Consultants, 2018)



<u>Appendix IV – Pakistan's Debt Crisis (Rehman & Tahir, 2019)</u>



Appendix V – China's Debt Renegotiations (Kratz, et al., 2019)

Country	Year	Amount renegotiated	Outcome
Angola	2015	USD21.3bn	Refinancing; Terms renegotiated
	2018	Unclear	Ongoing
Botswana	2018	USD7.2mn	Write-off
Cambodia	2016	USD90mn	Write-off
Cameroon	2001	USD34mn	Write-off
	2007	USD32mn	Write-off
	2010	USD30mn	Write-off
	2019	USD78mn	Write-off
Congo	2019	Unclear	Ongoing
Cuba	2008	Unclear	Deferment
	2010	USD2.8bn	Write-off; Deferment
	2016	Unclear (Up to 3bn)	Write-off
Djibouti	2019	USD800mn	Ongoing
Ecuador	2017-2018	USD1bn	Terms renegotiated
Ethiopia	2018	USD3.3bn	Deferment
	2019	Unclear	Ongoing
Ghana	2002-2003	USD54mn	Write-off
	2007	USD126mn	Write-off
	2014-2015	USD1.5bn	Withheld further lending
Kazakhstan	2018	Unclear	Deferment
Lesotho	2018	USD10.6mn	Write-off
Maldives	2019	Unclear	Ongoing
Mongolia	2017	USD2.2bn	Refinancing; Deferment
Mozambique	2017	USD34mn	Write-off
	2018	Unclear	Deferment
Sudan	2017	USD160mn	Write-off
Sri Lanka	2012	USD307mn	Terms renegotiated
	2016-2018	Unclear (At least USD1.1bn)	Asset seizure; Write-off; Refinancing
	2019	USD1bn	Refinancing
Tajikistan	2011	Unclear	(Rumored) asset seizure
Tonga	2018	Unclear	Deferment
Ukraine	2014	USD3bn	Deferment
Vanuatu	2016-2017	USD5mn	Write-off
Venezuela	2015	Unclear	Withheld further lending
	2016	Unclear	Deferment; Terms renegotiated; Withheld further lending
	2018	Unclear	(Rumored) refinancing; Deferment
Zambia	2017	Unclear (Up to USD4.4bn)	Ongoing
Zimbabwe	2010	USD54mn	Deferment
	2015	USD40mn	Write-off
	2018	n/a	Withheld further lending

Appendix VI – Original CPEC Route (Pakistan Today, 2015)