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## **Pakistan Focus**

### **Initiation of CPEC: Prospects and Uncertainties**

**By Muhammad Mateen**

#### **Synopsis**

Despite the commencement of trade activity under the CPEC and operationalization of Gwadar port in November 2016, uncertainties about different dimensions of CPEC are persistent within Pakistan. The ambivalence connected with the project is largely being engendered due to lack of credible information. Hence, there is a need to build consensus among the conflicting segments to reap the fruits of this project and disseminate it at grass root levels.

#### **Commentary**

##### **Initiation of CPEC**

November 13 was designated as the dawn of a new era by the premier of Pakistan during a ceremony marking the departure of first trade shipment under China-Pakistan Economic Corridor (CPEC) from Gwadar port in Baluchistan province. The trade convoy, comprising of

150 containers of trade goods to be loaded on the vessels berthed at Gwadar port, departed from China on October 29 and entered into Pakistan on October 30. It was joined by a convoy of 100 containers, which originated from Sialkot, at Jund, while by another of 90 containers, which originated from Lahore, at Quetta before reaching Gwadar on November 12. Despite the fact that the watershed event has marked the commencement of trade cargo under CPEC project, there are certain sections within Pakistani society who approach CPEC with cautious optimism. These segments raise their voices against multiple aspects of the project.

Their apprehensions include:

- Federal government's bias regarding distribution of investment among different regions and provinces of the country;
- Whether Pakistan, with its trembling economy, would be able to bear the burden of debt pertaining to this mega project? This threat has led some political sections to collate CPEC with East India Company – the British trading mission, which became a precursor to British presence in subcontinent and culminated in overthrowing Mughal Empire in India;
- Since China, being the investor, would be interested in augmenting its trade through the route, rather than development of backward areas of Pakistan, whether the connectivity, aimed at lifting economic capacity of under-developed areas of the country, would materialize;
- A constitutionally special status of Gilgit Baltistan (GB) – the only entry point from China – and its insubstantial project share of a special economic zone to be built as part of CPEC at Muqpoon Das area of Gilgit district, imply an inherent problem of dissociation of GB people and can lead to some legal implications.

Because of meagre credible information available through the official sources, all these uncertainties are augmenting within the society with every passing moment.

### **Essence of CPEC**

CPEC is an economic corridor, comprising of a conglomeration of multidimensional development plans, aimed at facilitating trade over land route. It connects Pakistan's southwestern Gwadar port to China's northwestern Kashghar through the construction of a

network of railways, highways and pipelines. The project was first propelled by Chinese premier Li Keqiang during his visit to Pakistan in May 2013. Being a part of the larger design of One Belt, One Road (OBOR) initiative, propounded by the Chinese paramount leader Xi Jinping while perpetuating the historical Silk Route policy, CPEC is frequently termed as a game changer in the region. The corridor is intended to expand infrastructural development in Pakistan and to broaden the economic ties between Pakistan and China. The infrastructural development worth \$11 billion which makes 39% of the total amount to be invested, encompasses construction of motorways, refurbishment of railways while connecting the route with Kashghar, and development of a pipeline network to transport liquefied natural gas. Apart from that, energy infrastructure worth around \$33 billion, comprising 61% share in the total investment would also be built to help Pakistan in meeting its energy requirements.

Besides, construction of assorted industrial zones in different parts of the country is also part of the economic corridor. The idea of establishing 29 economic zones along each route is also part of the CPEC. These economic zones are aimed at encouraging business activities through incentive plans, like tax holidays and duty-free imports of raw material and machinery. According to official projections, the corridor will result in generating up to 700,000 jobs till 2030 and will augment the annual economic growth rate by more than 2 percent. For example, Port Qasim power project will create around 2,000 jobs for Pakistani engineers and laborers, while Sahival power project will engage about 3,000 Pakistani and 1,000 Chinese workers. On the other hand, according to estimates, approximately 15,60,000 containers after being custom checked and approved will pass through Pakistan annually, which makes 4,273 containers on daily basis while three containers in a minute.

In total, the CPEC plan is divided into short-term, medium-term and long-term projects to be completed in 2020, 2025 and 2030 respectively. The estimated cost of the whole CPEC project is expected to be \$75 billion, out of which \$46 billion would be spent till 2020 to ensure operationalization of the economic corridor; the rest would be spent on industrial zones and energy projects in the days to come. Thus, CPEC, in totality, is comprised of investment package and actual corridor at the same time. Moreover, the project has capacity to bring greater cohesion in South Asia, one of the least economically integrated regions in the world. The economic corridor, around which the whole project revolves, is comprised of three routes – eastern, central

and western – stretching through entire Pakistan while culminating into one route to reach Xinjiang province in China. The three routes trace the following passage:

- Western Route: Gwadar, Turbat, Panjgur, Khuzdar, Kalat, Quetta, Zhob, Dera Ismail Khan, Bannu, Kohat Peshawar, Hasanabdal and onwards to Karakoram Highway;
- Central Route: Gwadar, Turbat, Panjgur, Khuzdar, Larkana, Kashmore, Rajanpur, Dera Ghazi Khan, Dera Ismail Khan, Bannu, Kohat Peshawar, Hasanabdal and onwards to Karakoram Highway;
- Eastern Route: Gwadar, Turbat, Panjgur, Khuzdar, Larkana, Kashmore, Rajanpur, Dera Ghazi Khan, Multan, Faisalabad, Hafiz Abad, Rawalpindi, Hasanabdal and onwards to Karakoram Highway.

With regards to Chinese perspective, its officials pronounce the CPEC as a flagship project of broader OBOR policy, which seeks to physically connect China with markets in Asia, Europe and beyond. It offers cheapest route to Chinese exports, while it will save \$2 billion in terms of its oil imports annually. It will not only lessen the distance for Chinese imports of oil from Middle East to about 12,000 km, but will also connect the far-western Chinese region with Gwadar port. Hence, China has been attributing considerable significance to CPEC as it has been marked pivotal for the larger project. Although China is generally recognized for its quiet diplomacy; in this context, however, a Chinese diplomat conspicuously rebutted the criticism from different political sections within Pakistan over the wrongdoings and misappropriations. He further termed the denunciation as an endeavor to malign the project. Moreover, the Chinese leadership, considering the divergent and critical views of different political parties over certain issues of CPEC, extended its cooperation in order to build consensus among them.

### **One Belt One Road Initiative**

OBOR, a conglomeration of six corridors of which CPEC is one, is marked as the largest ever program regarding infrastructural development after the Marshall Plan, launched by the US during Cold War. It is considered as a plan to beef up China's muscles in the global context and has sparked extensive deliberations at global level. OBOR focuses on connectivity and economic cooperation between China and the rest of Eurasia. It includes both land based Silk Road Economic Belt, which will connect China to Europe through Central Asia, and the oceangoing

Maritime Silk Road, which will ensure a safe passage for China's shipping through Indian Ocean and South China Sea. The underlying objective of OBOR is to reduce travelling for Chinese exports to Europe, Africa and Middle Eastern region. The initiative encompasses about 60 countries in Asian and European continents and is contrasted with two United States centric arrangements: Trans-Pacific Partnership and Trans-Atlantic Trade and Investment Partnership.

### **CPEC in Regional Milieu**

The CPEC project provided a momentum to the geopolitics at regional level which is underscored by the visit of Russia's Federal Security Services chief Alexander Bogdanov to Gwadar port during November 2016. This visit, aimed at assessing the capacity of port to be used by Russian ships for trade purposes, was the first of its kind in past two decades. Mr. Bogdanov, during his visit, also sought for a formal collaboration between Pakistan and Russia over the CPEC. On the other hand, Iran has also expressed its desire to be part of the project during a meeting between the supremos of Iran and Pakistan in New York, on the sidelines of United Nations General Assembly session in September 2016. Moreover, a 25-year strategic cooperation agreement signed between China and Iran, comprising defense and intelligence ties, also imparted momentum to regional politics. Henceforth, the apparent China-Russia-Pakistan-Iran regional convergence points towards new geopolitical realities in the emerging regional order. Moreover, as Central Asian states and Afghanistan are landlocked countries, CPEC also provides them the shortest and cheapest route for global trade.

Conversely, the project has intensified the persistent regional competition between India and China of investing and cultivating influence, particularly in Central Asian region. According to China, India, being a major regional player, is pivotal to the implementation of OBOR. Therefore, China has signed multidimensional trade agreements with India in pursuance of its larger designs regarding regional politics. India has so far not been a direct part of the China-centered regional setting; however, it has, at times, expressed its concerns over the emerging regional order. There are also apprehensions within India that CPEC will turn Gwadar port into China's naval base in the Indian Ocean while enabling it to monitor Indian and the US naval activities therein. On the other hand, China is rigorously pursuing its OBOR policy by engaging other regional countries including Bangladesh, Nepal, Myanmar and Sri Lanka.

## **Analysis**

According to the state policy, CPEC project is focused on entire Pakistan, leaving out no region or province; nevertheless, divergent political parties, predominantly belonging to the smaller provinces, including Khyber Pakhtunkhwa (KP), Baluchistan, and Sindh are raising voices and leveling allegations of misappropriations, mishandlings, and bias on behalf of the federal government. However, political forces and provincial administrations have generally hailed the economic corridor and are endeavoring to connect with it to reap the greater benefits associated with it. Nevertheless, the preparation regarding planning and implementation at national and provincial level, in order to transmute benefits of the project for public welfare – particularly the proletariat, businessmen, entrepreneurs, and manufacturers – seems scarce due to the lack of credible information.

The economic corridor project has a potential of not only supporting Pakistan in its energy sector, which currently costs 2 to 2.5 % to the country's GDP, but also of helping it in improving its transport network which will, in turn, uplift business activities across the country. Moreover, the proposed industrial zones along the corridor would spur investments, both by the local and foreign business entities. Thus, it will boost small and medium enterprises (SMEs) through joint ventures between local and foreign businessmen, and will support in modernization of indigenous SMEs through transfer of technology. Thus, additional job opportunities and value addition of indigenous products can be foreseen. Owing to growing economic activities, it will also help in hampering the phenomenon of brain drain and will reduce outmigration of skilled laborers. On the other hand, it is also expected that CPEC would turn the loss making entities, including Pakistan Railways and State Engineering Corporation, into profitable organizations, by virtue of up-gradation of connectivity and infrastructural development projects.

Conversely, even after the lapse of more than one and half year of arrangement, ambiguities connected with the corridor are persistent, owing to lack of information from official credible sources. Apart from the above mentioned apprehensions, these uncertainties include:

- What would be built?
- How it is being financed?
- Whether the investment will be in shape of grant or loan?

- What are the terms of arrangement?
- Who will ensure the implementation of various projects?

Besides, the provincial governments in KP, Baluchistan, and Sindh are also concerned about disproportionate distribution of investment among the provincial units.

While analyzing social impacts of the project, it will heighten land values along the arteries both in urban and rural settings which will, in turn, lead the real estate enterprises to acquire land along strategic locations. As a consequence, the existing owners and locals in subject areas would be pushed out and further marginalized. On the other hand, a demographic change, as a result of in-migration of working class from different parts of the country to the proximal areas to Gawadar can also be anticipated. This might lead towards adverse demographic transition in southwestern areas of the country, and marginalization of the local population owing to their incapacity in terms of occupational skills with reference to mega projects. Hence, there is also a threat that the corridor might result in aggravating the entrenched socio-economic inequalities within different provincial units of the country.

With reference to route controversy, due to its lengthy character, the western route would never be viable for cargoes originating from areas around Lahore, which are considered to be the export base of Pakistan. However, it would be beneficial for the smaller number of producers belonging to KP, upper Punjab and GB along with those from China. The proposed western route predominantly runs through the underdeveloped areas of KP and Baluchistan. Therefore, provincial governments in these provinces are largely pursuing for this route. Nonetheless, China, being the investor, has been expressing its apprehensions over security issues regarding the western route. Hence, the negatives and positives of all routes need to be comprehended, while considering these apprehensions; an all-inclusive strategy is required to ensure maximum benefits for the deprived segments of Pakistani society.

The project can prove instrumental in bringing prosperity, peace and stability to the country, only if it is implemented appropriately while taking all social segments into confidence, particularly those which are posing challenges to the project. Only in this way, the project would be translated as a game changer in the region. The economic corridor is not likely to be successful,

unless there is peace in Baluchistan which is home to Gwadar port because peace is the key to for an investment friendly environment in the country.

An appropriate policy focusing on skill development of the locals, and entrepreneurial synergy between locals and incoming investors can lead towards an environment of dynamic and vigorous coexistence. However, this setting requires a political platform to devise a comprehensive strategy to deal with these and other relevant social impacts. On the other hand, it is also necessary to understand that it is a long term project and its benefits will yield results in the coming few decades. It took about three decades for the Karakoram Highway to turn into a vital commercial artery; similarly the roads and infrastructure being built under this project can also be expected to take about two decades to grow as main arteries for commercial traffic.

### **Recommendations and Conclusion**

Despite that the work on numerous projects, involving CPEC, the animus of uncertainties is also persistent. Hence, instead of pampering the quagmire over the political issues, negotiations regarding translation of infrastructural development into welfare of the masses are essential. The CPEC has several dimensions, ranging from infrastructural projects, including rail and road connectivity and establishment of industrial zones, to the energy projects and language teaching centers, which require deliberations, more than fracas over stratification of roads to be built as a part of the project.

The CPEC project, when completed, would be beneficial for entire Pakistan, rather than some particular region or province. In addition to making Gwadar a hub of trade activities, it would spur economic activities across the country and would help in eradicating poverty by generating millions of jobs in the country. Moreover, it will boost industrialization and, in turn, will beef up exports of Pakistan through the mega trade route as envisaged by experts. On the other hand, CPEC has the potential to fundamentally transform South-Asian economy as well as the political settings of the region. However, it needs a comprehensive and all-inclusive strategy in order to minimize the uncertainties prevailing among different sections of Pakistani society and, further, to ensure the reach of its benefits at grass root level.

Proper institutional arrangements for examination of project proposals along with their feasibilities and execution of the development projects are essential to ensure transparency,

practicality and sustainability of CPEC. To manage the land and transport issues, a separate relevant authority may be established to check and cater the impacts. In this context, Trans-European Transport Networks (TEN-T) – a planned set of road, rail, air and water transport networks in the European Union – can provide lessons as it is exclusively administered by Innovation and Networks Executive Agency. Besides, following points are necessary to be taken into consideration regarding implementation of the project:

- Route prioritization should be based on productivity and on stretching of benefits to the deprived people;
- Decisions should be made vis-à-vis the economic benefits;
- Transparency should be ensured to minimize uncertainties;
- A comprehensive strategy should be devised while analyzing costs and benefits to ensure maximum gains;
- Consensus should be built among the stakeholders to resolve controversies and to minimize uncertainties so far associated with the project;
- An independent body, on the line of TEN-T, should be established to oversee different projects of CPEC;
- Industry friendly policies should be devised to strengthen local industry;
- Professionals of relevant fields, involving diverse dimensions of the project, should be engaged in carrying out feasibility reports and in dealing with uncertainties and security constraints, hampering its implementation;
- Spatial planning exercises should be launched to identify direct and indirect impacts of the projected developmental projects;
- Environmental damages and impacts should be minimized for the sustainability of CPEC;
- The government should ensure that enduring benefits of the project accrue to the underprivileged people living in remote areas of Pakistan, particularly in Baluchistan.

The CPEC can be a game changer as well as the fate changer and is expected to help the country in bridging its power crisis, reviving exports, creating jobs, building infrastructure, addressing the urban congestion through mass transit plans, and to serve as a stimulant for the overall economy of the country. By stretching maximum benefits to the people of deprived areas through employing appropriate strategies, the authorities would be able to allay uncertainties and

misapprehensions regarding the project. It is a project of economy, with which the future of coming generations is connected; it is not a political subject and should be dealt likewise. Therefore, different political sections should avoid attributing their futures with it, so that its fruits could be achieved. Otherwise, Pakistan will lose another potential opportunity of rising in competition with other countries, at least at the regional level.

### **About the Author**

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