

"CPEC is going to be a game changer for Pakistan."

The then Planning and development minister - Ahsen Iqbal.

Security cooperation has long defined Pakistan's relationship with China, with economic ties lagging behind far behind military engagement. Since, <sup>2015</sup> such ties are focused on Pak China - Pakistan economic corridor (CPEC), a set of projects that are part of Beijing's Belt and Road initiative. Pakistan's political leadership calls CPEC as a game changer that would bring prosperity by revitalizing Pakistan's fragile economy. Pakistan's military which has a huge say in defense, foreign, and security policy perceives closer ties with China as an opportunity to offset rising tensions with the US.

China has unveiled 62 billion dollars infrastructure spending plan in Pakistan that is the centre piece of Beijing's ambition to open new trade and transport route across Asia and to challenge the US as the dominant regional power.

⇒ Four stages plan of CPEC :-

- Early harvest projects 2015-19 :- Most of the projects relate to energy <sup>sector</sup> which are <sup>mostly</sup> ~~already~~ completed or expected to be completed by 2019 adding approximately 17000 MW electricity to national grid and thus easing the energy shortages and load shedding that has crippled the industry and exports.

Important:



- Short term projects: Up to 2022 mainly Roads, Gwadard development, optic fiber network, Hydel, coal mining and power projects would be completed.

- Medium term projects: Up to 2025 Railways and Industrial zones will be completed.

- Long term projects - Up to 2030, vast industrial zones, Agricultural ~~and~~ projects, and tourism related projects will be completed.

This is the plan of CPEC which will take 15 years from the starting period - 2015 to 2030.

⇒ CPEC Routes:

A compromise between federal and provincial governments yielded three planned routes: Western, central, and eastern.

Western route passes from KPK ~~to~~ and Balochistan.

Central route passes from KPK, Balochistan, and Sindh.

Eastern route passes from Punjab and Sindh.

→ Karakoram → DI Khan (KPK) → Zhob (Baloch) → Qilla Saifullah → Quetta → Panjgur → Turbat → Gwadard.

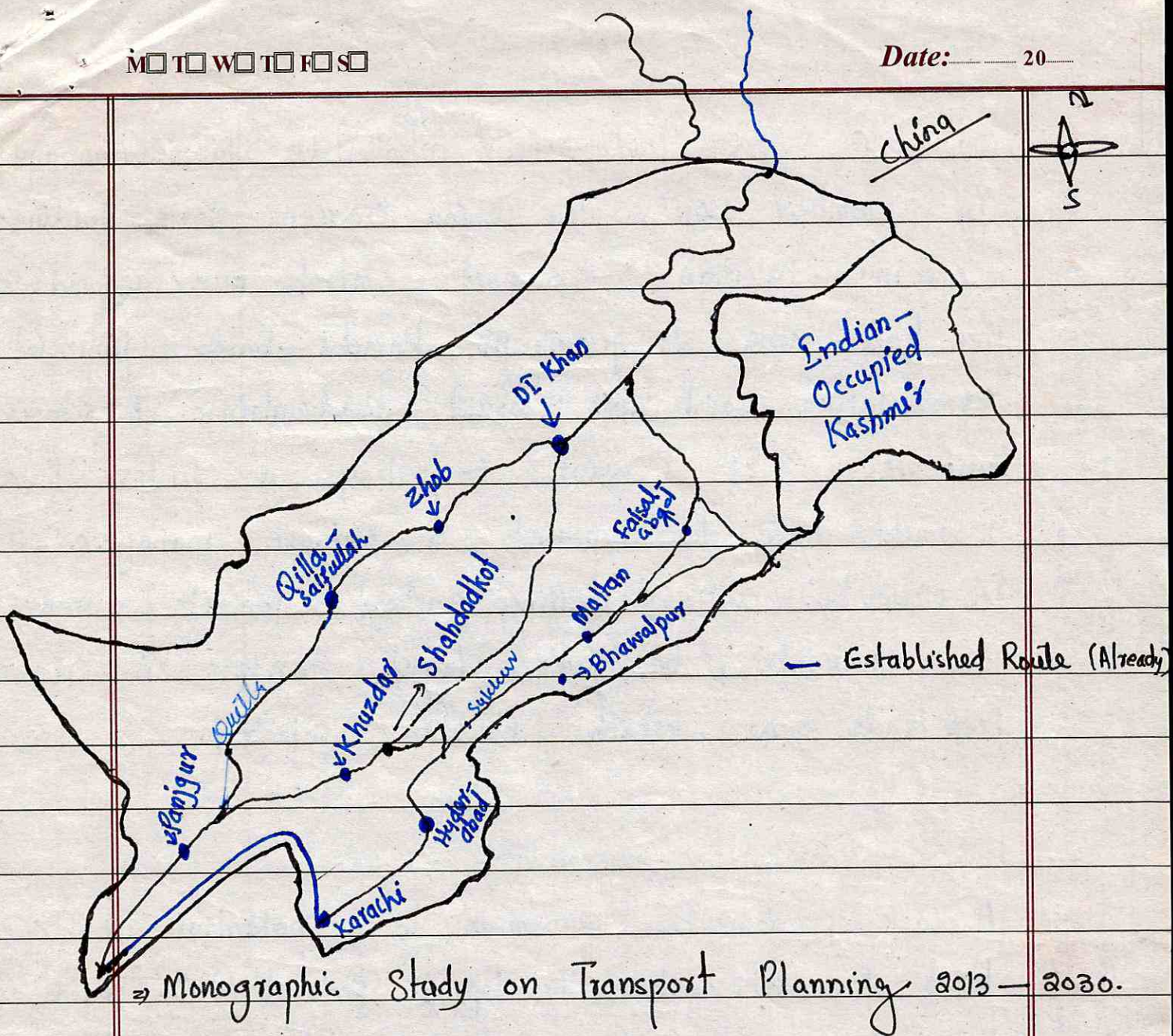
DI Khan <sup>(KPK)</sup> → Kuzdar (Baloch) → Basmi town via interior Sindh

Lahore → Faisalabad → <sup>Multan</sup> ~~Rahimyar Khan~~ → Bhawalpur → ~~Multan~~ Sulikpur

→ Hyderabad → Kasahi → Gwadard.

Important:





+ CP CPEC ⇒ Strains on Federation:-

- There was an earlier tussle
- loopholes in CPEC :-

1) Extra share to china:- (El - conceived formula for sharing profit)

In a November 2017 briefing to the senate, Hasil Bizenjo, the <sup>then</sup> federal minister for ports and fisheries, confirmed that china would receive 91 per cent of Gawadar port-generated profits over 40 years and the Gawadar Port Authority, controlled by Federal Government, would receive remaining 9 per cent.

Important:

Unfortunately, the Balochistan government would get nothing in royalty.



- Gwadar's Free Trade Zone <sup>would be</sup> controlled by Chinese Company:-

In November 2015, the China Overseas Ports Holding Company - Pakistan assumed control over Gwadar's free trade zone. A prominent Karachi-based financial representative said this would disadvantage Pakistan's businesses: "If I want to set up a factory there, I would have to approach a Chinese manager." In November 2017, Beijing asked for its currency, the renminbi, to be given legal tender in Gwadar's free trade zone, which Pakistan rejected.

lack of domestic consensus:-

A lack of domestic consensus is a potential stumbling block for CPEC. Less-developed federal units such as Balochistan and Sindh contend that the corridor's route, infrastructure, and industrial projects would mostly benefit Punjab, already the country's wealthiest and politically powerful province. The people of Balochistan also consider this project as another technique of exploitation of Balochistan's resources. The people of Gwadar are also considering it as a military zone <sup>because</sup> still they are bereft of fundamental needs.

Security Challenges:-

Also, the security atmosphere inside Pakistan especially of Balochistan poses difficulties for CPEC. Starting from Kashghar, the project will pass through Gilgit-Baltistan and KPK, followed by Baluchistan.

(COPHCO)  
Balochistan's universities instead of Punjab's is built in Balochistan.  
If Gwadar port is to be built in Balochistan, then why Chinese infrastructure is built in Islamabad's & Punjab's? -> then why they take this route?

Important:



To counter the danger, the government has decided to raise a 10,000 strong army unit under the command of major general, whose primary responsibility would be to safeguard Chinese engineers. According to a senior police official, "with large number of Chinese citizens coming into Pakistan, security challenges are becoming graver."

+ Chinese may be turned in East India company.

Both projects CPEC and project of East India company resembles in a way that both are re-economic projects. Both are <sup>foreign</sup> outside companies and projects. <sup>China is also</sup> Both are transferring their citizens here in Pakistan. <sup>like East India did.</sup> Recently, China also demanded a tender for Renminbi - Chinese currency - for Gawadar free economic zone. In a view of Realism, all nations are motivated by national interest, so we can not trust any nation because in this anarchic world there is no permanent friend and no permanent enemy. In 1980s, Pakistan and Russia were both were enemies during Afghan invasion, but now there are normal relation, practicing joint military operations, and hunting for socio-economic development as well as China's military purposes in the guise of economic project.

World is anarchic and all relations are based on the principle of personal as well as national interest as suggested by realism. Thus China is taking a control around an Indian

China got control of Hambantota, Sri Lanka, Singapore, Mumbai, ports of Kenya

(friendly ports)

Important:



ocean. According to European economist Indian Ocean has the same importance for Asia in this century as the Mediterranean had in 20th century for Europe. It is mainly doing to counter the US influence in the region. It is creating a threat to the hegemony of US. Its export has risen to that of the USA in 2012, according to Wall Street Journal.

o Captain Mahan of US said ~~great~~ country require to be ~~glob~~ naval power ~~before~~ as a prerequisite for global power.

o UK's England's example.

o We do not also ~~the~~ forget the ~~the~~ current actions of China in other countries.

- Sri Lanka's Hambantota

- Kenya's Mombasa

- Debt trap diplomacy.

- Blank check ~~to~~ diplomacy.

Important:



## — Opportunities:—

Agriculture: The CPEC long term Plan outlined a focus on agricultural modernization, setting as goals, among others, "to strengthen agricultural construction and to promote the ~~promote~~ ~~the~~ systemic, large scale, standardized, and intensified construction of agriculture". It would help Pakistan to enhance food trade with China and to mitigate trade imbalance (currently trade deficit with China is \$12b).

A Lahore-based agriculturalist said:

"We currently meet 7 per cent of the world's food needs. With better Chinese technology and marketing efforts we could be meeting to 20 to 25 per cent."

- Promote the construction of water-saving modern agricultural <sup>zones</sup>.
- Strengthen drip irrigation technology of water efficiency.
- Improve post-harvest handling, storing, and transportation.
- High quality seeds.

**Drawback** CPEC's focus on agricultural development could result in opposition, similar to that in Gwadar, in other parts of the country, including in Punjab and Sindh, where most land is privately owned. Chinese agricultural projects in central Asia have sparked protests over agricultural deals and reforms perceived as friendly to Chinese enterprises. The same could occur in Pakistan.

Important:



### — Special Economic Zones :-

SEZ are specialized zones with specific types of enterprises at a well defined geographic area where certain economic activities are promoted by ~~certain~~ <sup>set of</sup> policy. Successful SEZs provide immediate access to high quality infrastructure, uninterrupted power supply, public facilities and support services.

9 SEZs

Under CPEC, 27 such SEZ will be setup in different cities of Pakistan which will give helping hand to Pakistan's struggling economy. The KPK would have highest number of economic zones, eight; Punjab, 7; Balochistan, 7; & Sindh, 3.

These SEZ's have potential to be a turning point for industrial sector in the country, as economic zones have played a key role in industrial development in many Asian countries.

### — Enhanced Energy Supply :-

Over 140 million Pakistanis have either no access to the existing power grid or suffer from <sup>almost</sup> 12 hours of load ~~shed~~ shedding daily. Meanwhile, household electricity consumption has grown at an annual growth rate of 10% yearly. Over 5,00,00 households are impacted <sup>due to</sup> ~~as an~~ unemployment as business have been forced to shut down due energy shortages. Nearly PKR 30 billion is approximate expenditure by Pakistani households on UPS and battery charges also.

Important:

Given this context nearly \$34b of investment under CPEC in the energy sector has been earmarked.



It will help Pakistan to alleviate its chronic energy shortages, which regularly amount to over 4500 MW and have shed an estimated 2-2.5% off Pakistan's annual gross domestic product. These energy projects have been included in Early Harvest 2015-19 program of CPEC. At the end of 2019, CPEC ~~proj~~ energy projects are expected to give 17000 MW to national grid. These projects include the Quaid-e-Azam Solar Park in Bhawalpur, Jhimper Wind Energy Park, Sulki Kinari Hydro power project, Thar coal energy project, etc. Altogether 21 <sup>energy</sup> projects are working under CPEC cost of \$34.6 for the production of 17045 MW (~17100 MW).

### — Tourism :-

China and Pakistan can further exploit the potential advantages of the tourism resources in the regions along the CPEC, especially China-Pakistan border areas (near Kunjrab Pass). They should create tourism spatial structure in Pakistan as "2+1+5" which includes two centers, one axis, and five zones. Karachi and Gwadar ports as two centers, and the coastal tourism belt as the development axis, and five tourist zones of Jinnah & Gwadar tourism zone, Thal Thau, Ormara, Sonmini, and Icki Bandar.

### — Growth Potential in stock exchange :-

Important: Investment led growth in Gross Domestic Product would augment volumes and earnings of Company and



and steel companies while higher income levels and improved energy availability would help the manufacturing sector through higher demand and cheaper energy ~~su~~ suppliers. Consumer stocks would also benefit from higher demand and income level.

— Reinforce export of fruits: The region of Gilgit-Baltistan is known for its fresh fruits exports like cherries, apricot, and apples. CPEC will be a game changer by opening ~~a~~ business opportunities for the region's traders. With an ~~estab~~ estimated production of 4000 tonnes of cherries and 20,000 tonnes of apples every year, the region has potential to tap into the Chinese market. This will provide local traders with an advantage and help them increase their sales by tremendous saving in cost of transportation. Presently, fruits are being exported through air-cargo via Dubai. It would be faster and cheaper if the same could be sent by road to China via Xinjiang. Selling fruits to China would be more profitable as cherries are more popular there.

— Infrastructure: The first of all the ~~benef~~ direct benefit we get from CPEC is that of infrastructure. Infrastructure mainly includes construction of roads especially western, central, and eastern ~~rot~~ routes, construction of railroads and laying of optical fiber. ~~Infrastructure~~ The amount earmarked for Roads is \$5.341b, for railway \$8.237b, and for OFC \$0.044b. The roads infrastructure could possibly provide direct jobs — 31474, Rails — 14000, and OFC infrastructure — 1294.

Important:



## Projects in ~~the~~ Sindh under EPEC.

### Energy :-

- a) Port Qasim Electric Company Coal Fired (2x660 MW)
- b) Engro Thar Block II Coal fired Power Plant (2x330) MW.
- c) Surface Mine in Block II of Thar Coal Field (3.8 million<sup>ton</sup>/year)
- d) SSRL Thar Coal Block 8 SEC Mine Mouth Power Plant.
- e) Thar Mine Mouth Orade Power Plant.
- f) Hydro China Dawood Wind Farm (Gharo, Thatta)
- g) UEP Wind Farm (Jhimpir, Thatta)
- h) Sachal Wind Farm (Jhimpir, Thatta)

### Roads

- a) Peshawar — Karachi Motorway (Multan — Sukkur Section)
- b) Central and eastern routes
- c) Karachi — Hyderabad Motorway

### Rails :-

- Karachi Circular Railway.
- Upgradation of main railway from Lahore to Karachi upto the speed of 130

### SEZ :-

Three special economic zone out of 27 SECs.

- a) Chinese Industrial Estate near Karachi. (Dabberj I)
- b) Textile city near Port Qasim.
- c) Marble City Karachi.

\* New

Important:



## + Negative Implications..

- Environmental Concerns in Thar.
- Exploitation of natural resources.
- No enough jobs to locals
- No Royalty to Sindh in CPEC
- Marine life affected at ports.
- Agricultural policies for in favour of Chinese may hurt farmers

## + Positive implications:-

- Infrastructure development.
  - New Roads
  - Railway routes
  - ↳ Increases geographic interconnectivity.
- End to the energy load shedding
- New avenues of jobs and employment.
- Small business holders get benefit through export.
- Tourism will promote especially in Thar.
- Health sectors will promote.

⇒ Dhabreji Special Economic Zone (SEZ) has attracted overwhelming response from domestic and foreign investors and is promised to change the commercial landscape of Karachi (Hazar Khan Bijarani)

2) ~~Sindh~~ Sindh Engro Coal Mining Company (SECMC) had employed 1500 locals in workforce of 2000 people

Important:

→ Keti Bandar Project was included in CPEC on the

recommendations of federal government, it envisages setting up of coal handling berths, liquid handling berths, power parks, industrial zones