CPEC: a continuum of opportunities and challenges for Pakistan

The China-Pakistan-Economic-Corridor (CPEC), brought a promising investment of 46 billion US dollars into the dwindling economy of Pakistan. How successfully Pakistan utilises this economic opportunity depends on many variables, including the attitude of the Pakistani government itself, writes ***Amber Arif****.*

The China-Pakistan-Economic-Corridor (CPEC), with its official inauguration back in April 2015, brought a promising investment of US$ 46 billion into the dwindling economy of Pakistan. This investment is set to lend a helping hand to Pakistan's Energy and Transportation sectors. CPEC is referred as the flagship project of China's One Belt and Road Initiative is aimed at enhancing connectivity amongst Eurasia-Pakistan and China. It consists of an array of Energy and Transportation development Projects along with Creation of Special Economic Zones (SEZs), in Pakistan. It is a 15 years long venture, set to be completed by 2030.

The energy sector takes the largest share of CPEC investment – that is 72 % of the total sum of US $33 Billion. The second largest segment of investment is dedicated for Transportation sector, constructing new and revamping old road linkages. It comprises 24% of total investment that makes up to US $11 Billions. Another significant feature of CPEC is the creation of Special Economic Zones. By means of facilitating industrial growth in Pakistan's financial centre and other locations of strategic importance, these SEZs are set to enhance regional connectivity all across the Eurasian continent.

Proposed trade route for CPEC through Pakistan image source: Wanishanrukh, Wikimedia Commons.

Potential pitfalls for Pakistan?

CPEC holds in its blueprints a myriad of opportunities for Pakistan and China, but how successfully the two states will operationalise these opportunities is an expansive question. An array of issues besets the cautious optimistic perspective. Below is the analysis that highlights the suspicions and threats surrounding CPEC's projects and Pakistan.

The completion of these projects on time is an important consideration. Given the potentially high stakes of corruption in both countries, the competency of government in ensuring on time completion of projects is unreliable. The lack of information sharing between government and public also, undermines the level of trust. Since PML-N's lack of information sharing has raised agitation and fears among public. This is creating space for growth of narratives that further lack of trust and support for CPEC. The clarification of this question is imperative for analysing the complete potential proposed by the energy and transportation projects. Furthermore, As per Institute of Policy Reforms an emergent think tank in Pakistan, the Pakistani government whilst attempting to keep to its tight fiscal budget, will not be able to complete most of the project within due time. The requirement stands at 4.6% of GDP for year 2016-2017 while, 5.3% of GDP for year 2017-2018. In contrast to these pre-requisites, Pakistan has expected fiscal space drop of 3.4% of GDP for 2016-2017 while increase of 3.6% of GDP for 2017-2018. This again highlight the gap between the assumed opportunities and the real challenges with regards to CPEC.

The business community in Pakistan has also raised doubts for incoming foreign direct investment into Pakistani market. It is feared that after the completion of CPEC project, Chinese goods with their low prices will flood into Pakistani markets, thus the domestic manufacturing industry – already surviving meagrely amidst array of challenges – will have to face innumerable loss in competing with Chinese goods, as the PML-N government is accused of providing favours to Chinese investment. While the Sino-Pak Free Tarde Agreement (FTA) of 2006 already created bases for doubts among Pakistan's domestic manufacturing industry, the unrevealed terms of agreements and negotiations are widening the trust deficit. As China seems to be the bigger beneficiary by sending export goods as well as infrastructure development industry to Pakistan, the concerns of domestic businessmen are seemingly true.

The city of Gwadar in Balochistan, Pakistan. Photo credit: Shayhaq Baloch, Wikimedia Commons, CC BY-SA 4.0.

Whilst the prospect of SEZs in Gwadar may be seen as giving the economy of underdeveloped Balochistan a much-needed boost, the crucial scarcity of water in the province is a much more pressing issue and has the potential to jeopardize the whole project. Distillation plants are the only efficient solutions for this problem but a lack of financial resources have made it an unrealistic strategy – the distillation plant set up in Gwadar, Kurwat for instance, has a capacity of two million water gallons a day, but produces only 0.3 million gallons water a day. Back in water crises of 2015, people had to buy a water tank for US$ 150 – US$ 180. However, instead of constructing a dam in Balochistan, the Pakistani government has announced dam projects namely, Diamer-Basha Dam and Dasu Dam for the GB and KPK regions respectively. Furthermore, the political unrest in Balochistan furthers suspicions and grievances of Baloch people towards CPEC, who believe that their provincial resources are serving all other provinces but Balochistan. The provincial party leadership accused government of keeping Baloch people in the dark while asking them to address the concerns of Baloch people over CPEC

However, the non-flexible and strict terms and conditions imposed by Beijing leading to unsuccessful negotiations between home and Chinese government. As recently in November 2017, Pakistan backed away from the project of Diamer-Basha Dam, due to "Unrealistic" terms and conditions. As China wanted to take ownership of entire project which was stated unacceptable by Pakistan's Prime Minister Shahid Khaqan Abbasi. Thus, Diamer-Basha Dam was excluded from list of CPEC Projects. Now the project is being funded by Pakistani government after some changes in project's design. This highlights another probable yet potent threat to CPEC's completion – the discordance between Chinese and Pakistan's state government upon agreements' terms and conditions. Even the projects have been decided and agreed upon, the doubts about their successful completion is a worthwhile.

Conclusion and Recommendations

The critical analysis unleashes that CPEC is not as an entirely win-win situation as it might seem on paper. Rather it is a continuum of opportunities and challenges. It is a promising investment for the participatory states but however promising, implementation is more difficult than it seems. It is an economic opportunity and how successfully Pakistan utilises this may depend on many variables, the most important being the attitude of the Pakistani government itself.

However, below is a list of suggestions that can help in improving the efficacy of CPEC while lessening the doubts that surround its blue prints:

- The government of Pakistan rather than keeping the terms and conditions of CPEC in secret should share them with the Public and business community. Information sharing will encourage an open discussion and debate about the prospects of CPEC for Pakistan. The conclusions of these discussions will assist the Government in reaching more equitable terms of agreements with the Chinese Government enhancing confidence in domestic business community.
- The government of Pakistan must encourage academics and other experts to come forward and exchange dialogue with Chinese strategists. This will help the home government to have a better insight into aims of Chinese Government for pursuing CPEC thus enhancing an overall understanding of this venture.
- Before finalising the projects with Chinese administration, the government of Pakistan should ensure an internal political consensus and include all provincial governments.

This measure will assist in avoiding any future discord that can eventually hinder the progress of development.

Note: This article gives the views of the author, and not the position of the South Asia @ LSE blog, nor of the London School of Economics. Please read our comments policy before posting.

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