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**The politics of CPEC: the impact of the China-Pakistan Economic
Corridor on Pakistan's federal system**

Abstract

The China-Pakistan Economic Corridor (CPEC) is often portrayed as the flagship project of the new economic and political architecture envisaged by China as the Belt and Road Initiative (BRI). With official figures suggesting a \$62 billion CPEC-related investment, the economic corridor has dominated Pakistan's domestic and international politics since its launch in 2015. While a great deal of attention has been devoted to the regional geopolitical repercussions of CPEC, the contours of CPEC's impact on Pakistan's federal system and interprovincial relations have not yet been explored. This is surprising since the conceptualisation of CPEC, and the manner in which its multiple projects are being implemented (or not) within Pakistan, has re-awakened grievances surrounding federalism and the location of power within Pakistan.

This is because concerns have been raised about whether Pakistan's poorest provinces (Balochistan, Khyber Pakhtunkhwa and the 'semi' province of Gilgit-Baltistan) will reap the benefits from China's investment or whether these benefits will be enjoyed mainly by the Punjab. In this context, this paper seeks to answer one key question: has CPEC strengthened or weakened the provinces vis-a-vis the federal government? Organised around interviews conducted in 2015, 2018 and 2019, the analysis demonstrates how the construction of the economic corridor is acting as a centripetal force in Pakistan's federal structure, despite the potential for such a large level of external investment to redress the disparities between provinces. Against such backdrop, the paper assesses the implementation of the early-harvest projects in three key CPEC-related areas: transport, energy and the development of the port of Gwadar.

Introduction

After the election of Imran Khan, the question of whether Pakistan's relations with China would change was at the forefront of international concern, primarily the question of whether Pakistan would go to China or the IMF to rescue it from its balance of payments crisis. Many

questioned whether a bailout - of about USD12 billion¹ - from the IMF would require Pakistan to be more transparent about the conditions of the loans of China to fund the China-Pakistan Economic Corridor (CPEC). Some analysts also questioned whether Imran Khan would manage to maintain the ‘all weather’ friendship with the Chinese government given his previous concerns about the uneven implementation of CPEC within Pakistan. In this article we analyse the domestic implications of China’s investment in the country and assess whether Khan’s claims about the unevenness of its implementation have merit. We then address whether any major changes were implemented under the first year of the PTI government, and if other changes are expected.

These dynamics are important not only for the Pakistani context but also because they have broader international ramifications. By making CPEC the poster child of the Belt and Road Initiative (BRI), China has invested a huge amount of political capital into making its investment in Pakistan a success story. The way in which the projects agreed under the CPEC umbrella materialize on the ground will represent a potent example of how things will develop along the countries involved in the new Silk Road. In addition, with a growing debate on whether or not the BRI is a ‘debt trap’ for the countries involved and with a change in leadership in Malaysia initially halting, then re-negotiating, three Chinese-backed infrastructure projects worth around USD22 billion², our analysis represents an important

¹ Faseh Mangi and Kamran Haider, ‘Pakistan to Decide on More Than \$12 Billion Bailout in Six Weeks’, *Bloomberg*, 02 Aug. 2018, <https://bloomberg.com/news/articles/2018-08-02/pakistan-to-decide-on-more-than-12-billion-bailout-in-six-weeks>.

² ‘Malaysia to revive multi-billion dollar project linked to China’ *Reuters*, 18 April 2019. <https://www.reuters.com/article/us-malaysia-china-project/malaysia-to-revive-multi-billion-dollar-project-linked-to-china-idUSKCN1RV0K0>

addition to the growing, yet limited, body of works looking at the domestic implications of China's BRI.

Despite its importance, the federal politics of CPEC have received little attention to date in the scholarly debate. This is surprising as centre-province relations are key to the successful implementation of the investment package coming from Beijing. The existing literature covers a number of topics including human resource development³, India's perspective⁴, public opinion towards CPEC⁵, law⁶, regional geopolitical implications⁷, security cooperation to protect CPEC⁸ and environmental concerns⁹. While these are all important, the federal

³ Adeel Ahmed, Mohd Anuar Arshad, Arshad Mahmood, Sohail Akhtar, (2017) 'Neglecting human resource development in OBOR, a case of the China-Pakistan economic corridor (CPEC)', *Journal of Chinese Economic and Foreign Trade Studies*, Vol. 10 Issue: 2, pp.130-142

⁴ Khan, Ijaz; Farooq, Shamaila; Gul, Saima. 'China-Pakistan Economic Corridor: News Discourse Analysis of Indian Print Media' *Journal of Political Studies*; Lahore Vol. 23, Fasc. 1, (Summer 2016): 233-252; Jacob, Jabin T. 'China's Belt and Road Initiative: Perspectives from India' *China & World Economy*; Beijing Vol. 25, Fasc. 5, (Sep/Oct 2017): 78-100.

⁵ Deling, Huang; Diren, Li; Tiantian, Huang. 'Analysis of Public Opinion About China-Pakistan Economic Corridor' *Journal of Applied Sciences (Faisalabad)* Vol. 16, Fasc. 6, (0, 2016): 286.

⁶ Qureshi, Asif H. 'China/Pakistan Economic Corridor: A Critical National and International Law Policy Based Perspective' *Chinese Journal of International Law*; Oxford Vol. 14, Fasc. 4, (Dec 2015): 777.

⁷ Butt, Khalid Manzoor; Butt, Anam Abid. 'Impact of CPEC on Regional and Extra-Regional Actors' *The Journal of Political Science*; Lahore Vol. 33, (2015): 23-44; Wolf, S. O. (2016) *The China-Pakistan Economic Corridor: An Assessment of its Feasibility and Impact on Regional Cooperation*, SADF Working Paper, 28/06/2016.

⁸ Filippo Boni, (2019) 'Protecting the Belt and Road Initiative: China's Cooperation with Pakistan to Secure CPEC', *Asia Policy*, 14 (2), 5-12.

⁹ Zhang, Ruilian; Andam, Francis; Shi, Guoqing. 'Environmental and social risk evaluation of overseas investment under the China-Pakistan Economic Corridor', *Environmental monitoring and assessment* Vol. 189, Fasc. 6, (Jun 2017): p. 253.

dimension is crucial as it affects both the likelihood of implementation as well having huge ramifications for Pakistan's domestic politics.

CPEC is a series of infrastructure and energy projects formally launched during Xi Jinping's visit to Pakistan in April 2015.¹⁰ Defined by China's Prime Minister Li Keqiang as the 'flagship project' of China's ambitious BRI, the amount of investment in Pakistan coming under this scheme has climbed from the \$46 billion originally announced in 2015 to \$62 billion.¹¹ The previous Pakistan government labelled CPEC as a 'game changer'¹² aimed at benefitting the whole of Pakistan. This was questioned by the leaders of Balochistan and Khyber Pakhtunkhwa (KP) – the latter governed both before and after the 2018 election by the Pakistan Tehreek-i-Insaf (PTI), the party of Pakistan's new Prime Minister, Imran Khan.¹³ Given the historic under-representation of Baloch and Pakhtuns in the two most powerful institutions of the

¹⁰ Although the idea was floated much earlier than this and many of the new projects are older plans that have retrospectively been attached to the CPEC.

¹¹ Salman Siddiqui, 'CPEC investment pushed from \$55b to \$62b', *Express Tribune*, 4 April 2017.

<https://tribune.com.pk/story/1381733/cpec-investment-pushed-55b-62b/>.

Figures released by the CPEC project director Hassan Daud mention 22 CPEC projects worth around \$27 billion that are under various phases of implementation. See: Hassan Daud, 'Great Expectations', *The News*, 11 March 2018, <https://www.thenews.com.pk/print/290801-great-expectations>. (Unless otherwise stated, all URLs cite in this article were accessible on 25/06/19).

¹² Muhammad Asad Chaudhry, 'CPEC a game-changer for Pakistan, fate-changer for region: Nawaz.' *Daily Times*, 20 Aug. 2016, <https://dailytimes.com.pk/60477/cpec-a-game-changer-for-pakistan-fate-changer-for-region-nawaz/>.

¹³ Shamil Shams, 'China's economic corridor creating new conflicts in Pakistan', 29 Aug. 2016, <http://www.dw.com/en/chinas-economic-corridor-creating-new-conflicts-in-pakistan/a-19510980>.

Pakistani state, the army and the bureaucracy,¹⁴ as well as the historical concentration of government investment in Punjab, these provinces argued that their historical neglect was going to be perpetuated. In 2015, Imran Khan argued that ‘we should build a shorter and better route of the CPEC instead of opting for the eastern route, which will create resentment in other provinces against the Punjab’.¹⁵

Although national opinion polls demonstrate support for CPEC, these have not been broken down by province.¹⁶ There are reasonable doubts over the impact that the investment from China will have on Pakistan’s governance structures and centre-provincial relations. Our analysis reveals that there is a major disconnect between the decentralizing provisions of the 18th Amendment, and the centripetal nature of CPEC. It demonstrates that CPEC, as it is currently being implemented, threatens to increase tensions rather than mitigate them. This is

¹⁴ See Katharine Adeney, (2009) ‘The limitations of non-consociational federalism - the example of Pakistan.’ *Ethnopolitics* 8(1): 87-106.

¹⁵ Express Tribune, ‘Eastern route for CPEC may foster enmity between provinces, warns Imran’, 30 Sept. 2015, <https://tribune.com.pk/story/965041/eastern-route-for-cpec-may-foster-enmity-between-provinces-warns-imran/>.

¹⁶ Gallup Pakistan, ‘Overwhelming majority of Pakistanis (79%) believes that Pak-China Economic Corridor is important for Pakistan’s development’, 18 Dec. 2015, <http://gallup.com.pk/wp-content/uploads/2015/12/181215-English1.pdf>; Gallup Pakistan ‘China Pakistan Economic Corridor: 85% Pakistanis believe CPEC is important (very much or somewhat) for Pakistan’s development’, 6 Feb. 2017, <http://gallup.com.pk/wp-content/uploads/2017/02/6-February-2017-English-1.pdf>. To our knowledge, there is only one study which provides provincial level data from seven districts of Hazara division in KPK province and, according to its results, ‘the local people perceived that CPEC will be very influential in terms of economy’. See: Liaqat Ali, Jianing Mi, Mussawar Shah, Syed Jamal Shah, Salim Khan, Rizwan Ullah, Kausar Bibi, (2018) ‘Local residents’ attitude towards road and transport infrastructure (a case of China Pakistan economic corridor)’, *Journal of Chinese Economic and Foreign Trade Studies*, Vol. 11 Issue: 1, pp. 104-120.

despite the rhetoric around CPEC being to ‘foster development in otherwise economically marginalized regions or countries’.¹⁷

More than four years after it was officially launched, we are now better equipped to understand the political implications of CPEC. We investigated the ‘early harvest’ projects - those that were prioritised and were scheduled to be completed by 2019-2020 – to establish firstly, whether CPEC has increased the centralising pressures within Pakistan and, secondly, favoured Punjab over the other provinces. Drawing on the official data provided by the Planning and Development Commission of Pakistan, triangulated with interviews and other primary and secondary sources, we show how, at least in the first phase of the projects agreed under the CPEC umbrella, the majority of the projects are currently being completed in Sindh and Punjab, with the ones in Balochistan and KP lagging behind.

We also assess the extent to which the Council of Common Interest (CCI)¹⁸ (a central provision in the reforms introduced by the 18th Amendment) has been used to discuss the concerns raised by Pakistan’s provinces. We then discuss the extent to which the provinces were included in the major policy decisions related to CPEC, arguing that centralization within Pakistan’s federal system has increased as a result of CPEC. We assess the implementation of three areas central to the ‘early harvest’ projects, namely transport, energy/natural resources and developments pertaining to the port of Gwadar, before concluding with an analysis of what (if anything) has changed under Pakistan’s new Prime Minister.

Federalism and the 18th Amendment in Pakistan

¹⁷ Guluzian, C. R. (2017). ‘Making Inroads: China’s New Silk Road Initiative.’ *Cato Journal* 37(1): 135-147.

¹⁸ The Council of Common Interest is the key political institution regulating the competencies and settling disputes between the provinces and the federal government. The CCI members are the Prime Minister, the four provincial Chief Ministers and three Cabinet Ministers.

Pakistan's history of federalism is fraught with tensions and mistrust between the central government and the provinces¹⁹ as well as inter-provincial grievances, most often articulated against the most developed province, the Punjab, the northern part of which dominates army recruitment. Grievances against the Punjab are also the result of a number of features of Pakistan's federal system. First, Pakistan's National Assembly allocates the number of seats by population. Punjab, which according to the 2017 Census is home to nearly 53% of Pakistan's population, thereby receives a majority of seats within the lower chamber. This has institutionalised the province's dominance in the country's institutional architecture even in periods where the military have not ruled the country.²⁰ With Punjab representing the gateway to power in Pakistan, any party with aspirations to rule the country has to appeal to its voters. Second, financial resources between 1971-2010 were also allocated on the basis of population. The other provinces of Pakistan have resented the fact that the most developed province of Pakistan has received the majority of resources.

The 18th Amendment in 2010, building on the National Finance Commission Award of the previous year, went some way to addressing these grievances, particularly those of Balochistan where the port of Gwadar is situated, in an attempt to ease tensions in the conflict ridden province.²¹ Significantly, Punjab agreed to the rewriting of the horizontal distribution formula so that factors other than population were taken into account in the distribution of resources

¹⁹ Katharine Adeney, *Federalism and ethnic conflict regulation in India and Pakistan*. (Basingstoke: Palgrave Macmillan, 2007).

²⁰ Katharine Adeney (2012) 'A Step Towards Inclusive Federalism in Pakistan? The Politics of the 18th Amendment', *Publius* 42(4): 543.

²¹ Filippo Boni, (2016) 'Civil-military relations in Pakistan: a case study of Sino-Pakistani relations and the port of Gwadar' *Commonwealth & Comparative Politics* 54(4): 498-517.

from the Federal Government.²² However, the conceptualisation of CPEC and the manner in which its multiple projects are being implemented (or not) has re-awakened tensions surrounding federalism and the location of power within Pakistan.

Among the changes introduced by the 18th Amendment, the one that had most impact on centre-provincial relations was the abolition of the Concurrent List. This was an important change. Previously the centre was able to override the legislation enacted in the provinces on subjects on the Concurrent List.²³ After its abolition, the subjects contained on the Concurrent List were allocated to the provinces with the significant exception of electricity. The Concurrent List was replaced by a Federal Legislative List (FLL) split into two parts. Part I contains the subjects exclusively controlled by the Federal Government, whereas Part II lists those subjects that come under the Council of Common Interest (CCI).²⁴ Part II of the FLL included subjects of relevance to CPEC. These include electricity, railways, ports, national planning and national economic coordination as well as public debt.

The CCI was not a new Council, it was included in the Constitution of 1973 and mandated to formulate and regulate policies with respect to matters in Part II of the FFL.²⁵ Despite its

²² It did so in the context of a promise of extra resources being allocated to the provinces by the centre. See: Katharine Adeney (2012) 'A Step Towards Inclusive Federalism in Pakistan? The Politics of the 18th Amendment', *Publius* 42(4): 539-565.

²³ The abolition of the Concurrent List had been a long-standing demand of many provincial politicians since 1973.

²⁴ Adeney, 'A step towards', pp.547-8.

²⁵ Zahid, A. M. (2015). 'Opinion: Participatory Decision Making and Inter Provincial Relations: Studying Five Years of the Council of Common Interests (2010-2015). Five Years of the 18th Amendment: Lessons Learnt, Milestones Achieved. Development Advocate Pakistan'. Islamabad, UNDP Pakistan. 2: 13-14.

important role in Pakistan's federal setup, the CCI met only 11 times between 1973 and 2009.²⁶ In an important change, the 18th Amendment required the Council to meet every 90 days and that the Prime Minister must convene a meeting of the Council *on the request of a province*. This is significant because the CCI is tasked with policy formulation and regulation in key areas related to CPEC: investments pertaining to ports, railways, minerals, oil, natural gas and electricity. Given the renewed centrality of the CCI, and the fact that the manner of implementation of the CPEC was the subject of provincial concern, we would have expected the CCI to have played a central role in the planning and implementation of CPEC.

In fact, the first four years of CPEC tell a different story. Although the CCI has held regular meetings, 22 since the enactment of the 18th Amendment,²⁷ the absence of discussion on CPEC is revealed by the repeated calls of the provinces to give the CCI a more central role in CPEC.²⁸ A perusal of the minutes of the meetings between 2010 and March 2016 contain no explicit mention of CPEC,²⁹ although several projects *later* assigned to CPEC feature in the discussion, notably Thar Coal Project (2011-12 and 2012-13) and the Gwadar Port Authority (2013-14).

In January 2016, Khyber Pakhtunkhwa's Chief Minister, Pervez Khattak of the PTI, demanded that the CPEC's route should be discussed in both parliament and the CCI.

²⁶ Inter-Provincial Coordination Division, Govt of Pakistan. (2017). 'Council of Common Interests.'

[http://www.ipc.gov.pk/userfiles1/file/ILYAS/Brief on CCI %5BUpdated 14.11.2017%5D\(1\).pdf](http://www.ipc.gov.pk/userfiles1/file/ILYAS/Brief%20on%20CCI%20Updated%2014.11.2017%5D(1).pdf)

²⁷ Inter-Provincial Coordination Division, 'Council of Common Interests.'

²⁸ Fawad Yousafzai, 'Halt CPEC and let CCI decide it first, Khattak tells govt.' *The Nation*, 5 Jan. 2016,

<https://nation.com.pk/05-Jan-2016/halt-cpec-and-let-cci-decide-it-first-khattak-tells-govt>.

²⁹ Government of Pakistan (2017) 'Inter Provincial Coordination Division.' <http://www.ipc.gov.pk>. Only the meetings up to 2016 are available.

He argued that ‘his province had not been awarded a single penny [from CPEC] ... and that he had now lost trust in the federal government’.³⁰ Similarly, in February 2016, Sindh’s Finance Minister urged the government to convene a meeting of the CCI ‘so that outstanding issues and concerns of Sindh and the other provinces are discussed and decided at that apex forum’.³¹ Neither the minutes of the 29 February 2016 nor the 25 March 2016 meeting of the CCI mention CPEC. While minutes of the subsequent meetings are not directly available, we can reconstruct the content of these meetings through official press releases. Out of ten meetings between December 2016 and November 2018, only the meeting on 26th February 2018 discussed CPEC: the development of Special Economic Zones (SEZs).³²

The Senate Special Committee on CPEC, suggested that ‘control of the project [CPEC] be handed over to the Council of Common Interests’.³³ The government responded to these demands by calling a CCI meeting in December 2016 aimed at discussing, among other items on the agenda, the corridor’s alignment and the provinces’ concerns in relation to it.³⁴ Yet,

³⁰ Yousafzai, ‘Halt CPEC’.

³¹ The Nation, ‘Ready to pay any price for CPEC: COAS’, 20 February 2016, <https://nation.com.pk/20-Feb-2016/ready-to-pay-any-price-for-cpec-coas>.

³² Prime Minister’s Office (2018). ‘Prime Minister Shahid Khaqan Abbasi chaired 35th meeting of the Council of Common Interests (CCI) held today in PM Office Islamabad.’ 26 February 2018. http://pmo.gov.pk/news_details.php?news_id=785 (Last accessed March 14 2018). No meeting was held between November 2018 and June 2019.

³³ Khawar Ghumman, ‘PML-N unwilling to share CPEC control?’ *Dawn* <https://www.dawn.com/news/1271483> 18 July. 2016.

³⁴ Riazul Haq, ‘CCI likely to announce March 2017 census date.’ *The Express Tribune* <https://tribune.com.pk/story/1264878/long-delay-cci-likely-announce-march-2017-census-date/> 16 Dec. 2016.

neither in reporting of the agenda, nor the Prime Minister's summary of the meeting was this mentioned.³⁵

In the November 2017 meeting, the Prime Minister assured the Chief Ministers of Sindh and KP that the issues related to CPEC would be 'resolved amicably'.³⁶ Although CPEC now appears to be a regular staple of the CCI, with the February 2018 meeting explicitly mentioning CPEC in relation to Special Economic Zones (SEZ)³⁷, the lack of discussion of CPEC within the constitutionally deputed framework of the CCI provides evidence of the opaque nature of the early stages of CPEC agreements. The reasons behind the lack of involvement of the CCI in the key decisions over CPEC can be explained by the PML-N's desire to 'ensure full capture of (the) political premium' and because 'institutional scrutiny would reveal the hollowness of overblown claims'.³⁸ The fact that the CCI did not discuss the alignment of the corridor, combined with the analysis presented in the later sections of this article showing the prioritisation of the route through Sindh and Punjab, demonstrates that rather than acting as uniting force, the handling of CPEC has allowed deep-rooted grievances to re-emerge. This was compounded under Abbasi by Punjabi domination of the CCI³⁹ and the initial exclusion of the Chief Ministers from the Joint Coordination Committee (JCC) (the chief coordination

³⁵ Prime Minister's Office (2016) 'Prime Minister Muhammad Nawaz Sharif chaired meeting of the Council of Common Interest (CCI) held here at PM office.' http://pmo.gov.pk/news_details.php?news_id=609 16 December. 2016

³⁶ Sardar Sikander, 'PM to pacify K-P, Sindh over CPEC.' *Express Tribune* <https://tribune.com.pk/story/1567788/1-pm-pacify-k-p-sindh-cpec/> 25 November 2017.

³⁷ Prime Minister's Office (2018). 'Prime Minister Shahid Khaqan Abbasi'

³⁸ Email interview with Haris Gazdar, June 2019.

³⁹ Khaleeq Kiani, 'Punjab gets lion's share in reconstituted CCI', *Dawn*, 18 August 2017. <https://www.dawn.com/news/1352284>

body between the Pakistani and the Chinese sides) until late 2016.⁴⁰ The belated inclusion of the Chief Ministers was an attempt by the Pakistani government to increase transparency around CPEC and to assuage the province's concerns in this respect.⁴¹

The politics of CPEC: Chinese pressures, civil-military relations and provincial capacity

As the analysis so far demonstrates, although the Chief Ministers have become more involved, overall the management of CPEC within Pakistan's federal system has been extremely centralized despite the decentralization introduced under the 18th Amendment. While it is the case that some high priority projects fall within areas on the FLL Part I (National Highways), even those CPEC projects that fell under the FLL Part II list (energy, railways, ports and national planning) were not discussed in the CCI until 2017. This section highlights the politics at play within CPEC and provides a number of explanations for the centralization of the decision-making process.

⁴⁰ In the decision-making structure for CPEC, the JCC plays a pivotal role. Established in 2013, this body is co-chaired by the Minister of Planning, Development and Reform of Pakistan and by the Vice-Chairman of the National Development and Reform Commission on the Chinese side. Concerns were originally raised regarding its opaque membership and the secrecy surrounding its deliberations. These seem to have been partly addressed since 2017. See: Arif Rafiq, (2017). 'The China-Pakistan Economic Corridor. Barriers and Impact', United States Institute for Peace, pp. 1-64; Parliament of Pakistan (2015/16). '2nd Interim Report of the Special Committee of the Senate on China Pakistan Economic Corridor: Translating a myth into reality.'

http://www.senate.gov.pk/uploads/documents/1465974959_331.pdf.

⁴¹ This was also confirmed in an interview with a seasoned Pakistani analyst who argued that 'the inclusion of the Chief Ministers appears to be a Pakistani government initiative, to broaden the base of participation' (Email interview, May 2018).

First, there was the need to provide Beijing with a single, reliable interlocutor. As a key character on Pakistan's side of CPEC told *Dawn* 'the pressure from the Chinese side to move quickly did not allow the federal government time to fully integrate the provinces initially'.⁴² According to the Chairman of the Parliamentary Committee on CPEC in the 2015-18 period, Senator Mushahid Hussain, 'the Chinese move at a bit faster pace, their system is very centralized in a way that decision-making is effective, but here in Pakistan getting things done is a very long, tedious process' since 'one issue requires clearance from five different agencies or ministries, and then they have to certify, they have to give a No Objection Certificate (NOC)'.⁴³ Further proof of China's preference for having a dynamic and centralized decision-making process is provided by the (successful) pressure put by the Chinese government to reinstate Ahsan Iqbal as Planning Minister 'after the government assigned the portfolio of interior ministry to Iqbal and ended the active role of Planning Ministry in the CPEC execution.'⁴⁴

Second, the civilian government was unwilling to devolve power because it did not want to risk diluting its (and in particular, the political benefits from) control of the project. The former Prime Minister (August 2017-May 2018), Shahid Khaqan Abbasi set up a Cabinet Committee on CPEC to ensure that 'every important decision' related to the economic and infrastructural development of the country under this programme will have to be 'decided on by the premier

⁴² Afshan Subohi, 'What are provinces pitching at seventh JCC?: Sindh makes efforts, and excuses.' *Dawn*, 20 November 2017, <https://www.dawn.com/news/1371692>

⁴³ Interview with one of the authors, Islamabad, 2015.

⁴⁴ Rana, Shahbaz, 'Allaying Chinese concerns: Iqbal will also head planning ministry.' *Express Tribune*, 16 September, 2017, <https://tribune.com.pk/story/1507826/allaying-chinese-concerns-iqbal-will-also-head-planning-ministry/>.

himself'.⁴⁵ This body further centralized decision making on CPEC at the federal level at the expense of the provinces and remains in operation under the premiership of Imran Khan.

Third, the military saw CPEC as the opportunity to further consolidate its relations with China – a cornerstone in Pakistan’s defence and foreign policies since the early 1960s – and to expand its role within Pakistan, both in its politics as well as in the financial sector. In 2016 the Pakistani military attempted to increase their sway over CPEC by suggesting the creation of a ‘CPEC authority’ with greater military involvement.⁴⁶ This proposal was resisted successfully by Ahsan Iqbal, the then Minister for Planning, Development and Reform, on the grounds that such an authority would down significantly the implementation of the tranche of Chinese investments. As an expert on CPEC that we interviewed opined: ‘in fact it was an unworkable proposal because many CPEC projects require coordination with various regulators and provincial governments; those powers cannot be bundled under a single authority’.⁴⁷ However, in June 2019, the government announced the establishment of a National Development Council (NDC) whose membership includes the Chief of Army Staff and the provincial Chief Ministers. Importantly, the broad terms of reference of the new council relate to regional connectivity and cooperation, a clear indication of the role that the Army has

⁴⁵ Rana, Shahbaz, ‘CPEC management: Premier Abbasi tightens grip on power’ *Express Tribune*, 8 September. 2017 <https://tribune.com.pk/story/1500709/cpec-management-premier-abbasi-tightens-grip-power/>.

⁴⁶ Khawar Ghumman, ‘PML-N unwilling to share CPEC control?’ *Dawn* 18 July. 2016 <https://www.dawn.com/news/1271483>

⁴⁷ Email interview, May 2018.

been given not only in the implementation, but also in the overall policy-making process related to CPEC.⁴⁸

Fourth, the Federal Government's dismissal of provincial capacity in carrying out technical duties pertaining to the projects has encouraged the central government to centralize. Interviews conducted in Pakistan with officials privy to the developments emphasized that one of the major challenges 'is local capacity to implement and effectively deliver'.⁴⁹ When asked about the obstacles and issues related to coordinating Sino-Pakistani efforts, Senator Mushahid Hussain mentioned that 'when you talk about so many projects, and how to move that forward, there are problems of capacity in the bureaucracy, both at a provincial and federal level'.⁵⁰ This was also echoed by Mahfooz Ali Khan, from the Planning and Development Department, Government of Balochistan, who noted that 'for existing civil servants, there is a dire need to build their capacity' and suggested the establishment of 'an institutional training system'.⁵¹ Ahead of the JCC meeting in November 2017, a politician from Sindh told *Dawn* that 'building capacity is a long, arduous process in a province where the situation is as complex as in Sindh' pointing out that the lack of capacity after 'decades of deprivation' have left their mark.⁵² In an interview conducted before the July 2018 elections, a seasoned observer was asked whether

⁴⁸Sanaulah Khan, 'PM Imran establishes National Development Council', *Dawn*, 18 June 2019, <https://www.dawn.com/news/1488948>; Mehreen Zahra-Malik, 'New council puts Pakistan army chief in economic driving seat', *Arab News*, 20 June 2019, <http://www.arabnews.pk/node/1513691/pakistan>

⁴⁹ Interview, Islamabad, 2015.

⁵⁰ Interview, Islamabad, 2015; Adeney (2012) 'A Step Towards Inclusive Federalism'

⁵¹ Lack of Investment in Human Capital: A Limiting Factor in Socio-Economic Development in Balochistan, *in* Development Advocate Pakistan, *Balochistan: Challenges & Opportunities*, UNDP Pakistan, December 2018, pp. 1-37.

⁵² Subohi, 'What are provinces pitching at seventh JCC?'

CPEC was putting pressure on the Federal Government to reverse the 18th Amendment and to recentralize. His response was ‘in indirect ways, yes. The big issue is coordination with the provincial governments. The federal government feels the provinces are not pulling their weight in terms of doing the work or making resources available in the special economic zones’.⁵³ Although the Concurrent List was abolished in 2010, the provinces were inadequately prepared to take on many of the new functions. In April 2019, Balochistan Chief Minister Chief Minister Jam Kamal Khan, noted how ‘Balochistan is facing challenges in good governance due to lack of resources,’ adding that such a shortage ‘has resulted in stoppage of development work also’.⁵⁴ Similarly, during a debate in KP’s provincial assembly, Inayatullah Khan of the Muttahida Majlis-e-Amal (MMA), claimed that a large chunk of the PSDP funds were not delivered to province. In particular, he claimed that out of Rs. 554 billion allocated to the province under PSDP between 2013-14 and 2017-18, only Rs. 301 billion were released, namely only 54% of the overall allocation.⁵⁵ As the cases of Balochistan and KP demonstrate, the partial availability of resources, coupled with the need to build capacity in the bureaucracy at the provincial level, have encouraged centralization.

⁵³ Email interview, May 2018.

⁵⁴ Mohammad Zafar, ‘Balochistan’s financial position will improve in 4 years’, *The Express Tribune*, 24 April 2019. <https://tribune.com.pk/story/1958005/1-balochistans-financial-position-will-improve-4-years/>. For an analysis of resource allocation (or lack thereof) to Balochistan in the latest budget, see: Adnan Amir, ‘Balochistan’s development needs ignored in the federal budget’, *The Friday Times*, 28 June 2019, <https://www.thefridaytimes.com/balochistans-development-needs-ignored-in-the-federal-budget/>.

⁵⁵ ‘KP govt to take up province’s share in PSDP with Centre, KP PA told’, *Pakistan Today*, 16 April 2019. <https://www.pakistantoday.com.pk/2019/04/16/kp-govt-to-take-up-provinces-share-in-psdp-with-centre-kp-pa-told/>.

Federalism and the ‘early harvest’ projects

Drawing on the deep-rooted mistrust of Punjab characterising Pakistan’s centre-periphery relations outlined in the previous parts of the article, the other provinces were concerned that Punjab would have the lion share of the projects. In November 2015, Senator Daud Khan Achakzai went as far as to dub CPEC the ‘China-Punjab Economic Corridor’.⁵⁶ Our analysis of the early harvest projects reveals that Sindh had 41 per cent of these projects with a total of seven, while Punjab had 29 per cent. Energy generation was at the heart of these early harvest projects (as the issue was at the heart of the Pakistan Muslim League-Nawaz’s (PML-N) 2013 election campaign), with USD34 billion of investment out of the original USD46 billion aimed at ending the electricity shortages affecting the country’s economy. While all four provinces had projects allocated to them according to the 3rd interim report of the Senate Special Committee on CPEC ‘not a single dollar in CPEC [was] allocated for any project inside Gilgit-Baltistan,⁵⁷ highly significant considering that Gilgit-Baltistan is the access point between the two countries. However, more important than the *numbers* of projects allocated to the different provinces, is the progress of these projects.

Transport/Infrastructure

The original plan of CPEC was to prioritize the less developed provinces of Pakistan - Balochistan and KP - as cutting through these regions would have significantly shortened the transit route from Gwadar to the Karakoram Highway. However, shortly after starting the

⁵⁶ Syed Irfan Raza, ‘Senators say CPEC turned into ‘China-Punjab’ corridor.’ *Dawn*

<https://www.dawn.com/news/1221849> 24 Nov. 2015

⁵⁷ Parliament of Pakistan (2016). ‘3rd Interim Report of the Special Committee of the Senate on China Pakistan Economic Corridor: Gilgit-Baltistan: the Gateway to CPEC’,

http://www.senate.gov.pk/uploads/documents/1478515463_617.pdf, p. 12.

project it became apparent that priority was going to be given to those road networks that were *already well developed*. The Special Committee of the Senate in 2016 ‘note[d] with regret [...] that the Agreed Western Route [...] is NOT being given the priority that had been accorded to it by the [...] Prime Minister [...]’.⁵⁸ They also expressed their ‘serious concern that up till now a shroud of secrecy hangs around major decisions taken by the [...] JCC of the two Countries. There are reports that the JCC has excluded the Agreed Western Route from its program’.⁵⁹

The focus on the Eastern Route through the Punjab can be explained by two factors: first, according to an official in the Planning Commission ‘the selection of the route was made primarily according to the existing rail and road links’. He also added that ‘the Chinese have expressed their desire to work on the existing road networks, without building new ones from scratch’.⁶⁰ The second element pertains to Pakistan’s party politics. CPEC was seen by the PML-N as a ticket to re-election and the then ruling party prioritised its Punjab heartland. Therefore the Eastern Route was preferred by the PML-N government because it went through many of the political constituencies of its members of Parliament.⁶¹ This was at the expense of the development of the Western Route through KP and Balochistan, contradicting the ‘all-Pakistan’ approach hyped by civilian and military authorities in their public statements. Despite the objections of the provinces and the Parliamentary Report of August 2017 stating that agreement was reached ‘that the Western route gets priority and is eventually transformed into

⁵⁸ Parliament of Pakistan (2016). ‘3rd Interim Report’, p. 2.

⁵⁹ Parliament of Pakistan (2016). ‘3rd Interim Report’, p. 5.

⁶⁰ Interview, Islamabad, 2015.

⁶¹ Ali, Ghulam, ‘What we get right and wrong on CPEC’, *The Friday Times*, <http://thefridaytimes.com/tft/what-we-get-right-and-wrong-on-cpec/>, 23 June 2017.

6-lane motorway’,⁶² Table One demonstrates that although the infrastructure projects (which are all transport related) are equitably distributed - indeed KP has more than the others - in terms of the *completion rate* of the projects there is a marked disparity. 50 per cent of those in Punjab, Sindh and GB (which includes the project to expand the Karakoram Highway) are estimated to be near completion. In contrast, 50 per cent of projects in Balochistan and 60 per cent of those in KP have their dates of estimated completion *after* 2022.⁶³ After the PTI government came to power, the projects that were included by the outgoing PML-N government in the PSDP earlier in the year and that had not received approval were scrapped. Many of these were on the Western route including the Shandur-Chitral road (KP to GB), the Zhob-Kuchlak road (Balochistan), and the feasibility study (PC-II) for the construction of a new rail link from Havelian (in KP) to the Pakistan-China border.⁶⁴

TABLE 1 HERE

The concerns that the Punjab would be the major beneficiary have therefore been borne out. In the Ministry of Planning ‘Long Term Plan for China-Pakistan Economic Corridor (2017-2030)’ no mention is even made of the northern part of the Western Corridor, between Dera

⁶² Parliamentary Committee on China-Pakistan Economic Corridor (2017). ‘Report 2015-2017’, p. 3.

⁶³ These data may be slightly skewed by the fact that not all road development may be directly linked to CPEC. Zingel claims that ‘a direct road between Quetta and Gwadar has been built in record time. This allows the ‘ordered disorder’ of Karachi to be bypassed and will soon be linked to the Indus valley’ Zingel, W.-P. (2017). ‘32nd Annual General Meeting and Conference of the Pakistan Society of Development Economists (PSDE): Islamabad 13-15 December. 2016.” Internationales Asien Forum. International Quarterly for Asian Studies 48(1/2): 158-161.

⁶⁴ Mehtab Haider, “Govt raises PSDP allocation for CPEC to Rs193 billion”, The News, 4 Oct 2018, available at: <https://www.thenews.com.pk/print/376272-govt-raises-psdp-allocation-for-cpec-to-rs193-billion>, accessed: 17/12/2018.

Ismail Khan and Kohat,⁶⁵ although funds were allocated for the project in 2016.⁶⁶ The National Highway Authority predicted in early 2018 that the projects that comprise most of the Western Route will be completed in 2018 or 2019.⁶⁷ However, financing for the 210 km upgrading of the D.I.Khan-Yarik Zhob motorway (between Khyber Pakhtunkhwa and Balochistan) had not been agreed as of December 2018 (although progress is now being made on this section with Asian Development Bank funding). The other ‘two remaining sections of CPEC Western Route namely Zhob - Quetta and Quetta -Sohrab sections are (only in the) feasibility study stage’.⁶⁸

In December 2018 the leader of the Balochistan Awami Party claimed that the Western Route was no longer part of CPEC.⁶⁹ Although this was swiftly denied by the Planning Ministry,⁷⁰ the delay in the construction of the Western Route compared to the Eastern Route has heightened tensions. Before the election of the PTI, tensions were increased because the Federal Government was run by the PML-N, whose support predominantly comes from the Punjab. The election of the PTI led government at the centre ensured more equitable provincial

⁶⁵ Ministry of Planning. (2017). ‘Long Term Plan’, p. 14.

⁶⁶ Bakhtawar Mian, ‘Rs30bn approved for Indus Highway.’ *Dawn* 21 Oct. 2016
<https://www.dawn.com/news/1291337>

⁶⁷ Sehrish Wasif, ‘CPEC Western route to be completed by end of this year.’ *Express Tribune* 12 Feb. 2018
<https://tribune.com.pk/story/1633076/1-cpec-western-route-completed-end-year/>

⁶⁸ The News ‘NHA to build 210 km DI Khan-Zhob section of CPEC western route’
<https://www.thenews.com.pk/latest/404220-nha-to-build-210-km-di-khan-zhob-section-of-cpec-western-route>
December 10 2018.

⁶⁹ ‘Western Route not part of CPEC, says BAP leader’ *Dawn*, 7 December 2018
<https://www.dawn.com/news/1449949>

⁷⁰ ‘Western Route Part of CPEC’, Ministry Confirms *The Nation* 9 December 2018 <https://nation.com.pk/09-Dec-2018/western-route-part-of-cpec-ministry-confirms>

representation in the CCI, especially compared to the Abbasi premiership.⁷¹ However, as well as maintaining their hold on the KP provincial government in the 2018 elections, the PTI are leading a coalition in the Punjab. The PTI is therefore under pressure to ensure that not only the CPEC infrastructure projects come to fruition in KP,⁷² but also in the Punjab - given that it returns a majority of seats to the National Assembly.

Energy projects and natural resources

Energy (or rather, the shortage of it) was a major subject in the 2013 election. Nawaz Sharif campaigned extensively around the issue⁷³ and his party played the CPEC card in the run up to the July 2018 elections in an equally assertive fashion.⁷⁴ One of the reasons for the high levels of support for CPEC in the country as a whole was the perception that CPEC will deliver the infrastructure necessary to alleviate the energy problem. As Senator Javed Abbasi of the PML-N argued in 2017, ‘the power projects under the CPEC would alleviate Pakistan’s severe energy crisis (and) pointed out that most of the power projects would be constructed in

⁷¹ Amir Wasim, ‘Reconstituted CCI has most members from Sindh’, Dawn, 6 September 2018.

<https://www.dawn.com/news/1431262>

⁷² Despite the KP base of the PTI the Cabinet Committee has just agreed to start work on another section of the Eastern route – between Sukkur and Hyderabad – albeit a critical component of the Peshawar 9in KP) to Karachi motorway. Cabinet Committee on CPEC decides launch of Western Route Project 13 March 2019 <http://cpec.gov.pk/news/161>.

⁷³ Katharine Adeney (2013). ‘The 2013 Pakistan elections: the campaigns, election day, and beyond.’ *Ballots and Bullets*, 4 June 2013 <http://nottspolitics.org/2013/06/04/the-2013-pakistan-elections-the-campaigns-election-day-and-beyond>.

⁷⁴ Filippo Boni, ‘A Corridor To Power? Pakistan’s 2018 Elections and CPEC’, *Asia Dialogue*, 16 May 2018 <http://theasiadialogue.com/2018/05/16/a-corridor-to-power-pakistans-2018-elections-and-cpec/>

Balochistan and Sindh'.⁷⁵ Many natural resources are located in Balochistan e.g. 23.4 per cent of the natural gas reserves of Pakistan are located in Sui District. The provisions of the Pakistan constitution historically allocated revenues from this resource extraction to the centre. The 18th Amendment went some way to providing a resolution to this thorny issue but serious grievances remain.⁷⁶ Thus, a project concentrating on energy extraction and development has the potential to 'pour more fuel on the fire as it undertakes large-scale infrastructure development and natural resource extraction, thereby playing right into the hardened historical narratives of Baluch insurgents'.⁷⁷

Table 2 below demonstrates that, contrary to the promises of Senator Abbasi, although Sindh has benefitted from energy projects under CPEC, Balochistan has not. In addition, a sizeable number of projects are located in the Punjab - 60 per cent of which are estimated to be completed by 2019. Surveys before the July 2018 election showed that a greater proportion of respondents in Punjab compared to KP reported an improvement in relation to energy generation.⁷⁸ 82 per cent of projects located in Sindh, the majority of the energy priority projects, are scheduled for completion by 2019. This compares lamentably, not only to the numbers of projects allocated to Balochistan, KP, GB and AJK, but also in relation to their

⁷⁵ Iftikhar A. Khan, 'China to get 91pc Gwadar income, minister tells Senate.' *Dawn* 25 November 2017

<https://www.dawn.com/news/1372695/china-to-get-91pc-gwadar-income-minister-tells-senate>

⁷⁶ Khaleeq Kiani, (2017). 'Pakistani provinces vying for control of oil, gas, mineral resources' *Dawn*

<https://www.dawn.com/news/1358389/pakistani-provinces-vying-for-control-of-oil-gas-mineral-resources> 18

September 2017.

⁷⁷ Michael Kugelman, (2017). The China-Pakistan Economic Corridor: What It Is, How It Is Perceived, and Implications for Energy Geopolitics. Asia's Energy Security and China's Belt and Road Initiative, *National Bureau of Asian Research*.

⁷⁸ Ali Cheema and Asad Liaqat, 'Analysis: The battle of narratives' *Dawn* 22 July. 2018

<https://www.dawn.com/news/1421699/analysis-the-battle-of-narratives>

completion rate. Academic Arif Rafiq predicted that although ‘infrastructure projects for all provinces were provisionally added to the CPEC portfolio ... projects in the smaller provinces ... are not economically viable and may not receive Chinese funding in the end [leading] to renewed discontent in Pakistan’s periphery’.⁷⁹ This has indeed been the case with the Diamer Bhasha Dam project in GB. Originally included in the CPEC list of projects, because of the contested status of the region with India ‘Beijing placed strict conditions including ownership of the project’.⁸⁰ Pakistan was not willing to accept these terms.⁸¹ Dissatisfaction with the CPEC project is growing in GB, and the May 2018 Executive Order centralizing control under the Prime Minister (albeit portrayed as a decentralizing measure) led to street protests.⁸²

TABLE 2 HERE

Some of the difference in completion rate can be explained by the sectors in which investments are being made. In Sindh, three out of the four completed projects are for wind farms. These are much cheaper and easier to build than hydropower projects, which, for topographical reasons are found in KP and GB. Hydropower projects also require the acquisition of land, also affecting the timeline for delivery. However, the type of project can only *partially* explain the discrepancy. The coal-fired power plant in Sahiwal in Punjab is already operational, whereas the Gwadar Coal Based Power Project has not even received formal approval, or its financing determined. Many of Sindh’s projects also focus on a single development (with multiple

⁷⁹ Rafiq, ‘The China-Pakistan Economic Corridor’.

⁸⁰ Shahbaz Rana, (2018) ‘After much delay Diamer-Bhasha dam wins approval’ *Express Tribune* March 20 2018.

⁸¹ Pakistan now plans to fund the project through public donations; the fund has received \$341,108 of the \$14bn required as of June 2019.

⁸² I. A. Rehman, ‘Storm in Gilgit-Baltistan’, *Dawn*, 17 May 2018 <https://www.dawn.com/news/1408187>

components): the development of the Thar Coal field. This was a former World Bank project, later recoded as a CPEC project.⁸³

The division of financing for the ‘CPEC-Energy Priority Projects’ is as follows. Sindh has the greatest amount of investment, receiving 51 per cent of the USD27 billion allocated to date for these projects. Punjab receives 27 per cent, with KP at seven per cent and Balochistan at only nine per cent. Although Sindh’s share undermines (some of) the claims of Punjabi domination of the spoils of the project, it is a long way from the promises made to the provinces of Balochistan and KP. Ahsan Iqbal had promised that ‘USD 11.6 billion would be invested in Khyber Pakhtunkhwa, USD 11.5 billion in Sindh, USD 7.1 billion in Balochistan and USD 6.9 billion in Punjab’.⁸⁴ He had claimed that the money spent on energy projects in Balochistan would be much greater ‘than the money spent in Punjab’.⁸⁵ However, the statistics reveal the reality. In the energy priority projects Punjab has already been allocated USD 7.3 billion, compared to Balochistan’s USD 2.5 billion.

Although Journalist Hasen Naser Khan claims that ‘the energy generated by the projects under CPEC would be added to the national grid for nationwide distribution regardless of its installation point. So, the location of the power plant does not really matter’⁸⁶, the issue of

⁸³ The World Bank withdrew from the project support following environmental concerns. ‘World Bank Withdraws from Thar Coal Project’ <https://defence.pk/pdf/threads/world-bank-withdraws-support-to-thar-coal-project.58122/> 17 May 2010.

⁸⁴ Ebrahim, ‘CPEC and major unanswered questions’

⁸⁵ Inamullah Khattak, (2016) ‘CPEC crack widens’ *The Nation* 11 Jan. 2016 <https://nation.com.pk/11-Jan-2016/cpec-crack-widens>.

⁸⁶ Hasan Naser Khan, ‘CPEC for Punjab or Pakistan: Myth and reality.’ *Express Tribune* 17 Jan. 2016 <https://tribune.com.pk/story/1029155/cpec-for-punjab-or-pakistan-myth-and-reality>

employment opportunities and the associated infrastructure that must exist for the workforce (in terms of education, health and roads) means that the location *does* matter. As Sanaullah Baloch has argued ‘[...] the large number of power projects under the CPEC in Punjab will have an immense impact on elevating the socio-economic conditions of targeted areas and population, more importantly central and northern Punjab. No such project has been initiated in Balochistan’.⁸⁷ The Senate Committee agrees with him, arguing that ‘large deposits of good quality coal are also available in Baluchistan that can be used for generating electricity. Once electricity is made available projects based on natural resources in the area are bound to come up creating large scale employment for the residents of this under developed area and adding substantially to national wealth and country’s exports’.⁸⁸ In addition, ‘the current shortfall of 700MW in the province means that all the new power injected into the grid as a result of CPEC power projects has not found its way to Balochistan and that Makran Division has still not been connected to the national grid’.⁸⁹

Local communities in Balochistan, KP and GB have repeatedly raised concerns about employment opportunities provided to the people in the areas where the CPEC projects are going to be developed. The apprehensions revolve firstly around worries that Chinese labour will be used to build the projects. To allay these fears in January 2018, the Chinese Deputy Head of Mission in Pakistan, Lijan Zhao, said that 60,000 Pakistani are working on Chinese

⁸⁷ Sanaullah Baloch, ‘CPEC: a Baloch perspective’, *The News* 4 Oct. 2016

<https://www.thenews.com.pk/print/154685-CPEC-a-Baloch-perspective>.

⁸⁸ Parliament of Pakistan (2016). "3rd Interim Report", p. 12.

⁸⁹ Khurram Husain, “Balochistan cabinet shocked by CPEC presentation”, *Dawn*, 11 Dec 2018, available at:

<https://www.dawn.com/news/1450773/balochistan-cabinet-shocked-by-cpec-presentation>, accessed:

17/12/2018.

projects in Pakistan, including those coming under the umbrella of CPEC.⁹⁰ According to the official data available from the Planning Commission of Pakistan and from two studies published in Spring-Summer 2018 by the CPEC Centre of Excellence, the early harvest projects created a total of 38,000 jobs, of which 8,000 were Chinese and the rest Pakistanis.⁹¹ Importantly, these jobs also include skilled workers and not just unskilled labour. This is important in terms of knowledge transfer and to assuage concerns about the exploitative nature of China's investment, at least in some parts of Pakistan.⁹² It should be noted that there has been no independent verification of these employment statistics. Secondly, there is disquiet that the highly skilled jobs will be taken by 'outsiders', not just Chinese, but people from the Punjab and Karachi. According to the former Chairmen of the Gwadar Port Authority, in Gwadar it is difficult to employ local labour as they lack the required skills.⁹³ However, given the long-standing nature of the demands of the Baloch and their leaders for such training and educational development, the culpability of the Pakistani state in this neglect is high. It was for

⁹⁰ Kaswar Klasra, (2018) 'Feature: CPEC opens job opportunities for unemployed Pakistanis, bringing long-lasting tangible benefits to locals', *Xinhua News*, 20 Jan. 2018 http://www.xinhuanet.com/english/2018-01/20/c_136910854.htm.

⁹¹ Shahid Rashid, Muhammad Zia Muzammil, Shujaa Waqar, (2018) 'Employment Outlook of CPEC: A Meta Analysis', Working Paper #28, <https://cpec-centre.pk/wp-content/uploads/2018/07/working-paper-028.pdf>. For a focus on job creation in infrastructure projects see: Muhammad Muzammil Zia, and Shujaa Waqar, (2018) 'The Impact of CPEC and Related Road Infrastructure Projects on Employment', *CPEC Quarterly*, Vol 2, Spring Issue 2018, pp. 33-40.

⁹²For a breakdown of the data on the CPEC projects, including energy, transport and fiber optic, see: Associated Press of Pakistan 'CPEC Projects Create Over 30,000 Jobs: Officials', <http://www.app.com.pk/cpec-projects-create-over-30000-jobs-officials/>, 6 June 2017.

⁹³ CPECInfo.com, 'Interview with Dostain Khan Jamaldini.' <http://www.cpecinfo.com/cpec-news-detail?id=MTA0Mw> 23 Jan. 2017

this reason that the Senate Committee noted that the constitutional right to Freedom of Movement within Pakistan should have ‘safeguards’, and that ‘laws to mitigate the apprehension of demographic changes should also be considered and enacted’.⁹⁴

Gwadar

As an expert on Balochistan argued, ‘one of the major grievances of Balochistan, has always been that the Federal Government decides its fate’.⁹⁵ Although after the 18th Amendment the management of ports was on FLL Part II and therefore subject to joint control, ‘it is the federal government which holds sway including the controlling of ports, which the Baloch (specially National Party and Abdul Malik Baloch) contend should be handed over to the provincial government’.⁹⁶

TABLE 3 HERE

What is notable is that few of these projects are close to fruition. In December 2018, the Cabinet of Balochistan “described the CPEC spending thus far as ‘a joke’”, given that no progress was made in projects outside Gwadar and that the province had a very limited share in the overall CPEC portfolio.⁹⁷

⁹⁴ Parliament of Pakistan (2015/16). ‘2nd Interim Report of the Special Committee of the Senate on China Pakistan Economic Corridor: Translating a myth into reality.’

http://www.senate.gov.pk/uploads/documents/1465974959_331.pdf p. 15.

⁹⁵ Email interview, June 2018.

⁹⁶ Analyst of Balochistan, email interview, June 2018.

⁹⁷ Khurram Husain, “Balochistan cabinet shocked by CPEC presentation”, *Dawn*, 11 Dec 2018, available at:

<https://www.dawn.com/news/1450773/balochistan-cabinet-shocked-by-cpec-presentation>, accessed:

17/12/2018.

One of the only projects close to implementation is that of the Gwadar East-Bay Expressway, linking Gwadar Port with the N20 Highway.⁹⁸ Work on this project was started in November 2017 and, like a number of other projects in Gwadar, has been funded through a Chinese *grant* rather than a loan.⁹⁹ This method of financing reveals the strategic importance of the Gwadar port project to China. Other initiatives such as the construction of Gwadar International Airport were not started until March 2019¹⁰⁰ (despite expectations of starting in 2017), and the Dredging of Berthing Areas and Channels has not yet been approved. Similarly, those projects which might be expected to contribute to the wellbeing of the local population (at least around Gwadar if not the rest of Balochistan) have not yet commenced. These include the Pak China Friendship Hospital¹⁰¹ and the Technical and Vocational Institute at Gwadar - essential for training the local population. Progress *has* been made on one of the major challenges facing Gwadar - water availability - with the inauguration of a desalination power plant in May 2018 and the construction of a much larger facility being built with the assistance of the United Arab

⁹⁸ Although the Smart Port City Master Plan was listed as planned for completion in May 2019, this is a *plan* for development rather than its actual development.

⁹⁹ Most of the Chinese funding for projects in Gwadar comes in the form of grants. Outside Gwadar, the IPP financing mode or Government Concessional Loans are the two financing modes of CPEC.

¹⁰⁰ Zafar, M, 'Imran launches work on mega projects in Balochistan' *Express Tribune* March 29 2019
<https://tribune.com.pk/story/1939667/1-pm-to-perform-ground-breaking-of-gwadar-international-airport/>

¹⁰¹ According to the latest reports related to the revised allocation of funding by the PTI government, the upgradation of the hospital as part of CPEC was scrapped under the new rationalisation plan implemented by the new government. See: Mehtab Haider, "Govt raises PSDP allocation for CPEC to Rs193 billion", *The News*, 4 Oct 2018, available at: <https://www.thenews.com.pk/print/376272-govt-raises-psdp-allocation-for-cpec-to-rs193-billion>, accessed: 17/12/2018.

Emirates and Swiss governments.¹⁰² As noted however, this will only benefit the Gwadar area, not the wider community(ies) in Balochistan and was not operational as of November 2018.¹⁰³ In his visit to Gwadar in March 2019 Imran Khan made a number of promises to the local population, including constructing skills development centers. These proposals would not fall within the CPEC, but should they materialise, will be welcomed by the local Baloch.

Conclusion

Although the recent budget has reduced the amount Pakistan will spend on the CPEC projects, there are few signs that Pakistan is rolling back from its overall commitment to CPEC despite the PTI's concerns about the project before the election. In fact, the fundamentals of Sino-Pakistani relations - a strong military partnership as the backbone (since 2011 China is the major arms supplier to Pakistan) and nearly USD20 billion of projects already agreed under the CPEC umbrella – are unlikely to change. Although PTI's initial approach to CPEC was a critical one, formally protesting against the federal government for neglecting the Western Route of the corridor, during his first visit to Beijing in November 2018, Imran Khan reiterated Pakistan's commitment to both deepening its relations with China as well as to CPEC. In the Joint Statement released at the end of the visit, both Islamabad and Beijing 'reaffirmed their complete consensus on the future trajectory of CPEC [and on the] timely completion of its on-going projects'.¹⁰⁴ The challenge for the new government in Islamabad is to combine the transparency drive that has paid so well in electoral terms with China's desire to keep the

¹⁰² Rina Saeed Khan, 'Thirsty to thriving? Parched Pakistani port aims to become a new Dubai'

<https://www.reuters.com/article/us-pakistan-port-water/thirsty-to-thriving-parched-pakistani-port-aims-to-become-a-new-dubai-idUSKBN1HV07K> 24 April 2018.

¹⁰³ Express Tribune, 'Senators irked by idle desalination plant in Balochistan' 30 November 2018

<https://tribune.com.pk/story/1857209/1-senators-irked-idle-desalination-plant-balochistan/>

financing details away from public scrutiny. It will have to balance this with the military's desire to retain the 'all weather' friendship with China, in the context of the geo-political security considerations in South Asia. Our analysis has demonstrated that CPEC primarily favours Punjab and Sindh to the neglect of the other provinces and that the Federal Government initially excluded the provinces from decision making processes. Despite their belated inclusion we are likely to see the centralization process accelerate, and, given the close relationship between Imran Khan's victory and the support of the military, civilian control over the project will be substantially reduced. Military pressure to reform the 18th Amendment and the 7th NFC is increasing. In January 2018 the IMF argued that the last NFC Award had put 'serious pressure' on the federal government finances. In March 2018 the Chief of Army Staff, General Bajwa labelled the 18th Amendment as 'more dangerous than Six Points of Sheikh Mujib' – seen in Pakistan as a prelude to the secession of Bangladesh.¹⁰⁵ China has 'minced no words about their desire for the army to have a greater role in CPEC'.¹⁰⁶ This will further increase the perception of Punjabi control, given the predominance of Punjabis in that institution. In addition to the centripetal pushes coming from powerful state institutions, our

¹⁰⁵ Suhail Warraich, 'The Bajwa Doctrine: from chauvinism to realism', *The News*,

<https://www.thenews.com.pk/print/293885-the-bajwa-doctrine-from-chauvinism-to-realism>, 18 March 2018.

Part of the reason why the military is keen to roll back the 18th amendment is related to the costs of providing security to CPEC which, in the Army's view, could be accommodated more easily by revising the amount of resources allocated to the provinces. See: Khurram Husain, 'Reversing the 18th Amendment?', *Dawn*, 22 March 2018, <https://www.dawn.com/news/1396834>.

¹⁰⁶ At the peak of the CPEC route controversy between the federal government and the provinces, China made calls for a greater role of the military within CPEC, claiming that military ownership of CPEC would have meant a speedier implementation. See: Farhan Bokhari, Lucy Hornby, Christian Shepherd, 'China urges Pakistan to give army lead role in Silk Road project', *The Financial Times*, 21 July 2016, <https://www.ft.com/content/5eea66c0-4ef9-11e6-8172-e39ecd3b86fc>.

analysis has revealed that the first four years of CPEC were more in line with Pakistan's history of favouring Punjab as the core region. The recently agreed IMF bailout will only increase pressures on provincial resources.¹⁰⁷ It remains to be seen how Pakistan will tread the fine line of pleasing its IMF masters with managing its 'all-weather' friendship with China. As journalist Umair Javed aptly remarked, 'CPEC may very well be an economic game changer, but there are increasing signs that ... it will also unmask some very troubling political wounds'.¹⁰⁸

¹⁰⁷ Khaleeq Kiani (2018). 'IMF sounds the alarm on NFC Award' *Dawn* <https://www.dawn.com/news/1386288>

31 Jan. 2018

¹⁰⁸ Umar Javed, 'CPEC and the provinces.' *Dawn* Oct. 24. 2016 <https://www.dawn.com/news/1291834>

Table 1 - CPEC Transport/Infrastructure priority projects and status

	Total	Completed	Estimated 2019	Estimated 2020- 2021	Estimated 2022+
Punjab	2		1 (50%)		1 (50%)
Sindh	2		1 (50%)		1 (50%)
KP	5		1 (20%)	1 (20%)	3 (60%)
Balochistan	2			1 (50%)	1 (50%)
GB	2		1 (50%)		1 (50%)
AJK	0				

Data calculated from <http://www.cpec.gov.pk/index#> on June 25 2019. Projects have been allocated to the province(s) in which they are located, therefore some projects are double counted

Table 2 - CPEC energy priority projects and status

	Total	Completed	Estimated 2019	Estimated 2020-2021	Estimated 2022+
Punjab	5	2 (40%)	1 (20%)	2 (40%)	
Sindh	11	7 (63.6%)	2 (18.1%)	1 (9%)	1 (9%)
KP	1				1 (100%)
Balochistan	2		1 (50%)		1 (50%)
GB	0				
AJK	1			1 (100%)	

Data calculated from <http://www.cpec.gov.pk/index#> on 18 June 2019. Projects have been allocated to the province(s) in which they are located, therefore some projects are double counted.

Table 3 – Projects in Gwadar part of the China-Pakistan Economic Corridor

Gwadar Projects (excl. Energy- related ones)	Total	Completed/ Partial Completion	Estimated 2019	Estimated 2020 +	USD Billion
Balochistan	12	1 (8%)	2 (17%)	9 (75%)	8

Source: Data calculated from <http://www.cpec.gov.pk/index#> on 19 June 2019.