

## Scenario 251

### CPEC DURING KHAN'S PREMIERSHIP - FACTS

After the Kargal War, Pakistan once felt the need of having a military naval port so the Karachi-Gwadar Road (Coastal Highway) was built for defense purposes. Gwadar forms the crux of the CPEC project, as it was envisaged to be the link between China's ambitious One Belt, One Road project and its 21st Century Maritime Silk Road project. A lot more projects were to be developed around the port of Gwadar by December 2017.

### CPEC – YEARS AFTER 2015:

Due to political short-sightedness of the leadership of Pakistan and external pressures on it, allegedly from the US and India, as of 2022, only three CPEC projects – \$4 million Gwadar Smart Port City Master Plan, \$300 million Physical Infrastructure of Gwadar Port and the Free Zone Phase-1, and a \$10 million Pak-China Technical and Vocational Institute in Gwadar were declared completed whereas one-dozen projects worth nearly \$2 billion remained undeveloped including water supply, electricity provision, expressway, international airport, fishing harbour and hospital among others. China provided 7,000 plus sets of solar panels for households in Gwadar till 2022. Another 10,000 sets of solar panels were under active preparation for the poor people in Balochistan for their general uplift.

The special economic zone in Gwadar was to be completed in three phases. By 2025, it was envisaged that manufacturing and processing industries would be developed, while further expansion of the zone was intended to be complete by 2030. **On 10<sup>th</sup> April 2016**, the Chairman of China Overseas Port Holding Company said in a conversation with The Washington Post that his company planned to spend \$4.5 billion on roads, power, hotels and other infrastructure for the industrial zone as well as other projects in Gwadar city.

China had undertaken to grant Pakistan \$230 million to construct a new international airport in Gwadar. The provincial government of Balochistan had set aside 4000 acres for the construction of that new Gwadar International Airport which required 30 months for construction, the costs of which were to be fully funded by grants from the Chinese government which Pakistan was not obliged to repay – but due to poor security situations China didn't opt to give start to this most needed project.

The city of Gwadar was further to be developed by the construction of a 300 MW coal power plant, a desalinization plant, and a new 300-bed hospital which was to be completed in 2023. Plans for Gwadar city also included construction of the Gwadar East Bay Expressway – a 19 kilometer controlled-access road for connecting Gwadar Port to the Makran Coastal Highway. These additional projects were estimated to cost \$800 million, and were to be ***financed by 0% interest loans*** extended by the Exim Bank of China to Pakistan – BUT zero progress seen in any project.

**On 19<sup>th</sup> November 2020:** A crucial meeting of the Joint Cooperation Committee (JCC) of China-Pakistan Economic Corridor (CPEC) was ***further delayed after both the countries could not agree on the future roadmap for industrial cooperation***. Pakistani and Chinese authorities could not agree on a common agenda for holding the fifth meeting of the Joint Working Group (JWG) on Industrial Parks and Special Economic Zones (SEZs) in Pakistan.

There were nine JWG of CPEC that dealt with every important sphere of economic cooperation. Till then, seven groups had met while meetings of JWG on industrial cooperation and Gwadar had not taken place. The working group meeting had to take place before convening the next JCC meeting, the 10th in sequence. In fact, the industrial cooperation was the lynchpin of the SECOND PHASE of CPEC.

Pakistan's Foreign Office had tentatively scheduled the 10th JCC meeting for the end of October but later delayed it to mid-November (2020). As per Federal Ministry for Planning & Development Islamabad, the JWG meetings were **almost completed** and both sides were considering whether to hold face-to-face meeting or meet remotely due to the Covid-19 situation.

Pakistan was also keen to make progress on an agreement **on financing the Mainline-I project of Pakistan Railways** during the 10th JCC meeting. Total cost of the project was \$6.8 billion and Pakistan was seeking \$6.1 billion in Chinese loan, according to a decision taken by the Executive Committee of National Economic Council (ECNEC) of Pakistan. [*JCC was the highest decision-making body of CPEC, co-chaired by Pakistan's minister for planning & development and the Chairman of China's National Development and Reforms Commission (NDRC)*].

In 2014, Pakistan and China had announced that they would deepen their economic and strategic cooperation through CPEC, which was the pilot project of the trillion-dollar Belt and Road Initiative of the Chinese president. Pakistan and China were successful in showing progress during the first four years of CPEC implementation and implemented nearly \$25 billion worth of projects. However, things started slowing down after 2018 and there had hardly been any progress in Khan's first two years regime. Due to some reasons, allegedly China delayed the finalization of agenda for holding the 5th JWG meeting on industrial cooperation – but it was NOT China, Pakistan's zero-security arrangements were responsible.

Pakistan's P&D ministry had forwarded the agenda and draft minutes to Chinese authorities in April 2020 but they responded back in November 2020. Also, that Pakistan was keen to sign the Framework Agreement on Industrial Cooperation as existing cooperation was only under a memorandum of understanding. Pakistan's Board of Investment (BOI) wanted to have meaningful bilateral cooperation in the industrial sector – however, the ball remained in Chinese court for the revised draft agenda – perhaps due to Covid-19 around AND Pakistan's failure to provide effective security to the foreign (Chinese) workers remained the main reasons for the said hang-up.

Under industrial cooperation, Pakistan wanted to develop nine prioritized SEZs but the pace of work remained very slow – in fact, no work got started by Pakistani authorities on industrial zones till that time. During the ninth JCC, it had been **decided that Pakistan would provide infrastructure at zero point and one-window service to all SEZs** – but the Pakistani bureaucracy was not able to give start to any (except a little job at the Rashakai SEZ in Khyber PK). Imran Khan's govt was not able to finalize procedural formalities for the provision of electricity, gas, water, roads and security to the other SEZs. Also, the successive govts had not approved an incentive package and it remained at the draft stage for five years (till 2020), including a part of PMLN's last governance.

See a comment at [//ORFonline.org](https://ORFonline.org) dated 25<sup>th</sup> November 2020:

*".... Political fragility and increased interference of security agencies in the matters of civilian administration and even CPEC projects have made Beijing rethink on the CPEC's outcomes."*

## **CPEC AUTHORITY – A WHITE ELEPHANT (?)**

**On 8<sup>th</sup> October 2019:** President of Pakistan Dr Arif Alvi promulgated an ordinance for the establishment of the '**China-Pakistan Economic Corridor Authority** (CPECA)'. The process had started a few years back when it was decided to establish a high-level authority, with the highest autonomy and powers, to get expected results out of the CPEC.

Pakistan was then facing its worst economic crisis (as it's today in mid-2024) as the foreign debt had nearly crossed \$100 billion. Pakistan had to approach the IMF for a bailout package and signed a 39-month restructuring program. Under that scenario, CPEC was considered as vital as oxygen for Pakistan's ailing economy. CPEC Authority was aimed at ***accelerating the pace of CPEC-related activities, find new drives of growth, unlock the potential of the interlinked production network and global value chains through regional and global connectivity***. It was designed to cut off some bureaucratic hurdles and facilitate coordination amongst ministries and departments, paving ways for smooth execution of CPEC projects.

Pakistan had never been involved in such a mega initiative and had no such previous experience. Due to lack of experience and capacity, poor planning, and shortage of requisite human resources, Pakistan struggled to tap the full potential of CPEC. Nevertheless, the progress of CPEC projects remained satisfactory, and most of the early harvest projects were complete or nearly complete; the fruits of completed projects were being felt by all. The network of motorways and highways were playing a very important role in the transportation industry, and ultimately contributing toward the socio-economic development of the nation. Within couple of years, the GDP grew from 4.5 percent to 5.7 percent due to the CPEC initiatives.

To improve further, in August 2019, PM Khan announced that the government was establishing CPECA to ensure the timely completion of the corridor's projects – through ensured coordination amongst the departments concerned. ***The timely completion of CPEC projects was the top-most priority of the PTI government*** and CPEC was a clear example of joint efforts and partnership between Pakistan and China. Till then, there were complete consensus and harmony between the two nations.

The fact remains that President's Alvi's promulgation of the ordinance for establishing CPECA coincided with Khan's visit to Beijing from 7-9<sup>th</sup> October 2019. Khan was accompanied by a high-level delegation comprising important members of his cabinet. His visit included addressing the China-Pakistan business forum and CPEC was a major agenda. It had further strengthened the ideal existing understanding between the two countries. Pakistan's Minister of Planning Khusro Bakhtiar held it as ***'... a meaningful engagement on all aspects of China-Pakistan relations taking CPEC cooperation to new heights.'***

Pakistan was ready for the second phase of CPEC, where the social sector, agriculture and special economic zones (SEZs) were the focus of rapid development of the economy. It was widely hailed that the establishment of the CPEC Authority would facilitate Chinese and Pakistani sides to expedite the projects and smooth execution. It was then considered instrumental in widening and speeding up of projects under CPEC. Pakistan was then definitely committed to make CPEC a success story and role model for the rest of the world. It was the flagship project and promises a far-reaching impact.

***BUT the things didn't move ahead as Imran Khan and his PTI team planned – thus, the CPEC Ordinance had to lapse on 31<sup>st</sup> May 2020.***

It was a little puzzling for the media gurus, some allegedly paid from foreign sources, to hear about the ***CPEC Authority***. They took it as some sort of body to oversee all CPEC-related work for the government - creating a massive parallel bureaucracy that could significantly usurp powers from the provincial governments. Was that CPEC authority being devised to perform only functions related to coordination, or would it be empowered to make decisions on matters ranging from corporate governance, gas allocations, PSDP releases, power tariffs, custom duties and trade? True, that the PTI govt had no details of the plan till then.

However, the new experience was positive because ***the said parallel bureaucracy*** was being contemplated as one which was empowered to make final decisions on all matters related to and arising from CPEC-related investments. Of course, there were pitfalls; that one class of investor would receive white-gloved treatment whereas the others would be in queues.

Obviously, greater transparency remained a pressing priority, with the latest discussions on a CPEC authority being the best example of how decisions were being deliberated upon in actual situations. For just decision, the matter could be discussed in parliament and given an adequate public airing before sending it to the federal cabinet – IT DID HAPPEN THEN – a miracle in Pakistan's parliamentary history.

A NATIONAL Assembly panel, on 11<sup>th</sup> November 2020, ***postponed the clearance*** of the proposed China-Pakistan Economic Corridor Authority (Amendment) Bill, 2020, for discussion and voting by the lower house till the government could satisfy its members on the authority's legal status months after lapse (on 31<sup>st</sup> May 2020) of the ordinance that created it. The planning officials couldn't bring any plausible explanation for its existence or the expense incurred on running it without any law to protect its operations.

Among other things, the bill had sought to indemnify the actions of the authority since the expiry of the ordinance that had been promulgated a year ago (2019) and later extended in January (2020). The authority did not have a chairman at that moment but the panel could not be convinced when informed that ***the 'incumbent chairman' of the technically defunct authority was just 'coordinating' without drawing any salary or perks since the expiry of the ordinance.*** The planning ministry's written clarification was needed for transparency in the affairs of the CPEC Authority.

However, it was ironic that an agency that was created to inject momentum into CPEC projects and streamline the initiative's policymaking process was caught up in a storm because the government didn't put in the effort required for the timely passage of legislation; might be PTI govt didn't pursue the same due to transparency concerns. The delay in the passage of the bill required to give legal cover to the authority didn't send positive signals to China at a time when the multibillion-dollar CPEC initiative was expected to pick up momentum. With the tenth Joint Cooperation Committee meeting scheduled for later that month, the important decisions about the ML-1 and hydropower schemes, as well as the progress on the SEZs suffered a lot.

## **POLITICAL MESS AND CORRUPTION:**

The fact remained that Beijing had sought to invest over US\$62 billion in infrastructure and energy projects in Pakistan through the CPEC. The Chinese officials were of the view that the CPEC would create around 2.3 million jobs in Pakistan by 2030 and would provide an alternative pathway for exports and energy imports from West Asia to China, linking China's western provinces to key global sea lanes through Pakistan's Gwadar port. However, political fragility, increased interference of security agencies and the army establishment in the matters of civilian administration and even CPEC projects made Beijing rethink on the CPEC's ultimate utility.

The calling card of criticizing the CPEC was being held by all the major opposition parties in Pakistan, which were later called Pakistan Democratic Movement [PDM] collectively. Over the previous seven years, the CPEC had also been abused as a political tool by the opposition parties in Pakistan to serve their ends; before being elected to form the government in 2018, the Imran Khan-led PTI was allegedly a staunch critic of the CPEC, too.

In 2018, the World Bank had cautioned the participating countries in the BRI projects about the impending debt risks, stranded infrastructure, social risks, and corruption. All those risks propounded by the World

Bank were at least true for Pakistan - marred in recent years by continuing the political instability and growing interference of the US-sponsored forces and bureaucracy in Pakistan, especially after the alleged rigged elections of 2018 in favour of Imran Khan. It was alleged by the nationalist sects of intelligentsia that the active and retired top brass of the Pakistan army, who were appointed on crucial positions in the CPEC projects, had amassed huge wealth by mishandling the project funds; though no cogent proof of it was not available on record.

Fault lied with Imran Khan because his PTI government had refused to investigate the corruption charges in the CPEC projects. Former army official Lt Gen Asim Saleem Bajwa, then Chairman of the CPEC Authority, was also appointed to head the Prime Minister's media management team. In August 2020, according to media & news reports, Asim Bajwa had amassed tonnes of undisclosed wealth during his tenure as the Chief of the CPEC Authority and acquired offshore assets in his wife and brothers' names; despite protests, Gen Asim Bajwa had refused to step down from post of the Chairman CPEC Authority. Chinese officials expected that about 80 percent of investments in the CPEC was lost to corruption and this leakage was difficult to avoid.

The critics also held that the inflow of Chinese investments had worsened the corruption in private-public partnerships and in the realms of privatization due to bad governance and conflicting roles played by the civilian governments, both of PMLN and PTI and the army establishment had full knowledge of it. At times, Beijing also used corruption to its advantage by exploiting the growing socio-economic weaknesses of Pakistan.

Growing corruption, promises of jobs not materializing, rampant exploitation of natural resources with no effective controls had triggered anti-state insurgency among the people of Baluchistan – who in turn targeted the Chinese deployments there. Pakistan army and Balochistan army-militia didn't provide enough security to the Chinese engineers and workers - thus, they were often attacked and killed by dissidents like of Balochistan Liberation Army [BLA]. Chinese authorities went discouraged by state of insurgency and extremism in Baluchistan – thus, planned to dump the whole set of CPEC projects finally – a great loss for the nation during PMLN & PTI govts both.

Pakistan kept on washing its hands off the worsening security situation in Baluchistan. Instead of passing summary-trial court procedures and death sentences like their neighbouring countries (Iran, Afghanistan, and China), they continued to accuse New Delhi of sabotaging its economic partnership with China. Through this way, the Baluchistan Liberation Army (BLA) intensified its demands for Baloch independence, blaming Beijing instead of India & US, for exploiting and making the province more volatile.

Even the Pakistani army admitted it often that Indian agencies were specifically targeting Chinese development projects of the CPEC and had sponsored about 700 people to harm CPEC projects. Such claims made by the Pak army made the Chinese even more cautious of their investments. *Global Times*, the CCP mouthpiece, once wrote that: ***'Beijing will keep a close eye on how the (security of their men) issue unfolds in the future.'***

The above mentioned factors had forced the CCP to halt some of the CPEC projects. For example, ***the Imran government had cleared US\$ 6.8 billion for the Mainline-1 (ML-1) rail upgrade to double the speed of trains on 6 August 2020.*** The ML-1 project was the costliest project of the CPEC, with 90 percent finances made available by the Chinese. However, Beijing was seen reluctant to make progress on its upgrade agreement till the end of his tenure. Same was the case with industrial cooperation where the Chinese were doubtful, given the security situation in Pakistan. The friendliness between China and Pakistan was to face more troubles in the coming months, especially given the bad economic situation because of Covid-19 and the wavering political environment in Pakistan.

***[The fact remained that Imran Khan was not opposing CPEC; he was just demanding that we should as nationalists get Pakistan's priorities right in a way - not as subordinates of PRC but close partners working on the basis of equality. However, the intelligentsia held that working on ML-1 Railway and the SEZs were of prime importance for Pakistan. During Mr Khan's days, the CPEC had slowed down, rather halted altogether because of the US wish and pressure through the Pakistan's rouge bureaucracy, civil and military, to discourage Chinese investments in the country. The security situation was also made worse for Chinese workers at all places through BLA or other agents of US and India.]***

### **CPEC – THE GAME CHANGER:**

The China-Pakistan Economic Corridor (CPEC), one of the most ambitious components of Beijing's Belt and Road Initiative, was announced with great fanfare in 2015. Since then, it has consistently been held up as a **'game-changer for Pakistan's economy'**. But the road to completion was long and winding. Reports indicated that the pace of CPEC projects has been slowing down in Pakistan from the second year of operation. China was the only country that was heavily investing in Pakistan. The slowdown of CPEC thus didn't augur well for a cash-strapped country like Pakistan, which got plagued by countless issues, mostly concerning with security and protection of the Chinese on ground; **The Diplomat**, a US magazine, dated 16<sup>th</sup> February 2021 is referred for more details.

The CPEC was (and still is) meant to help Pakistan take off economically – BUT the program could not be kept up with its projected timeline. Numerous reports indicated that in years 2018-22 the pace of CPEC projects had been slowing down in Pakistan and the Chinese counterparts, despite their legendary patience, were not happy.

In Pakistan, there had not been a major development during nearly a decade in the CPEC operations. The lack of progress has been mentioned in numerous reports about CPEC being at a near standstill in the country. A **Bloomberg video report** dated 14<sup>th</sup> January 2021 on CPEC as an example of ***'how China's flagship Belt and Road project stalled....'*** had in fact stirred the confidence of the EU countries who were then keen to invest in Pakistan

The **Bloomberg video** discussed CPEC in general, with a particular focus on the port city of Gwadar. Interestingly, Gwadar, despite being the epicenter of multibillion dollar projects, lacked basic necessities like reliable access to water and electricity, let alone other facilities. Official circles in Beijing and Islamabad dubbed the said report as another piece of Western propaganda; but in fact, had pointed out several issues that had gone wrong, likely:

- City of Gwadar was being fenced off as a security measure then. The authorities had to stop work on the fence after much uproar by Baloch nationalist groups, including protests. They considered that ***the fencing was part of a masterplan to separate Gwadar from Balochistan and bring it under direct federal control.***
- There were frequent and sporadic gun-attacks in Gwadar and elsewhere in the province to discourage Chinese investments in the province. ***China wanted assurances for their security***, BUT sealing off an entire town for guaranteeing Chinese security was precisely the wrong approach – also, giving a wrong impression of Pakistan that could discourage future potential investments and business. By fencing a port town, it could have sent a message to the business world, including the Chinese, that the country was unsafe for investors at least.
- Security cooperation remained a key factor in Pakistan's relationship with China, as their economic ties lagged far behind military engagement; since 2015, their economic relations, focused on the

CPEC had assumed new significance. The overall investment in the CPEC, originally envisaged at \$46 billion was enhanced to \$62 billion till 2022 – the largest single coordinated development initiative ever undertaken in Pakistan's history.

- Fair enough, fence construction in Gwadar was stopped. However, other local Balochis started feeling left out of development and got apprehensive about their future in Gwadar.
- After a brief pause, in year 2020 however, geopolitical developments in the region provided robustness to CPEC projects in Pakistan. As a result, two new deals for hydropower projects in Pakistan-administered Kashmir were signed in quick succession, along with an agreement on a special economic zone (SEZ) in Faisalabad. These moves gave cause for CPEC supporters to assert that the projects in the country were, once again, moving in the right direction. With the signing of the new deals, officials from both countries were content that CPEC had returned to its previous pace, which had noticeably slowed down since mid-2018 when PM Khan had assumed his office.
- Both Beijing and Islamabad were aware of the hurdles on the part of the successive Pakistani governments. The CPEC authority in Pakistan was created at China's urge to better coordinate CPEC projects among stakeholders from both sides. Run by a retired Gen Asim Saleem Bajwa, the new authority, had to plan and coordinate the smooth implementation of the CPEC projects, collectively worth \$70 billion. But some independent analysts in Islamabad were of the view that the CPEC authority actually shifted the key projects from hands of the civilian govt to military authorities in Pakistan.
- The slowdown of CPEC in Pakistan provided an obvious opportunity to the opposition parties, especially the PMLN led by Sharifs. Opposition leaders had repeatedly criticized the PTI government for being responsible for stalled-out projects – a manifest of poor governance.
- Khan's government tried hard to overcome the opposition by focusing its attention on the CPEC projects' revival. In late December 2020, China and Pakistan held a meeting to increase the momentum of CPEC projects, and also availed an opportunity to proclaim that both sides ***'were satisfied with the progress and committed to turn mega projects into a role model for the rest of the world to follow.'*** Immediately after, the second meeting was held in China's Xinjiang region on 25<sup>th</sup> Dec 2020 – but again ***THUS..***
- The Imran Khan government, in fact, had strived hard to work hand in hand with their Chinese counterparts, hoping to overcome any damage done from past criticisms of CPEC. But unfortunately, PTI's wrongly selected team, their inefficiency and incompetence became the major cause of bottlenecks in the implementation of the multibillion dollar projects – and the position went worsened till Mr Khan's departure in April 2022.

## **US + INDIA BLOCKED THE CPEC (?)**

The CPEC's major side-benefit was also supposed to harmonize inter-provincial relations in Pakistan. However, Balochistan – the home of CPEC's flagship project in Gwadar – felt left out; factors never analyzed seriously. Security remained the major issue. The presence of Chinese personnel onsite was proving to be an easy target for terrorists who opposed the project; Imran Khan government was blamed for slowing down the implementation of the CPEC – but it was not the whole truth.

*"The causes of slowdown were much deeper – externally and diplomatically the CPEC had been under attack from India and the US through their covert financial assistance. The Indian objections were based ostensibly on India's unilateral claims over the Jammu and Kashmir state through which some CPEC road works were navigating. In reality, India took the project as China's geo-strategic*

*advancement and influence in the Indian Ocean. India's ambition, backed by the US; thus, played a great (and successful) game in Balochistan for winding up the CPEC;*" Prof Sajjad Ashraf of **National University of Singapore**, in his thesis explained **'Why CPEC Faces Challenges in Pakistan'**; his paper dated 2<sup>nd</sup> June 2022 is referred.

The United States remained the principal critic of China's Belt and Road Initiative (BRI) of which the CPEC was an essential component. The US believed that China's ultimate goal was to utilize Pakistan's strategically positioned deep-sea port, Gwadar, for energy security and its power projection into the Indian Ocean. In its global competition with China, the US wanted to deny the Chinese the said advantage. CPEC and BRI thus signaled a strategic and economic advantage for Pakistan and China.

Wary of China's expanding global role, ***the US warned Pakistan against deeper engagement with China, while China challenged Washington over its support of India.*** The growing US-Indian strategic relationship in the last decade is evidence of the US support of Indian naval power to counter the growing Chinese influence in the Indian Ocean. The US also accused China of ***'debt trap diplomacy'*** which allegedly allowed China to gain access to Pakistan's strategic assets.

The region of Balochistan is rich in minerals and it comprises 48 percent of Pakistan's land. There are multiple oil and gas pipelines in this region stretching from Russia and Central Asia. There are outside powers known to everyone (like the US & India) to support terrorist activity to subvert the CPEC projects; allegedly the CIA sponsored Afghans which remained controversial within Pakistan since years. Multiple connectivity links were being built between China's Xinjiang province and Gwadar port in Balochistan – that included three highways: western, central and eastern – but all remained in suspension since 2017 at least.

Notwithstanding the external reasons for delay in implementation of the CPEC there were essentially domestic issues that caused interruptions in its planning and execution. In Pakistan's dysfunctional democracy there was no self-analysis over why CPEC progress had stuttered from the initial fan-fare celebrations of 'go-up now.' As a part of political point scoring the then PMLN government in 2015 promoted the CPEC as a gift from China. All details were kept secret from the public, which led to suspicion over the project and its costs. Much of the funding was concessional loans from the Chinese commercial banks; PMLN kept it hidden – US played their tunes at it.

For China it was ***'a partnership with shared responsibilities'*** between the two. This duality of the concept itself led to conflicting implementation strategies. Consequently, Pakistan never handled the enterprise in its proper context. Almost all subsequent problems were directly linked to that ***faulty political sell by the then government.*** Pakistan's declining capacity to share the costs later caused disappointment and delays. Thus, in 2022, Pakistan, like Sri Lanka, started feeling itself in serious economic trouble as a result of ignoring important timelines and adopting unsustainable policies that had prevented revenue generation.

Without the money coming in it was hard to pay back any investment. That was the quagmire Pakistan found itself in 2020-22. Critics of China's investment and the foreign ill-forces had fully understood that fact on the ground too. The dilemma boiled down to a different way of work between the Chinese seriousness and dedication as against Pakistan's chaotic democracy, lack of commitment and incompetence that caused bottlenecks in the implementation of the multibillion-dollar projects. The state machinery was not up to the task; neither during PMLN regime nor in Imran Khan's era – that's how the situation developed.

With stakes so high, China and Pakistan couldn't afford further delays but it happened. Mr Khan and the PMLN both had to play in the hands of its detractors. The US used it as an opportunity to criticize China. The project was critical for China in its drive for acquiring energy security – it was China's ambition of becoming the world's largest economy. Pakistan, apart from immense benefits accruing, should not have



let the project be delayed further – but the dishonest and inexperienced politicians plus few tainted bureaucrats didn't want to understand the seriousness of the issues involved. Perhaps, the country was marching towards the fate of Sri Lanka then.

### **PMLN / PDM GOVT OPPOSED CPEC-A:**

In the 3<sup>rd</sup> week of April 2022, just after TWO WEEKS of Imran Khan's departure, Shahbaz Sharif's PDM government decided in principle to scrap the China-Pakistan Economic Corridor (CPEC) Authority terming it 'redundant' and 'obstructive'. It decided to revert to the earlier arrangement of routing CPEC projects through the planning ministry to line-up ministries for execution for revitalizing the country's biggest, most prestigious bilateral economic development project. See a stunning open statement dated 23<sup>rd</sup> April 2022, made during a visit to CPEC Authority offices, from the **Federal Minister for Planning and Development Ahsan Iqbal** here:

*"... (He) called for immediate removal of problems faced by the Chinese investors and contractors working on China-Pakistan Economic Corridor (CPEC) including swift processing of their visa cases. The authorities concerned are directed to prepare a structure so that **the CPEC Authority could be wound up and integrated into the Ministry of Planning and Development because it was in conflict with rules of business of the various ministries.**"*

The Minister held that the CPECA was dysfunctional and was in conflict with the role of line ministries. Under the rules of business, ministries had the basic roles in the implementation of policies and projects under the CPEC but a parallel organization only created duplication of work and lack of ownership. In fact, the CPECA's chairmanship had been given to newly sworn in federal minister Ch Salik Hussain of PMLQ who was not aware of any such move - but expressing that it was illogical to have a parallel set up.

Thus, in nut-shell, the PMLN had strongly opposed the creation of CPECA through an act of parliament or otherwise because it was unnecessary and superfluous as the planning ministry had discharged the role very diligently and effectively in the past. The opposition members had dissented to the act because it appeared to be a parallel Planning Commission with little utility and **become a white elephant**. PMLN's Ahsan Iqbal in his dissenting note had noted that more than \$29 billion worth of investment had been channelized by the Planning Commission successfully without any authority and with the support of various ministries which could have continued for successful implementation of various decisions involved in the process.

The implementation of the decision (about shelving CPEC Authority Act), however, was made conditional to Chinese consent. Federal Minister for Planning, Ehsan Iqbal, held that he had multiple interactions with Chinese officials since the cabinet decision and:

*"... they (the Chinese) seemed indifferent over structural settings on Pakistan's side as long contractual commitments are honoured and work on CPEC projects is accelerated. Chinese friends are happy to see our actions and the new momentum. They are not interested in details of how we implement CPEC. In their opinion that's Pakistan's internal issue."*

The debate over the disbanding of the CPEC Authority largely depended on which side of the political fence one was sitting on. The planning minister further elaborated that:

*"We are going back to the 2013-18 model of CPEC implementation which brought in investments worth \$29 billion. Since the authority was created, not a single dollar worth of new investment has*

*flowed in. Only projects in the pipeline continued but at a slower than anticipated speed. The CPEC Authority was a non-starter and proved to be a failure. Disbanding the CPEC Authority is pro-CPEC because the authority blocked progress by adding a new bureaucratic layer. All the good work on the CPEC happened before the authority was created. All it did was to stall the CPEC."*

BUT there were arguments in favour of the CPEC Authority, too. – a very cogent voice, a sitting senator and member of the CPEC Parliamentary Committee had roared:

***'How can a one-stop shop that resolves all issues pertaining to CPEC projects be a bad idea, especially in second phase where a higher robust engagement of Chinese private companies in multiple sectors is expected? - Can lethargic ministries and sub-federating units with their own set of problems be assumed more effective in dealing with investors?***

***Before anything else it's personal. Honestly, it's sad to see the nation's interests compromised to service the egos of political pigmies. How else can you explain channelizing energy in cancelling instead of building on at the current critical juncture?"***

Mr Senator said narrating instances of PMLN's opposition at every step of the way in the National Assembly and the Senate. Another senior member familiar with CPEC affairs shared his insight:

*"Initially even PTI legislators were reluctant to support CPEC Authority as it was seen as a move by the deeper establishment to assume the charge of the flagship Chinese One Belt One Road initiative. The resistance dissolved as the Chinese threw their weight behind such a platform."*

### **PROPAGANDA: CPEC SLOWED DOWN IN KHAN'S ERA:**

**NO; it wasn't. China quashed disinformation about CPEC slowdown.....** Spokesperson Zhao said many livelihood projects were implemented in last three and a half years.

**On 20<sup>th</sup> January 2022:** Beijing said the CPEC framework was moving forward against a headwind posed by Covid-19 pandemic and promoting economic development and people's livelihood in Pakistan. Speaking at a regular briefing, Chinese Foreign Ministry Spokesperson ***Zhao Lijian rejected reports that work on the CPEC, a flagship project of the Belt and Road Initiative, had slowed down over the past three and half a year.***

*"So-called claim that little has been achieved and no program was approved over the past three and half years... [is] pure disinformation. Over the three and a half years under the framework, many livelihood projects have been approved and implemented, delivering tangible benefits."*

The Chairman Zhao and his colleagues shared the positive progress achieved in the CPEC framework with the media on many occasions, while saying: *'CPEC as an important pilot project under the BRI framework follows the principles of joint consultation and contribution for shared benefits. Recently, we have seen President of Pakistan Dr Arif Alvi, Prime Minister Imran Khan and some media's positive comments on the progress made in the CPEC flagship project';* **APP's analysis** on all media papers and TV channels dated 21<sup>st</sup> January 2022 is referred.

Chairman Zhao also told that under the CPEC, agriculture working group, technical working group and technological and scientific working groups had been established. However, it was pointed out that ML-1

Railway project needed huge investment, and that the two sides were having consultation on it. About the Dasu dam project, he set aside the reports that the Chinese contractor had demobilized from the site and raised several demands as preconditions to resume the work; both countries were aware of the situation as it was going on. The Chairman also commented that the CPEC framework was an important platform and the said BRI flagship project had entered an important stage - going forward. The two countries were on one page for focusing on industries, science and people's welfare.

However, despite the above assurance and alike moves, the intelligentsia held that ***'there was, in fact, a slow-down seen in CPEC projects'*** – BUT it was not on the part of PTI govt or the Imran Khan's person. See the PTI govt's agitated reminder for the Chinese government dated 10<sup>th</sup> November 2021; daily **THE EXPRESS TRIBUNE** of the same day is referred:

Pakistan has requested China to remove obstacles in the way of completion of seven energy and infrastructure projects worth roughly \$12 billion, Special Assistant to Prime Minister on CPEC Affairs Khalid Mansoor told the media.

*"I have written two separate letters to the vice Chairman of National Development and Reforms Commission (NDRC) of China, urging him to remove barriers hindering the completion of these projects (Ref: Khalid Mansoor's talk with a group of journalists that day). The vice chairman's support had been sought for **six energy schemes and one infrastructure project – Mainline-I (ML-I) of Pakistan Railways**. The cost of energy projects is \$5 billion and the estimated value of the ML-I scheme is \$6.8 billion. We have requested China that the agreed projects should be taken to the development stage.*

*Pakistan was also trying to resolve problems in connection with flexibility on the \$6 billion loan terms that it wanted to secure from China for construction of the rail project - as the progress on the ground did not move at the pace agreed between the two nations. To finalize the loan deal with China for the ML-I project, Pakistan was waiting for a term sheet from China for the loan agreement. Pakistan would show flexibility on the interest rate, foreign currency component of the loan and tenor of the loan (Pakistan had earlier requested for a loan at 1% in US dollar but the Chinese side didn't agree).*

*The government had approved the 1,733km-long Karachi-Peshawar ML-I projects at a cost of \$6.8 billion, which the Chinese termed on the lower side. Pakistan offered China to arrange an all-Chinese competitive bidding for the said project and if bids would be higher than \$6.8 billion, then the government would stand ready to revise PC-I of the project. The military had assured the provision of complete security to the project. The ML-I project was already facing a delay of over four years and the two sides had been discussing financing terms for the past two years.*

*PTI govt was simultaneously found trying to save Gwadar power plant, Karot power plant, Kohala power plant and three other projects from the adverse impact of delay in power purchase payments to the Chinese sponsors. However, the Chinese were seeking sureties that those new power plants could also be stuck in circular debt – thus, Chinese were reluctant to move further whereas the PTI government was actively working to clear Rs:250 billion payments of Chinese firms on account of power purchase that were stuck in the circular debt (then).*

*The PTI government was paying Libor plus 2% cost to the sponsors of Chinese power plants on the amount that was delayed beyond a certain period. The only good thing was that China had not called (till then) the guarantees, which indicated that the Chinese were willing to work in Pakistan. However, it remains a fact that the deals were the need of the hour.*

*In fact, the CPEC was a quid-pro-co. Pakistan went to China to seek help to remove road and infrastructure bottlenecks and in return, China demanded road access to connect its western parts with the Gwadar port. Rather, going a step forward, the PTI govt had to adopt '**...expensive electricity was better than no electricity**' as the slogan at that time and the country was sustaining losses equal to 2.25% of the GDP.*

*The Chinese planners initially laughed at Pakistan's plan to end load shedding through Gaddani Power Park and establishment of coal fired power plants there. China then gave an alternate strategy and, one by one, dropped the Gaddani Power Park and two Punjab-based coal-fired power plants i.e. Rahim Yar Khan power plant and Muzaffargarh power plant.*

*Under the head of infrastructure, the lives of the residents had become comfortable due to the mass transportation projects during PTI's governance; Pakistan had handled \$5 billion Chinese investment in a power company till that hour. The \$53 billion investment had been envisaged under the CPEC and Pakistan had fairly dealt the phase-I of the CPEC successfully; 5,300 MW of new electricity generation capacity was added and an 880 km long transmission line had been laid. Power projects possessing a capacity of 3,500 MW were under implementation till the end of Khan's premiership - another 4,144 MW capacity projects were at the planning stage.*

*It was Pakistan's last chance to industrialize and the key was the development of Special Economic Zones (SEZs) under the CPEC. Under the CPEC, nine Special Economic Zones (SEZs) and a free zone at Gwadar were planned and four SEZs and the free zone were being developed on priority including one in Faisalabad."*

**On 24<sup>th</sup> August 2022;** once again China's Consul General in Karachi, Mr Li Bijian rubbished reports that the work on the CPEC had slowed down during PTI tenure. ***The said statement had come on media record about FIVE MONTHS after the departure of Imran Khan as the country's PM.***

Speaking to a local media outlet, Li Bijian ruled out reports claiming that work on the CPEC, a flagship project of the BRI, had slowed down over the past three and half a year. He had emphasized that ***'...work was slowed down due to Covid-19 pandemic and security issues. So-called claims that work paused due to the previous govt. policies are baseless.'***

Chinese Consul General had also ruled out any disagreement between Pakistan and the Chinese governments; saying:

*"China and Pakistan have always shared mutual trust, mutual understanding and mutual support, and are all-weather friends. The change in policies affects the investment and the same thing is being seen in CPEC projects - hopefully all persisting issues would be resolved in time. There were security issues regarding Chinese officials in two provinces of Pakistan but we are satisfied with the measures taken by federal and provincial govts after recent incidents;"* daily **PAKISTAN TODAY** dated 24<sup>th</sup> August 2022 is referred.

The impression of the CPEC slowdown under Imran Khan's government remained hard to contest. Some experts attributed it more to the pandemic Covid-19 that had paralyzed the world. Others did blame the PTI government that took too much time to digest the value and the politics surrounding CPEC after assuming power. Some business tycoons observed:

*"Some faint light started flickering on the CPEC playboard after the induction of a top business executive as a special assistant to the prime minister in 2021. A nice pitchbook to lure private Chinese investors was developed and contact channels were opened to mend the ties. Just when*

*things finally started looking up the regime change happened and things came to naught once again."*

An angry senior officer in Pakistan's Ministry of Planning divulged:

*"Ask the Chinese if you don't trust us. Check the Chinese media which made its displeasure public even during Imran Khan's tenure. They were upset over the statements of government ministers casting aspersions on the transparency of CPEC deals. They were uncomfortable with changes in the taxation regime, frustrated over delays in payments to power producers and opening of a revolving account and resented any further talks on sealed deals."*

The CPEC Authority was established to locate new drivers of growth and unlock the potential of value chains through regional and global connectivity. The efforts of the authority got mobilized \$1.5bn investment by medium-sized Chinese companies in Pakistan collectively. ***It got the cabinet approval of compliance in place of the approval regime for Chinese investors who were required to acquire 37 no-objection certificates for investment in Pakistan;*** daily **DAWN** dated 29<sup>th</sup> August 2022 is referred for complete details in that regard.

*"A research publication of the CPEC Authority had projected competitive and comparative edge in seven key sectors including IT, textiles, footwear, agriculture, auto, pharma and furniture. It engaged 19 top Chinese firms with a potential collective investment of whooping \$30bn in Pakistan;"*

– BUT Imran Khan was no more in saddles then.