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The Impact of the China-Pakistan Economic Corridor on Pakistan's Federal System

The Politics of the CPEC

ABSTRACT

The China-Pakistan Economic Corridor is often portrayed as the flagship project of the Belt and Road Initiative. While much attention has been devoted to its geopolitical repercussions, its impacts on Pakistan's federal system and interprovincial relations have not yet been explored. Organized around interviews conducted in 2015, 2018, and 2019, this article demonstrates that the construction of the economic corridor is acting as a centripetal force in Pakistan's federal structure, despite the potential for such a large external investment to redress the disparities between provinces.

KEYWORDS: China-Pakistan Economic Corridor, CPEC, Belt and Road Initiative, federalism, China-Pakistan relations

INTRODUCTION

After the election of Imran Khan as Pakistan's prime minister in July 2018, the question of whether Pakistan's relations with China would change was at

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Asian Survey, Vol. 60, Number 3, pp. 441–465. ISSN 0004-4687, electronic ISSN 1533-838X. © 2020 by The Regents of the University of California. All rights reserved. Please direct all requests for permission to photocopy or reproduce article content through the University of California Press's Reprints and Permissions web page, <https://www.ucpress.edu/journals/reprints-permissions>. DOI: <https://doi.org/10.1525/AS.2020.60.3.441>.

the forefront of international concern, especially whether Islamabad would turn to China or to the IMF to rescue it from its balance-of-payments crisis. Many wondered whether a bailout from the IMF (of about US\$ 6 billion)¹ would require Pakistan to be more transparent about the conditions of the loans from China to fund the China-Pakistan Economic Corridor (CPEC). Some analysts also asked 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 in Pakistan. In this article we analyze 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 18 months of the Pakistan Tehreek-i-Insaf (Pakistan Movement for Justice, PTI) government, and whether other changes are expected.

These dynamics are not only important for Pakistan but also have international ramifications. By making the CPEC the poster child of its Belt and Road Initiative (BRI), China has invested a huge amount of political capital into making its investment in Pakistan a success story. How the projects agreed upon under the CPEC umbrella materialize on the ground will be a potent example of how things will develop in the countries along the new Silk Road. In addition, with a growing debate on whether the BRI is a “debt trap” for the countries involved, and with the leadership in Malaysia initially halting, then renegotiating, three Chinese-backed infrastructure projects worth around US\$ 22 billion,² our analysis represents an important addition to the small but growing body of work on the domestic implications of the BRI.

Despite its importance, the federal politics of the CPEC has received little scholarly attention. This is surprising because center–province relations are key to the successful implementation of the investment package from Beijing. The existing literature covers a number of topics, including industrial

1. James Mackenzie, “Pakistan Agrees Another Multi-Billion IMF Bailout,” *Reuters*, May 12, 2019, <<https://www.reuters.com/article/us-pakistan-economy-imf/pakistan-agrees-another-multi-billion-imf-bailout-idUSKCN1S1oIB>>. (Unless otherwise stated, all URLs cited in this article were accessible on February 8, 2020.)

2. “Malaysia to Revive Multi-Billion Dollar Project Linked to China,” *Reuters*, April 18, 2019, <<https://www.reuters.com/article/us-malaysia-china-project/malaysia-to-revive-multi-billion-dollar-project-linked-to-china-idUSKCN1RV0Ko>>.

development,³ human resource development,⁴ India's perspective,⁵ public opinion on the CPEC,⁶ law,⁷ regional geopolitical implications,⁸ security cooperation to protect the CPEC,⁹ and environmental concerns.¹⁰ While these are all important, the federal dimension is crucial, as it affects the likelihood of implementation while also holding huge ramifications for Pakistan's domestic politics.

The CPEC is a series of infrastructure and energy projects formally launched during Chinese President Xi Jinping's visit to Pakistan in April 2015.¹¹ Defined by Prime Minister Li Keqiang as the "flagship project" of China's ambitious BRI, the investment in Pakistan under this scheme has climbed from the US\$ 46 billion originally announced in 2015 to US\$ 62 billion in 2017.¹² As of early 2020, around US\$ 20 billion worth of

3. Matthew McCartney, "The China-Pakistan Economic Corridor (CPEC): Considering Contemporary Pakistan through Old-Fashioned Economics and Historical Case Studies," *Lahore Journal of Economics* 23:2 (2018): 19–48.

4. Adeel Ahmed, Mohd Anuar Arshad, Arshad Mahmood, and Sohail Akhtar, "Neglecting Human Resource Development in OBOR: A Case of the China-Pakistan Economic Corridor (CPEC)," *Journal of Chinese Economic and Foreign Trade Studies* 10:2 (2017): 130–42.

5. Ijaz Khan, Shamaila Farooq, and Saima Gul, "China-Pakistan Economic Corridor: News Discourse Analysis of Indian Print Media," *Journal of Political Studies, Lahore* 23:1 (Summer 2016): 233–52; Jabin T. Jacob, "China's Belt and Road Initiative: Perspectives from India," *China & World Economy, Beijing* 25:5 (Sept./Oct. 2017): 78–100.

6. Huang Deling, Li Diren, and Huang Tiantian, "Analysis of Public Opinion about China-Pakistan Economic Corridor," *Journal of Applied Sciences (Faisalabad)* 16:6 (2016): 286.

7. Asif H. Qureshi, "China/Pakistan Economic Corridor: A Critical National and International Law Policy Based Perspective," *Chinese Journal of International Law* 14:4 (Dec. 2015): 777.

8. Jeremy Garlick, *The Impact of China's Belt and Road Initiative: From Asia to Europe* (London: Routledge, 2019); Khalid Manzoor Butt and Anam Abid Butt, "Impact of CPEC on Regional and Extra-Regional Actors," *Journal of Political Science, Lahore* 33 (2015): 23–44; S. O. Wolf, *The China-Pakistan Economic Corridor of the Belt and Road Initiative: Concept, Context and Assessment* (Switzerland: Springer, 2020).

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

10. Ruilian Zhang, Francis Andam, and Guoqing Shi, "Environmental and Social Risk Evaluation of Overseas Investment under the China-Pakistan Economic Corridor," *Environmental Monitoring and Assessment* 189:6 (June 2017): 253.

11. 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.

12. Salman Siddiqui, "CPEC Investment Pushed from \$55b to \$62b," *Express Tribune*, April 4, 2017, <<https://tribune.com.pk/story/1381733/cpec-investment-pushed-55b-62b/>>. Figures cited by CPEC project director Hassan Daud ("Great Expectations," *The News*, March 11, 2018, <<https://www.thenews.com.pk/print/290801-great-expectations>>) mention 22 CPEC projects worth around US\$ 27 billion in various phases of implementation.

projects are completed or under construction. The Pakistani government of Nawaz Sharif labelled the CPEC a “game changer” aimed at benefitting the whole of Pakistan.¹³ This was questioned by the leaders of Balochistan and Khyber Pakhtunkhwa (KP) Provinces—the latter governed both before and after the 2018 election by the PTI, the party of Pakistan’s new prime minister, Imran Khan.¹⁴ Given the historic underrepresentation of Baloch and Pakhtun ethnicities in the two most powerful institutions of the Pakistani state, the army and the bureaucracy,¹⁵ as well as the historical concentration of government investment in Punjab Province, the two provinces charged 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.”¹⁶

Although national opinion polls demonstrate wide support for the CPEC, they were not broken down by province.¹⁷ There are questions about the impact the investment from China will have on Pakistan’s governance structures and center–provincial relations. Our analysis reveals a disconnect between the decentralizing provisions in the 2010 18th Amendment to the Pakistan Constitution and the centripetal nature of the CPEC. Thus, the CPEC, as it is currently being implemented, threatens to increase tensions

13. Muhammad Asad Chaudhry, “CPEC a Game-Changer for Pakistan, Fate-Changer for Region: Nawaz,” *Daily Times*, August 20, 2016, <<https://dailytimes.com.pk/60477/cpec-a-game-changer-for-pakistan-fate-changer-for-region-nawaz/>>.

14. Shamil Shams, “China’s Economic Corridor Creating New Conflicts in Pakistan,” DW.com, August 29, 2016, <<http://www.dw.com/en/chinas-economic-corridor-creating-new-conflicts-in-pakistan/a-19510980>>.

15. Katharine Adeney, “The Limitations of Non-consociational Federalism: The Example of Pakistan,” *Ethnopolitics* 8:1 (2009): 87–106.

16. “Eastern Route for CPEC May Foster Enmity between Provinces, Warns Imran,” *Express Tribune*, September 30, 2015, <<https://tribune.com.pk/story/965041/eastern-route-for-cpec-may-foster-enmity-between-provinces-warns-imran/>>.

17. Gallup Pakistan, “Overwhelming Majority of Pakistanis (79%) Believes That Pak-China Economic Corridor Is Important for Pakistan’s Development,” December 18, 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,” February 6, 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 the seven districts of the Hazara Division of KP, and it found that “the local people perceived that CPEC will be very influential in terms of economy.” Liaqat Ali et al., “Local Residents’ Attitude towards Road and Transport Infrastructure (a Case of China Pakistan Economic Corridor),” *Journal of Chinese Economic and Foreign Trade Studies* 11:1 (2018): 104–20.

rather than mitigate them. This is despite the rhetoric that the CPEC is designed to “foster development in otherwise economically marginalized regions or countries.”¹⁸

More than five years after it was officially launched, we are now better equipped to understand the political implications of the CPEC. We investigated the “early harvest” projects—those that were prioritized and scheduled to be completed by 2019–20—to establish whether the CPEC has, first, increased the centralizing pressures in Pakistan and, second, favored 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 that, at least in the first phase of the projects agreed under the CPEC umbrella, most projects are 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 Interests (CCI, empowered by the reforms introduced by the 18th Amendment) has been used to discuss the concerns raised by Pakistan’s provinces.¹⁹ We then discuss the extent to which the provinces were included in the major policy decisions related to the CPEC, arguing that centralization in Pakistan’s federal system has increased as a result of the Corridor, at least in the first phase of the project. We assess the implementation of three areas central to the “early harvest” projects—transport, energy/natural resources, and developments pertaining to the Port of Gwadar—before concluding with an analysis of what (if anything) has changed under the prime ministership of Imran Khan.

FEDERALISM AND THE 18TH AMENDMENT IN PAKISTAN

Pakistan’s history of federalism is fraught with tensions between the central government and the provinces,²⁰ as well as interprovincial grievances, most often articulated against the most developed province, the Punjab, the northern

18. C. R. Guluzian, “Making Inroads: China’s New Silk Road Initiative,” *Cato Journal* 37:1 (2017): 135–47.

19. The CCI is the key political institution regulating the competencies and settling disputes between the provinces and the federal government. Its members are the prime minister, the four provincial chief ministers, and three cabinet ministers.

20. Katharine Adeney, *Federalism and Ethnic Conflict Regulation in India and Pakistan* (Basingstoke: Palgrave Macmillan, 2007).

part of which dominates army recruitment. The grievances against the Punjab are also due to some of the features of Pakistan's federal system. First, Pakistan's National Assembly allocates seats by population. Punjab, which according to the 2017 census is home to nearly 53% of the population (at the time around 208 million), thus has the majority of seats in the lower chamber. This has institutionalized the province's dominance in the country's institutional architecture, even in periods where the military has not ruled the country.²¹ With Punjab representing the gateway to power in Pakistan, any party with aspirations to rule the country has to appeal to its voters. Second, from 1971 through 2010 financial resources were also allocated on the basis of population. The other provinces resented the fact that the most developed province received most of the resources.

The 18th Amendment of 2010, building on the National Finance Commission Award of the previous year, went some way toward addressing these grievances, particularly those of Balochistan, where the port of Gwadar is situated, in an attempt to ease tensions in that conflict-ridden province.²² Significantly, Punjab agreed to the rewriting of the formula so that factors other than population were taken into account in the distribution of resources from the federal government.²³ However, the conceptualization of the CPEC and the way its multiple projects are being implemented (or not) has reawakened tensions surrounding federalism and the location of power in Pakistan.

Of the changes introduced by the 18th Amendment, the one that had most impact on center-provincial relations was the abolition of the Concurrent List. This was an important change. Previously, the center was able to override any legislation enacted in the provinces on subjects on the Concurrent List.²⁴ After its abolition, the subjects 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) in two parts. Part 1 lists the subjects exclusively controlled by the federal government, and Part 2 lists

21. Adeney, "Limitations of Non-consociational Federalism": 101.

22. Filippo Boni, "Civil-Military Relations in Pakistan: A Case Study of Sino-Pakistani Relations and the Port of Gwadar," *Commonwealth & Comparative Politics* 54:4 (2016): 498–517.

23. It did so in the context of a promise of extra resources being allocated to the provinces by the center. Katharine Adeney, "A Step towards Inclusive Federalism in Pakistan? The Politics of the 18th Amendment," *Publius* 42:4 (2012).

24. The abolition of the Concurrent List had been a demand of many provincial politicians since 1973.

those that come under the CCI.²⁵ Part 2 includes subjects of relevance to the CPEC, including 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 2 of the FFL.²⁶ But despite its important role in Pakistan's federal setup, the CCI met only 11 times between 1973 and 2009.²⁷ In an important change, the 18th Amendment required that the council meet every 90 days and that the prime minister 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 the 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 play a central role in the planning and implementation of the CPEC.

The first five years of the CPEC tell a different story. Although the CCI has held regular meetings (22 since the enactment of the 18th Amendment), the absence of discussion on the CPEC is revealed by repeated provincial calls to give the CCI a more central role.²⁸ The minutes of the meetings between 2010 and May 2017 contain no explicit mention of the CPEC,²⁹ although several projects *later* assigned to the CPEC feature in the discussion, notably the Thar Coal Project (2011–12 and 2012–13) and the Gwadar Port Authority (2013–14).

In January 2016, KP's chief minister, Pervez Khattak of the PTI, demanded that the CPEC's route be discussed in both the parliament and

25. Adeney, "A Step Towards," 547–48.

26. A. M. Zahid, "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," UNDP Pakistan, 2015: 13–14.

27. Ahmad Mehmood Zahid, "Institutional Analysis of Council of Common Interests," UNDP Centre for Civic Education Pakistan, 2013, <[undp.org/content/dam/pakistan/docs/Democratic%20Governance/Federalism/CCI%20Manual%20\(1\).pdf](http://undp.org/content/dam/pakistan/docs/Democratic%20Governance/Federalism/CCI%20Manual%20(1).pdf)>.

28. Fawad Yousafzai, "Halt CPEC and Let CCI Decide It First, Khattak Tells Govt," *The Nation*, January 5, 2016, <<https://nation.com.pk/05-Jan-2016/halt-cpec-and-let-cci-decide-it-first-khattak-tells-govt>>.

29. Government of Pakistan, "Inter Provincial Coordination Division," <<http://www.ipc.gov.pk>>. Only the meetings up to May 2017 were available at the time of writing.

the CCI. He said that “his province had not been awarded a single penny [from the CPEC] . . . and that he had now lost trust in the federal government.”³⁰ 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 But none of the minutes of the CCI meetings between February 29, 2016, and May 2, 2017, mention the CPEC. While minutes of later meetings are not directly available, we can reconstruct the content of these meetings from official press releases. Out of 11 meetings between December 2016 and December 2019, only the meeting of February 26, 2018, discussed the CPEC, in the context of the development of special economic zones.³²

The Senate Special Committee on the CPEC suggested that “control of the project [the 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 to discuss, among other items on the agenda, the corridor’s alignment and the provinces’ concerns in relation to it.³⁴ Yet neither in the reporting of the agenda nor in the prime minister’s summary of the meeting was this mentioned.³⁵

At the November 2017 meeting, the then-prime minister, Shahid Khaqan Abbasi, assured the chief ministers of Sindh and KP that the issues related to the CPEC would be “resolved amicably.”³⁶ Although the CPEC was discussed in the February 2018 meeting (explicitly mentioned in relation to special economic zones),³⁷ the overall lack of discussion of the CPEC within

30. Yousafzai, “Halt CPEC.”

31. “Ready to Pay Any Price for CPEC: COAS,” *The Nation*, February 20, 2016, <<https://nation.com.pk/20-Feb-2016/ready-to-pay-any-price-for-cpec-coas>>.

32. Prime Minister’s Office, “Prime Minister Shahid Khaqan Abbasi Chaired 35th Meeting of the Council of Common Interests (CCI) Held Today in PM Office Islamabad,” February 26, 2018, <http://pmo.gov.pk/news_details.php?news_id=785>.

33. Khawar Ghumman, “PML-N Unwilling to Share CPEC Control?” *Dawn*, July 18, 2016, <<https://www.dawn.com/news/1271483>>.

34. Riazul Haq, “CCI Likely to Announce March 2017 Census Date,” *Express Tribune*, December 16, 2016, <<https://tribune.com.pk/story/1264878/long-delay-cci-likely-announce-march-2017-census-date/>>.

35. Prime Minister’s Office, “Prime Minister Muhammad Nawaz Sharif Chaired Meeting of the Council of Common Interest (CCI) Held Here at PM Office,” December 16, 2016, <http://pmo.gov.pk/news_details.php?news_id=609>.

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

37. Prime Minister’s Office, “Prime Minister Shahid Khaqan Abbasi.”

the constitutional framework of the CCI illustrates the opaque nature of the early stages of CPEC agreements. The lack of involvement of the CCI in the key decisions of the CPEC can be explained by the desire of the Pakistan Muslim League-Nawaz (PML-N) to “ensure full capture of [the] political premium” and because “institutional scrutiny would reveal the hollowness of overblown claims.”³⁸ 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 prioritization of the route through Sindh and Punjab, demonstrates that rather than acting as a uniting force, the handling of the CPEC has allowed grievances to reemerge.

This was compounded under Abbasi by Punjabi domination of the CCI³⁹ and the exclusion (until 2016) of the chief ministers from the Joint Coordination Committee (JCC, which coordinates between the Pakistani and Chinese sides).⁴⁰ The belated inclusion of the chief ministers in the JCC was an attempt by the Pakistani government to increase transparency around the CPEC and to assuage the provinces’ concerns in this respect.⁴¹

THE POLITICS OF THE CPEC: CHINESE PRESSURES, CIVIL-MILITARY RELATIONS, AND PROVINCIAL CAPACITY

As the analysis so far demonstrates, although the chief ministers have become progressively more involved, overall, the management of the CPEC in Pakistan’s federal system has been centralized, despite the decentralization introduced by the 18th Amendment. Some high-priority projects (e.g., national highways) fall within Part I of the FLL, but even those CPEC projects in

38. Email interview with Haris Gazdar, Collective for Social Sciences Research, June 2019.

39. Khaleeq Kiani, “Punjab Gets Lion’s Share in Reconstituted CCI,” *Dawn*, August 18, 2017, <<https://www.dawn.com/news/1352284>>.

40. In the decision-making structure of the 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 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. Arif Rafiq, “The China-Pakistan Economic Corridor: Barriers and Impact,” United States Institute for Peace, 2017: 1–64; Parliament of Pakistan, “2nd Interim Report of the Special Committee of the Senate on China Pakistan Economic Corridor: Translating a Myth into Reality,” 2015–16, <http://www.senate.gov.pk/uploads/documents/1465974959_331.pdf>.

41. This was also confirmed in an email interview (May 2018) with a seasoned Pakistani analyst who noted that “the inclusion of the chief ministers appears to be a Pakistani government initiative, to broaden the base of participation.”

Part 2 (energy, railways, ports, and national planning) were not discussed in the CCI until 2017. This section highlights the politics at play in the CPEC and provides a number of explanations for the centralization of the decision-making process.

First, Beijing had to be provided a single, reliable interlocutor. As a key individual in the federal government told the country's major newspaper, *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 the CPEC from 2015 to 2018, 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 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."⁴³ Further proof of China's preference for a dynamic and centralized decision-making process is provided by the (successful) pressure applied 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 control of the project (and its political benefits). Former Prime Minister Abbasi (in office August 2017 to May 2018) 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 program is "decided on by the premier himself."⁴⁵ This body further centralized decision-making on the CPEC at the federal level, at the expense of the provinces, and remains in operation under the premiership of Imran Khan.

42. Afshan Subohi, "What Are Provinces Pitching at Seventh JCC? Sindh Makes Efforts, and Excuses," *Dawn*, November 20, 2017, <<https://www.dawn.com/news/1371692>>.

43. Interview, Islamabad, 2015.

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

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

Third, the military saw the CPEC as an opportunity to further consolidate its relations with China—a cornerstone in Pakistan’s defense and foreign policies since the early 1960s—and to expand its role in Pakistan, both in its politics and in the financial sector.⁴⁶ In 2016 the Pakistani military attempted to increase its sway over the CPEC by suggesting the creation of a CPEC Authority with greater military involvement.⁴⁷ This proposal was originally resisted successfully by Ahsan Iqbal, then minister for planning, development and reform, on the grounds that such an authority would significantly slow the implementation of the tranche of Chinese investments. An expert on the CPEC we interviewed said, “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.”⁴⁸ However, in October 2019, Pakistani President Arif Alvi established the CPEC Authority through an ordinance.⁴⁹ The next month, Lieutenant-General (retired) Asim Saleem Bajwa was appointed chairman.⁵⁰

As further proof of the growing role of the military in the CPEC, in June 2019 the government announced the establishment of a National Development Council, whose members include 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 the army has been given, not only in implementation but also in overall policymaking related to the CPEC.⁵¹

Fourth, the federal government’s dismissal of provincial capacity for technical duties pertaining to the projects has encouraged the central government

46. Filippo Boni, *Sino-Pakistani Relations: Politics, Military and Regional Dynamics* (Abingdon: Routledge, 2019).

47. Khawar Ghumman, “PML-N Unwilling to Share CPEC Control?” *Dawn*, July 18, 2016, <<https://www.dawn.com/news/1271483>>.

48. Email interview, May 2018.

49. “CPEC Authority Established through Ordinance,” *News International*, October, 8, 2019, <<https://www.thenews.com.pk/print/538007-cpec-authority-established-through-ordinance>>.

50. Haider Naseem, “Lt Gen (ret) Asim Bajwa Notified as CPEC Authority Chairman,” *Express Tribune*, November 26, 2019, <<https://tribune.com.pk/story/2106913/1-lt-gen-ret-d-asim-bajwa-appointed-cpec-authority-chairman/>>.

51. Sanaullah Khan, “PM Imran Establishes National Development Council,” *Dawn*, June 18, 2019, <<https://www.dawn.com/news/1488948>>; Mehreen Zahra-Malik, “New Council Puts Pakistan Army Chief in Economic Driving Seat,” *Arab News*, June 20, 2019, <<http://www.arabnews.pk/node/1513691/pakistan>>.

to centralize. In interviews in Pakistan, officials privy to the developments emphasized that one of the major challenges “is local capacity to implement and effectively deliver.”⁵² When asked about the obstacles and issues related to coordinating Sino–Pakistani efforts, Senator Mushahid Hussain said, “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.”⁵³ This was echoed by Mahfooz Ali Khan, of the Planning and Development Department of the 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.”⁵⁴ Ahead of the JCC meeting of November 2017, a politician from Sindh told *Dawn* that “building capacity is a long, arduous process in a province [i.e., Sindh] where the situation is as complex as in Sindh,” pointing out that “decades of deprivation” have left their mark.⁵⁵

In an interview conducted before the July 2018 elections, a seasoned observer was asked whether the 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.”⁵⁶ 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’s Chief Minister Jam Kamal Khan noted that “Balochistan is facing challenges in good governance due to lack of resources,” adding that this shortage “has resulted in stoppage of development work also.”⁵⁷ Similarly, in a debate in KP’s provincial assembly,

52. Interview, Islamabad, 2015.

53. Interview, Islamabad, 2015; Adeney, “A Step Towards.”

54. “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: 1–37.

55. Subohi, “What Are Provinces Pitching?”

56. Email interview, May 2018.

57. Mohammad Zafar, “Balochistan’s Financial Position Will Improve in 4 Years,” *Express Tribune*, April 24, 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,” *Friday Times*, June 28, 2019, <<https://www.thefridaytimes.com/balochistans-development-needs-ignored-in-the-federal-budget/>>.

Inayatullah Khan of the Muttahida Majlis-e-Amal (United Council of Action, MMA), an alliance of religious and conservative parties, claimed that a large chunk of Public Sector Development Program funds were not delivered to the province. He said that of the Rs. 554 billion (US\$ 3.3 billion) allocated to the province under the program between 2013–14 and 2017–18, only 54% (Rs. 301 billion, US\$ 1.8 billion) was released.⁵⁸ As the cases of Balochistan and KP demonstrate, the scarcity of resources, and the need to build capacity in the bureaucracy at the provincial level, have encouraged centralization.

FEDERALISM AND THE “EARLY HARVEST” PROJECTS

Because of the tensions, outlined earlier, in Pakistan’s center–periphery relations, the other provinces were concerned that Punjab would have the lion’s share of the projects. In November 2015, Senator Daud Khan Achakzai went so far as to dub the CPEC the China-Punjab Economic Corridor.⁵⁹ We find that Sindh had 41% of the “early harvest” projects, while Punjab had 29%. Energy generation was at the heart of these projects (as the issue was at the heart of the PML-N’s 2013 election campaign), with US\$ 34 billion of the original US\$ 46 billion investment aimed at ending the electricity shortages that were hampering the country’s economy. While all four provinces had projects allocated to them, according to the third interim report of the Senate Special Committee on the CPEC, “not a single dollar in the CPEC [was] allocated for any project inside Gilgit-Baltistan.”⁶⁰ This is highly significant considering that Gilgit-Baltistan (GB), a disputed semi-provincial administrative territory, is the access point between China and Pakistan. However, more important than the *numbers* of projects allocated to the different provinces has been the progress of these projects.

58. “KP Govt to Take Up Province’s Share in PSDP with Centre, KP PA Told,” *Pakistan Today*, April 16, 2019, <<https://www.pakistantoday.com.pk/2019/04/16/kp-govt-to-take-up-provinces-share-in-psdp-with-centre-kp-pa-told/>>.

59. Syed Irfan Raza, “Senators Say CPEC Turned into ‘China-Punjab’ Corridor,” *Dawn*, November 24, 2015, <<https://www.dawn.com/news/1221849>>.

60. Parliament of Pakistan, “3rd Interim Report of the Special Committee of the Senate on China Pakistan Economic Corridor: Gilgit-Baltistan: The Gateway to CPEC,” 2016: 12, <http://www.senate.gov.pk/uploads/documents/1478515463_617.pdf>.

Transport / Infrastructure

The original plan of the CPEC was to prioritize the less developed provinces of Pakistan, Balochistan and KP, since cutting through these regions would significantly shorten the route from Gwadar to the Karakoram Highway. However, shortly after the project started it became apparent that priority was going to be given to 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.”⁶¹ Members 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.”⁶²

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 added that “the Chinese have expressed their desire to work on the existing road networks, without building new ones from scratch.”⁶³ The second element pertains to Pakistan’s party politics. CPEC was seen by the PML-N as a ticket to reelection, and the (then) ruling party prioritized 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.⁶⁴ Chief Minister Shahbaz Sharif used his considerable political influence to ensure that these projects were completed quickly. This was at the expense of the Western Route through KP and Balochistan, contradicting the “all-Pakistan” approach hyped by political 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 6-lane motorway,”⁶⁵ and although the infrastructure projects (which are all transport-related) are equitably

61. Ibid.: 2.

62. Ibid.: 5.

63. Interview, Islamabad, 2015.

64. Ghulam Ali, “What We Get Right and Wrong on CPEC,” *Friday Times*, June 23, 2017, <<http://thefridaytimes.com/tft/what-we-get-right-and-wrong-on-cpec/>>.

65. Parliamentary Committee on China-Pakistan Economic Corridor, “Report 2015–2017,” 2017: 3.

TABLE 1. China-Pakistan Economic Corridor Priority Projects and Status, Transport/Infrastructure

<i>Province</i>	<i>Total</i>	<i>Completed</i>	<i>Estimated for 2020-21</i>	<i>Estimated for 2022+</i>
Punjab	2	1 (50%)		1 (50%)
Sindh	2	1 (50%)		1 (50%)
Khyber Pakhtunkhwa	4		1 (40%)	3 (60%)
Balochistan	2			2 (100%)
Gilgit-Baltistan	2		1 (50%)	1 (50%)
Azad Jammu and Kashmir	0			

SOURCE: By authors

NOTE: Data from <<http://cpec.gov.pk/progress-update>>, February 6, 2020. Projects have been allocated to the province(s) in which they are located, so some are double-counted.

distributed (indeed KP has more than the others), there is a marked disparity in their completion rate (Table 1). Fifty percent of the projects in Punjab and Sindh have been completed. In contrast, 50% of those in GB (which includes the project to expand the Karakoram Highway) are estimated to be near completion, while 100% of the projects in Balochistan and 60% of those in KP have dates of estimated completion after 2022.⁶⁶ After the PTI government came to power, the projects that earlier in the year were included by the outgoing PML-N government in the Public Sector Development Program 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 a feasibility study on the construction of a new rail link from Havelian (in KP) to the Pakistan–China border.⁶⁷

The concerns that the Eastern Route would be the major beneficiary have thus been borne out. In the Ministry of Planning’s “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 Ismail Khan in

66. These data may be slightly skewed by the fact that not all road development may be directly linked to the 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.” W.-P. Zingel, “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 (2017): 158–61.

67. Mehtab Haider, “Govt Raises PSDP Allocation for CPEC to Rs193 Billion,” *The News*, October 4, 2018, <<https://www.thenews.com.pk/print/376272-govt-raises-psdp-allocation-for-cpec-to-rs193-billion>>.

the south of KP and Kohat in the central area, although funds were allocated for the project in 2016.⁶⁸ The National Highway Authority predicted that the projects that comprise most of the Western Route would be completed in 2018 or 2019.⁶⁹ But groundbreaking for the Zhob-Quetta section took place only in March 2019, and financing for the 210 km upgrading of the D. I. Khan-Yarik Zhob motorway (between KP and Balochistan) had not been agreed as of October 2019,⁷⁰ although Pakistan had asked China to sign a framework agreement for the project to start in 2020.⁷¹ Similarly, the Quetta-Sohrab section is only in the “feasibility study stage.”⁷²

In December 2018 the leader of the Balochistan Awami Party claimed that the Western Route was no longer part of the CPEC.⁷³ Although this was swiftly denied by the Planning Ministry,⁷⁴ the delay in the construction of the Western Route compared to the Eastern Route has heightened tensions. Before the election of the PTI, 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 center ensured more equitable provincial representation in the CCI, especially compared to the Abbasi premiership.⁷⁵ However, under Imran Khan’s administration there have been only two meetings of the CCI, with over a year between.⁷⁶ It is also important to recognize

68. Bakhtawar Mian, “Rs30bn Approved for Indus Highway,” *Dawn*, October 21, 2016, <<https://www.dawn.com/news/1291337>>.

69. Sehrish Wasif, “CPEC Western Route to Be Completed by End of This Year,” *Express Tribune*, February 12, 2018, <<https://tribune.com.pk/story/1633076/1-cpec-western-route-completed-end-year/>>.

70. Shahbaz Rana, “Pakistan Seeks Financing for CPEC’s Western Route,” *Express Tribune*, October 23, 2019, <<https://tribune.com.pk/story/2085219/2-pakistan-seeks-financing-cpecs-western-route/>>.

71. “JCC on CPEC Reviews Progress on Various Projects,” *News International*, November 7, 2019, <<https://www.thenews.com.pk/print/551851-jcc-on-cpec-reviews-progress-on-various-projects>>.

72. “NHA to Build 210 Km DI Khan-Zhob Section of CPEC Western Route,” *The News*, December 10, 2018, <<https://www.thenews.com.pk/latest/404220-nha-to-build-210-km-di-khan-zhob-section-of-cpec-western-route>>.

73. “Western Route Not Part of CPEC, Says BAP Leader,” *Dawn*, December 7, 2018, <<https://www.dawn.com/news/1449949>>.

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

75. Amir Wasim, “Reconstituted CCI Has Most Members from Sindh,” *Dawn*, September 6, 2018, <<https://www.dawn.com/news/1431262>>.

76. “PM Imran Chairs CCI Meeting, Assures Provinces of Giving Fair Share of Funds,” *Geo News*, December 23, 2019, <<https://www.geo.tv/latest/263409-council-of-common-interests-meets-today-after-a-years-gap>>.

that, as well as maintaining its hold on the KP provincial government in the 2018 elections, the PTI is leading a coalition in the Punjab. The PTI is therefore under pressure to ensure that the CPEC infrastructure projects come to fruition not only in KP but also in the Punjab, given that it maintains a majority of seats in the National Assembly.⁷⁷

Energy Projects and Natural Resources

Energy (or rather, the shortage of it) was a major subject in the 2013 election. Prime Minister Nawaz Sharif campaigned extensively on the issue,⁷⁸ and his party played the CPEC card in the run-up to the July 2018 elections in an equally assertive fashion.⁷⁹ One reason for the strong support for CPEC in the country as a whole was the perception that CPEC would deliver the infrastructure necessary to alleviate the energy problem. Senator Javed Abbasi of the PML-N argued in 2017 that “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 Balochistan and Sindh.”⁸⁰ Many natural resources are located in Balochistan; for example, 23% of Pakistan’s natural gas reserves are in Sui District. The provisions of the constitution historically allocated revenues from this resource extraction to the center. The 18th Amendment went some way toward providing a resolution for this thorny issue, but serious grievances remain.⁸¹ Thus, according to Michael Kugelman, a project concentrating on energy extraction and development could “pour more fuel on the fire as it undertakes large-scale infrastructure

77. 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, which is a critical component of the Peshawar–Karachi motorway. China Pakistan Economic Corridor, “Cabinet Committee on CPEC Decides Launch of Western Route Project,” March 13, 2019, <<http://cpec.gov.pk/news/161>>.

78. Katharine Adeney, “The 2013 Pakistan Elections: The Campaigns, Election Day, and Beyond,” *Ballots and Bullets*, June 4, 2013, <<http://nottspolitics.org/2013/06/04/the-2013-pakistan-elections-the-campaigns-election-day-and-beyond>>.

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

80. Iftikhar A. Khan, “China to Get 91pc Gwadar Income, Minister Tells Senate,” *Dawn*, November 25, 2017, <<https://www.dawn.com/news/1372695/china-to-get-91pc-gwadar-income-minister-tells-senate>>.

81. Khaleeq Kiani, “Pakistani Provinces Vying for Control of Oil, Gas, Mineral Resources,” *Dawn*, September 18, 2017, <<https://www.dawn.com/news/1358389/pakistani-provinces-vying-for-control-of-oil-gas-mineral-resources>>.

TABLE 2. China-Pakistan Economic Corridor Priority Projects and Status, Energy

<i>Province</i>	<i>Total</i>	<i>Completed</i>	<i>Estimated for 2020-21</i>	<i>Estimated for 2022+</i>
Punjab	5	2 (40%)	3 (60%)	
Sindh	11	8 (73%)	2 (18%)	1 (9%)
Khyber Pakhtunkhwa	1			1 (100%)
Balochistan	2	1 (50%)		1 (50%)
Gilgit-Baltistan	0			
Azad Jammu and Kashmir	1		1 (100%)	

SOURCE: By authors

NOTE: Data from <<http://www.cpec.gov.pk/>>, February 6, 2020. Projects have been allocated to the province(s) in which they are located, so some are double-counted.

development and natural resource extraction, thereby playing right into the hardened historical narratives of Baluch [Baloch] insurgents.”⁸²

Contrary to the promises of Senator Abbasi, although Sindh has benefitted from energy projects under the CPEC, Balochistan has benefitted much less (Table 2). And a sizeable number of projects are in the Punjab, 40% of which have been completed, with the other 60% estimated to be completed by 2020–21. In surveys before the July 2018 election, a greater proportion of respondents in Punjab than in KP reported better energy generation.⁸³ Ninety percent of the projects in Sindh (most of the energy priority projects) are scheduled for completion by 2021. This is far more than in Balochistan, KP, GB, or Azad Kashmir, not only in the number of projects but also in their completion rate. Academic Arif Rafiq noted 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.”⁸⁴ This has indeed been the case with the Diamer Bhasha Dam in GB. It was originally included in the CPEC list of projects, but because of the contested status of the region with India, “Beijing placed strict

82. Michael Kugelman, “The China-Pakistan Economic Corridor: What It Is, How It Is Perceived, and Implications for Energy Geopolitics,” in *Asia’s Energy Security and China’s Belt and Road Initiative*, National Bureau of Asian Research, 2017.

83. Ali Cheema and Asad Liaqat, “Analysis: The Battle of Narratives,” *Dawn*, July 22, 2018, <<https://www.dawn.com/news/1421699/analysis-the-battle-of-narratives>>.

84. Rafiq, “China-Pakistan Economic Corridor.”

conditions including ownership of the project.”⁸⁵ Pakistan was not willing to accept these terms.⁸⁶ Dissatisfaction with the CPEC project is growing in GB, and the May 2018 executive order centralizing control under the prime minister (but portrayed as a decentralizing measure) led to street protests.⁸⁷

Some of the difference in completion rates can be explained by the sectors in which investments are being made. In Sindh, three of the four completed projects are wind farms. These are much cheaper and easier to build than the hydropower projects which for topographical reasons are found in KP and GB. Hydropower projects also require acquisition of land, stretching the timeline for delivery. However, the type of project can only partially explain the discrepancy. The coal-fired power plant in Sahiwal in Punjab was operational in 2017, but as of the end of 2019 only one of the two coal-fired power plants planned for Balochistan is operational—the one that is only 45 km from Karachi, the Sindh capital. The “imported coal based power project” in Gwadar only broke ground in November 2019. Many of Sindh’s projects also focus on a single development (with multiple components): the development of the Thar Coal Field. This is a former World Bank project, later recoded as a CPEC project.⁸⁸

The division of financing for the CPEC energy priority projects is as follows. Sindh has the most, receiving 51% of the US\$ 27 billion allocated to date for these projects. Punjab receives 27%, KP 7%, and Balochistan 9%. 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 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.”⁸⁹ He had claimed that the money spent on energy projects in Balochistan would be much greater

85. Shahbaz Rana, “After Much Delay Diamer-Bhasha Dam Wins Approval,” *Express Tribune*, March 20, 2018, <<https://tribune.com.pk/story/1664431/2-much-delay-diamer-bhasha-dam-wins-approval/>>.

86. Pakistan set up a fund to build the dam through public donations, but as of February 2020 the fund had received less than US\$ 25,000 of the US\$ 14 billion required.

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

88. The World Bank withdrew from the project following environmental concerns. “World Bank Withdraws from Thar Coal Project,” *Pakistan Defense*, May 17, 2010, <<https://defence.pk/pdf/threads/world-bank-withdraws-support-to-thar-coal-project.58122/>>.

89. Zofeen T. Ebrahim, “CPEC and Major Unanswered Questions,” *Third Pole*, October 13, 2016, <<https://www.thethirdpole.net/en/2016/10/13/cpec-and-major-unanswered-questions/>>.

“than the money spent in Punjab.”⁹⁰ Yet Punjab has already been allocated US\$ 7.3 billion for energy priority projects, compared to Balochistan’s US\$ 2.5 billion.

Journalist Hasan 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.”⁹¹ But the employment opportunities and the infrastructure that must be provided for the workforce (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.”⁹² The Senate Committee agrees with him:

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.⁹³

Local communities in Balochistan, KP, and GB have repeatedly raised concerns about the employment opportunities for the people in the areas where CPEC projects are going to be developed. First, there are worries that Chinese labor will be used to build the projects. In January 2018, to allay these fears, Zhao Lijian, the Chinese deputy head of mission in Pakistan, claimed that 60,000 Pakistanis are working on Chinese projects in Pakistan, including those under the umbrella of the CPEC.⁹⁴ According to official data from the

90. Inamullah Khattak, “CPEC Crack Widens,” *The Nation*, January 11, 2016, <<https://nation.com.pk/11-Jan-2016/cpec-crack-widens>>.

91. Hasan Naser Khan, “CPEC for Punjab or Pakistan: Myth and Reality,” *Express Tribune*, January 17, 2016, <<https://tribune.com.pk/story/1029155/cpec-for-punjab-or-pakistan-myth-and-reality>>.

92. Sanaullah Baloch, “CPEC: A Baloch Perspective,” *The News*, October 4, 2016, <<https://www.thenews.com.pk/print/154685-CPEC-a-Baloch-perspective>>.

93. Parliament of Pakistan, “3rd Interim Report”: 12.

94. Kaswar Klasra, “Feature: CPEC Opens Job Opportunities for Unemployed Pakistanis, Bringing Long-Lasting Tangible Benefits to Locals,” *Xinhua News*, January 20, 2018, <http://www.xinhuanet.com/english/2018-01/20/c_136910854.htm>.

Planning Commission of Pakistan and two studies published in spring-summer 2018 by the CPEC Centre of Excellence, the “early harvest” projects created 38,000 jobs, of which 8,000 went to Chinese and the rest to Pakistanis.⁹⁵ Importantly, these jobs also include skilled workers, not just unskilled labor. Local employment and training opportunities are vitally important for knowledge transfer and to assuage concerns about the exploitative nature of China’s investment, at least in some parts of Pakistan.⁹⁶ But there has been no independent verification of these statistics.

Second, there is concern that the highly skilled jobs will be taken by “outsiders”—not just Chinese, but also people from the Punjab and Karachi. According to the former chairman of the Gwadar Port Authority, in Gwadar, in western Balochistan, it is difficult to employ local workers, because they lack the required skills.⁹⁷ However, given the long-standing demands of the Baloch and their leaders for training and educational development, the culpability of the Pakistani state in this neglect is high. It was for this reason that the Senate Committee noted that the constitutional right to freedom of movement within Pakistan should have “safeguards,” to prevent highly skilled workers moving to Balochistan.⁹⁸

Gwadar

As an expert on Balochistan argued, “One of the major grievances of Balochistan has always been that the federal government decides its fate.”⁹⁹ Although after the 18th Amendment the management of ports was in Part 2 of the FLL and therefore subject to joint control, “It is the federal government which holds sway including the controlling of ports, which the Baloch

95. Shahid Rashid, Muhammad Zia Muzammil, and Shujaa Waqar, “Employment Outlook of CPEC: A Meta Analysis,” Working Paper 28, Centre for Excellence for CPEC, Islamabad, 2018, <<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, “The Impact of CPEC and Related Road Infrastructure Projects on Employment,” *CPEC Quarterly* 2 (Spring 2018): 33–40.

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

97. “Interview with Dostain Khan Jamaldini,” CPECInfo.com, January 23, 2017, <<http://www.cpecinfo.com/archive/news/Interview-with-Dostain-Khan-Jamaldini/MTA0Mw>>.

98. Parliament of Pakistan, “2nd Interim Report”: 15.

99. Email interview, June 2018.

TABLE 3. Projects in Gwadar That Are Part of the China-Pakistan Economic Corridor

<i>Projects (excl. Energy-related ones)</i>	<i>Total</i>	<i>Completed</i>	<i>Estimated for 2020-21</i>	<i>Estimated for 2022+</i>	<i>Cost (USD billions)</i>
Gwadar	9	2 (22%)	4 (44%)	3 (33%)	8

SOURCE: By authors

NOTE: Data from <<http://www.cpec.gov.pk/>>, February 6, 2020. Energy-related projects excluded.

(especially National Party and Abdul Malik Baloch) contend should be handed over to the provincial government.”¹⁰⁰ But only two such projects have come to fruition in the last five years (Table 3). 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.¹⁰¹

One of the few projects close to implementation is the Gwadar East Bay Expressway, linking Gwadar Port with the N20 Highway.¹⁰² Work was started in November 2017, funded through an interest-free loan. Other projects in Gwadar have been funded through a Chinese grant rather than a loan.¹⁰³ This method of financing reveals the strategic importance of the Gwadar port to China. Other initiatives, such as the construction of Gwadar International Airport, were only started in March 2019 (despite a planned start in 2017),¹⁰⁴ and the dredging of berthing areas and channels has not yet been approved. Similarly, the projects which might be expected to contribute to the well-being of the local population (at least around Gwadar, if not the rest of Balochistan) commenced only in December 2019. These include the Pakistan-China Friendship Hospital and the

100. Analyst of Balochistan, email interview, June 2018.

101. Khurram Husain, “Balochistan Cabinet Shocked by CPEC Presentation,” *Dawn*, December 11, 2018, <<https://www.dawn.com/news/1450773/balochistan-cabinet-shocked-by-cpec-presentation>>.

102. 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.

103. Most of the Chinese funding for projects in Gwadar comes in the form of grants and interest-free loans. Outside Gwadar, the independent power producer financing mode and government concessional loans are the two financing modes of the CPEC.

104. M. Zafar, “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/>>.

Technical and Vocational Institute at Gwadar, essential for training the local population.¹⁰⁵

Progress has been made on one of the major challenges facing Gwadar, water availability, with the inauguration of two desalination plants built with Chinese help. A much larger facility is being built with the assistance of the United Arab Emirates and Switzerland.¹⁰⁶ As noted, however, this will mostly benefit the Gwadar area, not the wider Balochistan. In his visit to Gwadar in March 2019, Imran Khan made several promises to the local population, including the construction of skill development centers. These proposals would not fall within the CPEC, but should they materialize, will go some way to allay concerns about opportunities deriving from CPEC.

CONCLUSION

Although the 2019–20 budget has reduced the amount Pakistan will spend on CPEC projects, there are few signs that it is rolling back its overall commitment to the CPEC, despite the PTI's earlier concerns about the project. In fact, the fundamentals of Sino–Pakistani relations—a strong military partnership (since 2011 China has been the major arms supplier to Pakistan) and nearly US\$ 20 billion of projects already agreed under the CPEC umbrella—are unlikely to change. The PTI was initially critical of CPEC, formally protesting the federal government's neglect of the Western Route of the corridor. But on his first visit to Beijing, in November 2018, Imran Khan reiterated Pakistan's commitment to deepening its relations with China and to the 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.”¹⁰⁷ The challenge for PTI-led Islamabad has been to combine the

105. According to the latest reports on the revised allocation of funding by the PTI government, the upgrade of the hospital as part of the CPEC was scrapped under the new rationalization plan implemented by the new government. Mehtab Haider, “Govt Raises PSDP Allocation for CPEC to Rs193 Billion,” *The News*, October 4, 2018, <<https://www.thenews.com.pk/print/376272-govt-raises-psdp-allocation-for-cpec-to-rs193-billion>>.

106. Rina Saeed Khan, “Thirsty to Thriving? Parched Pakistani Port Aims to Become a New Dubai,” *Reuters*, April 24, 2018, <<https://www.reuters.com/article/us-pakistan-port-water/thirsty-to-thriving-parched-pakistani-port-aims-to-become-a-new-dubai-idUSKBN1HV07K>>.

107. Joint Statement of PM Imran Khan's China Visit, “Strengthening strategic cooperative partnership,” *The News*, November 4, 2018, <<https://www.thenews.com.pk/latest/389597-joint-statement-of-pm-imran-khans-china-visit>>.

transparency drive that has paid off so well in electoral terms with China's desire to keep the financing details away from public scrutiny. And it has had to balance this with the military's desire to retain the "all weather" friendship with China, in the context of geopolitical security considerations in South Asia.

We find that the CPEC initially favored Sindh and Punjab over the other provinces and that the federal government initially excluded the provinces from decision-making. Despite their belated inclusion, we are likely to see centralization 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. Pressure to reform the 18th Amendment and the 7th National Finance Commission Award is increasing. In January 2018 the IMF argued that the last National Finance Commission Award had put "serious pressure" on the federal government's finances. In March 2018, the chief of army staff, General Bajwa, called the 18th Amendment "more dangerous than Six Points of Sheikh Mujib"—seen in Pakistan as a prelude to the secession of Bangladesh.¹⁰⁸ China has "minced no words about their desire for the Pakistani army to have a greater role in CPEC."¹⁰⁹ 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, we find that the first four years of the CPEC were more in line with Pakistan's history of favoring Punjab as the core region. The recently agreed IMF bailout will only increase pressures on provincial resources.¹¹⁰ It remains to be seen how Pakistan will walk the fine line between dealing with the IMF's requests and managing its "all weather" friendship with China. As journalist Umair Javed remarked, "CPEC may

108. Suhail Warraich, "The Bajwa Doctrine: From Chauvinism to Realism," *The News*, March 18, 2018, <<https://www.thenews.com.pk/print/293885-the-bajwa-doctrine-from-chauvinism-to-realism>>. Part of why the military is keen to roll back the 18th amendment is related to the costs of providing security for the CPEC, which in the Army's view could be done more easily by revising the amount of resources allocated to the provinces. Khurram Husain, "Reversing the 18th Amendment?" *Dawn*, March 22, 2018, <<https://www.dawn.com/news/1396834>>.

109. At the peak of the CPEC route controversy between the federal government and the provinces, China called for a greater role of the military in the CPEC, claiming that military ownership of the CPEC would mean a speedier implementation. Farhan Bokhari, Lucy Hornby, and Christian Shepherd, "China Urges Pakistan to Give Army Lead Role in Silk Road Project," *Financial Times*, July 21, 2016, <<https://www.ft.com/content/5eea66c0-4ef9-11e6-8172-e39ecd3b86fc>>.

110. Khaleeq Kiani, "IMF Sounds the Alarm on NFC Award," *Dawn*, January 31, 2018, <<https://www.dawn.com/news/1386288>>.

very well be an economic game changer, but there are increasing signs that . . . it will also unmask some very troubling political wounds.”¹¹¹ As Pakistan moves to Phase 2 of the CPEC, there is an opportunity to pursue more equitable development, although only time will tell whether this transpires.

111. Umair Javed, “CPEC and the Provinces,” *Dawn*, October 24, 2016, <<https://www.dawn.com/news/1291834>>.