Article

China Pakistan Economic Corridor: Domestic Trajectory and Contested Geopolitics

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Abstract

The China Pakistan Economic Corridor (CPEC) completes six years in 2021. This article analyses its physical progress, the changes in the civil-military ties and the emerging structural impact on Pakistan's various economic sectors. Besides the continuing opacity in the project details, it is also observed that Pakistan's power, telecom and connectivity infrastructure commands greater control than ever before from the Chinese corporations. With Pakistan occupying a greater centrality in regional geopolitics, the article also contextualizes CPEC in the tight ropewalk Islamabad traverses between Beijing and Washington in its attempts to balance Chinese inroads with its dependence on the IMF's bailouts.

While there remains a nationwide consensus over China-Pakistan Economic Corridor's projected role in promoting growth and stability in Pakistan, the concerns over its opacity and authority-sharing with the military have rarely been addressed. On the civilian front, the project appears to have been conceptualized initially by China under the Pakistan People's Party, but was formally inaugurated during Nawaz Sharif's tenure in 2015.[1] Initially floated as a $46 billion worth project, the CPEC came to be classified into Short Term (to be completed by 2020), Middle Term (to be completed by 2025) and Long-Term Phase (to be completed by 2030). The PML-N's vanity was short-lived as Sharif's assertive posturing against the military invited charges of corruption (and later blasphemy) and cost him his position, followed by a self-imposed exile.

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During the PML-N led government's twilight phase, the China Pakistan Economic Corridor (CPEC) came under strong criticism from the Pakistan Tehreek e Insaaf (PTI), which was also the leading opposition party. Prime Minister Nawaz Sharif's dismissal on corruption charges, Imran Khan's rising popularity and the PTI's critical stance on the CPEC gave rise to the perception that contrary to the official projections, not all had been right with the CPEC. Grievances in the media regarding the uneven progress of CPEC projects across provinces, opaque investments and loan conditionalities, unfair terms of business for the domestic corporate sector and the lack of credible data on employment generation gave credence to PTI's claims. The PTI's election manifesto mentioned that Pakistan was "not fully benefiting from CPEC related investments", giving rise to the speculation after PTI's electoral victory that CPEC was set for a major overhaul. The PTI's stance also coincided with the weakening of the Pakistani economy, which continues to be characterized by rising domestic and external debt, and low foreign exchange reserves that put the economy at a greater risk in case Pakistan fails to generate sufficient returns from CPEC investments. To add to the crisis, the CPEC became central to Washington's dilemma on the decision of the International Monetary Fund (IMF) to bailout Pakistan's economy. While Pakistan has secured a $6 billion loan from the Fund due to Washington's geopolitical exigencies related to the Afghan peace talks, it now seems far from being convinced about the CPEC's ability to reorient the Pakistani economy on a positive trajectory. The prevailing state of affairs prompted Islamabad to pursue a balancing approach between Washington and Beijing, by which it plans to continue its CPEC investments along with its dependence on Washington for external bailouts.

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In the domestic sphere, the corridor faces domestic challenges principally in Balochistan due to an ongoing insurgency and to a lesser extent in the Gilgit Baltistan region due to the region's tenuous politico-legal relationship with the state of Pakistan.

With these domestic and international developments shaping the CPEC, the article looks into the ongoing politico-economic transition of the project through three parameters, namely,

1. the differences in PML-N and PTI's approach to the CPEC, and the trajectory of CPEC under Prime Minister Imran Khan's leadership.
2. The progress of CPEC projects under the PTI led government in the backdrop of

Pakistan's economic outlook, particularly in the context of Pakistan's vulnerability to international pressures.

3. CPEC's impact on Gilgit Baltistan and Balochistan.

4. CPEC's impact on Pakistan's economy and society and the implications for its independence and sovereignty.

PTI and the CPEC: An Uncomfortable Beginning

Till the PTI won the 2018 General elections, the party's approach towards China-Pakistan economic ties remained lukewarm at its best. The PTI's protests against the Pakistan Muslim League-Nawaz (PML-N) in 2014, that marked the rise of Imran Khan as an alternative to the PML-N, were simultaneously responsible for cancelling President Xi Jinping's visit to China that delayed the inauguration of the China Pakistan Economic Corridor to 2015.

Officially signed in 2015, the CPEC was not only seen as a game changer for the Pakistani economy, but also as a strong selling point for Nawaz Sharif to consolidate the PML-N's political position. At the time when the ruling PML-N anchored its political campaign on the CPEC, Imran Khan on the other hand made Pakistan's exploitation under the CPEC as his party's agenda.

The charges levelled by the PTI leadership included allegations of Sharif's corrupt deals with China and pursuing private business interests in the garb of promoting the CPEC. The magnitude of the PTI's criticism of the CPEC is evident from a 2016 meeting between Imran Khan and Chinese ambassador to Pakistan, that was called on the latter's request to allay the PTI's grievances on CPEC and instill an overall consensus among all political stakeholders. Highlighting the opaqueness of the CPEC agreements, Imran Khan promised to renegotiate the terms and conditions of the projects once in power. The PTI's election manifesto also highlighted the shortcomings of the CPEC, ranging from under-representation of Balochistan and Gilgit Baltistan in the corridor, to high import dependence, exclusion of domestic industries and non-transparent terms and conditions.

PTI's election manifesto also highlighted the shortcomings of the CPEC...

Stating that "the previous government did a bad job negotiating with China on CPEC", a senior PTI leader blamed the outgoing government for allowing China an undue share of the expense of Pakistan's domestic industries.[2] All these efforts formed part of PTI's poll agenda that promised to rid Pakistan of foreign debt cycles, that even considered the Chinese debt as a potential threat, despite the bilateral strategic relationship.

After Imran Khan took charge as the Prime Minister in August 2018, Pakistan's economy began showing signs of stress, despite having grown at 5% in the financial year 2017-18. Budget deficit had risen to 7% of GDP, external debt peaked at $92 billion. More alarmingly, the foreign exchange reserves had dipped to $9 billion, an amount enough to finance only six weeks of Pakistan's imports. The outgoing government was also accused of understating the debt by changing its definition. The original definition of debt being the "sum of total outstanding borrowings" in Fiscal Responsibility and Debt Limitation Act, 2005 was amended to the amount which the "government serviced out of the Consolidated Fund, and debts owed to the International Monetary Fund" (Business Recorder 2017).[3] **This excludes that part of the public debt taken by public sector enterprises and publicly-guaranteed debt**. This artificial adjustment failed to understate the alarming situation of the Pakistani economy. The situation arose at a time when the PTI's campaigns criticised international lending institutions, particularly the IMF for the poor state of Pakistani economy.

The PTI, despite banking on Imran Khan's charismatic appeal, was bequeathed a troubled economy and has not been able to do much towards improving things on both economic or the administrative front. The systemic problems in the nation's political system were once again exploited by the army to institutionalise its control over the CPEC through the creation of a CPEC Authority through an ordinance in October 2019, followed by its passage through both National Assembly and the Senate after much delay caused by the PML-N.[4]

Calculating Progress and Political Vulnerabilities

For energy projects (that constitute almost half the share of the CPEC outlay), commercial operations of some projects began for the following projects:

i. Thar Engro Coal power project, a 660-Megawatt plant based in Sindh and constructed with $1.13 billion amount went into operation in June 2019. The project is funded by a "syndicate led by China Development Bank (CDB) with support from China Export and Credit Insurance Corporation (Sinosure)".[5] Another project, the 1320 MW SSRL Thar coal power plant worth $1.3 billion is near completion. The project is run by Shanghai Electric Power Company and shall utilise coal extracted from the Thar coal mine.

ii. In Balochistan, a 1320 MW power plant (worth $1.9 billion) by the China Power Hub Generation Company began operations from the town of Hub. The first unit worth

660 mw got connected to the national grid in January 2019, with the remaining 660 mw operational by August 2019. It is expected to meet electricity needs of around four million households.[6]

iii. Another major project, the 1320 MW Port Qasim plant which cost over $2 billion held its first anniversary in May 2019. The chairman of the operating company Power China Resources stated that the project had added 10 billion units of electricity in one year, supporting the needs of four million households.[7] Further, it is claimed that the project's power generation "accounts for one tenth of the total power supply of state grid in Pakistan", making it a cornerstone of CPEC energy schema.[8]

On the infrastructure front, the $1.6 billion Orange Line Metro rail was inaugurated in Lahore in October 2020. It was one of the earliest projects to be signed under the CPEC banner, since it was conceived even before CPEC was floated. Constructed by China Railway, the project will be managed by a consortium comprising two Chinese (Norinco International and Guangzhou) and one Pakistani firm. It is expected to be the "first of three planned metro lines in Lahore and is designed to carry nearly a quarter of a million people a day in Pakistan's second-largest city".[9]

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The progress notwithstanding, some discrepancies have lately come into notice.

Since major CPEC power projects are coal based, they are expected to raise coal consumption to unprecedented levels. Available projections show a 50% rise in coal imports from 20 million tonnes in FY 2018 to 30 million tonnes to FY 2019-20, which comes at a time when nations are discarding reliance on coal.[10] Here, despite all the positive points, the Port Qasim project "hit financial difficulties [recently]...due to rising debt and the soaring cost of imported coal".[11] The project had arrears due to the tune of PKR 21 billion ($130 million). The Jamshoro power project shall also source 80% of its coal requirements through imports only.[12] One other energy project seems to have hit a roadblock. Taking forward its pledge of rationalising the CPEC outlay, the new government requested the Chinese to stall the 1320 MW Rahim Yar Khan power project in the 8th Joint Coordination Committee (JCC) meeting held in January, 2019.[13] However, the official CPEC website continues to list the project as an "actively promoted project", keeping its status ambiguous.

Vis-a-vis infrastructure projects, highway projects are progressing well. After a five-year limbo, the ambitious $8.1 billion Karachi-Peshawar ML1 project (that involves an overhaul of the Karachi-Peshawar railway system) was finally proposed in 2020 with a reduced outlay of $6.8 billion. However, in successive JCC meetings, both sides had failed to arrive at any consensus over funding issues. Besides the viability issues which surround major CPEC projects, the deadlock on ML-1 earlier arose from China's refusal to fund the project under the Build Own and Transfer mode. The project had earlier been agreed under the Engineering, Procurement and Construction (EPC) mode, but the Pakistani side had unsuccessfully insisted to change it to the Build, Operate, Transfer (BOT) mode. The ML-1 involves "laying of new track to allow 160km/per hour speeds for railways, rehabilitation and construction of bridges, provision of modern signaling and telecom systems, replacing level crossings with underpasses/flyovers".[14] China's EXIM bank is expected to fund $6 billion for the project, with the remainder to be shared by Pakistan.

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Data Mismatch

All CPEC project details and financial technicalities, despite international scrutiny have been kept opaque, beginning with the earliest of the projects. For instance, *The Tribune* reports that regarding the $1.6 billion Orange Line project, "the government did not make details of the contract public despite the demands of the opposition. Even after the multiple directives of the auditor general of Pakistan, the Punjab Mass Transit Authority did not provide the details of the agreement".[15] The same report also stated that the Punjab Government would have to pay $40 million annually as interest payments.[16]

Further, in the absence of exclusive project related funds/loans, one is redirected to the Current Account figures and many CPEC related inflows show up as machinery imports. The July-March 2018-19 and 2019-20 figures of machinery imports amounted to $6.7 billion and $6.6 billion respectively.[17]

Amidst speculations fueled by the opaque nature of Chinese investments, the Planning Ministry in July 2018 stated that projects worth $28.6 billion were under progress. Few months after the declaration, Shahbaz Rana, the economy correspondent at *The Express Tribune* published a detailed report stating Pakistan would need to repay $40 billion on this amount.[18] Citing Planning Ministry's documents, Rana's report made interesting revelations. A key finding was the actual Chinese funding claims would remain around $30 billion, that is, half of what the CPEC originally claimed. Rana's report stated that till 2018, Pakistan had received a total of $11 billion under CPEC investments, and total investments would peak at $26.5 billion by FY 2022-3.[19] The break-up of inflows from FY 2018 onwards were stated as follows:

> "For the current fiscal year [2018], CPEC inflows have been estimated at $4.2 billion – which is the peak of the inflows. During the next four years, the inflows will amount to $4 billion, $3.73 billion, $2.53 billion and $1 billion in 2022-23".[20]

If the report (which cites government sources) is to be believed, it goes against the investment structure quoted in CPEC's official document, according to which the inflows would continue till 2030, that is the time frame of the CPEC Long Term Plan. This was even confirmed by Project Director.[21] That the Planning Ministry's estimate of $11 billion investment in total fiscal year 2017-18 has expanded to $28.6 billion work-in-progress projects by late 2018 means that Pakistan has attracted $17 billion worth of CPEC investments between FY 2017 and FY 2018, which is not even a combined sum of Chinese FDI and CPEC related machinery imports. Rana also highlighted that Pakistan would need to repay an average of $2 billion per annum in the coming twenty years, again an amount lower than the claims by skeptics. The above stated figure was even shared with the IMF and does not seem to be much of a burden on the Pakistani economy.

The Chinese embassy in Pakistan, however, refuted the report but left more questions than solutions in the clarification it issued. The embassy stated that work was completed or in progress on 22 projects in the energy sector with $18.9 billion invested in total.[22] Of this, $12.8 billion was invested in energy projects, which further breaks down into $3 billion equity from China and $9.8 billion raised from Chinese commercial banks with a 5% rate of interest.[23] The embassy further clarified that the responsibility of payment of loans or bearing losses on energy project investments lay on the companies and not the Pakistani government, thereby dispelling the alleged pressures on the Pakistani government. (This was corroborated again by the Planning and Development Ministry, the nodal agency dealing with implementing CPEC projects.)

Even if Shahbaz Rana's report stands questioned, there are irregularities even in the official data stated by Pakistani and Chinese governments. The Planning Ministry's $28.6 billion work in progress projects claim is higher by a staggering $10 billion from the Chinese claim of $18.9 billion investments. The figure gets obfuscated if one takes a look at official Balance of Payments accounts, where the FDI figure shows Pakistan got FDI worth 9 billion between FY 2015 and FY 2017.

The Chinese Ambassador to Pakistan, who in April 2019 again stated that the Chinese had invested $19 billion in 21 CPEC projects.[24] All these contradictions emerging from official data impedes any attempt for systemic analysis of CPEC's financial projection or viability, since this can only be estimated when the data is authentic. More than a year after these reports, the Chinese foreign office stated in November 2020 that Pakistan received direct loans/investments worth $25 billion.[25] The amount quoted was at variance with the previous clarifications as the above figures show.

Amidst growing push from the IMF, the Ministry of Planning, Development and Reform in June 2019 published CPEC related financing projection in the coming five financial years. Between FY 2019-23, the ministry estimated $9.82 billion inflow and $6.81 billion outflows for CPEC related projects.[26]

Year	Inflow	Outflow (billion $)
2019-20	2.78	1.01
2020-21	3.5	1.23
2021-22	2.5	1.88
2022-23	1.04	2.69

Therefore, it is not clear on what basis the Planning Ministry stated that $49 billion worth of projects could be realised as the above data gives a message that the bulk of $49 billion worth of CPEC related funding must have already arrived. Further, the special committee was informed that the CPEC related loan repayments would start by 2021, which contradicts the above figure as it mentions outflows of FY 2019-20 and 2020-21 as well.[27]

The secretary Planning stated that all the energy projects (which constitute approximately half of the total CPEC outlay) are financed by the Independent Power Producers (IPP) mode and do not constitute government liability if they fail to generate returns.[28] The government's liability is limited to infrastructure projects only, which constitute $5.8 billion worth of projects at present, the secretary stated. Given the ambiguities surrounding CPEC deals, the clarification on liability seems to have stemmed from the IMF pressure in order to assure the IMF that the bailout amount would be used for structural reforms and do not reflect the reality. The interest rate was also stated to be around 2-2.5% with long repayment schedules further eliminating any fears of default – clearly at variance with the higher interest rates mentioned earlier.[29]

Jobs and Socio-economic Benefits: Discrepancies

The Planning ministry also stated the employment figures on CPEC projects. Under energy projects, a total of 18,751 workers were employed out of which 12314 (66 %) were Pakistanis and 6,437 (33%) were Chinese workers.[30] On the infrastructure front, 49,631 workers were employed out of which 39,880 were Pakistanis (79.5%) and 10671 (20.5%) were Chinese.[31] The Planning Ministry figure did not explain the duration of employment, that is, whether these jobs were of short-term nature as the construction phase involves a substantial amount of labour. Details of the nature of employment is also missing given the division of labour in these projects, where the Chinese happen to dominate the high paying jobs at a senior level hierarchy.

Some clarity was visible in the data provided by the director of CPEC Centre of Excellence in October 2018, wherein he put the employment figures at 75,000 in the last five years.[32] He stated that around 51,000 jobs were generated in the road/infrastructure sector of which 48,000 were blue collar jobs, that is, manual wage labour. The latter figure amounts to around two thirds of total jobs generated.[33] The modest figure notwithstanding, unrealistic future projections have been made by official sources. The PTI claimed that CPEC would generate 10 million jobs in the coming years, but the Chinese ambassador put the estimate at 7 lakh jobs.[34] However, in its latest data release, the Chinese Foreign Office stated that the CPEC had created around 70,000 direct jobs, again contrasting with the previous claims.[35]

Even as the CPEC's terms are not clear, the ruling party has given CPEC a socio-economic orientation to work on its poll promise of making the venture more inclusive. The Planning Ministry stated that China would provide $1 billion in two phases for Socio-economic projects. Again, details were not clear since it was stated that these loans would be in the form of "$200 to $300 million in 16 small social projects, which would be completed within a year while the rest of the amount would be issued in three years' time".[36] Even the convener of the Senate Special Committee on CPEC raised questions on how exactly these projects were to benefit people and whether $300 million was adequate for a nation like Pakistan. The China International Development Cooperation Agency (CIDCA), an agency set up by Beijing on the lines of USAID, was to provide the above stated grants to Pakistan.[37]

Budgetary Allocation

The financial crunch Pakistani reels under has been revealed under the reduced Public Sector Development Project allocation for CPEC projects in Financial Years 2019-20 and 2020-21. While the allocation for CPEC in 2018-19 was Rupees 198 billion ($1.25

billion), the government earmarked Rupees 110 billion ($690 million) in the following year, a reduction of 44%. The media, however, issued a clarification citing wrong interpretation of the PSDP cut as a funding cut in light of the ongoing austerity measures.[38] This could be due to the reluctance of the government to show CPEC being affected by the financial crisis given the high stakes both civilian and military leaderships have in projecting the CPEC as a gamechanger. For FY 2020-21, the allocation dopped further to only Rupees 21 billion ($130 million), with half of it allocated to roadways project in Balochistan.[39]

CPEC under IMF Shadow

Barely a month after assuming power, the Pakistani leadership formally requested a bailout from the IMF.[40] Prime Minister Imran Khan simultaneously undertook a series of international visits to friendly nations (especially Saudi Arabia) to ascertain alternative bailout mechanisms given the uncertainties regarding the IMF route. The decision also marked the beginning of CPEC's entanglement in the larger politics surrounding the IMF bailout. With Pakistan and China strengthening the geo-economic aspect of their bilateral ties with the CPEC, Pakistan's request for the IMF loan provided a window of opportunity for Washington to undercut the project.

The US noted Pakistan's request with skepticism, which became evident with sixteen Senators urging the Trump administration to "block the IMF from bailing out countries that have acquired loans from China".[41] Further, Secretary of State Pompeo also targeted Pakistan on the matter, stating that there was "no rationale for IMF tax dollars, and associated with that American dollar that are part of the IMF funding, for those to go to bail out Chinese bondholders or China itself".[42]

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Despite Pakistan's refusal to share the details of the projects, massive discrepancies were reported in the basic data itself. In early November 2018, Pakistan's Planning Ministry estimated the expenditure on 22 ongoing and completed projects at $28.6 billion. This was $9 billion higher than the estimate given by the Chinese ambassador to Pakistan in a press briefing in October.[43] While the $28.6 billion figure was shared with the IMF officials, the Pakistani side failed to provide any explanation on the discrepancy.

Even if Islamabad refused to share details, the international pressure was instrumental in eliciting the amount invested in these projects. Less visible, but Pakistan's economic situation did result in re-modelling the CPEC by reducing its projected size to below $50 billion, down from the earlier projections of $62 billion by the PML-N led government. This was recently confirmed in a briefing by the Secretary of Planning Ministry to the Senate Special Committee on CPEC, **where he stated the corridor's potential worth $49 billion.**

In September 2018, the Planning Ministry came out with an updated Public Sector Development Plan, whose allocation was reduced by a third of the Financial year 2018 figure due to ongoing austerity measures in light of the tight fiscal situation the new dispensation inherited. Four proposed CPEC projects had been dropped from the PSDP.[44] In July 2019, the IMF's Executive Board finally announced a $6 billion bailout for the Pakistani economy. $1.45 billion was disbursed in two tranches by December 2019. Further disbursal was held back for over a year due to the prolonged negotiations over fiscal readjustments. The IMF agreed to restart talks on releasing the bailout amount in February 2021, and the development was immediately followed by the replacement of Hafeez Shaikh with Shaukat Tareen as the new Finance Minister in March, 2021. Shaikh's unceremonious removal came after "differences over the International Monetary Fund programme, particularly on recommending sweeping governor-centric powers to the central bank", that proposed to make the governor of State Bank of Pakistan a central authority in major financial decisions.[45] Further, as always, the pressing issue was regarding IMF's demand for substantial revenue revisions, especially in the power sector, that has long been characterized by circular debt.

Further, the criticism from the United States has not died down as official voices from Washington continue to raise questions on the project. The latest criticism came from the then Principal Deputy Assistant Secretary of State for South and Central Asian Affairs Alice Wells who targeted the project stating that it was "not very evident to outsiders what's the economic rationale that drives it".[46] On the economic front, her criticism stemmed from the unsustainability of the CPEC's terms and conditions and risks to Pakistani economy. Wells emphasised the need for American support and cited the sustainable nature of American aid and added Corporate Social Responsibility benefits. Overall, despite the criticism, she appeared to be defensive as the thrust of the speech highlighted why American investments generated more sustainable avenues than Chinese investments.

An outcome of Islamabad's balancing between Washington and Beijing was the willingness of the Pakistani authorities to share CPEC's details with the IMF authorities. Contradictory reports emerged where on the one hand the Pakistani authorities denied any sharing of CPEC related information with the IMF but on the other hand, the IMF official confirmed the receipt of these documents. A section of the Pakistani media cited CPEC's brief stoppage as a reaction to Pakistan sharing of information. The IMF's nod to the bailout despite the alleged opacity in these projects may also be driven by Washington's single point agenda of a deal with the Taliban, that would make way for a graceful exit from Afghanistan before the next presidential elections.

CPEC in Balochistan: Geoeconomics and Insurgency

Since the official narrative has presented Balochistan as central to the CPEC, the disparities in project allocation have generated dissenting political voices in Balochistan. In December 2019, the Baloch assembly adopted a resolution appealing the "federal government to constitute a national commission to settle what it termed the "injudicious distribution of projects and funds under the China-Pakistan Economic Corridor (CPEC)".[47] The Chief Minister brought to notice that Balochistan's share was only 4.5% of total projects.[48] Had it not been for Gwadar's strategic significance, the province's share in the project would have been even lower.

Balochistan fared high on the PTI's agenda, both in terms of governance issues as well its inclusion in the CPEC. CPEC in Balochistan has been less about economics but more about how China views Gwadar for its strategic ends and the reaction of local insurgent groups to growing Chinese presence in the region. Besides the domestic political maneuvers, Pakistan has also tried to use the CPEC to influence regional dynamics.

In the run up to the 2018 general elections, the PTI, in support with the deep state had already begun serious inroads in the pre-election phase after dissidents from PML-N, PML-Q and other independents who formed a new front named the Balochistan Awami Party. The new alliance was able to form the provincial government after PTI's support. Similar engineering efforts were at work when Pakistan got a Baloch politician as the Senate chairman.

During his first visit to Saudi Arabia after taking over as the new Prime Minister, Imran Khan proposed that Saudi Arabia could also be part of the CPEC, with the specific intention of inviting investments in Balochistan. Another reason behind the proposal could have been to give the Saudis a greater role in Pakistan's geostrategic outlook in the garb of attracting investments, given the sluggish state of its economy. Later, the Pakistani government however rejected the proposal stating there would be no third-party involvement.

On the security front, the change in government also coincided with the re-emergence of instabilities in Balochistan. Despite repeated interventions in Baloch politics, the agency's latest role in propping up the new political alliance (BAP) had no role in improving the security situation that confronted new challenges. There has been a renewed thrust from the Baloch separatist groups that have shown signs of unity in coordinating attacks. While sporadic attacks on Chinese workers in Balochistan have been existent, a paradigm shift took place in the nature of the insurgency when a suicide attack targeted Chinese workers in the restive province, marking a rare instance given the near absence of suicide strikes among the Baloch rebels. This was followed by an attack by BLA insurgents on Chinese consulate at Karachi in December 2018. Their failure to cross the police barrier and poorly coordinated execution pointed towards lack of training making the attempt a tactical failure. However, the larger message from the Baloch insurgents was to escalate the fight beyond Balochistan to avenge their allegation of Chinese exploitation of Balochistan's resources. Publications led by the rebel groups have repeatedly referred to China as siphoning off Baloch resources and partners in crime with Pakistan.[49]

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Other than the Baloch separatist movements, a surprise element in the region emerged from the Tehreek e Taliban's (TTP) revival and targeting of the Chinese interests. American withdrawal from Afghanistan has coincided and arguably resulted in the regrouping of the TTP, which marked its reoriented resurgence in Balochistan with an attack on a Quetta hotel in April 2021, that had hosted the Chinese Ambassador at that time.[50] The last couple of years have registered an intensity in suspicious killings of TTP members inside the Afghan territory (attributed to the Pakistani role), but the group's intertwined linkages with the Afghan Taliban have made it a challenging task to eliminate it. The TTP, despite its weak structure in the last few years continued to wage attacks against the Pakistani forces in the ex-FATA region, its comeback in Balochistan and avowed declaration of its new enemy (China) is expected to further militarise the BRI.

Gilgit Baltistan: Political Conundrum

The geostrategic significance notwithstanding, Gilgit Baltistan rose to prominence soon after the CPEC was unveiled. Like Balochistan, the corridor's entry point from Khunjerab pass rendered it a high symbolic value in the region, where steep mountainous terrain presents connectivity and economic challenges to the local communities. The expectation of incoming investment and natural resource extraction led to a growing call to devolve greater rights as the existing setup continued to give Islamabad the decision-making powers on key subjects.

India's protest questioning the corridor passing through its claimed territory prompted Islamabad to explore ways for political integration to legitimize external economic investments. During its last days, the ruling PML-N announced the abolition of the Islamabad based Prime Minister led GB council (which has the decision-making power on crucial subjects) vowing to give decision making authority to the local elected representatives. In November 2018, the newly elected Prime Minister Imran Khan announced interim province status for Gilgit Baltistan.[51] The development was eventually reported to the Supreme Court of Pakistan, which restored the original order, this time with greater quotas for senior bureaucrats that came to serve from other provinces. Though the government claims that its efforts have been directed towards ensuring the region's greater political representation, the Supreme Court's verdict tells a different story. As Indian claims have been more assertive after CPEC's inception, Pakistan used the opportunity to accuse India of sabotaging the corridor. In a way, the delay in implementing any substantial economic program in the region again has been linked to alleged Indian conspiracies -- absolving the leadership from any accountability.

Military as the Stabilizing Force?

Going by government statistics, reports in the Pakistani media and CPEC's official website, progress in the projects remains steady yet data wise opaque. This is evident from the mismatch cited in this article. The phase under PTI leadership, however, marks a sensitive period for the CPEC with intertwined domestic and international challenges affecting the project, that automatically validated army's greater control over the project. The state of the economy and Pakistan's dependence on external borrowings attracted American pressure by attaching the IMF bailout to the nature of CPEC borrowings. Retrenchment in some projects as discussed in the article was a natural fallout of the pressure from the IMF. While PTI's erstwhile skepticism ceased, the project found itself entangled in a new round of the US-China squabble. Some sections of Pakistani media did report a slowdown in the projects after the IMF deal, but the official CPEC website continues to show regular updates. It remains to be ascertained whether Imran Khan's visit to China in October 2019 was aimed more at pushing Beijing to restart the reportedly stalled projects or discuss the change in Jammu and Kashmir's constitutional setup or both. What is discernible is the military establishment's greater interest in matters related to Pakistani economy as the sluggish growth and rising inflation brought its handpicked government under severe criticism. In October, Army Chief General Bajwa held a meeting with key Pakistani business leaders, where he was quoted as saying the Army and the government were on the same page. This was followed by the appointment of former three-star officer Lieutenant General Asim

What is discernible is the military establishment's greater interest in matters related to Pakistani economy...

Bajwa as the head of CPEC Authority on 22nd November 2019, who continues to hold the position despite accusations of corruption.[52] The Army's growing involvement in matters of the economy are easy to understand in the context of the domestic and international instabilities that directly affect the nation's economic stability. As PTI led coalition's thin majority was expected to face challenge from opposition parties on the domestic political front, and simultaneously rescue the CPEC vis-a-vis the conditions posed by the IMF in the recent bailout package, the military establishment once again has stepped in to portray itself as the only stabilizing force.

Impact on Economy and Society

As the CPEC deepens it footprints in Pakistan, its footprint has begun to get noticed in significant sections of the Pakistani economy. The power sector remains at the forefront, more for debt-related reasons. It is observed that the primary cause of the growth in the Circular Debt (over $13 billion at present) is the capacity payments, particularly to large CPEC affiliated power projects, i.e., the "fixed costs paid to the independent power producers (IPPs) that contribute significantly to electricity generation in Pakistan".[53] On the one hand, power production has become key aspect of CPEC's agenda, but Transmission and Distribution (T&D) losses and the inability to extract revenues from the consumers remain a systemic problem in the country. This is set to create mounting fiscal imbalance in the country. On the communications and the telecom front, the CPEC defined the completed $240 million Fiber Optic Project in 2020 as an alternative to the submarine cables that provide internet to Pakistan.[54] The growth in Chinese share in the digital and telecom markets is conspicuous, with China Mobile having captured over 20% of Pakistani market by 2021, a tenfold rise from 2% in 2007.[55]

In the larger picture, China also emerged as Pakistan's largest creditor in the outgoing decade. According to the IMF, by April 2021, Pakistan's "external debt had ballooned to $90.12 billion, with Pakistan owing 27.4 percent —$24.7 billion — of its total external debt to China", a threefold rise from the 2013 figure of 9%.[56]

It can be concluded that the CPEC cannot be simply characterized as an infrastructure project but as a mechanism to infuse Chinese funding into Pakistan's crumbling sectors (for instance the power, heavy industry, communications and eventually Agriculture) with a long-term perspective of establishing its own parallel governance structure; taking it out of the state's control. This is where its societal ramifications could be felt in the future, which would be something more than growing presence of Chinese workers in the country. To define a few, the impact would appear in the form of exclusive residential spaces, public brawls as seen in the past and the backlash from the clerical establishment, which once took Islamabad to hostage during the 2007 siege accusing the government of sheltering illicit Chinese businesses.

An early side-effect of this transition was seen in April 2018, when Chinese workers engaged in a brawl with the Police in Khanewal, Punjab.[57] Another such instance resurfaced again in August, 2020 but was not reported much in the Pakistani media considering the popular backlash against the Chinese during the April, 2018 episode.[58] An Additional development, which is set to antagonize the conservative classes in Pakistan is the beginning of Beer production in Balochistan to cater to the Chinese workers. However, the army's control over the media narratives has successfully subdued any mass circulation of such reports.

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In a nutshell, the understanding of CPEC should not be seen only in terms of 'debt-trap diplomacy', but an on-going process of redefining the Pakistani economy with large Chinese stakes. The short-term benefits are visible in terms of increased power production, revamped connectivity, better communication infrastructure and a China-controlled stock exchange, but core-economic decision-making or control over the economic projects no longer remains with the Pakistani state. Besides the above-mentioned short term tangible gains, legitimacy to the project is being related to the criticism from official circles in Washington and New Delhi, which is used by the army to persuade the masses and take away the project from the purview of any public scrutiny.

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