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A Cooperation through Karakorum
Highway

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前言 - 中国-巴基斯坦经济走廊：通过喀喇昆仑公路的一个合作

从 2013 年以来，中国推动“一带一路”，这是与很多国家有关的一个巨大项目。一带一路是通过铁路、海上、外交和经济关系在东南亚、西亚、中东、非洲和东欧扩大自己的。一带一路包括很多方面，比如说经济、政治、工业、技术和基础设施。一带一路在于很多比自己小的项目。这个大项目里面在中国巴基斯坦经济走廊。

中国为什么向巴基斯坦投资？中国和巴基斯坦一直建立了一个好关系：他们从 1951 年是最好的盟友。在历史上，他们互相帮助互相支持他们的经济和政治。他们的经济和政治利益从来没有冲突了，比如他们有共同的对手：印度。并且在国际舞台上，他们外交地支持：比如在 1950 年的联合国大会，巴基斯坦支持中华人民共和国成为一个安理会常任理事国。

中国巴基斯坦经济走廊是什么？中巴经济走廊的话题很现代，因为走廊 2015 年开始了，它延续到 2030 年，也就是 15 年的工作和创新。现在相比，2030 年中国和巴基斯坦将显得非常不同的。这本论文分析这个大的项目。从巴基斯坦南方的瓜达尔港到新疆的喀什噶尔，中国正在跟巴基斯坦合作，对巴基斯坦投资。这种项目包括很多方面：能源、基础设施、经济、贸易和地缘政治。中国巴基斯坦经济走廊带有一个巨大的投资，也就是说 460 亿美元。这个金额是中国向巴基斯坦投入的。经济发展对巴基斯坦非常重要。这个金额就是为了进行创新，而让巴基斯坦发展得更快。因为巴基斯坦是一个发展中国家，所以它带来很多问题和困难，比如在国内生产总值、失业率、教育、旅游业、卫生保健、能源危机和安全这些方面。这个投资会改变巴基斯坦的目前情况。

一. 关于第一个方面，巴基斯坦的国内生产总值通过经济走廊会提高得很多。

如果政治将办好这种财富，人口的生活质量就将提高。

二. 关于失业率这个方面，按照专家的估计，中巴经济走廊将造成 80 万位置。

这不让巴基斯坦解决失业的问题，但是肯定将提高现在的情况。

三. 巴基斯坦的教育带来一个巨大的问题，也就是说巴基斯坦年轻人的大部分不会准入高等教育。即使经济走廊不会解决这种问题，中国和巴基斯坦通过学生交流也将合作，以便提高双方大学的质量和研究的水平。

四. 巴基斯坦的旅游业现在不太发达。这是因为近几年安全的问题比较严重，而在巴基斯坦的旅游设施也不太好。这样，走廊通过更好的基础设施和经济改善会带来国际游客。

五. 公共卫生保健也应该发展。巴基斯坦人的大多数常去私人医疗保健，因为公共的不好。走廊对卫生保健不会帮助得多。在瓜达尔市中国正在建设一个先进医院，叫“中巴友谊医院”。

六. 伊斯兰堡的最大目标是解决能源危机。它会让人口的大部分提高生活质量水平。现在中国正在建设很多水力、风力和煤炭发电厂。这些 2030 年将解决能源危机。

七. 因为巴基斯坦里塔利班推广恐怖主义了，所以经济发展也会让巴基斯坦改善自己的安全方面。

通过中国巴基斯坦经济走廊，中国有三个目标：一个是政治的、一个是经济的、最后的是关于安全的。

第一，中国政府的目标是扩大中国的影响力，超美国的全球力量，在国际舞台上得到霸权。

第二，中国想向外国转移过剩产能。这样，别的国家可以利用中国的过剩产能，同时，中国可以进行出口，是为了造成工作位置和收益。并且，巴基斯坦放在一个战略要点。它为中国是跟一个向西亚的门一样。而，巴基斯坦的方位这么好，以至于中国通过巴基斯坦会使石油进口的路变短。这是中国最大的推动中巴经济走廊的原因。

第三，并且，中巴经济走廊会提高新疆的情况。现在新疆维吾尔自治区比华东不太发达的，而维吾尔族不喜欢中国，因为维吾尔族与汉族并不一样：种族、语言、文化和宗教不一样。他们不认同中华人民共和国，而中国

要控制新疆的领土。对维吾尔族来说，中国正在占领新疆，而对中国来说，新疆是自己的合法领土。这就让暴力在新疆增加。所以中国通过经济走廊希望停止暴力而通过经济、工业和贸易的发展控制新疆维吾尔自治区。

现在我们不会知道，中巴经济走廊会对巴基斯坦带来多少效益而对中国带来多少效益。这种投资会不会让巴基斯坦完全发展？但是我们会说，那么巨大的投资肯定对这两个国家带来好处而解决有的问题。

这本论文分四个部分：第一个是关于中巴关系；第二个是关于“一带一路”这个项目；第三个介绍中国巴基斯坦经济走廊的项目；第四个分析中巴经济走廊的后果而评估利弊。

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List of Acronyms

<i>AJK</i> : Azad Jammu Kashmir	<i>IS</i> : Islamic State
<i>ATI</i> : Agricultural Training Institute	<i>KKH</i> : Karakorum Highway
<i>BLA</i> : Baluchistan Liberation Army	<i>LCOE</i> : Levelized Cost of Energy
<i>BLF</i> : Baluchistan Liberation Front	<i>LeJ</i> : Lashkar-e-Jhangvi
<i>CCP</i> : Chinese Communist Party	<i>MW</i> : MegaWatt
<i>CPEC</i> : China-Pakistan Economic Corridor	<i>NATO</i> : North Atlantic Treaty Organization
<i>CPEEC</i> : China-Pakistan Energy and Economic Corridor	<i>NDRC</i> : National Development and Reform Commission
<i>DIG Police</i> : Deputy Inspector General Police	<i>NREL</i> : National Renewable Energy Laboratory
<i>EAPP</i> : Energy Actively Promoted Projects	<i>OBOR</i> : One Belt and One Road
<i>INS</i> : Italian Numbering System	<i>PASS</i> : Pakistan Academy of Social Sciences
<i>EPP</i> : Energy Priority Projects	<i>PEP</i> : Potential Energy Projects
<i>ETIM</i> : East Turkestan Islamic Movement	<i>SATP</i> : South Asia Terrorism Portal
<i>FATA</i> : Federally Administered Tribal Areas	<i>SEZ</i> : Special Economic Zone
<i>FDI</i> : Foreign Direct Investment	<i>SSD</i> : Special Security Division
<i>GDP</i> : Gross Domestic Product	<i>TTP</i> : Tehreek-e-Taliban Pakistan
<i>HEC</i> : Higher Education Commission	<i>UN</i> : United Nations
<i>IRENA</i> : International Renewable Energy Agency	

Decimal System

It should be noticed that the data in this thesis is based on the English Numbering System. Yet, some exceptions are present: the graphs elaborated by the author are based on the Italian Numbering System. Therefore, in order to not to confuse the reader, in the graphs, where the Italian Numbering System is present, the author will carefully specify it with the acronym INS.

Introduction

A. BACKGROUND AND MAJOR RESEARCH QUESTIONS

For the last few years, China has been working on a huge initiative, “One Belt and One Road”, which involves most of world’s countries. It expands through railways, maritime ways and diplomatic and economic relations. Inside this big project, the China-Pakistan Economic Corridor (CPEC – *Zhōngguó-Bājisītǎn Jīngjì Zōuláng*) takes an important position. Even if it is just a small part of the Silk Roads initiative, it’s a plan that has a great significance for the region and will bring a huge change in Pakistan’s economy, politics and everyday life. The corridor is mainly working on energy and infrastructure aiming at facilitating the trade between China and Pakistan.

Pakistan has a lot of issues inside its borders, like: poverty, low access to higher education, unemployment, poor healthcare, energy crisis, lack of infrastructure and security issues. This thesis will analyse, first, the current situation of Pakistan. Through a deep analysis of the CPEC projects, it will be possible to forecast how much the corridor will be useful for the resolution of these issues.

China, on the other side, is aiming at the supremacy in the region. Its main goals are to become a superpower and have a big influence in the international arena. It is searching for a safer route for its oil imports and an improvement in Xinjiang security and development. What will the corridor provide?

The main goal of this thesis is to analyse the pros and cons of this Chinese dream and its consequences on both countries. This thesis will examine the dynamics of the CPEC by responding to the following questions:

1. What is the strategic significance of the China-Pakistan Economic Corridor?

2. How will the economic corridor be a win-win situation for both countries?
3. What are the challenges and impediments China and Pakistan will face in the implementation of the initiative? And how will they deal with them?

B. LITERATURE AND MATERIALS

Since the China-Pakistan Economic Corridor is a very new topic and an initiative under construction, this thesis' full research has been following many different academic journals, papers, think-tanks and government-sponsored reports and studies. Since the CPEC is an on-going project, a lot of information can be found on the local and international newspapers as well, this is why news are also a documentation material for this thesis.

The data present in the graphs and tables has been taken from World Bank website (<https://data.worldbank.org/>) and/or from the official website of the China-Pakistan Economic Corridor (<http://cpec.gov.pk/>). The author elaborated this data, giving it shape into graphs and tables. The general criteria followed by the author is the faithfulness to the official statistics.

It must be noticed that World Bank data range (Years) differs over the different indicators (Unemployment, education, illiteracy, population etc.). For example: in figure 4, Pakistan population growth has been shown till year 2017, while figure 5, Pakistan labour force growth is shown till year 2015. This difference is due to the availability of official data and the range has been kept as per official data for the purity of research. This range variation doesn't compromise the work of this thesis, because this study is focused on the trend instead of single year. The main aim of this dissertation is to compare the situation in Pakistan and China before the CPEC and after it.

Another important thing to highlight are the budgets values: the real costs for the projects might be higher/lower than the ones estimated in this thesis, because this thesis is based on official CPEC website data updated to July 2018 (last access of the author). Since the CPEC is an ongoing project, at the end of the initiative, in 2030, the costs can be different because of possible physiological changes in projects and other situations.

To be impartial, this thesis is referring to sources which are from different stakeholders like China, Pakistan, India and the USA.

C. THESIS STRUCTURE

This thesis comprises four chapters and it is structured for the reader to understand the topic gradually: first, the historical and regional background and the “One Belt and One Road” initiative that is changing the world layout. Then, it will be easier for the reader to contextualize the project of the China-Pakistan Economic Corridor (CPEC), its effects on geopolitical and economic aspects and the future challenges for the two main stakeholders: China and Pakistan.

Chapter I gives a brief Country profile of Pakistan before going deep into the foundations of the China-Pakistan diplomatic relations. The history between the two countries and their strong bond, that never failed, defined their relation as an “all-weather friendship”. The political and economic situation of Pakistan and the regional dynamics will be presented to give a preliminary background for a deeper understanding of next chapters. This chapter will further analyse the regional interests and dynamics and will end with an assessment of the reasons why China decided to make huge investments in Pakistan.

Chapter II focuses on the explanation of how China’s foreign policy evolved through the decades. First, the Third World Policy and its history is presented as a

means for China to win the benevolence of emerging countries against the superpowers. Lately, China left this policy and concentrated in the project “One Belt One Road”. This initiative is fundamental because the CPEC is part of it and they have some common goals and objectives. Thus, to understand the geopolitical significance of the CPEC, it is important to understand the ideologies behind China’s past and present foreign policies.

After the explanation of China’s broader initiative, Chapter III will provide a full presentation of the CPEC’s major and smaller projects. They develop mainly into energy, infrastructure, trade and industrialization. These fields are interconnected: as a matter of fact, the solution to energy shortage will improve industry and economy, while infrastructure will help transportation and trade. This will help the quality of life for the population, affecting this way the security challenges that both countries are facing nowadays.

Chapter IV studies the future challenges and advantages China and Pakistan might encounter during the implementation of the CPEC. What will China gain from making such huge investments in Pakistan? What will be CPEC’s pros and cons in Pakistan in a short- and long-term perspective? There are common geopolitical goals chased by both countries, which focus mainly in the economic and political stability in the respective regions of Xinjiang and Baluchistan.

1 China-Pakistan Relations

1.1 AN OVERVIEW OF PAKISTAN

The Islamic Republic of Pakistan was born in 1947 with the partition from India. The state is a Federal Parliamentary Republic, with the capital city in Islamabad. The country comprises of four provinces (Baluchistan, Khyber Pakhtunkhwa, Punjab and Sindh), Federally Administered Tribal Areas and Islamabad Capital Territory.

The main borders are in the north with China, on the west with India, on the south with the Arabian Sea and on the east with Iran and Afghanistan. Its total area is 881,888 kilometre square¹ and it has more than 1,000 km of coastline. The land is divided into 3 main geographic areas: northern highlands, the Indus river plain in the centre and the east, and the Baluchistan plateau in the south and the west. This variety of landscapes provides Pakistan of extensive agricultural land, natural gas resources, coal, iron ore, copper, salt and limestone. There are a variety of climates inside the country: in the north it is arctic, in the northwest it is temperate, while going south it is mostly hot and, in some areas, even desertic.

The main environmental problems are water pollution, industrial wastes, limited natural freshwater resources, deforestation, soil erosion and desertification.²

In 2017 the population reached 204,924,861 people. The most densely populated province is Punjab and that's why the major ethnic group is Punjabi

¹ *Pakistan Tourism Development Corporation*, "About Pakistan", http://www.tourism.gov.pk/explore_pakistan.html, accessed on July 27, 2018.

² *Central Intelligence Agency (CIA)*, "The World Fact Book", <https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html>, accessed on July 27, 2018.

(44.7%), followed by Pashtun (15.4%), Sindhi (14.1%), Sariaki (8.4%), Muhajirs (7.6%), Balochi (3.6%) and other minorities (6.3%). The official languages are English and Urdu³, but there is a pluralism of languages (estimated 74)⁴, of which the main ones are Sindhi, Punjabi, Pushto, Balochi, Siraiki and Brahvi.

Nowadays, Pakistani people carry a cultural heritage that involves a pluralism of cultures and groups that passed through the region in the past centuries, like: Dravidians, Indo-Aryans, Persians, Greeks, Scythians, Parthians, Kushans, White Huns, Afghans, Arabs, Turks, and Mughals. This is why Pakistan is often called as “the museum of races”.

The majority of people work in agriculture and live in the rural areas. People in urban areas are involved mainly in manufacturing, mining and services. There is a big tendency of going abroad⁵ (in 2017 Pakistani population living abroad was estimated to be more than 9 million people).⁶ Because of this pluralism of races and ethnicities, Pakistani people don't have an ideal racial type, nor they feel part of a regional or ethnic group.⁷

Pakistan is an Islamic state: more than 96% of the population is Muslim (Sunni 85-90%, Shia 10-15%).⁸ Minorities include Hindus, Christians and others (3.4% of the population). The legal system is a combination of common law and Islamic

³ Ibidem

⁴ *Ethnologue Languages of the World*, “Pakistan”, <https://www.ethnologue.com/country/PK>, accessed on July 27, 2018

⁵ *Pakistan Tourism Development Corporation*, “About Pakistan”, http://www.tourism.gov.pk/explore_pakistan.html, accessed on July 27, 2018.

⁶ TANOLI, Qandeer, “2.43 million Pakistanis working in Europe”, *The Express Tribune*, April 24th, 2017; <https://tribune.com.pk/story/1391730/overseas-workforce-2-43-million-pakistanis-working-europe/>, accessed on July 26, 2018.

⁷ *Pakistan Tourism Development Corporation*, “About Pakistan”, http://www.tourism.gov.pk/explore_pakistan.html, accessed on July 27, 2018.

⁸ *Central Intelligence Agency (CIA)*, “The World Fact Book”, <https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html>, accessed on July 27, 2018.

law. The Constitution declares that “subject to law, public order and morality, every citizen shall have the right to profess, practice, and propagate his religion”. However, minorities are not so much protected because of the article 19 of the Constitution where it is stated that freedom of speech is granted by the state, with some restrictions:

“Every citizen shall have the right to freedom of speech and expression, and there shall be freedom of the press, subject to any reasonable restrictions imposed by law in the interest of the glory of Islam or the integrity, security or defence of Pakistan or any part thereof, friendly relations with foreign States, public order, decency or morality, or in relation to contempt of court, **1[commission of]** or incitement to an offence.”

Even though government tried to improve the life and rights of minorities in the last decade, still there are death penalty laws like blasphemy laws, which many times are used to remove uncomfortable people from the political scene and society.⁹

Pakistan exports focus on sports, chemicals, textile, carpets and leather goods.¹⁰ As a developing country, Pakistan is likely to be in the future one of the largest economies in the world.¹¹

⁹ U.S. Department of State, “Pakistan – International Religious Freedom Report 2008”, <https://www.state.gov/j/drl/rls/irf/2008/108505.htm>, accessed on July 27, 2018

¹⁰ For further information about Pakistan see: COHEN, Stephen, *The Idea of Pakistan*, Brookings Institution Press, Washington, September 21, 2004; QANDEER, Mohammad, *Pakistan – Social and Cultural Transformation in a Muslim Nation*, Routledge, November 22, 2006

¹¹ GRANT, Tavia, "On 10th birthday, BRICs poised for more growth". *The Globe and Mail*, Toronto, December 8, 2011, updated May 3, 2018, <https://www.theglobeandmail.com/report-on-business/economy/economy-lab/on-10th-birthday-brics-poised-for-more-growth/article536100/>, accessed on July 27, 2018.

1.2 BACKGROUND

“Friendship between China and Pakistan is based on trust and mutual support, and we have been devoted friends through both good and hard times.”¹²

This is how Chinese President Xi Jinping started his speech in his first visit to Pakistan, where he, President Hussain and Prime Minister Sharif agreed to elevate China-Pakistan relationship to an “all-weather” strategic partnership¹³. This definition is perfect for describing this relation, as a matter of fact at the beginning the diplomacy between these two countries stood on 3 pillars:

1. Trust: China will not abandon Pakistan as the U.S. did.
2. Mutual enemy, India.
3. Cooperation against terrorism¹⁴

After the U.S. abandoned Pakistan, China proved to be a reliable substitute providing support on military and nuclear fields. They collaborated in the construction and implementation of infrastructure in Pakistan, and are still cooperating, through the economic corridor.

The economic gap between the two countries extends to people’s perceptions: most Pakistanis has a positive view of China; Chinese, on the other side, have different perceptions about Pakistan.¹⁵

The common rivalry with India was, at beginning, the reason why the two countries got closer¹⁶. Later, in the late 1980s, the relations between China and India

¹² XI, Jinping, Building a China-Pakistan Community of Shared Destiny to Pursue a Win-Win Cooperation, Islamabad, 21 April 2015.

¹³ Ibidem

¹⁴ SIDDIQUE, Qandeel, “Deeper than the Indian Ocean? An Analysis of Pakistan-China Relations”, *SISA Report*, no.16, 2014, p. 8.

¹⁵ RITZINGER, Louis, “The China-Pakistan Economic Corridor: regional dynamics and China’s geopolitical ambitions”, in *The National Bureau of Asian Research*, 2015

¹⁶ Ibidem

started reconciling. India is now China's first largest trade partner, while Pakistan is second.¹⁷ Nevertheless, the China-Pakistan relationship didn't grow weak.

Finally, yet importantly, the security problems in Pakistan and the Uighur's issue in China's western province of Xinjiang (*Xīnjiāng Wéiwú'ěrzú Zìzhìqū*) pushed both countries to cooperate in order to defeat terrorism, which can bring stability, security and economic interests.¹⁸



Figure 1 - Map of China and Pakistan

The two countries have different goals: Pakistan is focused on India and its internal strife; while China is an emerging world power and is chasing global ambitions. This dynamic is very important to understand their relation, the motivations and goals that brought to the CPEC.

¹⁷ "Document no.5: Pakistan-China relations", IPRI Review, *Islamabad Policy Research Institute*, pp.1-2.

¹⁸ SIDDIQUE, Qandeel, "Deeper than the Indian Ocean? ...", p. 8.

Despite this relationship is “higher than the mountains, deeper than the sea and sweeter than honey”¹⁹, there are some restraints that China has to take into account. Pakistan cannot completely replace the US with China. China wants to invest and trade in Pakistan, but the lack of infrastructure and energy shortage are big obstacles for this goal. There is a huge need to promote people-to-people contacts between the two countries²⁰. As a matter of fact, only governments had contacts with each other so far. Pakistani consumers criticize the low quality of Chinese products, while Chinese investors complain the lack of investment areas in Pakistan. There is a huge need to understand each other’s culture, lifestyle, through exchange of students, tourism and visits of cultural troupes.²¹

President Xi Jinping during his first visit to Pakistan gave some guidelines to follow to improve this relationship and make it last:

1. Make strategic cooperation and reinforce mutual assistance;
2. Share common interests and point towards mutual development;
3. Build a long-lasting relationship through cultural and business exchanges;
4. Face together the security challenges and difficulties;
5. Accomplish responsibilities and coordinate better on international issues.⁷

1.3 HISTORY OF CHINA-PAKISTAN RELATIONS

Diplomatic relations between Pakistan and China started in the early 1950s, when the two countries were both very young²² and realized that they had no

¹⁹ XI, Jinping, Building a China-Pakistan Community of Shared Destiny to Pursue a Win-Win Cooperation, Islamabad, 21 April 2015.

²⁰ “Document no.5: Pakistan-China relations”, IPRI Review, Islamabad Policy Research Institute, pp. 1-2.

²¹ Ibidem

²² SIDDIQUE, Qandeel, “Deeper than the Indian Ocean? ...”, p. 6.

conflict of interest between each other.²³ Their ties were forged in 1951 with the opening of Pakistan embassy in the Chinese capital, Beijing.

It is important to notice that Pakistan was the first Muslim country to recognize People's Republic of China (PRC)²⁴, and the greatest supporter of "One China Policy", especially in 1950 United Nations General Assembly for the recognition of People's Republic of China's (PRC) rights²⁵ and for its position in the UN Security Council's five permanent members.

What brought them to a deeper bond was the 1953 Trade agreement signed to strengthen the previously formalized trade relations.²⁶

This friendship meant for China two important points of union:

- a) The beginning of operational China's Third World Policy, whose goal was the unity of Third World countries.
- b) A united front against common enemies: the Soviet Union and India. China was concerned about the increasing presence of the Soviet Union in Indian Ocean and at the same time about the developing the Soviet-Indian relations. The problems between China and India started in 1959 with the Sino-Indian dispute on the border and the following war in 1962, with a great Soviet support for India. Whereas, the interaction between Pakistan and India kept on being tense from the partition between these two countries (1947)

²³ JAVAID, Umbreen, JAVAID, Rameesha, "Strengthening Geo-Strategic Bond of Pakistan and China through geo-economic configuration", in *Pakistan Economic and Social Review*, Vol 54, No 1, 2016, p.124.

²⁴ SIDDIQUE, Qandeel, "Deeper than the Indian Ocean? ...", p. 6

²⁵ JAVAID and JAVAID, "Strengthening Geo-Strategic Bond of Pakistan and China...", p.125.

²⁶ Ibidem;

RAMAY, Shakeel Ahmad, "CPEC: A Chinese Dream Being Materialized through Pakistan," Sustainable Development Policy Institute (SDPI), p.2.

reaching to the war with Bangladesh (East Pakistan) in 1971 and persisting nowadays.²⁷

In the mid-1950s, China-Pakistan relationship became strained because of Pakistan signing the Southeast Asia Treaty Organization (1954) and Central Treaty Organization (1955) pacts. Because their main aim was to confine communist countries like USSR and China, the Chinese leadership considered these pacts as a threat to China's regional and domestic security.²⁸ Nevertheless, the real intent of Pakistan in joining these pacts was a precaution against possible threat of India.²⁹

At the beginning of 1960s, the relationship between China and Pakistan started strengthening again. This is because in that period, on the other side, Washington provided India US \$500 million in foreign aid, whereas Pakistan, that was a US strategic ally, was granted only US \$150 million. United States' policy toward South Asia was shifting, so Pakistan started reviewing its own position in geopolitical dynamics too.³⁰ In these circumstances, Pakistan took position and turned itself towards China, leaving the western allies behind.³¹ In 1962, Pakistan supported China in its war against India³²; in return, China opened itself to clear the Sino-Pakistan border issue.³³ They concluded these disputes in 1963 through the Sino-Pakistan border agreement, in which they amicably decided to arrange the common border along northern Kashmir and Ladakh regions.³⁴

²⁷ YU, George T., "China and the Third World", in *Asian Survey*, Vol 17, No. 11, University of California Press, 1977, pp. 1043-1044; <http://www.jstor.org/stable/2643352>

²⁸ JAVAID and JAVAID, "Strengthening Geo-Strategic Bond of Pakistan and China...", p.125.

²⁹ RAMAY, "CPEC: A Chinese Dream Being Materialized through Pakistan," p.2.

³⁰ "Foreign Relations of the United States 1961-1963, Vol. XIX, South Asia," U.S. Department of State, http://dosfan.lib.uic.edu/ERC/frus/summaries/960820_FRUS_XIX_1961-63.html, accessed on May 23, 2018

³¹ JAVAID and JAVAID, "Strengthening Geo-Strategic Bond of Pakistan and China," p.125

³² HUSSAIN, Zahid, "China Pakistan Economic Corridor and the new regional geopolitics", *Asie.Visions*, No. 94, Ifri, June 2017.

³³ JAVAID and JAVAID, "Strengthening Geo-Strategic Bond of Pakistan and China," p.125

³⁴ HUSSAIN, "China Pakistan Economic Corridor".

In the next months, China, which till that time did not take a stand on Kashmir sovereignty dispute between India and Pakistan, started supporting the latter.³⁵ As a result, the United States suspended a loan of US\$4.3 million to Pakistan, which was provided for the construction of the new Dacca airport (East Pakistan).³⁶

On the other hand, China kept on sustaining Pakistan in good and bad times, providing economic, technical and military aid, helping this way Pakistan to build its military force.³⁷

The China-Pakistan relation became much stronger after 1965 Indo-Pakistani war on Kashmir and the following 1966 Soviet-sponsored Tashkent meeting (peace agreement between the two countries).³⁸ China diplomatically and morally supported Pakistan, and offered complete military aid, especially when the US, that was the main source of weapons for Islamabad, established an arm embargo against Pakistan.³⁹ In 1974, the Chinese aid to Pakistan reached a total of US\$391 million. Beijing also developed a military assistant program for Islamabad.

They developed other areas of cooperation, like building connections between the two countries through roads and flights.⁴⁰ In this frame, between 1966 and 1978, China and Pakistan built the Trans-Karakorum Highway (KKH), the highest concreted road in the world and known as the “Friendship Highway” or the “Eighth Wonder of the World”⁴¹. It was such a huge project that in 20 years-building around

³⁵ JAVAID and JAVAID, “Strengthening Geo-Strategic Bond of Pakistan and China,” p.126.

³⁶ IQBAL, Muhammad, KHALID, Samia, “Pakistan’s Relations with the United States during Ayub Khan’s Period,” *Pakistaniaat: A Journal of Pakistan Studies*, Vol 3, no. 1 (2011), pp. 13–24, <https://ia800703.us.archive.org/4/items/PakistansRelationsWithTheUnitedStatesDuringAyubKhansPeriod/4912-25131-2-PB.pdf>.

³⁷ RAMAY, “CPEC: A Chinese Dream Being Materialized through Pakistan,” p.4.

³⁸ YU, George T., “China and the Third World”

³⁹ HUSSAIN, “China Pakistan Economic Corridor”

⁴⁰ YU, George T., “China and the Third World”

⁴¹ RIEDEL, Bruce, PAVNEET, Singh, “US.-China Relations: Seeking Strategic Convergence in Pakistan”, *Policy Paper of Brookings*, no 18, January 2010, https://www.brookings.edu/wp-content/uploads/2016/06/0112_US_China_Relations_Riedel.pdf

1000 people died on the work (200 Chinese and 800 Pakistani workers estimated).⁴² Built on one of the ancient Silk Roads, this highway climbs the Karakorum mountain range to link the two countries (the Chinese western province of Xinjiang and the Pakistani autonomous territory of Gilgit-Baltistan).⁴³

In the field of defence, China received many visits by Pakistan's military leadership, which resulted for Islamabad in expensive equipment and machinery from China for its Heavy Mechanical Complex in Taxila in 1968. In the following years, until 1971, China offered Pakistan an interest-free loan and foreign aids amounting to US\$495 million for the development of its economy and infrastructure.⁴⁴

In the 1970s, in the scenario of the Cold War, many events happened inside and outside Pakistan. The dynamics between South Asian countries changed in terms of interests and policies and this influenced the China-Pakistan relation. In the third war between Pakistan and India in 1971, China helped only with a verbal stance, stating that India interfered in Pakistani domestic disputes between its East and West region and sustaining Pakistan in front of the UN Security Council.⁴⁵

In the same years, since the relation between China and the Soviet Union was getting tense, the United States thought about exploiting the situation and readjust the regional power dynamics. The US strategy was to get closer to China to control the Soviet influence in Asia.⁴⁶ In this scenario, because of its good relations with both China and the United States, Pakistan played a core role in helping the two countries

⁴² HUSSAIN, "China Pakistan Economic Corridor".

⁴³ AFRIDI, Manzoor Khan, "An Era of Climax of Cordiality in Sino-Pakistan Relations", *International Journal of Social Science Studies*, Vol 3, No 3 (2015), pp.116-122.

⁴⁴ JAVAID, Umbreen, JAHANGIR, Asifa, "Pakistan-China Strategic Relationship: a glorious journey of 55 years", *Journal of the Research Society of Pakistan*, Vol 52, No 1 (2015), pp.167-168; http://pu.edu.pk/images/journal/history/PDF-FILES/9-%20PC%20Umbreen%20Javaid_52-1-15.pdf.

⁴⁵ JAVAID and JAVAID, "Strengthening Geo-Strategic Bond of Pakistan and China," p.126.

⁴⁶ RIEDEL and PAVNEET, "U.S.-China Relations: Seeking Strategic Convergence in Pakistan," p.3.

overcoming their long-term antagonism and building their ties from scratch, culminating with Nixon's visit to China in 1972.⁴⁷

In 1979, Pakistan's relations with both China and the USA were refreshed by Soviet occupation of Afghanistan, which brought to a war. All these countries saw this invasion as a threat and an attempt from the USSR to reach the Arabian Sea and gain the supremacy in Asia.⁴⁸ Pushed by these mutual concerns, Beijing and Islamabad provided, with the US and its allies, a financial and military assistance to Afghans.⁴⁹

The US forged the US-Pakistan security connection, which was suggested by three main factors: 1) the Soviet involvement in Afghanistan; 2) the Iranian Revolution that was boosting out in those years; 3) the tendency of Indian policy to support the USSR, which made New Delhi a questionable candidate for an anti-Soviet alliance. Because of these events going on in Central Asia, Pakistan was a good and reliable base in the region to keep the power balance.⁵⁰

While, in the Cold War period, Pakistan had a significant role in the South Asia dynamics, after 1989 its value in the international environment started decreasing. The USA abandoned Islamabad to deal with its domestic issues and the problems caused by the Afghanistan war: for instance, the huge amount of Afghan refugees fled inside its borders and the spread of the culture of Kalashnikov.⁵¹ Moreover, through the embargo of Pressler Amendment sanctions, the US banned the military

⁴⁷ United States Department of State, Office of the Historian, Bureau of Public Affairs, "Rapprochement with China, 1972", <https://history.state.gov/milestones/1969-1976/rapprochement-china>, accessed on April 29, 2018

⁴⁸ JAVAID and JAHANGIR, "Pakistan-China Strategic Relationship," p.172

⁴⁹ RIEDEL and PAVNEET, "U.S.-China Relations: Seeking Strategic Convergence in Pakistan," p.4.

⁵⁰ RAIS, Rasul B., "Pakistan in the Regional and Global Power Structure", *Asian Survey*, Vol 31, No 4 (April 1991), pp 386-391

⁵¹ JAVAID and JAHANGIR, "Pakistan-China Strategic Relationship," p.173

and economic assistance to Pakistan, unless the President declared Pakistan did not have any nuclear device.⁵²

Considering the U-turn taken by the US in its policies and alliances, it is clear that China, which in these decades kept on being friendly towards Pakistan, remained for Islamabad a good support and a reliable ally to trust.⁵³ In 1990s, China was becoming a core player in the world top powers⁵⁴ and Pakistan re-considered its strategies and started relying on military and economic assistance from Beijing.⁵⁵

There are many reasons to sustain the idea that China's policy towards Pakistan will not shift: 1) it's hard to find reasons why Beijing would give away its relationship with Islamabad; 2) Pakistan has a fundamental role in influencing Southwest Asia, and China knows it very well; 3) the cooperation with Pakistan has helped China in stabilizing its own security.⁵⁶

This support from China reinforced its relationship with Pakistan in every field, especially in the missile and nuclear program.⁵⁷ For example, China National Nuclear Corporation collaborated with Pakistan Atomic Energy Commission in building several nuclear power plants following very high international security standards, like the 300MW Chashma nuclear power plant built in 1992.⁵⁸

On the political point of view, both countries keep very tight ties, exchanging frequent visits: each leader of CCP (Chinese Communist Party - *Zhōngguó*

⁵² Ibidem

⁵³ RAIS, "Pakistan in the Regional and Global Power Structure"

⁵⁴ JAVAID and JAHANGIR, "Pakistan-China Strategic Relationship," p.173

⁵⁵ RIEDEL and PAVNEET, "US-China Relations: Seeking Strategic Convergence in Pakistan," p.5

⁵⁶ Ibidem

⁵⁷ RAMAY, "CPEC: A Chinese Dream Being Materialized Through Pakistan," p.2

⁵⁸ Ibidem, p.4; "Pakistan's Fourth Nuclear Power Plant, Built with China's Assistance, Goes Online" *Dawn News*, December 29, 2016, <http://www.dawn.com/news/1304960>, accessed on April 30, 2018

Gòngchǎndǎng) and each president of Pakistan has visited the other's country at least once.⁵⁹

1.4 PAKISTAN'S POLITICAL AND ECONOMIC SITUATION

To analyse the current political and economic situation of Pakistan, we have to consider some factors, like GDP, unemployment, education, healthcare, tourism, energy and security.

1.4.1 GROSS DOMESTIC PRODUCT (GDP)

GDP is an important element to consider when we talk about the economic situation of a country. In the comparison with Chinese growth, Pakistan looks like having no increase in GDP (figure 2).

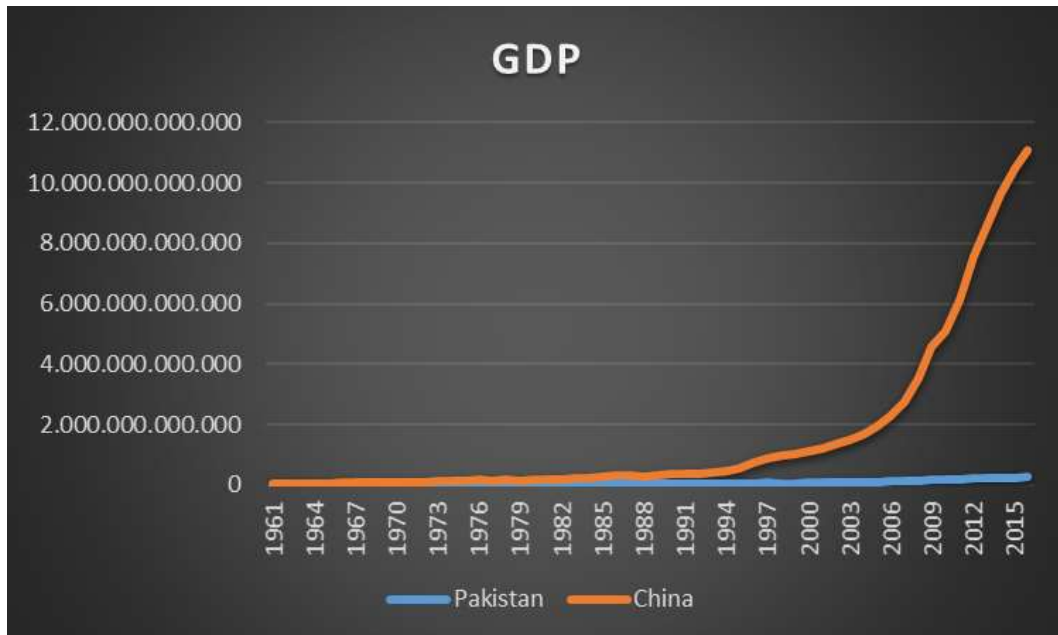


Figure 2 - GDP comparison between China and Pakistan (in US\$) [data from Worldbank] - INS

⁵⁹ RIEDEL and PAVNEET, "US-China Relations: Seeking Strategic Convergence in Pakistan", p.5

However, if we take into consideration the Pakistani GDP growth singularly, we can notice that, especially in the last 15 years, there is a constant improvement in the wealth of the country. Its exponential growth overtook US \$250 billion in 2015 (figure 3).



Figure 3 - Pakistan's GDP (in US\$) [data from Worldbank] - INS

This means that Pakistan economy is improving year by year, even if we cannot ignore that wealth is still not equally distributed inside the population. Thus, there is a big margin of improvement that the country can have in next years.

1.4.2 UNEMPLOYMENT

Unemployment rate in Pakistan is unfortunately an important issue to which the government did not find a decisive solution yet. The population reached 200 million people in 2017, and it is on a constant growth in future (figure 4). With the population increase, labour force is automatically increasing (figure 5) and the low number of job vacancies leads to the problem of unemployment.

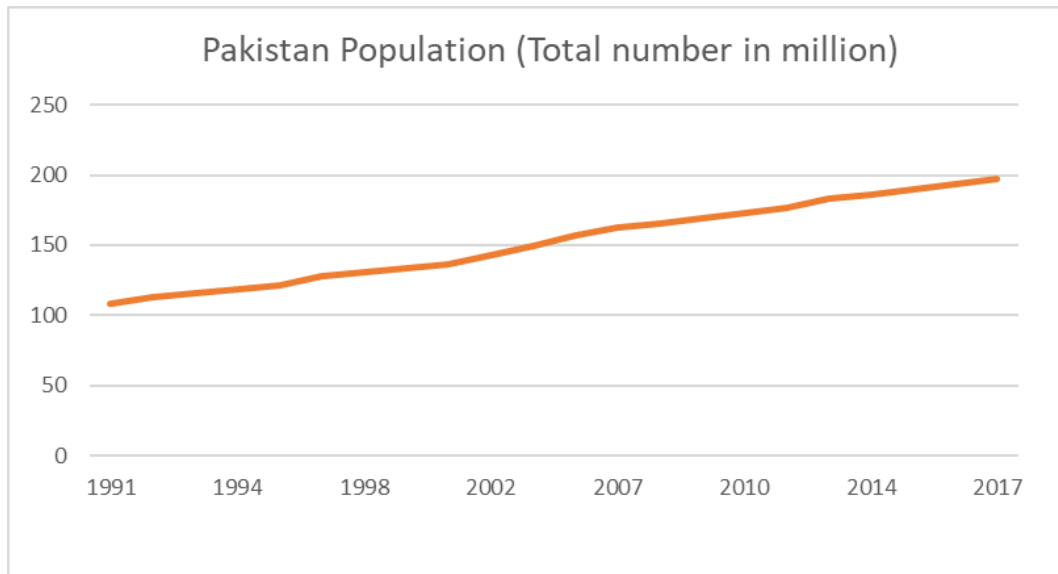


Figure 4 - Pakistan population growth [data from Worldbank]

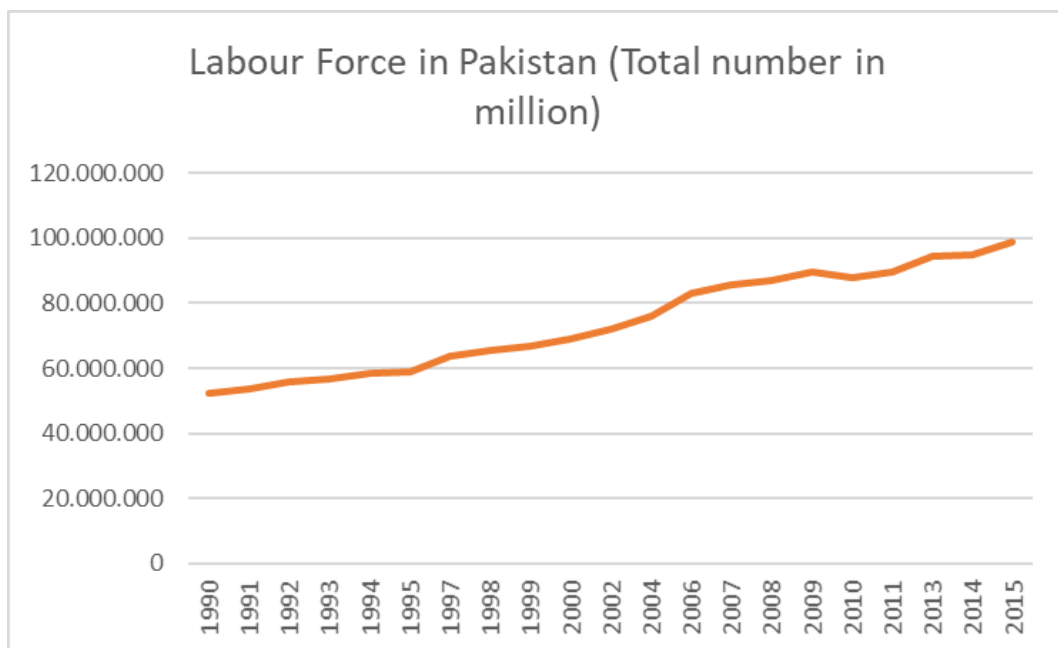


Figure 5 - Labour force growth in Pakistan [data from Worldbank] - INS

For these reasons, the unemployment in Pakistan has always been a big issue reaching its peak in 2005 with almost 4 million jobless people. In the following years, the rate decreased hugely and since 2011 the rate started raising again (figure 6). A solution has to be found as soon as possible in order to avoid reaching the past statistics.



Figure 6 - Unemployment in Pakistan (in 100k) [data from Worldbank]

1.4.3 EDUCATION

Education is the element that determines the future of the population. Illiteracy is still very much spread all over the country (figure 7).

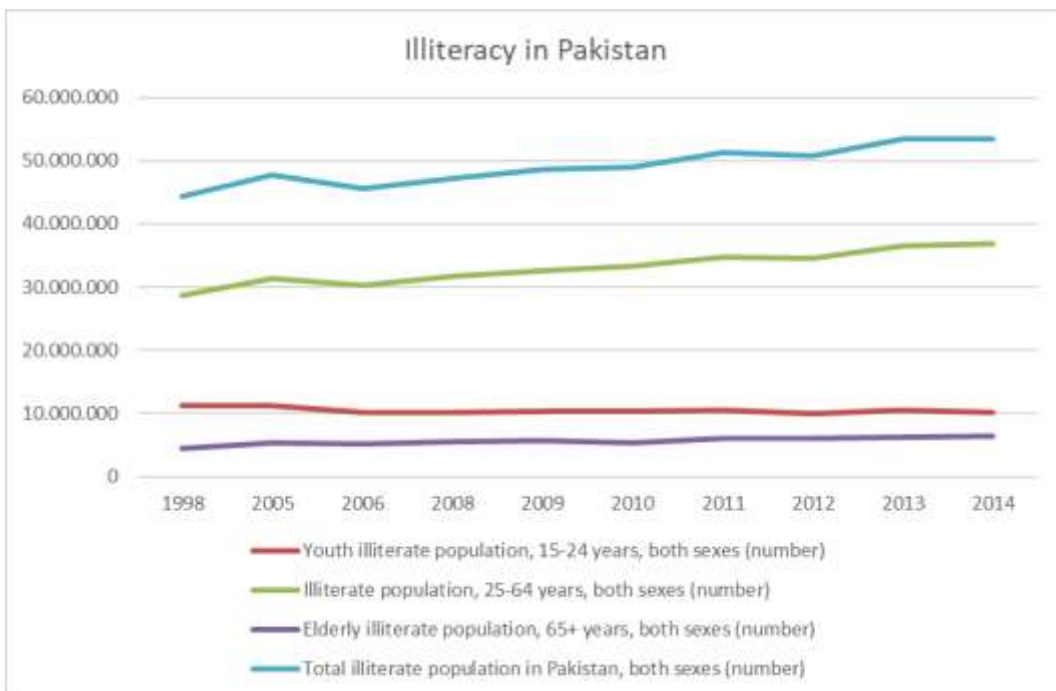


Figure 7 - Illiteracy rate by age [data from Worldbank] - INS

Analysing in depth the problem, we can see that, as the education level increases, the less are the people who can access to it (figure 8). This means that there is a huge slice of population that cannot access to high-end jobs, and that has to survive with very simple kinds of professions.

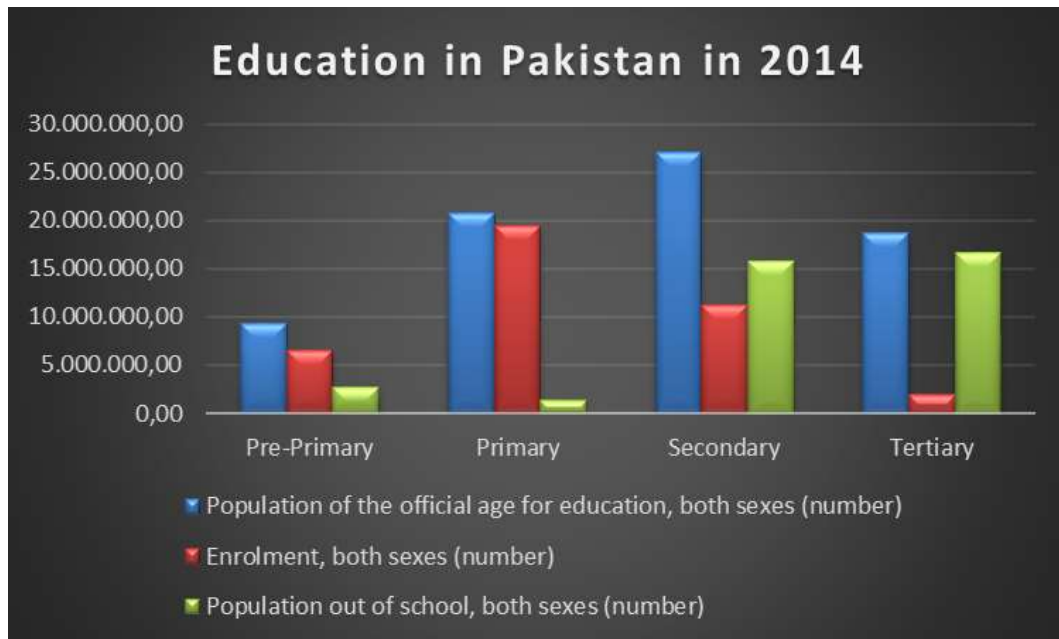


Figure 8 - Education access in Pakistan in 2014 [data from Worldbank] - INS

Since the education is the primary and most effective investment in people's future, very decisive measures should be taken in order to advance people's lives and the development of the country.

1.4.4 TOURISM

If well managed, tourism is a very profitable sector for a country. The investments on the touristic sites, the organization of the flux of visitors and the ease to reach the country are very important factors to take into account for the development of good tourism. Pakistan is a country that has a very good potential, as in past it was a popular destination, especially for explorers and mountain lovers. The natural beauty and its high peaks, like K2 (8611 m) and Nanga Parbat (8126 m)

attracted many foreigners every year. After the war of Afghanistan and the Taliban crisis, the international tourism in Pakistan decreased a lot due to security reasons. Despite this, the domestic travelling has been increasing and, in 2016, it reached the 93% of total contribution of tourism in GDP of Pakistan (figure 9). While the international arrivals since the last 5 years have been decreased (figure 10).

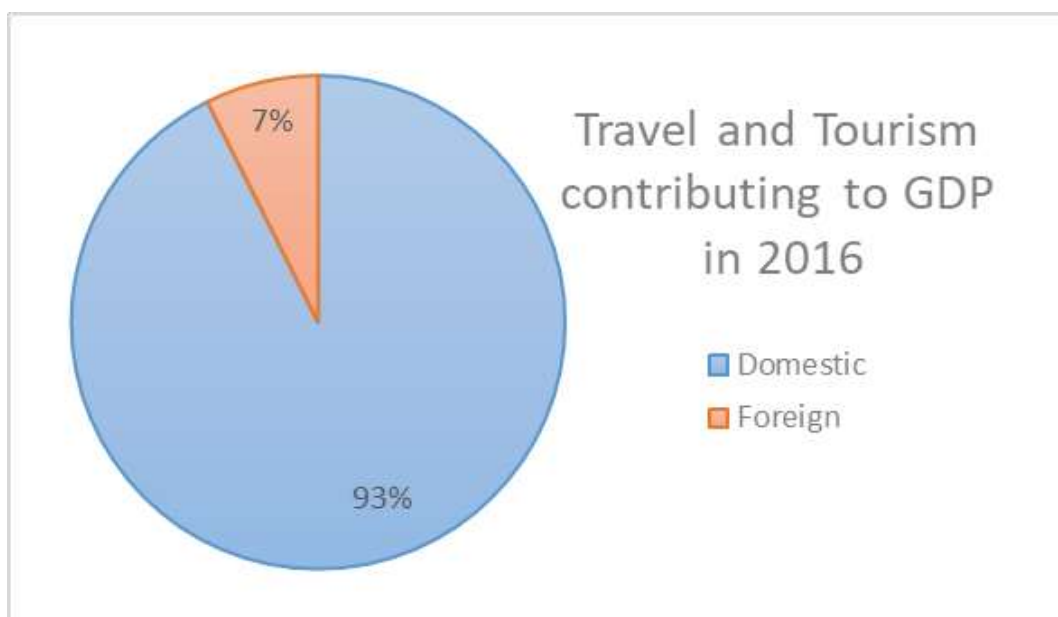


Figure 9 - How much foreign and domestic tourism are impacting on GDP [data from Worldbank]



Figure 10 - International tourism in Pakistan, receipts (US \$Million) [data from Worldbank]

1.4.5 HEALTHCARE

Total healthcare expenditure is increasing through the years and in 2013-14 looks like it is stabilized. There is still a clear difference between public and private expenditure: people rely more on private centres than public. Government should invest more to raise the level of public healthcare (figure 11), even though Pakistan is granted some small amount of foreign aid for healthcare services (figure 12).

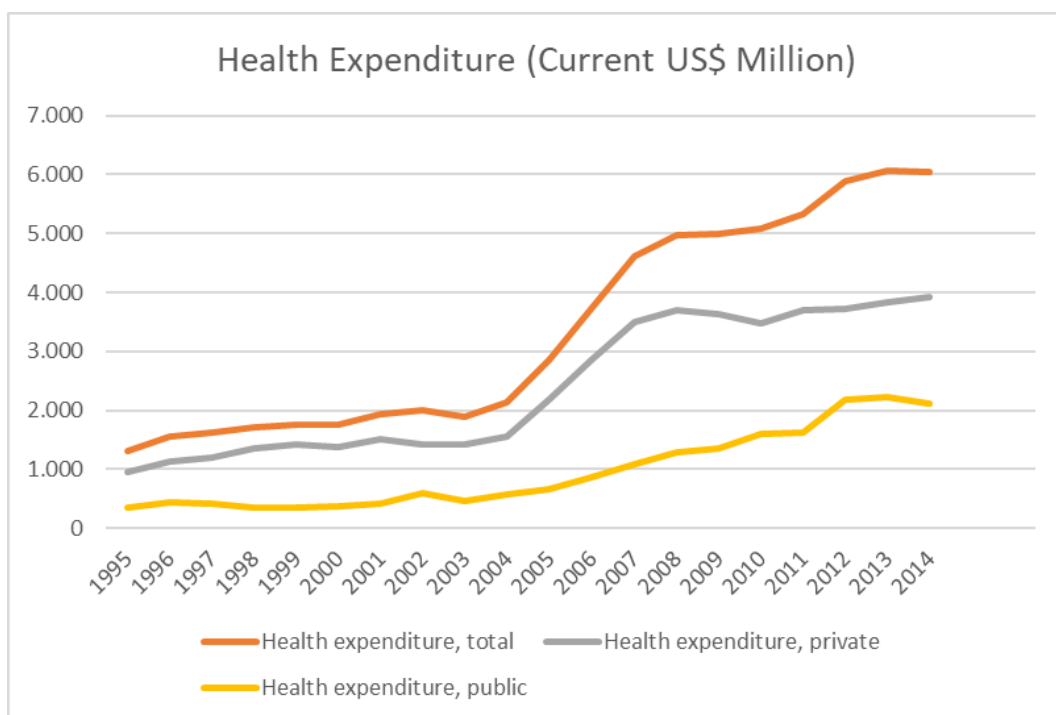


Figure 11 - Health expenditure in Pakistan (Current US\$) [data from Worldbank] - INS

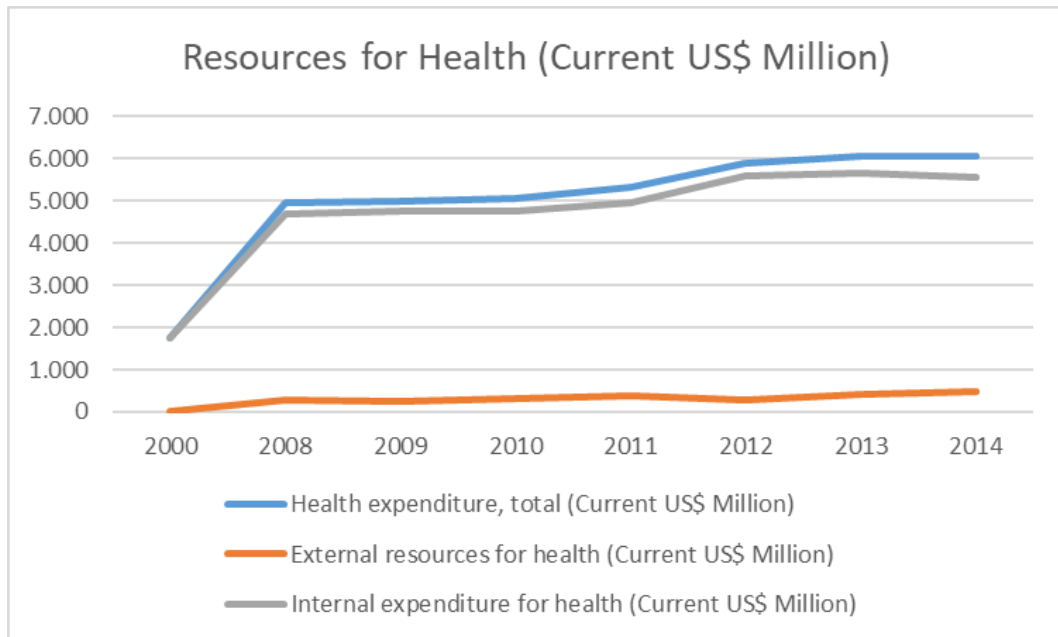


Figure 12 - Resources of health expenditure (Current US \$Million) [data from Worldbank] - INS

Now let us analyse, for example, what kind of facilities people turn to in case of pregnancy. The private hospitals are the most frequented in both urban and rural population for prenatal consultation, while government hospital is only second (figure 13). This increases the healthcare expenditure for the people.

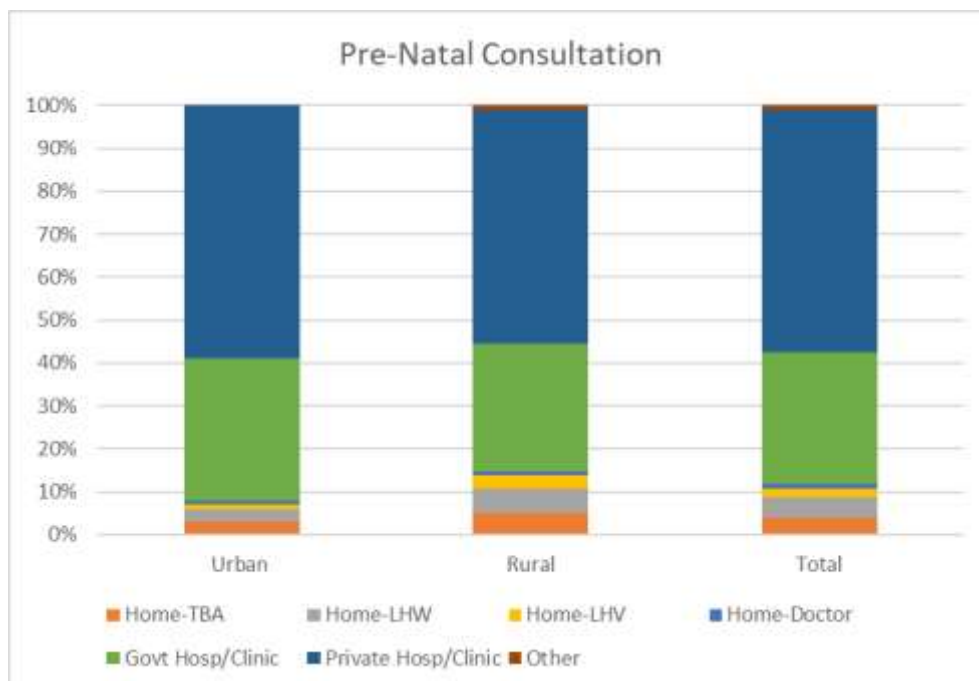


Figure 13 - Prenatal consultation in Pakistan [data from Worldbank]

When we talk about child delivery, three places are mainly taken into consideration: home, government or private hospital. Ratios are not same for every place. In urban areas, where people are richer, private is preferred, while government and home are almost at the same percentage. In rural areas, home comes first with almost 55%, then there are private clinics and only in the end government hospitals. This makes the overall situation of Pakistan prefer private and home at almost same percentage and last government clinics (figure 14). This is another reason that increases the individual healthcare expenditure.

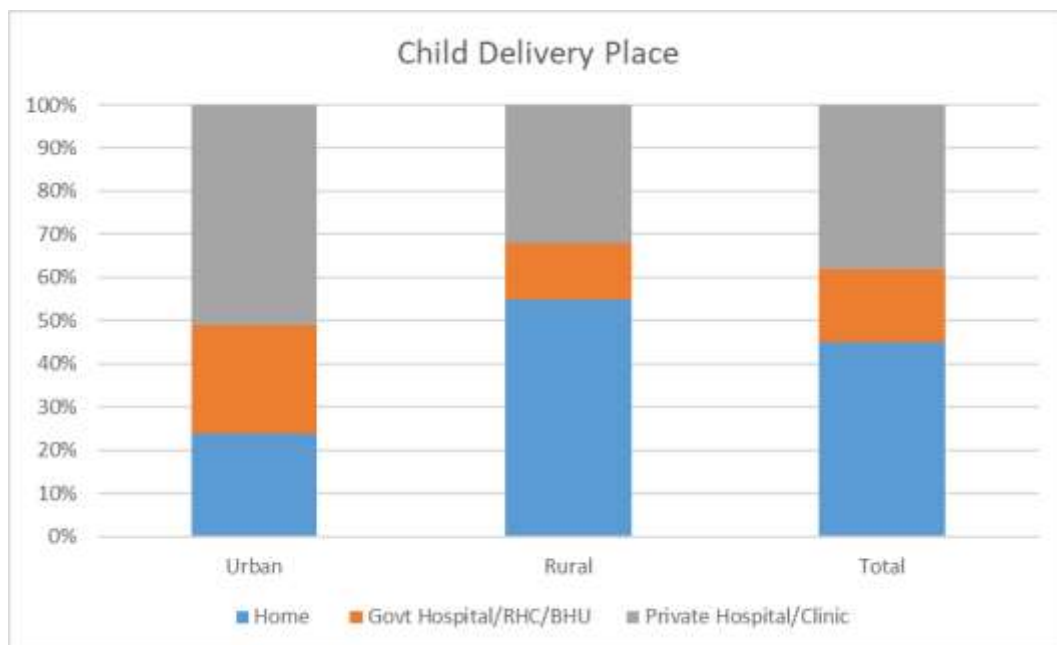


Figure 14 - Child delivery place in Pakistan [data from Worldbank]

In post-natal consultations, private hospital is preferred both in urban and rural population, government hospital is second in choice (figure 15), adding expenses to the individual healthcare expenditure.

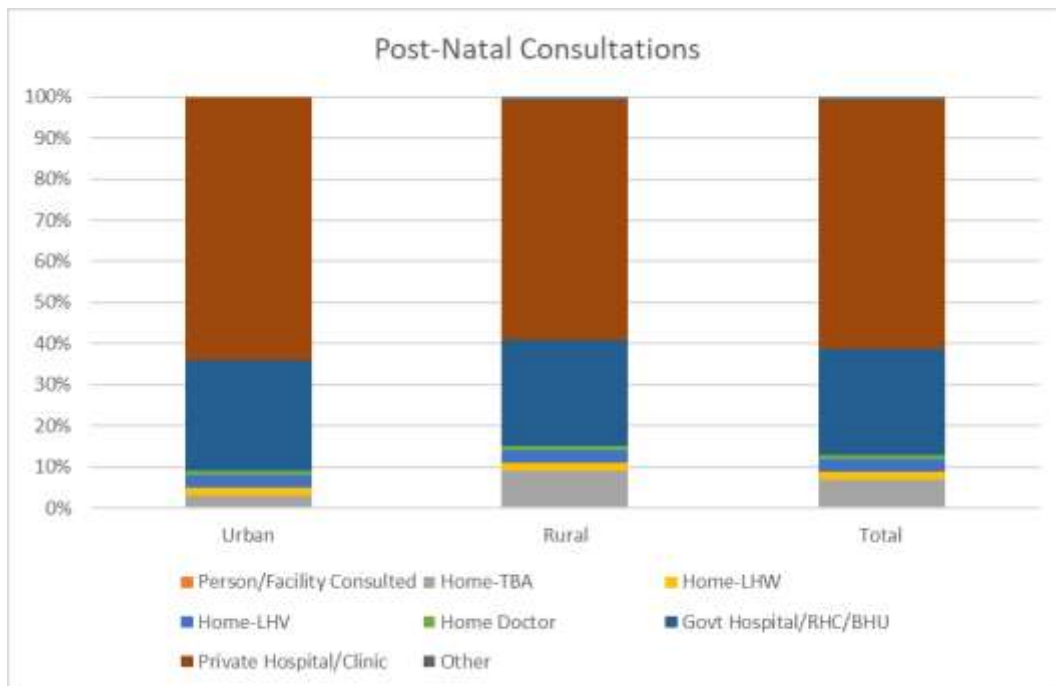


Figure 15 - Post-natal consultations [data from Worldbank]

From this data, we can understand that private facilities are preferred to government ones. In this evidence, government should invest to provide public healthcare and services that the population is requiring.

1.4.6 ENERGY

The energy shortfalls are an everyday issue in Pakistan. This happens because energy consumption is higher than its production (figure 16). In 2017, the energy shortage reached 5000 MW. This has huge impact on the economy and wealth of the country because it affects industry, healthcare, education, and people's everyday lives.

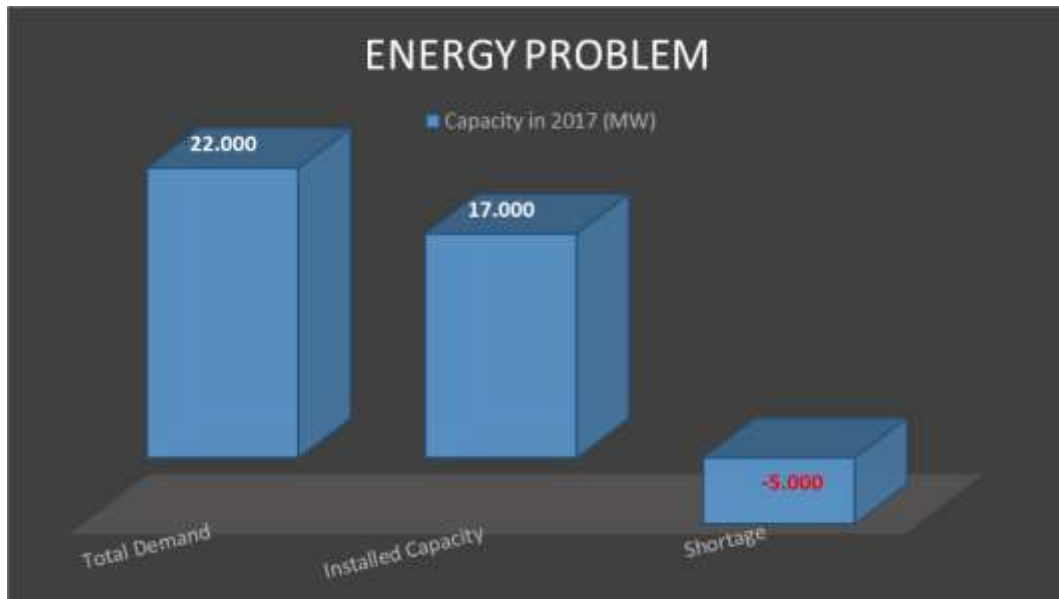


Figure 16 - Energy problem in Pakistan [data from Worldbank] - INS

The use of energy is constantly increasing throughout the years (figure 17). This means that a solution must be found because with the population growth the gap between usage and production is going to increase in next years.

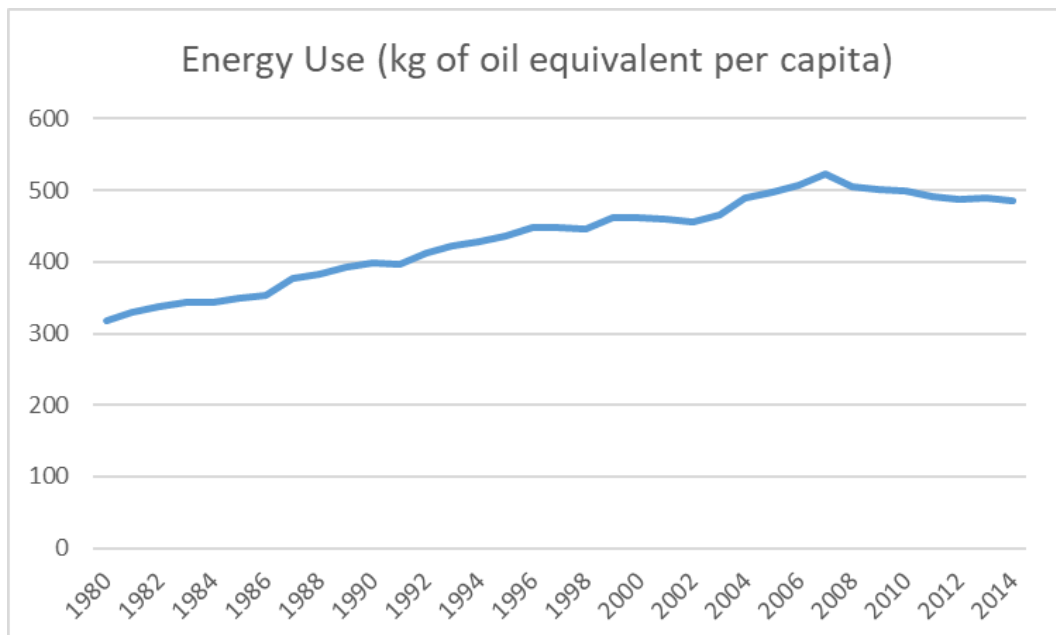


Figure 17 - Energy use in Pakistan (kg of oil equivalent per capita)

1.4.7 SECURITY

Security is a great challenge for Pakistan. The main problems included in it are religious extremism of Taliban fighters in tribal areas, ethno-political violence in the cities of Karachi and Quetta, the rising nationalism in Baluchistan and the acts of violence, which destabilize the order of the society.⁶⁰

The government has to fight many anti-state terrorist groups like Tehreek-e-Taliban Pakistan (TTP), Lashkar-e-Jhangvi (LeJ), Baluchistan Liberation Army (BLA) and Baluchistan Liberation Front (BLF).⁶¹

Since the last 15 years, there have been many terrorist attacks in Pakistan. Here is the timeline of the bloodiest ones (table 1).

Table 1 - Timetable of terrorist attacks in Pakistan.⁶²

Date	Place	Claimed by	Attack
14 th June 2002	Karachi (Sindh)		12 people die for a car bomb outside the US consulate.
25 th December 2003	Rawalpindi (Punjab)		A suicide bomb attack kills 15 people and injures President Pervez Musharraf.

⁶⁰ MARKLEY, Daniel S., WEST, James, "Behind China's Gambit in Pakistan," *The New Geopolitics of China, India and Pakistan*, p.3.

⁶¹ ABID, Massarrat, ASHFAQ, Ayesha, "CPEC: Challenges and Opportunities for Pakistan," *Pakistan Vision*, Vol 16, No 2 (2015), p.155; http://pu.edu.pk/images/journal/studies/PDF-FILES/Artical-7_v16_2_2015.pdf

⁶² WARD, Matthew, "A Timeline of Terror in Pakistan: From a car bomb in Karachi in 2002 to the Charsadda bombing in revenge for the killing of Bin Laden", *The Guardian*, May 13, 2011; <https://www.theguardian.com/world/2011/may/13/timeline-terror-pakistan>, accessed on May 3, 2018

"2007-2016: A decade of deadly insurgent attacks across Pakistan", *Dawn News*, August 8, 2016; <https://www.dawn.com/news/1276208>, accessed on May 3, 2018

"Timeline of the deadliest terrorist attacks in Pakistan since APS", *Dawn News*, June 24, 2017; <https://www.dawn.com/news/1341528>, accessed on May 3, 2018

"2017 in review: Major terror attacks to strike Pakistan this year", *Dawn News*, February 28, 2018; <https://www.dawn.com/news/1379162>, accessed on May 3, 2018

20th March 2005	South Baluchistan province		A bomb explodes at a Shia Muslim shrine killing 43 people.
11th April 2006	Karachi (Sindh)		Suicide bomb attack kills 57 people during a Sunni Muslim prayer service.
July-November 2007	Islamabad	Islamist group	In July an Islamist group siege for a week the Red Mosque. When the mosque is freed, 105 people die and a wave of suicide bombs prolongs till November causing the death of at least 400 people.
10th January 2008	Lahore (Punjab)		A suicide bomb attack kills 22 people targeting the policemen outside the high court of Lahore.
12th October 2009	Shangla district (Khyber Pakhtunkhwa)		A teenager suicide bomber kills 41 people targeting a military vehicle in an open market.
15th October 2009	Pakistan	Taliban	5 separate attacks on police and government institutions across Pakistan kill 39 people.
5th April 2010	Peshawar (Khyber Pakhtunkhwa)	Taliban	5 suicide bombers attack the US consulate, but fail, while a truck bomb kills 7 people.
10th July 2010	Yaka Ghund (Federally Administered Tribal Areas)		102 people die in a matched suicide attack and car bomb.
5th November 2010	Darra Adam Khel (Federally Administered Tribal Areas)	Taliban	68 Muslims die in a mosque by a suicide bomber during Friday prayer. In the same day, other 4 people lose their lives in a grenade attack in another mosque.
1st April 2011	Dera Ghazi Khan district (Punjab)	Taliban	In a Sufi Muslim shrine, 2 suicide bombers kill 50 people.
26th - 28th April 2011	Karachi (Sindh)		3 bombs kill on the way 7 Pakistani navy personnel travelling by bus.

13th May 2011	Charsadda (Khyber Pakhtunkhwa)	Taliban	In a paramilitary Frontier Corps academy 80 people die in an attack, Taliban say it's a revenge for the death of Osama Bin Laden.
10th January 2013	Quetta (Baluchistan)		Double attack on Shia Hazaras on a snooker club kills 92 people.
16th February 2013	Quetta (Baluchistan)		89 people die for a bomb in a Shia neighbourhood market.
3rd March 2013	Karachi (Sindh)		45 people die for a car bomb in Shia neighbourhood.
22nd September 2013	Peshawar (Khyber Pakhtunkhwa)		Two suicide bombers attack a church after Sunday service, killing 82 people.
2nd November 2014	Wagah (Punjab)		Suicide bomber explodes killing 55 people at the main Indian border crossing.
16th December 2014	Peshawar (Khyber Pakhtunkhwa)	Taliban	A Taliban group assaults a school, killing 140 people, mainly children.
30th January 2015	Shikarpur (Sindh)	Jundullah	A suicide bomber kills 61 people at a Shia mosque.
13th May 2015	Karachi (Sindh)	Islamic State/ Jundullah	45 Shia Muslims die in the first official Islamic State group attack in Pakistan.
27th March 2016	Lahore (Punjab)	Jamaatul Ahrar	An explosion targeting Christians kills 75 people and injures hundreds near a park in Lahore.
8th August 2016	Quetta (Baluchistan)	Jamaatul Ahrar	At a hospital, a blast kills 70 people and wounds dozens.
24th October 2016	Quetta (Baluchistan)	Lashkar-i- Jhangvi Al- Alimi Islamic State	Twin suicide attack, targeting trainee police officers, kills 61 people and wounds 117 at Police academy.
12th November 2016	Khuzdar (Baluchistan)	Islamic State	A suicide attack kills 52 and wounds 102 devotees at Shah Noorani shrine.

21st January 2017	Kurram Agency (Federally Administered Tribal Areas)		25 people lose their life and 87 are injured by an explosive device near a market.
13th February 2017	Lahore (Punjab)	Jamaatul Ahrar	During a protest of 400 chemists in front of Punjab Assembly, a bomber kills 13 people and injures 85.
16th February 2017	Sehwan (Sindh)	Islamic State	Suicide attack at the Sufi shrine of Lal Shahbaz Qalandar by Islamic State group kills 88 people and wounds at least 343 people.
31st March 2017	Parachinar (Federally Administered Tribal Areas)	Jamaatul Ahrar	A car bomb explodes near a market area taking 23 lives and injuring 73 people.
5th April 2017	Lahore (Punjab)	Tehreek-e-Taliban Pakistan	4 army men die for a suicide bomber in Lahore's Bendian Road. 19 others are injured.
12th May 2017	Mastung (Baluchistan)	Islamic State	27 people dies and 40 are injured in a suicide attack targeting the Senate Deputy Chairman Maulana Abdul Ghafoor Haideri.
23rd June 2017	Parachinar (Federally Administered Tribal Areas)	Lashkar-e-Jhangvi	Few days before the Muslim feast Eid-ul-Fitr, twin blasts kill 67 people and over 200 are injured.
10th July	Chaman area (Baluchistan)	Tehreek-e-Taliban Pakistan	A blast kills Distric Police Officer Killa Abdullah Sajid Mohmand and his guard.
24th July 2017	Lahore (Punjab)	Tehreek-e-Taliban Pakistan	26 people die and other 58 are injured by a suicide bomber targeting policemen in front of the Lahore Development Authority.
5th October 2017	Jhal Magsi District (Baluchistan)	Islamic State	At Pir Rakhel Shah shrine an Islamic State suicide attacker kills 21 people and wounds more than 30.

10th November 2017	Quetta (Baluchistan)	Tehreek-e- Taliban Pakistan	Suicide bomber kills DIG Police Telecommunication Hamid Shakeel Sabir and 2 other police officers.
1st December 2017	Peshawar (Khyber Pakhtunkhwa)	Tehreek-e- Taliban Pakistan	9 people lose their lives and 37 are wounded in a suicide attack at the Agricultural Training Institute (ATI).
17th December 2017	Quetta (Baluchistan)	Islamic State	An IS terrorist attack kills 10 people and over 50 are injured at the Bethel Memorial Methodist Church.

As the SATP (South Asia Terrorism Portal) by the Institute for Conflict Management gives evidence, a total of 63,179 people lost their lives due to terrorist attacks in Pakistan in the last 18 years (table 2).

Table 2 - Number of casualties due to terrorist attacks in Pakistan since 2000 ⁶³

YEAR	CIVILIANS	SECURITY FORCE PERSONNEL	TERRORIST/ INSURGENTS	TOTAL
2000	45	0	0	45
2001	29	9	0	38
2002	88	7	44	139
2003	140	24	25	189
2004	435	184	244	863
2005	430	81	137	648
2006	608	325	538	1,471
2007	1,522	597	1,479	3,598
2008	2,155	654	3,906	6,715
2009	2,324	991	8,389	11,704
2010	1,796	469	5,170	7,435
2011	2,738	765	2,800	6,303
2012	3,007	732	2,472	6,211
2013	3,001	676	1,702	5,379

⁶³ Data from: South Asia Terrorism Portal (SATP), <http://www.satp.org/satporgtp/countries/pakistan/database/casualties.htm>, accessed on May 30, 2018

2014	1,781	533	3,182	5,496
2015	940	339	2,403	3,682
2016	612	293	898	1,803
2017	540	208	512	1,260
2018	69	69	62	200
TOTAL	22,260	6,956	33,963	63,179

Managing all these insurgent groups, along with their supporters and implementers, at once is a very big challenge for Pakistan. In June 2014, the government activated the operation Zarb-e-Azb, aiming to eradicate all terrorist groups located along the border with Afghanistan in North Waziristan.⁶⁴ This program destabilised these insurgencies a lot, and in the year after its introduction, the number of terrorist attacks lowered by 65%.⁶⁵ The biggest result, though, was the weakening of terrorist hotspots in western and northern regions of Pakistan.⁶⁶

Even if the situation is improving, there is still a lot to do to guarantee the Pakistani population a safe environment to live peacefully.

1.5 REGIONAL AND GEOPOLITICAL DYNAMICS

China is heavily investing in Pakistan through the China-Pakistan Economic Corridor (CPEC) and this raises the concerns of neighbour countries, India in particular. According to New Delhi, China is aiming to extend its influence up to the Indian Ocean.⁶⁷ The involvement of Chinese business in the Pakistani region of Kashmir, which since many years is the object of a dispute between India and

⁶⁴ WOLF, Siegfried, "The China-Pakistan Economic Corridor, An Assessment of Its Feasibility and Impact on Regional Cooperation", *South Asia Democratic Forum (SADF)*, Brussels, Working Paper No. 1, June 28, 2016.

⁶⁵ SAIMA, Ghazanfar, "Operation Zarb-e-Azb: Two Years of Success," *Nation*, September 6, 2016, <http://nation.com.pk/national/06-Sep-2016/operation-zarb-e-azb-two-years-of-success>, accessed on May 31, 2018

⁶⁶ HUSSAIN, "China Pakistan Economic Corridor," p.19

⁶⁷ MARKLEY and WEST, "Behind China's Gambit in Pakistan," p.7.

Pakistan, is seen by Indians as a backing up to Pakistan by China.⁶⁸ Because of these reasons, India is now investing in Chabahar, Iran.⁶⁹ The city is a port, which is meant to compete with the near Gwadar port, Pakistan (72 km distance), whose project is financed by Chinese. The tight relation between China and Pakistan and their cooperation to boost Pakistan economy through investments in infrastructure, creates a barrier for India, who is aiming to reach Afghanistan and Central Asia for trade purposes.⁷⁰

Due to these plans in Chinese policy, India thinks China is trying to reach the Arabian Sea in order to increase its geopolitical influence and to facilitate its trade.⁷¹

As a consequence of all these dynamics, Pakistan suspects India to encourage the terrorist groups in Baluchistan and other anti-state organizations, with the purpose of destabilizing the political and social environment in an already unstable country.⁷² For example, in March 2016, an Indian spy was arrested in Baluchistan, and the following month, Pakistan's Chief of Army Staff accused Indian Research and Analysis Wing (RAW) of destabilizing the region and the CPEC projects.⁷³

On the other side, the stability of Afghanistan has a huge impact on the success of the relation between China and Pakistan and the CPEC projects. Afghanistan's

⁶⁸ MAHAJAN, Anilesh S., "Worrying Signals; China's Growing Investments in Pakistan Could Prove to be a Headache for India," *Business Today*, May 24, 2015, <http://www.businesstoday.in/magazine/focus/chinainvestments-in-pakistan-rising-headache-for-india/story/218868.html>, accessed on June 4, 2018

⁶⁹ FAZIL, Muhammad Daim, "5 Reasons Gwadar Port Trumps Chabahar," *Diplomat*, June 9, 2016, <http://thediplomat.com/2016/06/5-reasons-gwadar-port-trumps-chabahar>, accessed on June 5, 2018

⁷⁰ ABID and ASHFAQ, "CPEC: Challenges and Opportunities for Pakistan" p.159.

⁷¹ MARKLEY and WEST, "Behind China's Gambit in Pakistan," 7;

MAHAJAN, "Worrying Signals, China's Growing Investments in Pakistan Could Prove to Be a Headache for India"

⁷² ESTEBAN, Mario, "The China-Pakistan Corridor: A Transit, Economic or Development Corridor?", *Elcano Royal Institute*, ARI 53/2016, July 5, 2016, 3.

⁷³ CHENG, Alvin, LIM, Hin, "The China-Pakistan Economic Corridor One Year On – Analysis." *Eurasia Review*, May 16, 2016; <http://www.eurasiareview.com/16052016-the-china-pakistan-economic-corridor-one-year-on-analysis/>, accessed on June 5, 2018

current security situation started declining after NATO withdrew its army from the country and when Taliban's leader, Mullah Mansoor, was killed in May 2016.⁷⁴ Afghan security problem has a big impact on Pakistan and China's western province of Xinjiang too.⁷⁵ It is important for both countries to have a peaceful neighbour in order to proceed smoothly with investments and projects that will improve the regional economic situation. Unfortunately, a close connection developed between Taliban groups in the Afghanistan's Kunar and Nuristan provinces, Uighur militants in China's Xinjiang (ETIM – East Turkestan Islamic Movement)⁷⁶ and Taliban in Pakistan's Federally Administered Tribal Areas (FATA)⁷⁷, which now requires a great effort by the institutions to suppress.

Iran has also concerns about this strong relation between China and Pakistan and the development of such a big deep-sea port in Gwadar.⁷⁸ In 2016 India, Iran and Afghanistan made an agreement with the aim of advancing the Indian investment on Chabahar port (Iran).⁷⁹ In this way, the three countries would connect to regional trade and to central Asian countries, avoiding Pakistan.⁸⁰ Later, in 2016, Iran started getting closer to Pakistan⁸¹ with the goal of participating in the CPEC.

⁷⁴ "Afghan Taliban's Mullah Mansoor 'Killed in U.S. Strike,'" *Al Jazeera*, May 22, 2016, <http://www.aljazeera.com/news/2016/05/taliban-leader-killed-drone-strike-160521204020111.html>, accessed on June 5, 2018

ALI, Akber, "China Pakistan Economic Corridor: Prospects and Challenges for Regional Integration", *Arts and Social Sciences Journal*, Vol 7, No.204 (2016), p.3.

⁷⁵ Ibidem

⁷⁶ ABID and ASHFAQ, "CPEC: Challenges and Opportunities for Pakistan," p.156.

⁷⁷ MARKLEY and WEST, "Behind China's Gambit in Pakistan," p.6.

⁷⁸ HUSSAIN, "China Pakistan Economic Corridor," p.18

⁷⁹ "Iran, India, Afghanistan Sign Transit Accord on Chabahar Port," *Dawn News*, May 23, 2016, <http://www.dawn.com/news/1260176>, accessed on June 6, 2018

⁸⁰ Ibidem

⁸¹ ABBAS, Syed Sammer, "Iran Wants to be Part of CPEC, says Rouhani," *Dawn News*, last modified September 22, 2016, <https://www.dawn.com/news/1285404>, accessed on June 6, 2018

This brought to a common agreement between the three countries on linking the Iran-Pakistan pipeline with China.⁸²

The previous rivalry between Chabahar and Gwadar ports turned into a cooperation bases to boost regional trade and commerce.⁸³ This rising Iran-Pakistan relation on the energy field started concerning Saudi Arabia, who has good relations with Pakistan, but has never found a meeting point with Iran. In this situation, Pakistan has to be very careful in balancing the relations with both these countries.⁸⁴

The US is in favour of the CPEC and encourages the extension of these projects through neighbouring countries to enhance development and connectivity in the region.⁸⁵ Nevertheless, in a long-term perspective Washington shows concerns about the big investments Beijing is making in Pakistan. The access to Gwadar port and the Indian Ocean by Chinese is worrying Washington because it may lose its control in those waters. As a result, since the last 10 years, the US is sustaining Indian fleet to oppose the Chinese growing supremacy in that area.⁸⁶

1.6 CHINESE INTERESTS IN PAKISTAN

Apparently, it looks like Pakistan needs China more than China needs Pakistan. Actually, the two countries need one each other equally. First of all, the

⁸² FALAK, Jawad, "CPEC: Internal Significance and Challenges", *Stratagem*, <http://www.stratagem.pk/strategic-pulse/cpec-internal-significance-andchallenges/>, accessed on June 6, 2018

⁸³ ALI, "China Pakistan Economic Corridor, prospects and challenges for regional integration"

⁸⁴ SHAMS, Shamil, "Can Iran's Rouhani Win Over Pakistan?" *Deutsche Welle*, March 24, 2016, <http://www.dw.com/en/can-irans-rouhani-win-over-pakistan/a-19138190>, accessed on June 7, 2018

⁸⁵ MALIK, Ahmad Rashid, "Special Supplement on Pakistan-China Relations - All-Weather Friendship," *Diplomatic Insight*, Vol 8, no 5 (2015), pp.13-15, <http://thediomaticinsight.com/wp-content/uploads/2015/06/Special-Supplement-on-Pakistan-China-Relations-All-Weather-Friendship-May-2015.compressed.pdf>.

⁸⁶ HUSSAIN, "China Pakistan Economic Corridor," p.4.

restraint of India concerns both of them. Moreover, China is trying to make friends with many south Asian countries in order to have a stronger influence in the region.

The main issues for China are two, security and energy. On the security field, China is trying to stabilize the situation in South Asia, in order to meet its economic objectives. Therefore, China is enhancing the economy as a means to reach security in a country. It is in its interest to keep even India-Pakistan relations stabilized. The political security is a very important role in the investment arena. Because of Pakistan's instability, foreign direct investment is highly impeded. Chinese plan is to turn Pakistan into an economic hub and to centre its foreign policy into economy.

On the other hand, energy plays a core role in China's foreign policy too. Because its energy demand is growing day by day, Beijing is searching for new ways to meet it. As a result of previous security policy, China has opened safe routes to reach energy supplies, one example is Gwadar. The port is in China's sight as a door into the Indian Ocean and its relative sea routes. For this reason, China's developing railways and links to Kashgar (*Kāshígá' ěr*), the main city in Xinjiang.

The strategic position of Pakistan makes it crucial for China's oil imports. Currently the imported oil has to pass through the Strait of Malacca, which is controlled by American and Indian military bases. These powers may cause disturbance to the Chinese oil tankers, and this is why China is thinking to use Gwadar as main centre for oil imports. This would prevent the Chinese oil tankers from Middle East (50% of imported oil) and Africa (20% of imported oil) to pass through the Strait of Malacca.⁸⁷

On a political point of view, Beijing is trying to suppress the discontent about China and enhance a good sentiment towards it in Pakistani people. China is also

⁸⁷ ARANGO, Tim, KLAUSS, Clifford, "China is Reaping Biggest Benefits of Iraq Oil Boom", *The New York Times*, 2 June 2013.

aiming to exploit the good relations Islamabad has with other Muslim countries, especially the ones in the Middle East.⁸⁸

⁸⁸ SIDDIQUE, "Deeper than the Indian Ocean? An analysis of Pakistan-China Relations"

2 One Belt and One Road

2.1 INTRODUCTION

This chapter gives a broad presentation of China's foreign policy evolution. It's important to say that the Silk Road didn't evolve due to the Third World Policy nor is directly connected to it, but they both have the same objective of growing China's influence in the world.

The Third World Policy was a political model based on diplomacy and friendship with other countries opposing the two superpowers of that time, the USA and the USSR. The efforts made by Beijing to become the third world leader failed because China didn't have the means of support that the US and the USSR had towards emerging countries. Furthermore, many developing countries didn't rely on China to change their position against the superpowers.⁸⁹

On the other hand, the Silk Road is a development model built on mutual economic growth. The Silk Roads provide a means of support for both China and other countries involved. It grants Beijing greater prominence in the international arena.

2.2 CHINA AND THE THIRD WORLD POLICY

China has always showed particular interest to third world countries. This is because China itself is a developing country and believes that they are the only ones

⁸⁹ SAMARANI, Guido, *La Cina del Novecento: dalla fine dell'Impero a oggi*, Einaudi, Torino (2004), p.287-290.

that can fight colonialism, imperialism and hegemonism.⁹⁰ In this frame, regardless of their ideology or political system, China assisted many emerging countries through economic and technical aid reaching US \$3.5 billion.⁹¹

This interest towards the third world started in 1950 when Sino-Soviet relations were very friendly and when China was opposing the US. The third world became a political model for China to contain and limit American power and presence in the world. So Beijing concentrated its strategy in South and Southeast Asia.

In 1955, China participated in the Bandung Conference, which involved African and Asian government leaders, to encourage other countries to persist on a peaceful coexistence and a strong opposition to the US as first steps towards Third World Policy. Unfortunately, most of the countries present at Bandung Conference didn't welcome China's proposal.

In the 1960s, China formulated a new policy as a consequence of two events that happened in the global arena in those years. The first one was Sino-Soviet conflict while the second one was the decolonization of Africa. USSR became China's second enemy, after the US, as it started raising its power and spreading its imperialism in Central Asia. On the other hand, European countries started retreating from Africa and this had a big meaning for China because it was a clear sign of the fragmentation of western power in the international arena and an inception for African countries. Thus, China reviewed its old Third World Policy, developing a new one.

The main goals of this policy were to create a third power in the international arena competing with the US and the Soviet Union and to support a new

⁹⁰ ZHOU, Enlai, *Report on the Work of Government*, National People's Congress of China, January 13, 1975.

⁹¹ YU, George T., "China and the Third World", *Asian Survey*, Vol. 17, No. 11 (Nov 1977), p.1037; <http://www.jstor.org/stable/2643352>

international order. This new policy was established in 1965 and it divided the world into “cities” (North America and Western Europe) and “rural areas” (South America, Africa and Asia). The “rural areas” were meant by China to contrast the hegemony of western countries.⁹² This policy didn’t succeed immediately, as a matter of fact, many developing countries saw it as a way to serve China’s interests. In the late 1960s, China left this Third World Policy on a side to focus on internal problems. Later, in 1974, after the Cultural Revolution, Deng Xiaoping presented this policy to the UN General Assembly.⁹³ China developed a new view of the world, dividing it into 3 areas: first world made by superpowers (i.e. the USA and the USSR), second world made by other developed countries (i.e. Japan and Europe) and the third world made by developing countries (i.e. Asia, Africa and South America). It’s important to notice that China identifies itself in the latter one. In his speech to UN General Assembly, Deng Xiaoping defined developing countries as:

"A revolutionary motive force propelling the wheel of world history and are the main force combating colonialism, imperialism, and particularly the superpowers".⁹⁴

In the Third World Policy, China speaks to the world, and states that developing countries should gain independence from hegemonic countries. The pessimistic idea that these countries are helpless and dependent preached by colonialism is unfounded. Their political independence is strictly linked to their economic independence: it’s important to protect their autonomy in decision-making, their right to choose and adopt their own political, social and economic systems and their self-reliance. This means that every developing country should be able to rely on its own strength and wisdom, its own people should control their

⁹² Ibidem, p. 1038

⁹³ DENG, Xiaoping, *“Speech by Chairman of the Delegation of the People’s Republic of China, Deng Xiaoping, at the Special Session of the United Nations General Assembly”*, Press Release, April 10, 1974.

⁹⁴ Ibidem

own economy, exploit their own resources and plan their own future. This doesn't mean that they should reject foreign aid or reach isolation. As a matter of fact, for China it's very important that developing countries cooperate on the basis of true equality with each other with the common aim of defeating colonialism and hegemonism. Beijing believes in Five Principles as a means of respecting both political and economic relations between countries, they are:

- a. reciprocal respect for sovereignty,
- b. non-aggression policy,
- c. non-interference in each other domestic affairs,
- d. equity and mutual benefit,
- e. peaceful coexistence.

From an international point of view, each country should have the same right of managing international economic affairs in order to reach, globally, a joint collaboration between nations on trade, financial issues etc. Nowadays these matters are mainly monopolized by few superpowers.

Developed countries should be flexible towards developing countries in the field of debt and loans. The loans that developing countries are granted should be interest-free or low-interest, the delayed repayment should be allowed with a particular care, reducing or cancelling the debts in case of necessity. Blackmail and usury in name of aid should be fought by the international community. As far as technology transfer is concerned, it should be encouraged with particular attention for national laws and cultures.⁹⁵

After two attempts respectively in 1950s and 1960s, finally in 1970s the Third World policy was operative.

⁹⁵ Ibidem

2.3 XI JINPING'S NEW SILK ROADS

In 2014, China launched the “One Belt and One Road” initiative (also known as OBOR, in Chinese: *Yī dài yī lù*), involving more than 60 countries across Asia, Europe and Africa. The goal of these plans is to promote diplomacy, economic development and relations between countries.⁹⁶ This initiative is a development model that includes not only China, but all the countries involved in the Silk Roads.⁹⁷

In his visit to Pakistan for the development of China-Pakistan Economic Corridor, Xi Jinping, referring to the broader project of One Belt and One Road, stated:

“This initiative also reflects China's commitment to sharing development opportunities and outcomes with more countries. We will strengthen cooperation with countries along the land and maritime Silk Roads and realize the connectivity of roads, trade, finance, policies and our peoples, so as to jointly build an open platform for cooperation and create new impetus to achieve sustainable development in the related regions.”⁹⁸

The initiative splits into two roads: ‘The Silk Economic Belt’ (*Sīchóu zhī lù jīngjì dài*) and ‘The 21st Century Maritime Silk Road’ (*21 Shìjì hǎishàng sīchóu zhī lù*). The first will concentrate on building the new Eurasian Land Bridge using international transport routes for connectivity, core cities as a base for trade and the key economic industrial parks as cooperation platforms. The second is focusing on building safe and efficient connection between sea ports. In this frame, the China-Pakistan

⁹⁶ IRSHAD, Muhammad Saqib, QI, Xin, ARSHAD, Hamza, “One Belt and One Road: Does China-Pakistan Economic Corridor benefit for Pakistan’s economy?”, *Journal of Economics and Sustainable Development*, vol. 6, no. 24 (2015), December 31, 2015

⁹⁷ Xi Jinping, “Promote the Silk Road Spirit, Strengthen China-Arab Cooperation”, June 5, 2014, in *The Governance of China*, Foreign Languages Press Co. Ltd, Beijing, 2014

⁹⁸ XI, Jinping, *Building a China-Pakistan Community of Shared Destiny to Pursue a Win-Win Cooperation*, Islamabad, April 21, 2015

Economic Corridor and the Bangladesh-China-India-Myanmar Economic Corridor play a key role because they connect the land and maritime silk roads (figure 18).⁹⁹



Figure 18 - One Belt and One Road Map¹⁰⁰

The Belt and Road is aiming at the development of a community of responsibility, shared interests and common destiny. The main features of this community are mutual political trust, economic integration and cultural inclusiveness. The fundamental values, which this initiative is built on, are: peace and cooperation; openness and inclusiveness; mutual learning and mutual benefit.¹⁰¹

According to the Chinese government, the Silk Road must have four main features:

⁹⁹ Belt and Road Portal - 中国一带一路网: <https://eng.yidaiyilu.gov.cn/>, last access June 30, 2018

¹⁰⁰ Source: MARKLEY, Daniel, and James WEST. "Behind China's Gambit in Pakistan." *The New Geopolitics of China, India and Pakistan*.

¹⁰¹ Belt and Road Portal - 中国一带一路网: <https://eng.yidaiyilu.gov.cn/>, last access June, 30, 2018

1. *Sustainability*: the focus will be on environmental protection, green development and ecological safeguarding;
2. *Health*: effort will be spent on cooperation for medical care, alert of communicable diseases, prevention and control, medical assistance and preservation of traditional medicine.
3. *Intellect*: attention will be paid to human resources cooperation, vocational skills cooperation alliance, training and creation of various professionals.
4. *Peace*: the focus will be on security cooperation, common inclusive, collaborative and sustainable concept of security across all OBOR countries.

How should this multilateral cooperation between countries work? There are three main mechanisms involved in One Belt and One Road initiative. First, bilateral relations should be strengthened in order to attract more countries to get involved in the Belt and Road initiative. Second, China should develop the teamwork between countries through multi-level and multi-channel communication and consultation. Last but not least, Beijing should enhance the number and importance of the international forums and exhibitions at regional levels along the Belt and Road, which can be beneficial for many countries involved in it.¹⁰²

2.4 FROM THE OLD TO THE NEW SILK ROAD: THE IDEOLOGY BEHIND THE INITIATIVE

For centuries, the Silk Road embodied a source of advantageous international political relations and of economic income for China and placed it on a very important position in the international arena of that time. Since 2012, when Xi

¹⁰² Ibidem

Jinping became PRC's President, China's main goal was to turn into a prosperous, strong, culturally advanced and harmonious country.¹⁰³ To reach this aim president Xi thought of reviving the ancient Silk Roads, replicating in this way a possibility for China to prosper in modern times. There are 3 main constants in the development of the Silk Roads in both ancient and modern times: religion, China's desire for power and capitalism.

In the past, the "Middle Kingdom" created relationships with Central Asian countries, India and Europe, making the trade flourish between these different countries, especially silk trade. Silk became such a prestigious material that only kings, aristocrats and religious leaders, in both Buddhism and Christianity, could afford.¹⁰⁴ Both in past and present world, religion has a core role in the trade, as a matter of fact, in past the flux of products was consolidated by Buddhist monks, while nowadays commercial and religious organizations may affect the success of trade relations (for example the strong Muslim presence in Xinjiang and outside China).

As many times in past, China's ambition is to become one of the most powerful nations in the world. The Silk Roads are a means to reach this goal, creating connectivity and relationships with the countries in the Eurasia. Beijing wishes to make China the new global market centre leaving the US on a side.¹⁰⁵ This plan will push Europe closer to China and farther from the US. The Belt and Road gives in this way many chances of development and growth to many countries, but it is also a threat to the US.

¹⁰³ NADÉGE, Rolland, "China's New Silk Road", in *The National Bureau of Asian Research*, 2015, http://www.nbr.org/downloads/pdfs/psa/rolland_commentary_021215.pdf

¹⁰⁴ LANDI, C.; DEAGLIO M. (prefazione di), *La nuova via della seta*, Milano, O Barra O Edizioni, 2011, p. 29

¹⁰⁵ NADÉGE, Rolland, *China's New Silk Road*.

Capitalism plays a significant role in China. Even if it is in contrast with the leading socialist system, capitalism that is being used by Chinese market is developing the country not only on an economic point of view but also on the diplomatic one. This phenomenon is not new to Chinese history, in fact during Han and Tang dynasties the imperial power used some form of capitalism, getting involved into the silk trade.¹⁰⁶

Along the ancient Silk Roads, trade between the countries involved encouraged economic development and exchanges, which included technology and science. This bilateral and continuous exchange of ideas and cultures boosted the social, economic and cultural growth.¹⁰⁷

Nowadays, President Xi's Belt and Road initiative is at the centre of China's foreign policy and domestic economic strategy. Foreign and domestic issues are strictly intercorrelated. The foreign policy aims at completing China's interests abroad, that are mainly three:

1. Let Chinese exports access the foreign markets;
2. Open new markets for trade and investments;
3. Strengthen Chinese trade and diplomatic influence across the world.¹⁰⁸

On the domestic side, Chinese government is facing some difficulties in managing the challenges in the real estate market, the capacity surplus in the

¹⁰⁶ LANDI, C.; DEAGLIO M. (prefazione di), *La nuova via della seta*, pp. 31-32

¹⁰⁷ *Investment Guide to the Silk Road 2014*, United Nations Conference on Trade and Development (UNCTAD), Geneva, 2014

¹⁰⁸ VAN DER PUTTEN, Frans-Paul., MEIJNDERS Minke, "China, Europe and the Maritime Silk Road", *Clingendael Netherlands Institute of International Relations*, Clingendael Report, 2015

industrial sector, the environmental problem, the debt burden and the financial risks of Chinese economy.¹⁰⁹

As foreword, it must be said that, in past, China focused on the development of coastal areas and oriental provinces, neglecting western and internal ones. Now the Belt and Road initiative is exactly targeting those regions in order to level out the development and modernization across the whole country. Chinese leadership knows well that these regions have a very strategic position to easily access the Central and Western Asian markets.

By opening to the foreign markets and creating connectivity between countries, the initiative might offer good solutions to the above-mentioned problems, especially on the capacity surplus' side. The project offers new opportunities and new markets to Chinese enterprises, promoting investments in the countries involved. Chinese producers will be able to create greenfield Foreign Direct Investments (FDIs), that is to say set up new production line abroad "from the ground up" in order to expand the production capacity, increase market shares and avoid import tariffs. Through FDIs, companies can transfer part of the capacity surplus abroad where demand is higher than in China. Let's take the infrastructure construction sector for example: to connect different countries with the OBOR initiative, a large set of rails and roads is needed. Chinese producers (of construction equipment, steel and concrete) will be able to move some of their surplus production lines in the countries involved in the initiative.¹¹⁰ Thus, moving the labour-intensive production in other countries will help China solve part of the

¹⁰⁹ NATARAIJ, Geethanjali, SEKHANI, Richa, "China's One Belt One Road: An Indian Perspective", *Economic & Political Weekly*, vol.50 (2015), n.49

¹¹⁰ KPMG, *China Outlook 2015*, p.22, <https://assets.kpmg.com/content/dam/kpmg/pdf/2015/01/China-Outlook-2015-201501-v1.pdf>

pollution and environmental problem.¹¹¹

Another important aspect of this project is the financial integration: OBOR will definitively contribute at the internationalization of Chinese currency, whose demand will increase as soon as the trade will start to intensify along the Belt and Road.¹¹²

It is important to notice that Pakistan has a central role in China's foreign policy. First of all, it is a developing country and because of its close friendship with Beijing and its strategic position, it can help neighbouring countries to develop and raise their voice in the international arena. Furthermore, Pakistan is one of the main protagonists of the Belt and Road. As mentioned before, the China-Pakistan Economic Corridor is a strong link between the two Silk Roads, the land and maritime one, and it can boost the economy in Central and Western Asia. The next chapter will focus on the detailed presentation and analysis of the CPEC project.

¹¹¹ "2016 White Paper on the Business Environment in China" (2016 *zhongguo yingshang huanjing baipishu*, 2016 中国营商环境白皮书), *The American Chamber of Commerce in South China White Paper*, Guanzhou, China, 2016

¹¹² NATARAIJ, Geethanjali, SEKHANI, Richa., "China's One Belt One Road: An Indian Perspective"

3 The China-Pakistan Economic Corridor

3.1 INTRODUCTION

The concept of “Community of Shared Destiny”, which is the basis of President Xi’s foreign policy, is founded on advantageous collaborations and mutual understanding in order to meet interests for both China and Pakistan. The main approach of China towards neighbour countries is focusing on friendliness, trustworthiness, mutual benefits and inclusiveness.¹¹³

In 2013, the greatest tool to build this Chinese dream of “China-Pakistan Community of Shared Destiny” was established thanks to the agreement for China-Pakistan Economic Corridor (CPEC), an economic network between the two countries. This project would provide sufficient energy supply, a good infrastructure to Pakistan and an easier connection between Gwadar port (Baluchistan, Pakistan) with the city of Kashgar (Xinjiang, China).¹¹⁴

The initiative formally started in 2015 with the visit of President Xi Jinping in Pakistan, and it was planned to last 15 years with a total estimated investment of US \$46 billion.¹¹⁵

This decision of heavy investments in Pakistan has several reasons: first of all, it’s a factual help Beijing can give to its long-term ally; secondly, through investments in infrastructure, the trade between the two countries will be much

¹¹³ KHAN, A. Arish U., “Pak-China Economic Corridor: the hopes and reality”, *Regional Studies*, Vol. XXXIII, No.1, Winter 2014-15, p.45

¹¹⁴ Ibidem, p.46

¹¹⁵ SHERANI, Sakib, “Evaluating CPEC,” *Dawn* (Karachi) May 1, 2015, <https://www.dawn.com/news/1179169>, accessed on June 9, 2018

easier; last but not least, Pakistan is in a strategic position to let China reach, through Gwadar port, Africa, Middle East and Europe. Therefore, CPEC is an important means for China to meet its strategic goals and achieve its global ambitions.¹¹⁶ The fact that CPEC is part of the broader initiative of “One Belt and One Road” (OBOR) increases more its importance.¹¹⁷

3.2 WHAT IS CHINA PAKISTAN ECONOMIC CORRIDOR (CPEC)?

The China-Pakistan Economic Corridor (in Chinese *Zhōngguó-Bājīsītǎn Jīngjì Zǒuláng*) will connect China’s province of Xinjiang with the port of Gwadar in Pakistan (table 3 and 4). The corridor will pass through the Karakorum mountain range and will be about 3,000 km long.¹¹⁸ The total investment provides US \$34 billion for the energy sector, the rest will be spent in infrastructure, transport and communication.¹¹⁹

In this period of 15 years, various goals have been planned: the first phase will end in 2018 and there will be the first results; by 2020 the short-term projects will be finished; medium-term projects will be completed by 2025; and by 2030 all projects (included long-term ones) will be finalised.¹²⁰

The long-term plan of China-Pakistan Economic Corridor defines the initiative, its goals and objectives as:

¹¹⁶ RITZINGER, Louis, “The China-Pakistan Economic Corridor: Regional Dynamics and China’s Geopolitical Ambitions”, *The National Bureau of Asian Research*, August 5, 2015, p. 2

¹¹⁷ KHAN, Arish U., “Pak-China Economic Corridor: the hopes and reality”.

¹¹⁸ ALI, Akber, “China Pakistan Economic Corridor: Prospects and Challenges for Regional Integration,” *Arts and Social Sciences Journal*, 2016, p. 1

¹¹⁹ Ibidem

¹²⁰ ALI, Akber, “China-Pakistan Economic Corridor: prospect and challenges for regional integration,” p.211

“The CPEC is a growth axis and a development belt featuring complementary advantages, collaboration, mutual benefits and common prosperity. With the comprehensive transportation corridor and industrial cooperation between China and Pakistan as the main axis, and with concrete economic and trade cooperation, and people-to-people exchange and cultural communications as the engine, CPEC is based on major collaborative projects for infrastructure construction, industrial development and livelihood improvement, aimed at socio economic development, prosperity and security in regions along it.”¹²¹

The China-Pakistan Economic Corridor works on four main levels, which are: energy, infrastructure, trade routes and Special Economic Zones.

Table 3 - Cities CPEC passes through. ¹²²

China (Xinjiang)		Pakistan
Kashgar	↓	Gilgit
Atushi		Peshawar
Tumshuq		Dera Ismail Khan
Shule		Islamabad
Shufu		Lahore
Akto		Multan
Tashkurgan Tajik		Quetta
		Sukkur
		Hyderabad
		Karachi
	Gwadar	

¹²¹ Long-term plan for China-Pakistan Economic Corridor (2017-2030), Ministry of Planning, Development and Reform Government of Pakistan, National Development and Reform Commission of the Government of the People’s Republic of China, <http://cpec.gov.pk/brain/public/uploads/documents/CPEC-LTP.pdf>

¹²² Author’s elaboration from: Long-term plan for China-Pakistan Economic Corridor (2017-2030), Ministry of Planning, Development and Reform Government of Pakistan, National Development and Reform Commission of the Government of the People’s Republic of China, <http://cpec.gov.pk/brain/public/uploads/documents/CPEC-LTP.pdf>

Table 4 - Five functional zones from North to South¹²³

Xinjiang foreign economic zone
Northern border trade logistics, business corridor and ecological reserve
Eastern and central plain economic zone
Western logistics corridor business zone
Southern coastal logistics business zone

3.2.1 ENERGY

Along with the CPEC, China and Pakistan developed the China-Pakistan Energy and Economic Corridor (CPEEC). Pakistan has a very strategic position in terms of connection between Middle East, Central and Eastern Asia (figure 19). The growing energy demands of China need a more direct link with the Middle East oil suppliers.¹²⁴ Along with this foreign necessity, as already mentioned in Chapter 1, Pakistan population is increasing and with it the domestic energy demand too. The frequent energy shortfalls are a big problem in the country and it will increase in future. For these reasons, China is investing a lot in the energy sector: in particular in the construction of power plants (coal, hydel, wind and solar - aiming to reach 17,000 MW) and in building transmission lines between cities (for example Matiari-Lahore and Matiari-Faisalabad transmission lines).¹²⁵

¹²³ Ibidem

¹²⁴ SHAIKH, Faheemullah, QIANG, Ji, YING, Fan, "Prospects of Pakistan-China Energy and Economic Corridor", *Renewable and Sustainable Energy Reviews*, June 2016

¹²⁵ Ministry of Planning Development and Reform, Government of Pakistan: <http://cpec.gov.pk/energy>, last access on July 28, 2018



Figure 19 - Map of Energy Corridor¹²⁶

The energy projects are divided into Energy Priority Projects (EPP), Energy Actively Promoted Projects (EAPP) and Potential Energy Projects (PEP). The EPP are the main plans, which have already been approved and are under construction or implementation (figure 20).¹²⁷ Official sources state that for this kind of projects a total investment of US \$22.36 billion will be done. The EAPP are to be initiated, while the PEP are proposals to be evaluated by both sides. By now, the two PEP are mainly for hydel plants in Gilgit Baltistan. The total amount of US \$11.6 billion will be spent in EAPP and other PEP. For further details see Appendix A.

¹²⁶ Source: SHAIKH et al., "Prospects of Pakistan – China Energy and Economic Corridor".

¹²⁷ Ministry of Planning Development and Reform: <http://cpec.gov.pk/energy>, last access on July 28, 2018

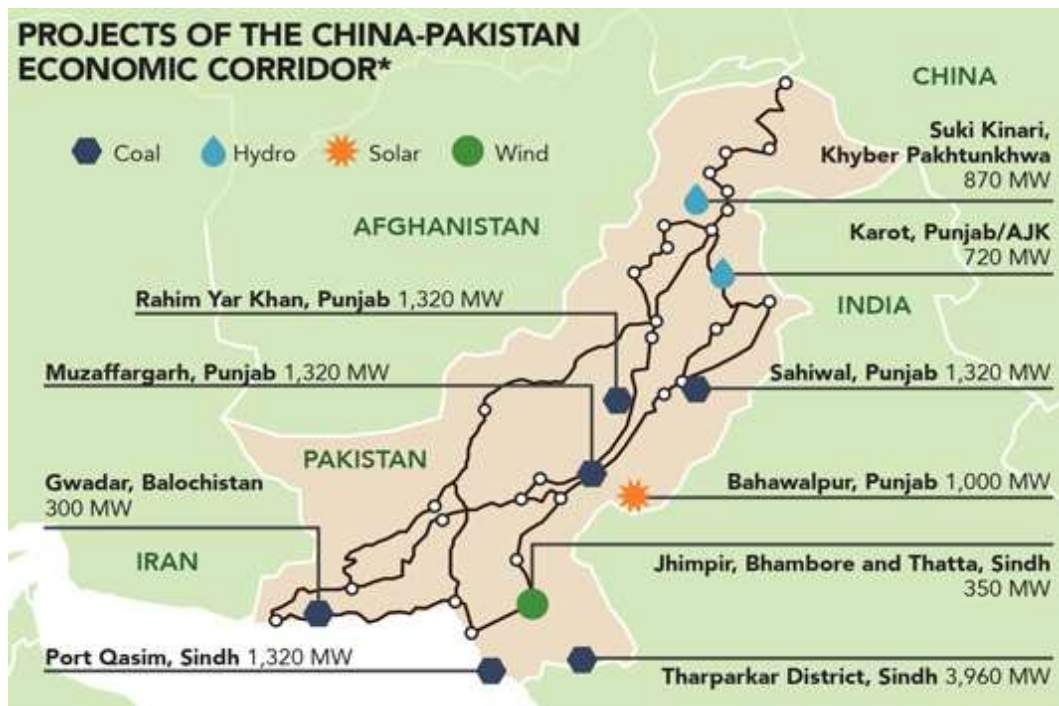


Figure 20 - Map of the energy projects along CPEC¹²⁸

From the map it is evident that the CPEC is highly investing on coal, leaving renewable energy sources as secondary. Coal plants are located in the centre and south of the country. The raw material is mainly imported, with the exception of the local coal processed in Tharparkar District, Sindh. Governmental sources report that the total expenditure for the construction of coal plants in CPEC is estimated to be US \$15.8 billion and all CPEC coal plants will produce in total 9,540 MW.

Hydropower plants are concentrated in the north because of the presence of high mountains, which, with their glaciers and their steep slopes, create the perfect environment for electricity production. From official data, the total cost of the plants under construction is US \$5.6 billion and they will generate 2,690 MW.

According to feasibility studies made by Pakistan Meteorological Department, Sindh is a good location for wind farms. For example, in Gharo experts studied that

¹²⁸ Source: SRINIVASAN, V. L., "Overcoming energy crises", *Break Bulk*, June 22, 2017, <https://www.breakbulk.com/mag317-overcoming-energy-crises/>, accessed on July 3, 2018

the annual wind speed at a height of 50 m is 6.86 m/s and the annual power density is 408.6 W/m². These data revealed the region to be a good place for wind power.¹²⁹ Wind farms are totally going to cost US \$646.65 million and will generate around 399 MW.

Only one solar project is planned, and it is situated in Bahawalpur, Punjab. According to CPEC analysts' estimates, it will cost US \$1.3 billion and its power production is going to be around 1,000 MW.¹³⁰ Other projects¹³¹ are still in the planning phase and their budget is still not fixed, but according to a wide-ranging calculation they are worth US \$7.6 billion, and they will generate 3,371 MW (figure 21).¹³² See Appendix B for the details.

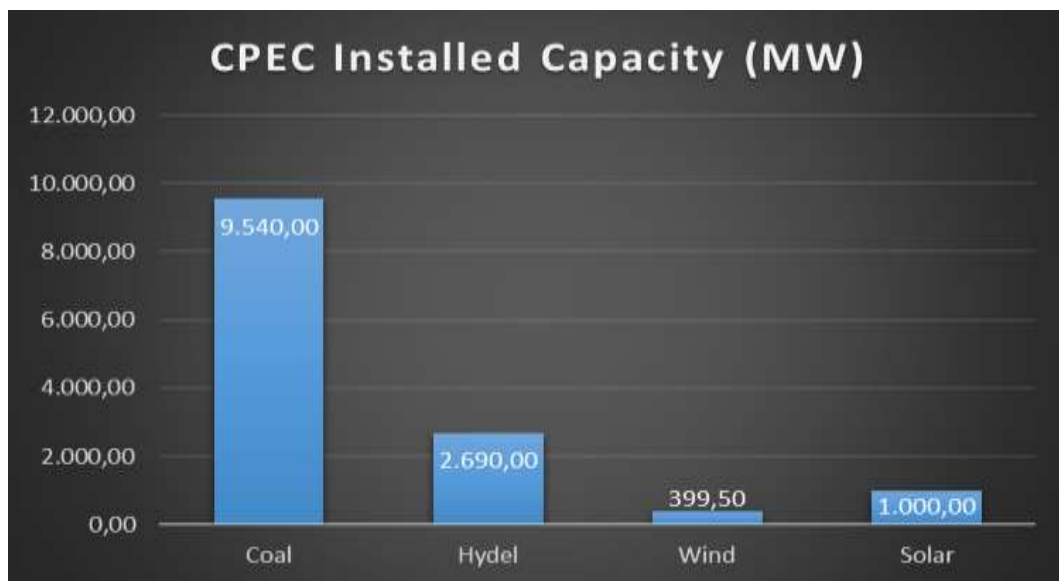


Figure 21 - Installed capacity per type of resource in CPEC [data from CPEC website] - INS

¹²⁹ Pakistan Meteorological Department, "Why Wind Energy?", *Wind Energy Project*, http://www.pmd.gov.pk/wind/wind_project_files/Page767.html, accessed on June 15, 2018

¹³⁰ Ministry of Planning Development and Reform: <http://cpec.gov.pk/>, last access July 28, 2018

¹³¹ Specifically: Western Energy (Pvt) Ltd Wind Power Project; Gilgit KIU Hydropower; Cacho Wind Power Project; Phandar Hydropower Station; SSRL Thar Coal Block Mine Mouth Power Plant

¹³² Ministry of Planning Development and Reform: <http://cpec.gov.pk/>, last access on July 28, 2018

Why is CPEC investing so much in coal power plants? Pakistan is now strongly relying on hydropower for energy supply. The 2011 report on Hydro Power Resources of Pakistan stated that the total existing hydropower plants reached an installed capacity of 6,720 MW, concentrating mainly in the regions of Khyber Pakhtunkhwa (3,849 MW) and Punjab (1,699 MW). This shows that Pakistan have already heavily invested on this side. Since rivers are natural resources which can be controlled by man up to a certain level, it is not possible to continue to build dams and hydroelectrical power plants. This because each river has a certain width and flow rate which cannot be increased and changed accordingly to man's needs.¹³³

On the other hand, coal power plants can be built following the energy demand and, even if pollution is a big issue, there are no physical restrains to the dimensions and the number of plants that can be built. Moreover, Pakistan is known for having many untouched coal resources and lesser plants of this kind. That's why CPEC is aiming at building so many coal power plants.¹³⁴

Official sources claim that this investment decision of preferring coal on renewable is because Pakistan is in a huge energy crisis and cannot afford waiting. Coal is, for the government, the quickest and relatively cheaper source available, so it is meant to quickly recover the electricity shortage Pakistan is affected of.¹³⁵

3.2.2 INFRASTRUCTURE

The "skeleton" of CPEC is infrastructure. The whole initiative, prosperity and economic growth of the CPEC regions, as a matter of fact, relies on transportation

¹³³ Private Power and Infrastructure Board, Ministry of Energy Government of Pakistan, *Hydropower Resources of Pakistan*, <http://www.ppib.gov.pk/HYDRO.pdf>

¹³⁴ IAEA Country Nuclear Power Profile, Pakistan, 2014 Edition, https://www-pub.iaea.org/MTCD/publications/PDF/CNPP2014_CD/countryprofiles/Pakistan/Pakistan.htm, accessed on June 17, 2018

¹³⁵ Centre of Excellence CPEC website, Pak-China Studies Centre, Pakistan Institute of Development Economics: <https://cpec-centre.pk/cpec-faqs-responses/>, last access on July 29, 2018

and connectivity between cities and countries. Thus, this is the first step Beijing and Islamabad did towards the development of such corridor.¹³⁶

The investments focus basically on three factors: railways, roads and rail-based mass transit projects. The estimated total expenditure for road and railway is US \$5,341 million and US \$8,237 million respectively, summing up to a total of US \$13,578 million (figures 22 and 23).¹³⁷ For the details of infrastructure costs see Appendix C.

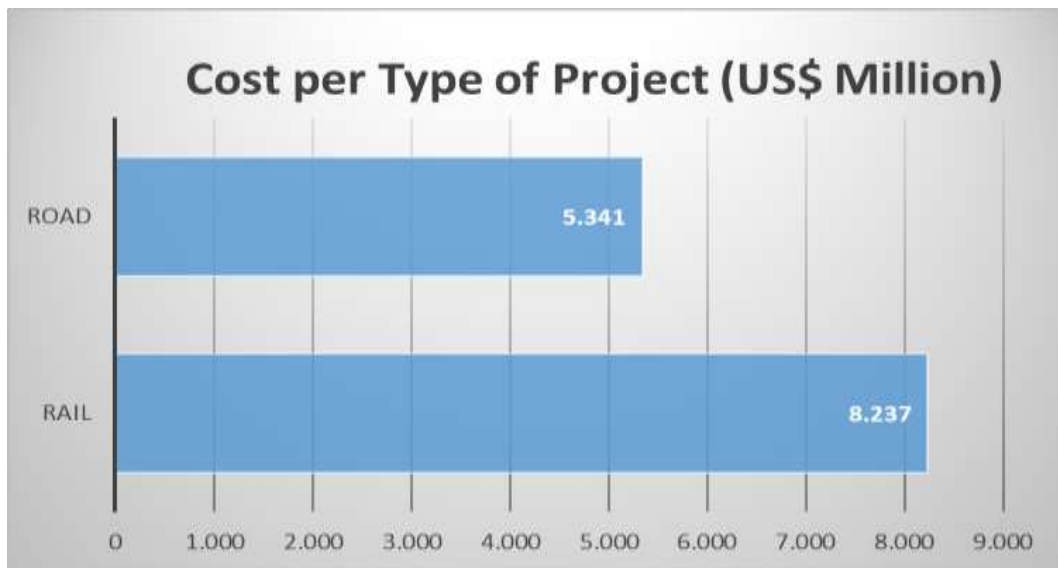


Figure 22 - Detail of expenditure per type of project [data from CPEC official website] - INS

Some scholars studied the infrastructure projects providing further details to the incomplete official data released by the Ministry of Planning, Development and Reform. The infrastructure projects include new roads, new rails and an upgradation of existing ones. Which means that 3,200 km of existing tracks will be upgraded to modern standards, and new 1,200 km tracks will be added.¹³⁸

¹³⁶ Long-term plan for China-Pakistan Economic Corridor (2017-2030), <http://cpec.gov.pk/brain/public/uploads/documents/CPEC-LTP.pdf>

¹³⁷ Ministry of Planning Development and Reform: <http://cpec.gov.pk/>, last access on July 28, 2018

¹³⁸ MARKEY, WEST, "Behind China's Gambit in Pakistan", p. 4

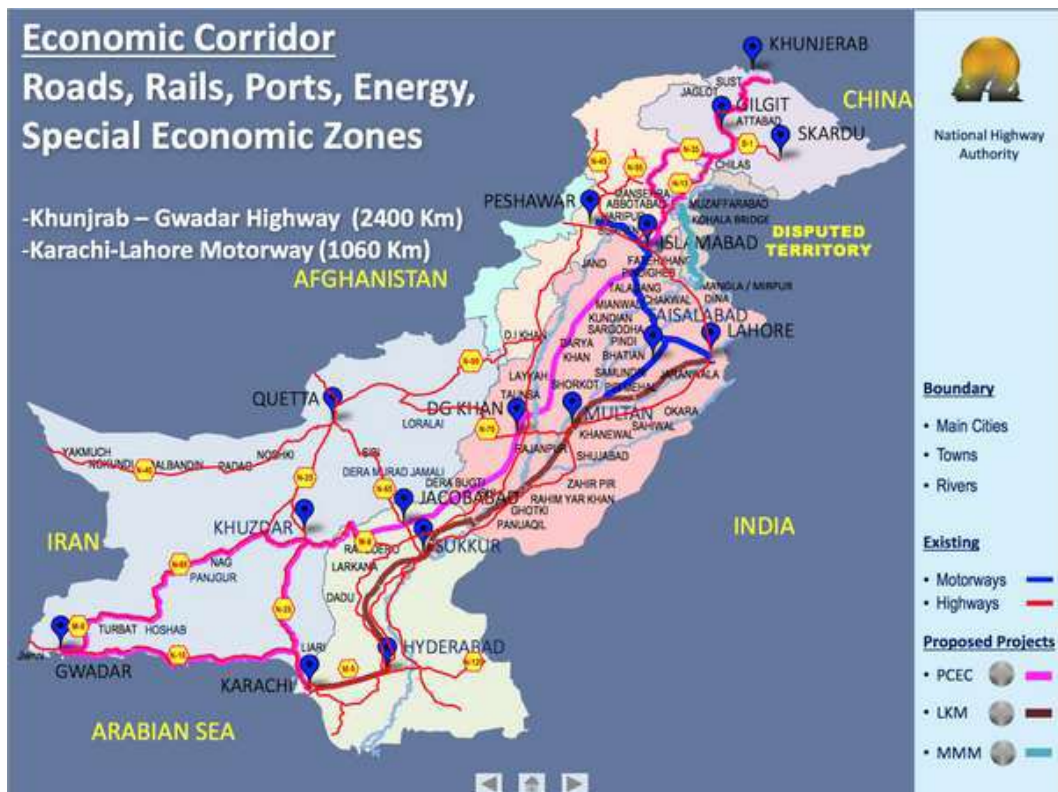


Figure 23 - Map of CPEC ¹³⁹

The road projects are divided into Western track, Central Track and Eastern Track, which unite in Havelian into the Northern track (Table 5). There are some particular deviations that CPEC takes into account: the Central Track will be connected with Jalalabad in Afghanistan via Peshawar and Torkhum; the Western Track will have a further link with Afghanistan through Chaman and to Koh-e-Taftan in Iran via Quetta.¹⁴⁰

¹³⁹ Source: AHMAR, Moonis, “Strategic meaning of China-Pakistan Economic Corridor”, 2015

¹⁴⁰ HUSSAIN, “China Pakistan Economic Corridor and the new regional geopolitics,” p. 17;

MARKEY, WEST, “Behind China’s Gambit in Pakistan.,” p. 46

ABID, ASHFAQ, “CPEC: Challenges and Opportunities for Pakistan,” p. 150

Table 5 - Infrastructure tracks of CPEC ¹⁴¹



Gwadar (Baluchistan)

Eastern Track	Western Track	Central Track
Karachi	Turbat	Khuzdar
Hyderabad	Qalat	Sukkur
Sukkur	Quetta	Dera Ghazi Khan
Rahimyar Khan	Zhob	Mianwali
Multan	Dera Ismail Khan	Taxila
Havelian		
Abbottabad		
Mansehra District		
Muzaffarabad		
Diamer District		
Gilgit		
Khunjerab		

¹⁴¹ Author's elaboration from: Ibidem

Governmental sources are more precise regarding existing railways. The track from Karachi to Peshawar (length 1,872 km) will be implemented and rehabilitated. The total cost of this intervention is estimated to be US \$2.9 billion. New railway lines are planned to be built respectively: Havelian to Khunjarab, Gwadar to Karachi and Gwadar to Jacobabad.

Another important step of CPEC is the construction of Rail Based Mass Transit Systems in main cities (specifically in Lahore, Karachi, Quetta and Peshawar).¹⁴²

Why is infrastructure so important for CPEC? Pakistan nowadays doesn't have a stable and developed infrastructure, cities are not so well connected one each other, roads are not in good conditions and huge traffic is another problem due to the population increase.

New roads and rails will be very useful for trade, they will ease up the goods transportation, the investments and the business in general, as for people it will be much easier to move from one place to the other. Easier movement will mean also a growth of tourism and travels and more comfort for the population.

3.2.3 TRADE ROUTE

CPEC is developing a big trade route inside Pakistan. As mentioned in previous chapters, China's main aim for this project is to transfer its oil import route from Strait of Malacca to Gwadar port, in order to have a more safe and quicker transport (figure 24). This means that except for infrastructure, there are two main objectives: Gwadar port and Karakorum Highway (KKH) implementation.

¹⁴² Ministry of Planning Development and Reform, <http://cpec.gov.pk/energy>, last access on July 28, 2018

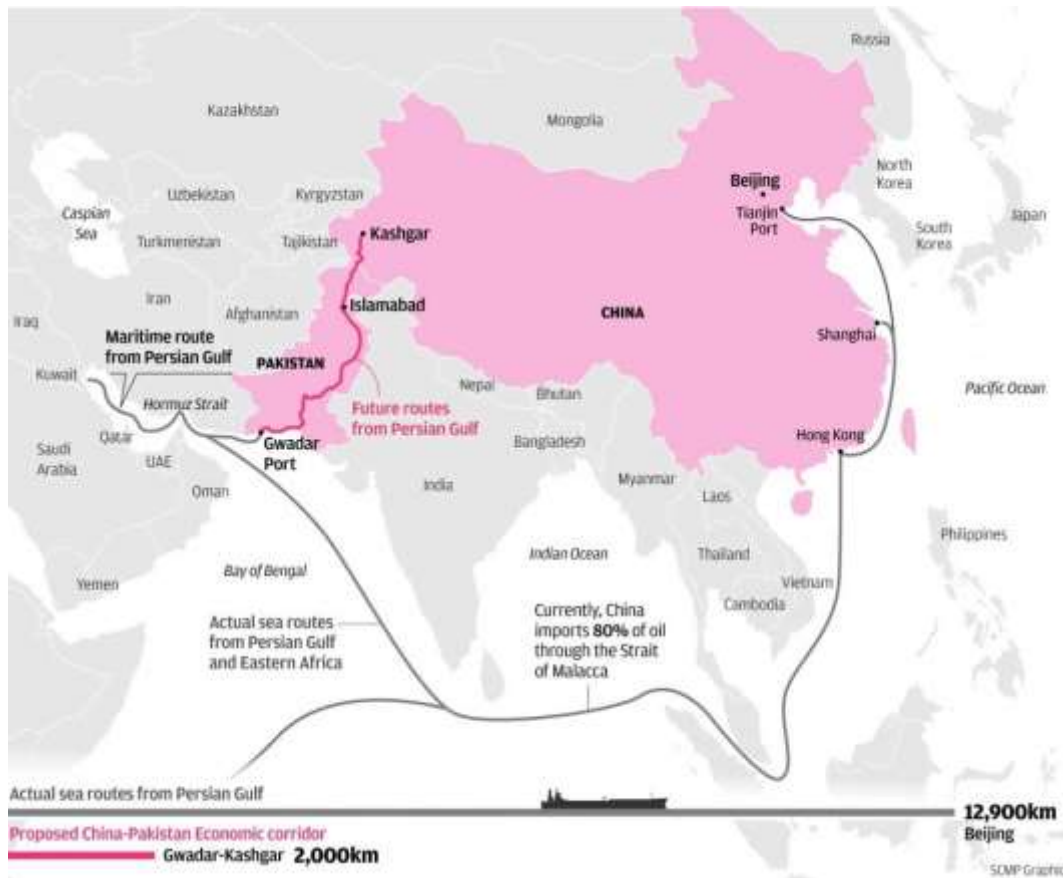


Figure 24 - The value of CPEC in China's oil import ¹⁴³

Gwadar is the core of CPEC, without it, the Corridor would not function at its best. That's why China is heavily investing in the coastal city. According to official sources, the projects involved in it are:

- **Eastbay Expressway.** The current connection between Gwadar port and the city is so limited that lorries often block up the normal traffic. The aim of this expressway is to create a parallel link between the port and the national highway in order to facilitate the transportation of goods. The total cost for this project is US \$140.60 million.

¹⁴³ Source: SU, Susanna, "Strengthening China-Pakistan ties: leaders meet ahead of Belt Road Summit", *Foreign Brief Geopolitical Risk Analysis*, May 13, 2017, <https://www.foreignbrief.com/daily-news/strengthening-china-pakistan-ties-leaders-meet-ahead-belt-road-summit/>, accessed on July 20, 2018

- ***New Gwadar International Airport.*** To complete the functionalities of the Seaport, it is important to connect it with flights. The US \$230 million project includes the construction of the airport and its facilities. The airport will combine domestic and international flights with ATR 72, Airbus (A-300) and Boeing (B-747).
- ***Construction of breakwaters.*** A total of US \$123 million will be spent to facilitate the construction of extra terminals at the Seaport.
- ***Dredging of berthing areas and channels.*** The aim of this project is to ease up the construction of additional terminals and to facilitate deliveries to and from the existing facilities. These berthing areas will perform capital and maintenance dredging. The total investment for this project is estimated to be US \$27 million.
- ***Development of Free Zone.*** Every Seaport needs infrastructure in order to work at its level best. This is the reason why CPEC is investing US \$32 million to back up the harbour activities with warehouses, roads connections, water, gas, power, custom facilities and security.
- ***Facilities for fresh water treatment and supply.*** Both the port and the city require a great amount of water. Thus, it is important for the initiative to implement and invest in water supply, distribution system, desalination plants, sewerage collection system and treatment plant. The total cost for these systems is going to be US \$130 million.
- ***Bao Steel Park.*** This project still needs to be approved, its aim is to develop petrochemical, stainless steel and other industries in the area.¹⁴⁴
- ***Gwadar Smart Port City Master plan.*** The project aims to propose and shape Gwadar as a smart port city, stressing the attention to these fields: plan and design of urban area, trunk infrastructure, city transportation, energy, technology and connectivity, infrastructure and policies, Port City Economic Planning and

¹⁴⁴ Ministry of Planning Development and Reform: <http://cpec.gov.pk/>, last access on July 28, 2018

regulations. To make Gwadar an avant-garde city that develops the economic productivity and the lifestyle of its inhabitants, the total cost is US \$4 million.¹⁴⁵

➤ *Pak-China Friendship Hospital.* The project will see US \$100 million invested to build an advanced medical facility in the region. The hospital will include 6 medical blocks (100 beds per block, which will be up-graded to 300), nursing and paramedical institutes, a medical college, a central laboratory, medical equipment and facilities.

➤ *Vocational Training Institute.* Population is the major stakeholder inside Gwadar project. For this reason, it's important to improve people's competence and skills in order for them to be part of the development of the port and its economy. This institute will prepare people to deal with the operation management, industrial and commercial business and the urbanization process. The investment for this avant-garde institute is US \$10 million.

➤ *Gwadar Livelihood Project.* The life of local population will be smoothed by the implementation and enhancement of fishing, boat making and maintenance facilities.

➤ *Gwadar University.* This university is meant to be associated to a Chinese one. They will cooperate in the marine and maritime studies.¹⁴⁶

Gwadar port projects will totally cost US \$796 million (see Appendix D).¹⁴⁷ Around 500 Chinese workers are involved in this big project.¹⁴⁸ It must be noticed that Pakistan leased the port to China for 43 years (till 2059). In this period Pakistan will have the rights on only 9% of the revenues generated by the activities in

¹⁴⁵ Ministry of Planning Development and Reform, Government of Pakistan, *Gwadar Smart Port City Master Plan*, 2014, <http://pc.gov.pk/uploads/tender/ToR-Integrated-Gwadar-Smart-Port-City-Master-Plan-Version-2.pdf>

¹⁴⁶ Ministry of Planning Development and Reform: <http://cpec.gov.pk/>, last access on July 28, 2018

¹⁴⁷ HUSSAIN, "China Pakistan Economic Corridor and the new regional geopolitics," 18.

¹⁴⁸ ALI, Akber, "China-Pakistan Economic Corridor: prospect and challenges for regional integration", p. 218.

Gwadar, the 91% will go to the state-owned China Overseas Port Holding Company.¹⁴⁹

The second objective is to implement the already existing Karakorum Highway. This is a fundamental link that allows the goods to reach China. The KKH was completed in 1979. The rehabilitation of the Hunza-Raikot has already been completed before CPEC. The main work is to fix some unstable areas which can be subject to land-slides and to soften some sudden curves.¹⁵⁰

KKH Phase II is the project that is focusing on the 120 km-long Thakot-Havelian Section. The plan provides for an implementation of the existing road. The works started in September 2016 and are to be completed by March 2020. The official estimation for this section is US \$1.3 billion. Another KKH's section that is going to be implemented is the Thakot-Raikot N-35. It is 136 km long and the cost is estimated to be US \$719.8 million. This section is still under documentation process though.¹⁵¹

The total cost for KKH is going to reach US \$2 billion.¹⁵² This project is fundamental for the success of the CPEC, because in this way goods, people and oil will be able to move from Gwadar to Kashgar, from Pakistan to China developing this way all the cities and areas on its track.

3.2.4 SPECIAL ECONOMIC ZONES (SEZs)

The term Special Economic Zone (SEZ) defines an area where a various mix of industrial/export/trading activities are operated by different companies. Inside these areas certain economic activities are ruled by a set of SEZ specific policies,

¹⁴⁹ KHAN, Iftikhar A., "China to get 91% Gwadar income, minister tells Senate", *Dawn News*, November 25, 2017 <https://www.dawn.com/news/1372695>, accessed on July 16, 2018

¹⁵⁰ KHAN, "Pak-China Economic Corridor: The hopes and reality"

¹⁵¹ Ministry of Planning Development and Reform: <http://cpec.gov.pk/>, last access on July 28, 2018

¹⁵² Ibidem

different from the country's ones, in order to boost the economy and industrial development. The establishment of SEZs is aiming at attracting investments and promoting better infrastructure. A SEZ, to be defined so, should have a dimension of at least 50 acres; it should allow duty free import capital goods and provide a set of services for the implementation of the economic activity, like gas, electricity and security. All SEZs have the common features of facilitating the business; creating efficient and competitive industrial area; enhancing the infrastructure; reducing general costs and providing utility services. When a SEZ is established it is natural to expect a quick urbanization process, which, if not well-managed, can create problems in the facilities and infrastructure use.¹⁵³

CPEC is creating Special Economic Zones inside Pakistan in order to enhance the development and the cooperation with Chinese side in different industrial sectors, like: chemical and pharmaceutical, engineering goods, agricultural, iron and steel, light manufacturing and home appliances and construction materials. CPEC is providing sustainable and efficient processes, the equipment to satisfy the domestic and international demand.¹⁵⁴ Table 6 describes in detail each SEZ involved in CPEC.

Table 6 - List of SEZ in CPEC¹⁵⁵

SEZ	Province	Area (Acres)	Industry	Connectivity
<i>Rashakai Economic Zone, M-1 Nowshera</i>	Khyber Pakhtunkhwa	1000 Land acquired	Fruit Food Packaging Textile stitching Knitting	Airport 50 Km Dry port 65 Km

¹⁵³ Roundtable Conference: "A Step towards Environmentally Sustainable Special Economic Zones (SEZs)", Centre of Excellence China-Pakistan Economic Corridor, 25th May 2017

¹⁵⁴ Long-term plan for China-Pakistan Economic Corridor (2017-2030), <http://cpec.gov.pk/brain/public/uploads/documents/CPEC-LTP.pdf>

¹⁵⁵ Author's elaboration from: Ministry of Planning Development and Reform: <http://cpec.gov.pk>, last access on July 28, 2018

			Railway Station 25 Km Motorway 0 Km Highway 5 Km City Centre 15 Km
<i>China Special Economic Zone, Dhabeji</i>	Sindh	1000 Land earmarked	To be determined Airport 80Km Seaport 85Km Railway Station 5Km Highway 4.5Km (N-5)
<i>Bostan Industrial Zone</i>	Balochistan	1000 200 Acres have been developed	Fruit Processing; Agriculture machinery; Pharmaceutical; Motor Bikes Assembly; Chromites; Cooking Oil; Ceramic industries; Ice and Cold storage; Electric Appliance; Halal Food Industry Quetta Airport 23Km Karachi Seaport 713Km Gwadar Seaport 976Km Quetta Dry Port 32Km Highway (N-50) 0Km
<i>Allama Iqbal Industrial City (M3), Faisalabad</i>		3000	Textile; Steel; Pharmaceuticals; Engineering; Chemicals; Food Processing; Plastics; Adjacent to existing SEZ of M-3 Industrial City, Faisalabad.

			Agriculture Implements	Sahianwala Interchange Motorway M-3
ICT Model Industrial Zone, Islamabad	Federal Government	200-500 Identification of land under process	Steel; Food Processing; Pharmaceutical & Chemicals; Printing and Packaging; Light Eng	
Development of Industrial Park on Pakistan Steel Mills Land at Port Qasim near Karachi	Federal Government	1500 Land has been earmarked	Steel Auto & allied Pharmaceutical Chemical Printing and Packaging Garments	
Special Economic Zone at Mirpur	Azad Jammu Kashmir (AJK)	1078	Mix industry	Main GT Road Dina-Jhelum 22Km Airport 130Km Inactive Railway Track 2Km Proposed Dry Port at Mirpur 5Km Sialkot 140Km.
Mohmand Marble City	Federally Administered Tribal Areas (FATA)			
Moqpondass SEZ	Gilgit-Baltistan	250 Land allotted	Marble/Granite; Iron Ore Processing; Fruit Processing;	Gilgit Airport 35Km

		Steel Industry; Mineral Processing Unit; Leather Industry	Skardu Airport 160Km Sust Dryport 200Km CPEC Route 4Km On Gilgit- Skardu Road
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Figure 25 - Map of SEZ in CPEC¹⁵⁶

¹⁵⁶ Author's elaboration from: Ministry of Planning Development and Reform: <http://cpec.gov.pk>, last access on July 28, 2018

The map shows clearly that there is at least one SEZ per province. In this way, CPEC gives a chance to every province to develop its own businesses and industries.

Government-sponsored studies reported that the opportunities that the SEZs will bring to Pakistan and its population will be many, including: employment, foreign exchange investment, local development, revenue generation for the government, export growth and its diversification, local labour's skills development, technology transfer and adoption of modern management practices.¹⁵⁷

3.2.5 OTHER PROJECTS

After giving priority to Energy, Infrastructure, Trade Routes and SEZs, CPEC focused on other projects, which can improve people's lives.

➤ ***Cross Border Optical Fiber Cable.*** The project started in October 2015 and is estimated to cost US \$44 million. The cable will pass from Gilgit Baltistan, through Khyber Pakhtunkhwa, reaching Punjab. The project will be completed in December 2018 (figure 26).¹⁵⁸

¹⁵⁷ RAFIQUE, Uzaira, Session I-Environmental opportunities and Challenges for success of Special Economic Zone (SEZs) at roundtable conference on "CPEC-A Step Towards Environmentally Sustainable Special Economic Zones (SEZs)"

¹⁵⁸ Ministry of Planning Development and Reform: <http://cpec.gov.pk>, last access on July 28, 2018

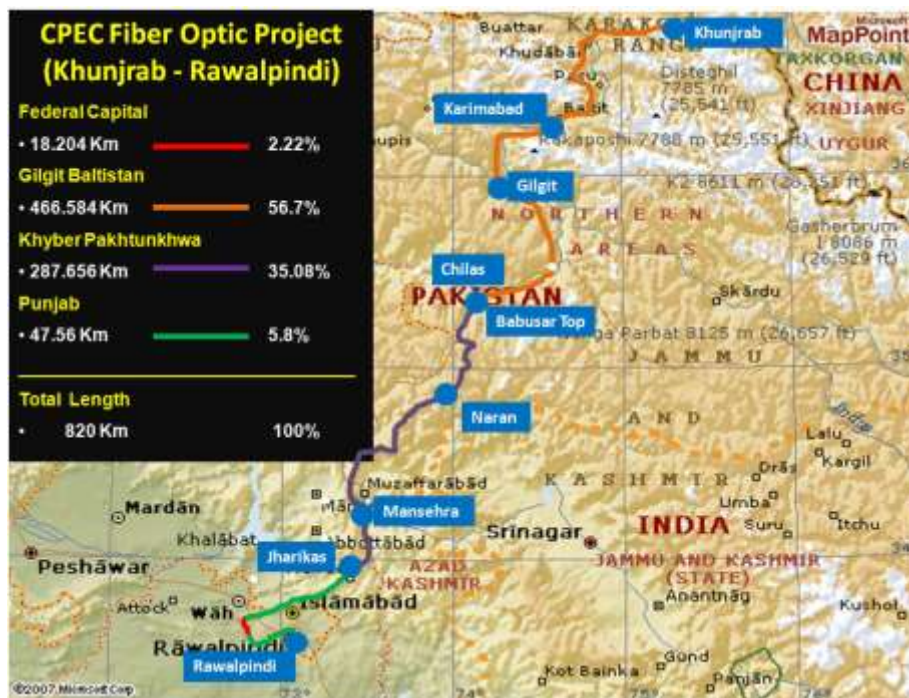


Figure 26 - CPEC Cross-border Optical Fiber Cable¹⁵⁹

➤ *People-to-People exchanges.* For such a long-term initiative, it is very important that the relation between the two countries doesn't remain only on governmental level. Mutual understanding and knowledge of each other's culture and heritage is fundamental to make the two populations meet. CPEC developed yearly programmes based on media and cultural exchanges to reach this goal.

➤ *Transfer of Knowledge.* This project involves the exchange of experts and knowledge (water resources management, treatment and agriculture), the creation of jobs and SMEs and the organization of workshops in industrial areas.

➤ *Pakistan Academy of Social Sciences (PASS).* The Higher Education Commission (HEC) is the responsible for the foundation of this Academy in collaboration with the Chinese Academy of Social Sciences.

¹⁵⁹ Ibidem

➤ *Consortium of Business Schools.* HEC is managing also this project to create a consortium between Chinese and Pakistani best Business Schools. The main aim is to transfer knowledge between the countries.¹⁶⁰

3.3 SUMMARY

To manage the whole CPEC initiative, China and Pakistan created the Joint Cooperation Committee, piloted by the Ministry for Planning and Development of Pakistan and the National Development and Reform Commission (NDRC) of People's Republic of China. This Committee is composed of 5 sections: energy, transport, Gwadar port, industrial parks and planning. Every working group discusses the projects before presenting it in front of the whole Committee, who at last finalizes it.¹⁶¹

In 2014, China founded a consortium of main Chinese banks (like China Development Bank – *Guójiā Kāifā Yínháng* and China Exim Bank – *Zhōngguó Jìnbùkǒu Yínháng*) called “The Silk Road Fund Co. Ltd.” (in Chinese *Sīchóu Jījīn*) in order to financially support China-Pakistan Economic Corridor. The insurance against non-payment risks for these loans is held by China Export and Credit Insurance Corporation (*Sinosure – Zhōngguó Chūkǒu Xìnyòng Bǎoxiǎn Gōngsī*), while their security is guaranteed by the state.¹⁶²

To conclude, the following picture represents the puzzle of all the projects mentioned previously in this chapter.

¹⁶⁰ Ministry of Planning Development and Reform: <http://cpec.gov.pk>, last access on July 28, 2018

¹⁶¹ Ibidem

¹⁶² SIDDIQUI, Hussain Ahmad, “CPEC Projects: Status, Cost and Benefits,” *Daily Dawn*, last modified July 13, 2015, <http://www.dawn.com/news/1194014>, accessed on July 10, 2018

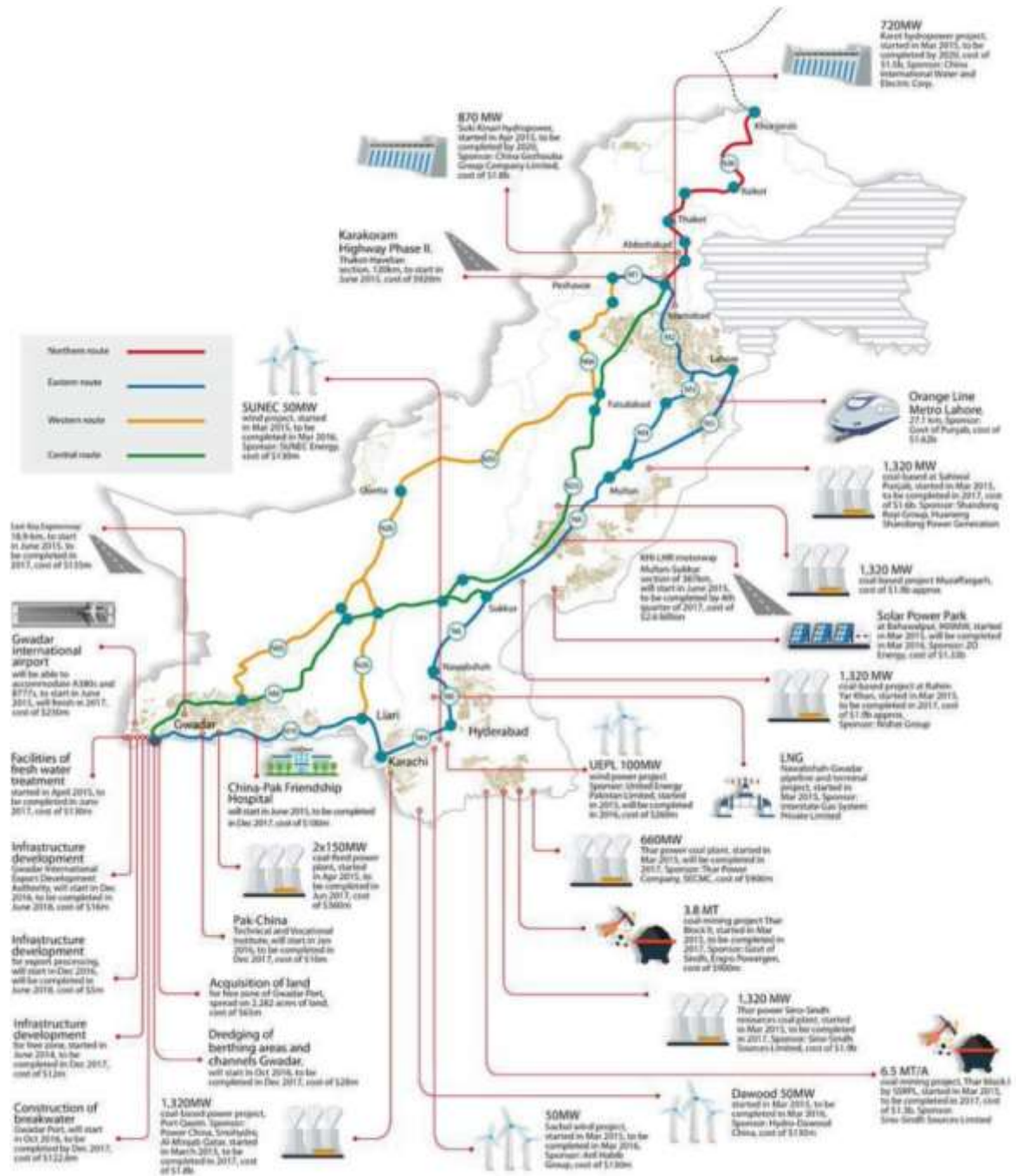


Figure 27 - Map of all CPEC's projects¹⁶³

¹⁶³ Source: JAVAID and JAVAID, "Strengthening Geo-Strategic Bond of Pakistan and China."

4 Future Consequences of CPEC

4.1 INTRODUCTION

China and Pakistan have always had a very strong bond, based on cooperation and common interests. By establishing CPEC, the two countries strengthened their political relation into a strategic economic cooperation. Through this project, Beijing doesn't only take care of its short-term economic benefits but wants to see Pakistan's long-term development. This economic development will be beneficial for both Pakistan, China and the region as well.¹⁶⁴

Even though China is strongly following its non-interference policy with other countries, CPEC has an indirect positive influence in resolving some internal problems of Pakistan and neighbouring countries, like terrorism and instability issues.¹⁶⁵

4.2 ADVANTAGES FOR PAKISTAN

The huge Chinese investments, mainly in infrastructure and energy, are going to change the future of Pakistan. Let's analyse in detail the factors that are taken into consideration in Chapter 1 and let's see which changes CPEC will bring.

¹⁶⁴ IRSHAD, Muhammad Saqib, QI, Xin, ARSHAD, Hamza, "One Belt and One Road: Does China Pakistan Economic Corridor Benefit for Pakistan's Economy?", *Journal of Economics and Sustainable Development*, vol. 6, no. 24, 2015, p. 206

¹⁶⁵ Ibidem

4.2.1 GROSS DOMESTIC PRODUCT

The Gross Domestic Product of Pakistan is at constant increase (figure 28). How will CPEC affect its trend?

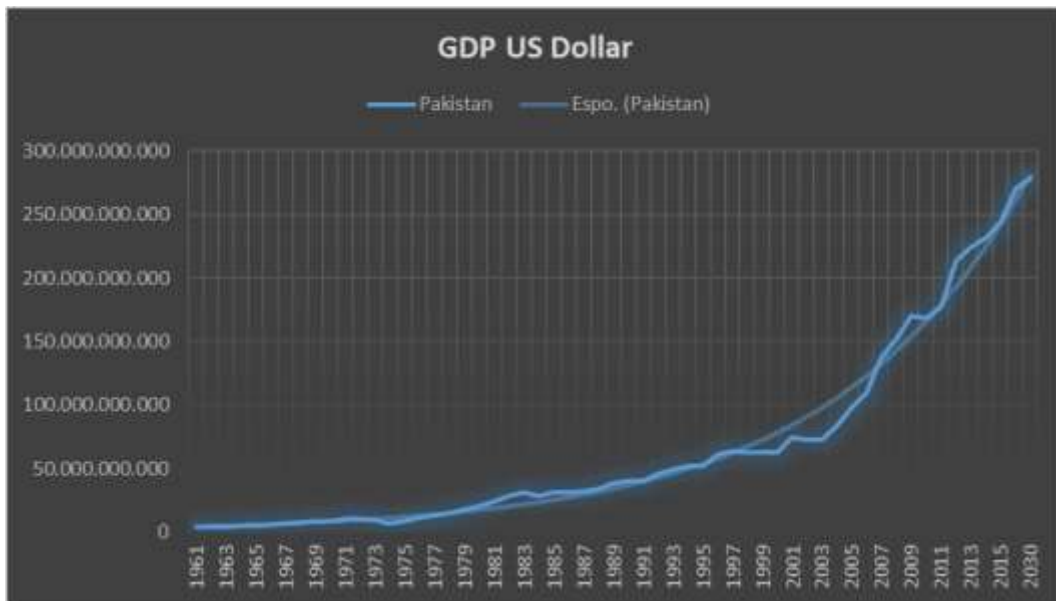


Figure 28 - GDP trend in Pakistan with CPEC [data from Worldbank] - INS

At the end of CPEC in 2030, the total investment from China will be more than twice the size of all the FDIs since 2008 up till now.¹⁶⁶ Scholars say, at the end of CPEC, Pakistan’s GDP will boost of 15% compared to where it is now.¹⁶⁷ This means there will be a huge impact on the whole country wealth. Government has to be careful in managing such an economic development in order not to leave the poorer part of population on a side.

For this reason, poverty alleviation is one of the main goals to reach in 2030. The Corridor planned to focus on some aspects that can affect rural population

¹⁶⁶ MARKLEY, Daniel S. and WEST, James, “Behind China’s gambit in Pakistan”, *Council on Foreign Relations*, May 12, 2016

¹⁶⁷ Bureau Report, “CPEC: Pakistan’s GDP to increase by 15%”, *The News International*, Peshawar, August 11th, 2017, <https://www.thenews.com.pk/print/222919-CPEC-to-increase-Pakistan-GDP-by-15>, accessed on July 8, 2018

directly. The transit from a traditional kind of agriculture to a modern one is a means to give people in rural areas a chance to increase their economic conditions. The main areas of construction are: agricultural infrastructure, pesticides, fertilizers, irrigation, storage and transportation technologies, livestock medicines, horticulture, fisheries and forestry etc... These actions should help rural areas development and help local people to raise their quality of life. ¹⁶⁸

4.2.2 UNEMPLOYMENT

Pakistan’s population is going to increase in future decades. And it is estimated to reach almost 250 million people by 2030 (figure 29).

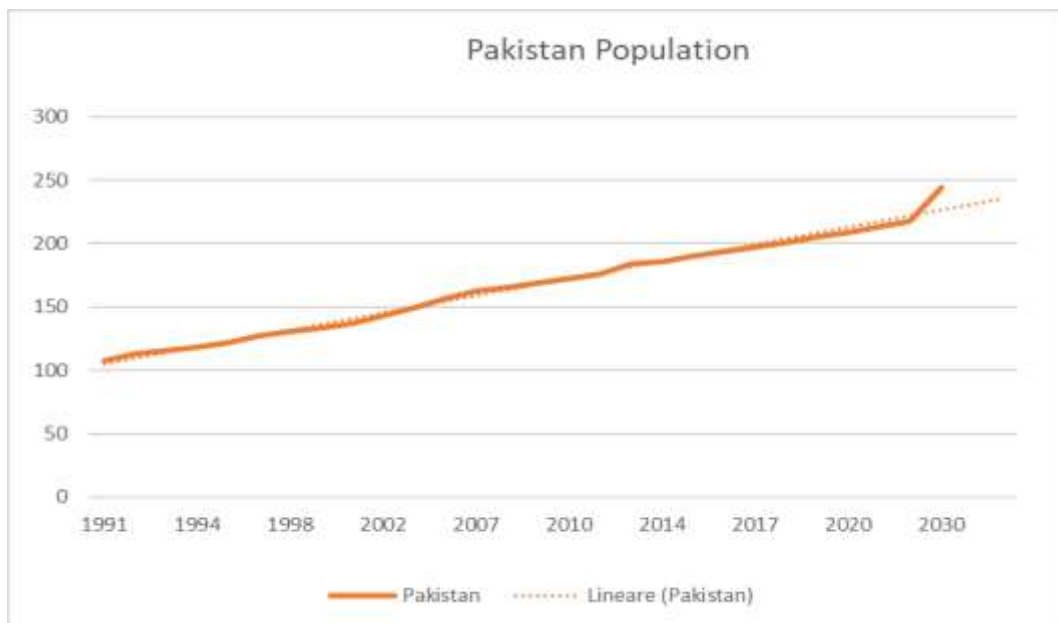


Figure 29 - Pakistan’s future population (in Million)

¹⁶⁸ Long-term plan for China-Pakistan Economic Corridor (2017-2030), <http://cpec.gov.pk/brain/public/uploads/documents/CPEC-LTP.pdf>

Labour force is, thus, automatically increasing. Figure 30 shows the trend in the increase of labour force in Pakistan. Projecting the trend from 1990 to 2015 and extending it to the coming years, we can see that the labour force will reach around 120 million people by 2030. With the term labour force, it is meant all people aged 15 and more (excluding students), who are working, unemployed or job-seekers.

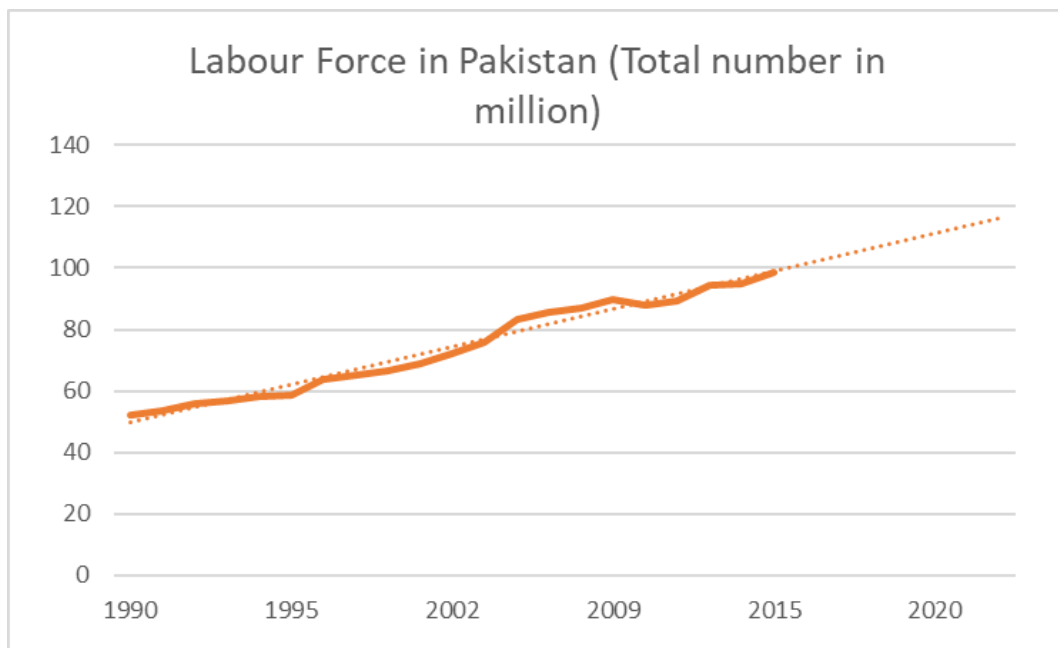


Figure 30 - Labour force in Pakistan (total number in million) [data from Worldbank]

Unemployment in Pakistan has always been quite high. In the long-term perspective (till 2030), if the economic situation will not change, its tendency will continue to rise. CPEC can contribute a lot in changing this: analysts forecasted that at the end of this initiative, 800,000 jobs will be created.¹⁶⁹

Figure 31 reports the data taken from World Bank for the number of unemployed people from 1990 till 2015. As we can see the unemployment in

¹⁶⁹ "How many new jobs CPEC is creating in Pakistan", *Times of Islamabad*, February 8th, 2018. <https://timesofislamabad.com/08-Feb-2018/how-many-new-jobs-cpec-is-creating-in-pakistan>, accessed on July 10, 2018

Pakistan is on rise from 1990 to 2005. From 2005 to 2009 a slight decrease in unemployment rate can be seen. Over the years 2010 and 2011 a sharp decrease in the unemployment rate can be noticed. This anomaly is due to unidentified reasons, because no evidence could be found on media to verify this information. In 2015 the unemployment rate becomes similar to the unemployment rate in 2007 and it is on continuous rise. This up & down trend shows the political instability in the country which strengthen the need of a project that gives constant job to the people, hence stability. For comparison the author has shown a trend of unemployment rate by 2030 without CPEC and with CPEC. The general tendency of unemployment will have a huge decrease with CPEC, which means the corridor will help the population in a concrete way.



Figure 31 - Unemployment with and without CPEC [data from Worldbank]

To understand the extent of such investment in terms of employment, let's analyse the project of Multan-Sukkur Section of Peshawar-Karachi Motorway. The project will be completed in 2019 with a total investment of US \$2.94 billion. By the end of 2017, with just US \$6.25 million around 15,174 people were employed, of

which 91,5% are Pakistani. According to data collected by the CPEC Center of Excellence, only 5% of jobs are assigned to Chinese inside the CPEC initiative.¹⁷⁰ This means that CPEC is taking care of the development of Pakistan. Two main points are left vague inside this project:

- 1) Will these jobs last after the initiative as well?
- 2) Will only highly educated people be involved in the future, or low labour force will be continuously entertained as well over the years?

4.2.3 EDUCATION

Education is the key booster for any country. Pakistan really needs to advance in science and technology, and shape this way its future. CPEC is sustaining economic development and cooperation, but also the development of an educational strategy. The foundation of the whole CPEC project is based on the education and knowledge of Pakistani professionals, therefore education has a huge relevance. Because of this reason, Pakistan has to improve its education system and advance in research to maximize the benefits of such big investment. The main steps, that Pakistani universities have to do, are:

- Updating educational programs;
- Modifying the education system in order to suit CPEC fields;
- Introducing Chinese language in the programs.

The Ministry of Planning, Development and Reform, along with Pakistan Institute of Development Economics, started the CPEC Centre of Excellence in Islamabad, which is working on six main topics related to the Corridor: Urban

¹⁷⁰ ZIA, Muhammad Muzammil and WAQAR Shuja, "The impact of CPEC and related infrastructure projects on employment", *Centre of Excellence China-Pakistan Economic Corridor*, Working Paper n.11, 2017

Development, Socio-Economic Impact, Job Growth and Human Resource Development, Trade and Industry Cooperation, Financing and Financial Sector Integration and Regional Connectivity.¹⁷¹

CPEC has two main projects on this field: the Pakistan Academy of Social Sciences and the Consortium of Business Schools.¹⁷² China Scholarship Council granted educational scholarships and the opportunity to study in China to more than 2,000 Pakistani students. This will help Pakistan to advance its educational standards and bring new knowledge inside the country.

Right now, Pakistan is using only the 2% of its GDP on education sector, while it should invest more on it.¹⁷³ As mentioned in chapter 1, the access to higher education is not granted to the majority of population, resulting in many illiterate young people. For sure, CPEC will increase the opportunities for students, who are already studying at higher levels, but the main problem of the access to education will remain.

4.2.4 TOURISM

The stronger connectivity between cities and the improved infrastructures will help tourism. Such big investment will boost economic development and so the security in Pakistan. Many more foreigners will feel safer inside the country and have a more comfortable way of travelling, thanks to the infrastructure upgradation. CPEC is taking particular care of norther regions and coastal areas.¹⁷⁴

¹⁷¹ Centre of Excellence China-Pakistan Economic Corridor, <https://cpec-centre.pk/>, last access on July 29, 2018

¹⁷² Ministry of Planning Development and Reform, Government of Pakistan: <http://cpec.gov.pk/>, last access on July 28, 2018

¹⁷³ HAROON, Muhammad, "CPEC Education Sector in Pakistan", *National Herald Tribune*, July 11th, 2017, <http://dailynht.com/story/31918>, accessed on July 12, 2018

¹⁷⁴ Centre of Excellence China-Pakistan Economic Corridor, <https://cpec-centre.pk/cpec-opportunities/>, last access on July 29, 2018

Norther regions, like Gilgit-Baltistan, already attract many visitors for their natural beauty, but with better management of the area, it will become a 'hot spot' for tourists. In order to boost tourism, the main actions will be: advance the public and touristic service and develop transportation and security. CPEC will promote the cross-border tourism between the two countries and improve the services for visitors.¹⁷⁵

In the coastal areas, Gwadar and Karachi will be the main centres. Both countries are working in the construction of tourist routes which will have:

- two centres: Karachi port and Gwadar port
- one axis: the coastal tourism belt
- five touristic zones: Jiwani and Gwadar, Jhal Jhao, Ormara, Sonmini and Keti Bander.¹⁷⁶

The development of these two key areas, which are on the opposite side of the country, will extend the tourism into the cities in between. Tourism will generate jobs for the locals and will further develop the economy and the livelihood for the population.¹⁷⁷

4.2.5 HEALTHCARE

Pakistan has a huge potential for the development of a good healthcare system. In the country there are more than 175,000 registered doctors and the greater part

¹⁷⁵ *Long-term plan for China-Pakistan Economic Corridor (2017-2030)*, <http://cpec.gov.pk/brain/public/uploads/documents/CPEC-LTP.pdf>

¹⁷⁶ Ibidem

¹⁷⁷ Centre of Excellence China-Pakistan Economic Corridor, <https://cpec-centre.pk/cpec-opportunities/>, last access on July 29, 2018

of them didn't practice medical training or don't have advanced medical equipment.¹⁷⁸

CPEC's main project under construction is the China-Pakistan Friendship Hospital in Gwadar, which will be a very advanced hospital and a point of reference inside the country from a medical point of view. The Red Cross Society of China built another emergency hospital in order to offer medical facilities to workers on the CPEC project and to local people.¹⁷⁹

There is no specific CPEC department for healthcare, and this can be a lack that will affect the population directly. Health system will not change, and people will keep on referring to private hospitals rather than governmental ones.

4.2.6 ENERGY

The energy shortfall that is affecting Pakistan is going to become worse in the coming years. As seen in previous chapters, there is a shortage of 5,000 MW, and as the population increases, the energy demand automatically grows with it. The new power plants with CPEC will be a good solution for this crisis.

Figure 32 is a graphical representation of current energy situation in 2017 with a projection of energy situation by the implementation of CPEC in 2030. Considering that the normal Installed Capacity (I.C) increases 7% per year and that the demand increases at an average of 10% per year, it is estimated that by 2030 total demand will reach from 22,000MW to an estimated 48,400 MW, and the installed

¹⁷⁸ SHAHBAZ, Muhammad, "How the Belt and Road could become a 'Health Corridor'", *China Daily*, May 17th, 2017; http://www.chinadaily.com.cn/opinion/2017-05/17/content_29378815_2.htm, accessed on July 15, 2018

¹⁷⁹ Ministry of Planning Development and Reform, Government of Pakistan: <http://cpec.gov.pk/>, last access on July 28, 2018

capacity will reach from 17,000 MW to 32,470 MW in the country.¹⁸⁰ The energy shortage by 2017 is 5,000 MW which can increase to 15,930 MW, if no CPEC or other projects like it has been implemented. According to calculations based on data released by the Ministry of Development Planning and Reform, in 2030 CPEC will generate a total of 17,000 MW in Pakistan, covering in this way the country demand with a surplus of 1,070 MW. The calculations made to explain the significance of CPEC influence on the energy shortfall in Pakistan are based on the data taken from CPEC official website. The reader should take into account that the project is in implementation phase and the real values can differ from the present ones. However, these values are good to highlight the CPEC importance.

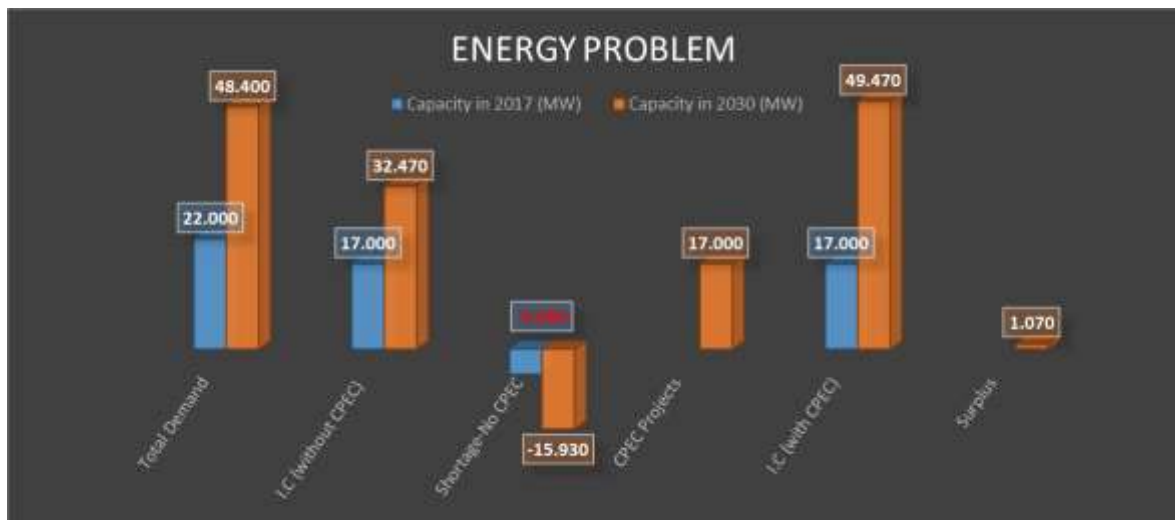


Figure 32 - CPEC solves Pakistan Energy Problem – INS¹⁸¹

¹⁸⁰ RAFIQUE, M. Mujahid and REHMAN, Shafiqur, “National energy scenario of Pakistan – Current status, future alternatives, and institutional infrastructure: An overview”, *Renewable and Sustainable Energy Reviews*, March 2017

¹⁸¹ Author’s elaboration of data from: Ministry of Planning Development and Reform, Government of Pakistan: <http://cpec.gov.pk/>, last access on July 28, 2018

This big investment in energy sector, amounting to US \$34 billion, will revive the industries and in this way will improve people's quality of life, granting new job positions and a constant availability of electricity in everyday life.¹⁸²

Pakistan generate most of its energy from hydel sources. In CPEC an investment to utilize other sources has been made as well. To explain the reasons of the choices made among different sources of energy production, it is important to understand the concept of levelized cost of energy.

The levelized cost of energy (LCOE) is a useful indicator that allows analysts to compare the efficiency and convenience of different energy sources. It is calculated through the ratio between the costs (of plant construction, maintenance, raw material) and the energy production (MWh). The LCOE is very variable according to the kind of energy source, the geographical position and, for renewables, the natural variables (for example the geography/landscape in case of wind energy or the river flow rate in case of hydel).¹⁸³ This is the reason why in figure 33 the LCOE is not a fixed value: it represents the maximum and the minimum rates possible according to the National Renewable Energy Laboratory (NREL) and the International Renewable Energy Agency (IRENA). In this way it is possible to compare the different sources of energy. One strong critic related to the LCOE calculation and definition is that it doesn't take into account the environmental cost. Introduction of the environmental cost to LCOE definition can invert the prices of each source. For example: LCOE of energy produced from fossil fuels is very low as compared to LCOE from wind energy sources, however if we

¹⁸² ESTEBAN, Mario, "The China-Pakistan Corridor: a transit, economic or development corridor", *Elcano Royal Institute and Institute of Strategic Studies Islamabad*, July 5, 2016

¹⁸³ "Levelized Cost of Energy Calculator", *National Renewable Energy Laboratory (NREL)*, <https://www.nrel.gov/analysis/tech-lcoe.html>, accessed on August 1, 2018

add the annual cost of health and environmental damage to the LCOE of fossil fuel source, this makes it much more costly.

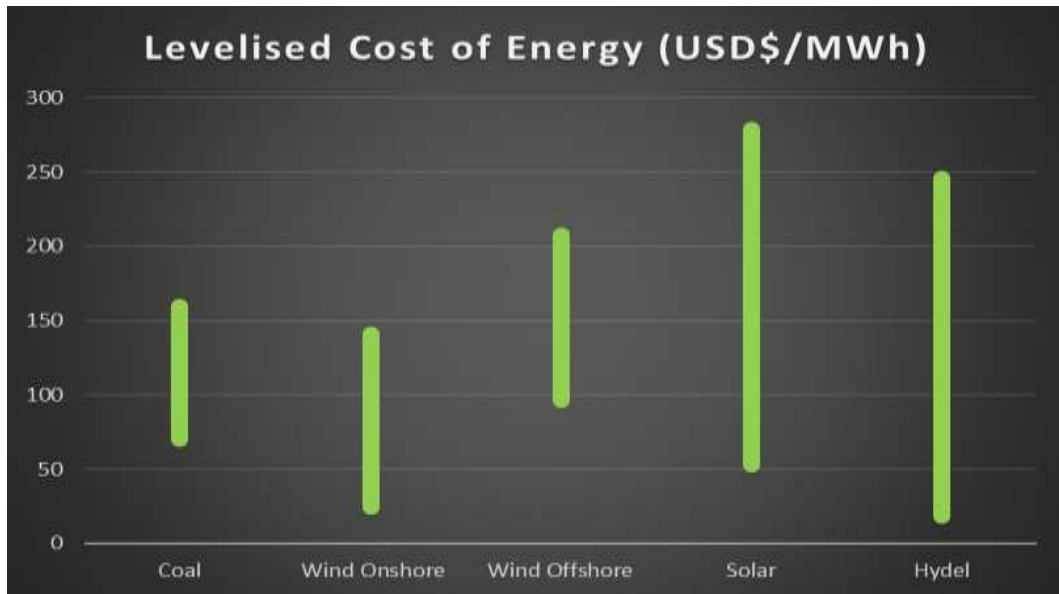


Figure 33 - Levelized Cost of Energy (LCOE)¹⁸⁴

A question is still remaining: why CPEC is investing so much on coal instead of renewables? The figure shows a comparison between these two kinds of source: the LCOE of hydropower is lesser as compared to coal. As already mentioned, building coal power plants is much easier and more adaptable to the energy needs than hydropower ones.¹⁸⁵

Wind is another good source of energy also because its LCOE is quite low, but wind power is very localized where there is strong wind. It brings along a problem,

¹⁸⁴ Coal data from: "Coal", National Renewable Energy Laboratory (NREL), <https://atb.nrel.gov/electricity/2017/index.html?t=cc>, accessed on July 15, 2018

Other data from: "Cost", International Renewable Energy Agency (IRENA), <http://resourceirena.irena.org/gateway/dashboard/?topic=3&subTopic=1057>, accessed on July 14, 2018

¹⁸⁵ IAEA Country Nuclear Power Profile, Pakistan, 2014 Edition, https://www.pub.iaea.org/MTCD/publications/PDF/CNPP2014_CD/countryprofiles/Pakistan/Pakistan.htm, accessed on June 29, 2018.

that wind energy is not a constant source of power because it depends on the weather conditions. On the other hand, solar implies a very high LCOE and that is why CPEC is not considering it as main source of power. These are the reasons why coal is preferred to hydel, wind and solar powers.

Unfortunately, Pakistani government is not realizing that this choice will cause the rising of a serious pollution issue, that can affect people's health and the environment, causing in this way extra costs for healthcare and environmental protection. The future depletion of coal resources will make all these huge investments useless in a long-term perspective. The government should realize as soon as possible that it's necessary to invest in renewable energy sources, and this is the only way for Pakistan to have a better and stable future.

4.2.7 SECURITY

The security issues inside Pakistan are many and can affect the construction of CPEC. The military is constantly controlling the on-going projects to guarantee safety for the workers. The government assigned new forces in Baluchistan and Sindh to protect the projects under construction. The operation Zarb-e-Azb in 2014 was meant to fight the militancy on the Afghan borders. But later, the military decided to extend it to the national level to protect CPEC and to achieve a "terror free Pakistan".¹⁸⁶

In the last period in Pakistan the military contained a lot the terrorist attacks, but there are still threats. Chinese workforce protection is a big worry for Pakistan, which established the Special Security Division (SSD) of 10,000 soldiers to defend the workforce. The main danger for CPEC is coming from terrorist groups from

¹⁸⁶ IBRAR, Muhammad, MI, Jianing, RAFIQ, Muhammad and KARN, Arodh Lal, "China-Pakistan Economic Corridor: Security challenges", *2nd Asia-Pacific Management and Engineering Conference (APME 2016)*, 2016

Afghanistan (provinces of Nuristan and Kunar), Al Qaeda, Tehreek-e-Taliban Pakistan (TTP), the Turkestan Islamic Party and the movement of Islamic Uzbekistan.¹⁸⁷

At the same time, CPEC can affect these issues in a much deeper way. This is because economic development will create new jobs, improve the country's image among the population and in this way the anti-state sentiment will decrease. Thus, in short and medium-term, people and goods flow control between the two countries will be very high.

Pakistani government, on the other hand, is willing to grab all the opportunities of economic development and security that the CPEC is bringing along. According to Pakistan's military, these investments can not only strengthen the country against terrorist insurgencies, but also against foreign enemies like India.¹⁸⁸

One big problem is in Baluchistan. Local insurgents tried many times to attack CPEC projects, causing this way the decision of closing Gwadar with a security fence and checkpoints.

Because CPEC is the flagship of OBOR, China is not tolerant with violence and attacks. Therefore, for CPEC, security issue is of primary importance: if sufficient security will not be provided, it will be very hard that these projects will be completed successfully.¹⁸⁹

¹⁸⁷ Ibidem

¹⁸⁸ MARKLEY, Daniel S. and WEST, James, "Behind China's gambit in Pakistan", *Council on Foreign Relations*, May 12, 2016

¹⁸⁹ Ibidem

4.3 ADVANTAGES FOR CHINA

Such huge investment China is making in Pakistan is not for free. China has great interests in seeing Pakistan developing its connectivity, trade and energy resources. They will be in future the basis for China's economic development and political influence. Here are three main reasons why China is so much concerned about Pakistan.

4.3.1 POLITICS

China's main foreign policy is based on non-interference. This is because the country believes in strengthening relations with other countries, especially neighbours, for the regional and mutual development. CPEC will be an example of the non-interference policy and will increase China's reliability in front of other countries, promoting this way the completion of other OBOR projects.¹⁹⁰ The reputation made in Pakistan will allow China to develop private sectors in other countries.¹⁹¹

On the other side, many see CPEC as an extension of Chinese power in the region. There are three main reasons why China is investing in Pakistan:

- 1) helping the long-term friend in economic development,
- 2) enhancing the trade between the two countries and,

¹⁹⁰ RAMAY, Shakeel Ahmad, "China-Pakistan Economic Corridor: A Chinese Dream Being Materialized Through Pakistan", *Sustainable Development Policy Institute (SDPI)*, p.7.

¹⁹¹ IRSHAD, Muhammad Saqib, QI, Xin, and ARSHAD, Hamza, "One Belt and One Road: Does China-Pakistan Economic Corridor Benefit for Pakistan's Economy?", *Journal of Economics and Sustainable Development*, vol. 6, no. 24 (2015), December 31, 2015, p.203

- 3) expand China's influence in Western Asia.¹⁹² In Gwadar, Beijing can check the US activities in the Indian Ocean, even though it declared of not being interested into military.¹⁹³

For the US leadership, CPEC is sending a clear message about China's aims at transforming Pakistan as a tool to expand its influence in the region. As reaction the US is obliged to keep strong ties with neighbouring countries, to confirm its position in the Asia-Pacific region.

The CPEC and the presence of the US in the region can be a way to: a) make local markets more independent from the Russian one; b) get a major stability in Afghanistan. China played a very important role in the dialogue between Afghan government and Taliban representatives: their meetings held in Urumqi, Xinjiang (China).

China's will of making its alliances stronger and of building advantageous trade routes to avoid hostile waters motivates its big investment in Pakistan. And these will bring China to foster its global ambitions of power.¹⁹⁴

4.3.2 SECURITY

One of the main goals of CPEC is to defeat terrorism in Xinjiang. A series of universities exchanges have been planned along the CPEC initiative, especially with the Chinese province of Xinjiang.¹⁹⁵ Promoting cultural exchanges is meant to stabilize the regions. The main idea is that the economic development of such areas

¹⁹² RITZINGER, Louis, "The China-Pakistan Economic Corridor: regional dynamics and China's geopolitical ambitions", *The National Bureau of Asian Research*, 2015, p.2.

¹⁹³ HUSSAIN, Zahid, "China Pakistan Economic Corridor and the new regional geopolitics", *Asie Visions*, June 2017, p.14.

¹⁹⁴ RITZINGER, Louis, "The China-Pakistan Economic Corridor: regional dynamics and China's geopolitical ambitions", *The National Bureau of Asian Research*, 2015

¹⁹⁵ *Long-term plan for China-Pakistan Economic Corridor (2017-2030)*, <http://cpec.gov.pk/brain/public/uploads/documents/CPEC-LTP.pdf>

will reduce the risks of nationalist movements like Uighurs (*Wéiwú'ěrzú*) in Xinjiang and the ones in Baluchistan.

China cannot stay without Xinjiang because of its abundance of natural resources and its strategic position: for Beijing it is a door to West Asia. That is why China had always had a big concern towards this part of the country. The local population, the Uighurs, is of Turkic ethnicity and is prevalently Muslim. This is in strong contrast with the Han atheist majority living in the rest of the country. The strong spirituality in this region is not well accepted by Chinese leadership, because it creates a strong clash with the governmental rule and ideology. Thus, Beijing strong policy generated a rising need for political autonomy and this resulted in 1990s in many conflicts between the parties.¹⁹⁶

The strict rule of Chinese Communist Party (CCP) brought to forced destruction of mosques and the killing of imams, the religious leaders. Governmental Han settlements were promoted to invade 'silently' the region up to the point that in 2005 the Han population became half of the total, while in 1949 it was 90% Uighur.¹⁹⁷

In the 1980s, under Deng Xiaoping rule, a greater freedom was granted to Uighurs. They could freely trade, travel more easily outside the country even though sometimes there were restrictions on coming back to China. Many of them decided to move to Pakistan to have complete freedom of practicing their religion.

¹⁹⁶ HAIDER, Ziad, "Sino-Pakistan Relations and Xinjiang's Uighurs: Politics, Trade, and Islam along the Karakoram Highway", *Asian Survey*, Vol. 45, No. 4 (July/August 2005), pp. 522-545

¹⁹⁷ CHUNG, Chenpeng, "China's 'War on Terror': September 11 and Uighur Separatism," *Foreign Affairs* 81:4 (July/August 2002)

Islamabad was always tolerant with Uighurs, providing them Pakistani citizenship, but it never supported their separatist movement from China.¹⁹⁸

What brought to the Uighur discontent in 1990s? With all these policies implemented by the CCP, Uighurs started noticing discriminations in terms of economic and political treatment. Furthermore, the One-Child Policy caused a huge anger in the population of Xinjiang, not only for religious beliefs, but also because they perceived this policy was to undermine their population and favour the Han ethnicity, whose presence at that moment was growing in the province. The tensions became so high that in the decade of 1990s it boosted out into violence: turning out into many terrorist attacks.

The rising of Taliban and radical Islam didn't help the situation. Karakoram Highway became in the 1990s a corridor for illegal trades and a connection for terrorist groups composed mainly by militants from the Soviet-Afghan War. It is important to notice, though, that not all Uighurs should be categorized as violent separatists: as a matter of fact, in Xinjiang a proper Uighur terrorist group doesn't really exist. The militancy grouped into the United National Revolutionary Front and the Organization for East Turkestan Freedom, which are two terrorist organizations based in Kazakhstan. The majority of Uighurs claim their rights in a peaceful way and nowadays are no more concentrating on political autonomy, but rather on religious freedom, environmental degradation, over-taxation and antinuclear testing.¹⁹⁹

China-Pakistan Economic Corridor (along with the Belt and Road initiative) is putting the province of Xinjiang in the centre, because the new strategy of the CCP

¹⁹⁸ HAIDER, Ziad, "Sino-Pakistan Relations and Xinjiang's Uighurs: Politics, Trade, and Islam along the Karakoram Highway"

¹⁹⁹ Ibidem

is to develop the economy of the region in order to guarantee a future economic wealth for the population. This will let the Chinese leadership cease the protests and have a greater control of the province. The good rail and road connection developed between Xinjiang and Pakistan will help a lot the goods transportation and their trade.²⁰⁰

4.3.3 ECONOMY

CPEC has a very important strategic role in Chinese economic policy. First, because it will shorten the oil import route from the present 12,000 km to 3,000 km, through Gwadar.²⁰¹ The delivery of oil will become very quick, as it will reduce the duration from 45 days to 10 days.²⁰² This way, the costs will also become lower, and China can save US \$6 million per day, reaching US \$2 billion saved per year. Furthermore, CPEC will provide a secure oil supply route: passing through Gwadar, which is nearer to the Strait of Hormuz, there will be less risks of meeting storms and pirates, which can compromise the success of the import. Another geo-strategic aspect of the CPEC is avoiding the Strait of Malacca. Since it is the busiest water way in the region and many competitors are involved in this area. Avoiding it can be a good solution to stay away from future problems (figure 34).²⁰³

²⁰⁰ XIE, Yangyang 谢样样, *Silu jijin dui wo guo wai mao fazhan de yingxiang fenxi 丝路基金对我国外贸发展的影响分析* (Analysis of the Silk Road Fund influence on China's foreign trade development), *Jiangsu Shanglun*, IV (2015), p. 34

²⁰¹ ALI, Akber, "China Pakistan Economic Corridor: Prospects and Challenges for Regional Integration", *Arts and Social Services Journal*, Vol. 7, no. 204 (2016)

²⁰² HUSSAIN, Zahid, "China Pakistan Economic Corridor and the new regional geopolitics", *Asie Visions*, June 2017, p.14.

²⁰³ MARKLEY, Daniel and WEST, James, "Behind China's Gambit in Pakistan", *The New Geopolitics of China, India and Pakistan*, p.2;

ALI, Akber, "China Pakistan Economic Corridor: prospects and challenges for regional integration", *Arts and Social Sciences Journal*, Vol. 7, n. 204 (2016)

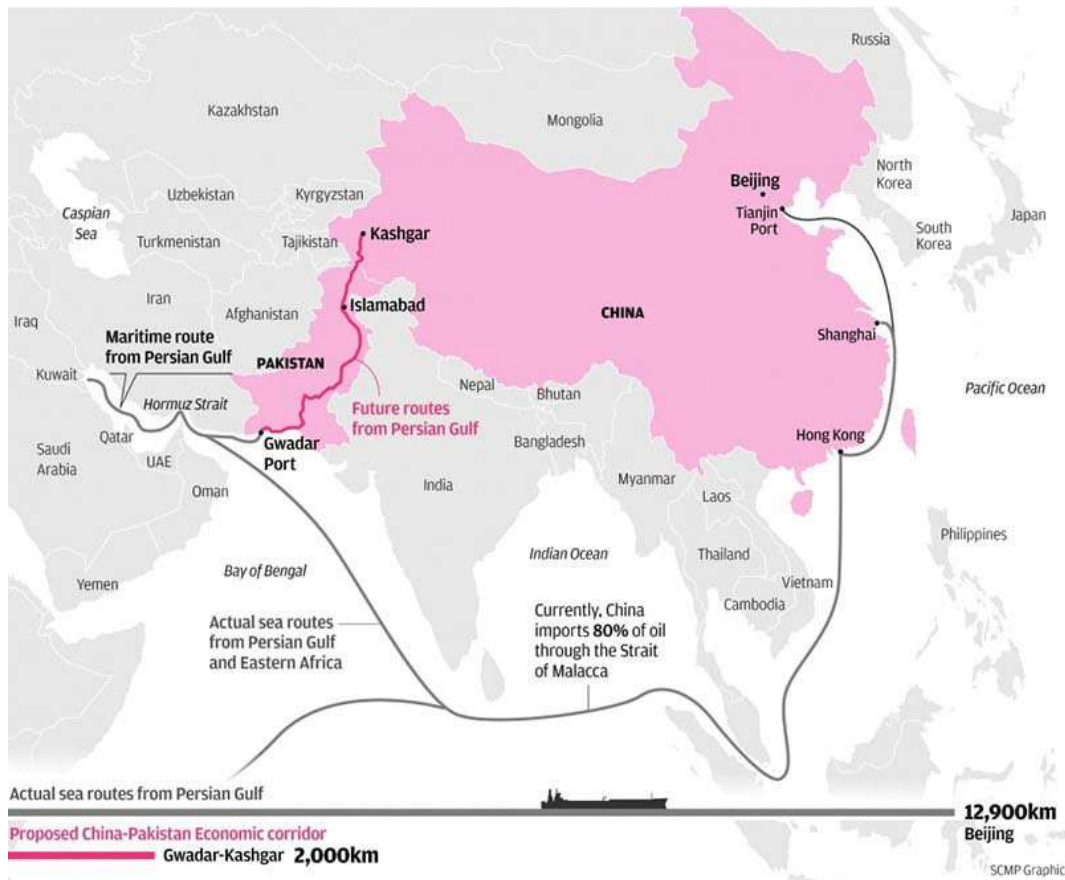


Figure 34 - China's present and future oil imports routes. ²⁰⁴

The big investments in Gwadar port and the lease of it for the first 40 years at almost 91% of the revenue, will be a good economic source for China, and a way for Pakistan to 'pay back' the investments Beijing is doing in the country. ²⁰⁵

²⁰⁴ EBRAHIM, Zofeen T., "China's new silk road: what's in it for Pakistan?", *Dawn News*, April 20, 2015, <https://www.dawn.com/news/1177116>, accessed on July 24, 2018

²⁰⁵ KHAN, Iftikhar A., "China to get 91pc Gwadar income, minister tells Senate", *Dawn*, November 25, 2017, <https://www.dawn.com/news/1372695>, accessed on July 25, 2018

5 Conclusions

China and Pakistan relations have always been good to each other and it is very likely that they will be in future too. The common interests in the geopolitical arena and in the region strengthen their friendship.

CPEC started the new era of Sino-Pakistani relations. Their ties became much stronger, developing more the trade, the economy and the diplomacy between them. CPEC is bringing and will bring a lot of advantages for Pakistan. The initiative will solve the energy crisis as first objective. This will increase the businesses and the industries inside the country. SEZs implementation will also affect and improve industry. Bigger industries mean high transportation needs. CPEC infrastructure upgradation will facilitate the higher needs of transportation. The Port of Gwadar will be a pulsing trade centre and the door for many kinds of goods to enter in the country. The transportation of imported oil from Gwadar, through the country, till Kashgar will be a determining factor for the improvement of the Pakistan's economy. Better infrastructure will mean a boom in domestic and foreign trade, which demands higher security measures. China and Pakistan believe that through economic development security issues will be solved. Removing economic problem and upgrading the quality of life of the population will reduce the crime rate and will push back the anti-state elements, hence terrorism. CPEC is the tool to spread peace in the country and the region. The biggest change will be in Baluchistan province: it will become economically stronger by expanding jobs opportunities, fighting poverty, increasing socioeconomic aspects like basic services.

Thanks to the changes stated above, foreign visitors will feel safer and the tourism will boost bringing along a big revenue and many jobs.

CPEC is thought to solve unemployment issue in the country, by creating a lot of direct jobs engaged in the construction of CPEC, and indirect ones based on the results of CPEC, after its completion.

Such an economic development will not only be beneficial for Pakistan. CPEC will reduce China's oil import route and this will mean decreased shipping costs and transit time. Through Gwadar the transportation of oil will be safe, reliable and fast. This will let China save billions of dollars and it will become more competitive on the international markets.

The corridor will have a huge impact in Chinese province of Xinjiang, to which the efforts of CPEC are addressed as well. China aims, through the initiative, at developing its western region to stabilize the population on an economic and security points of view. In this way, China will have a common development standard within all its provinces. This is the main aim of China for CPEC and OBOR, since nowadays there is a huge economic difference between its eastern and western regions. The geostrategic value of CPEC is centred in the city of Gwadar. The deep-sea port is the key for Chinese oil imports and the development of the region thanks to trade and goods transportation from Gwadar to China and to other OBOR main cities. Chabahar Port in Iran became a good economic partner in CPEC and Iran is cooperating for the success of the initiative.

The CPEC common objective is the stability and the economic development of the region. CPEC is the only tool that can really solve several issues and bring prosperity to the region. Other countries in the region are interested in the CPEC initiative. By exploiting it, their exports to China will be quicker and cheaper. The corridor will also be a useful track for land locked countries, like Afghanistan, Kyrgyzstan, Kazakhstan, Tajikistan, Turkmenistan and Uzbekistan, because it will provide them a shorter way to a deep-sea port.

Despite all these positive elements that CPEC is bringing along, it must be considered that part of the population doesn't agree with these big Chinese investments. First, they think that Pakistan is subject to a new form of colonialism by Beijing. The main belief of this trend is that Pakistan will be very indebted with China at the end of the projects and will be very much under its influence. China will gain the supremacy of that region in geo-political terms. Furthermore, many Pakistanis don't agree with the lease of Gwadar port at such unbalanced rate (91% to China and 9% to Pakistan). Second, many people believe that CPEC will not really solve Pakistan's problems like illiteracy, corruption and low-standard in healthcare. On these aspects, it is true that CPEC will not bring along full access to education, nor improvement in justice nor a better healthcare system.

CPEC is also subject of fights within the country for the allocation of investments. Western provinces claimed that CPEC will provide benefits only in certain provinces, like Punjab, and other will not be given same opportunities of development. These critics are another issue that Chinese and Pakistani government have to face in the context of the initiative.²⁰⁶

These all critics are legitimate, but it should not be forgotten that Pakistan's issues are many and no one is able to solve them all together at once. Therefore, CPEC will bring a huge change in the country, even though some problems will remain. It is up to the population and the government to realize what kinds of issues will remain and how to solve them. The initiative will however improve a good percentage of the current situation and that should be enough to encourage CPEC to aim at new goals as well and grant Pakistan a bright future.

²⁰⁶ MARKLEY, Daniel S. and WEST, James, "Behind China's gambit in Pakistan", *Council on Foreign Relations*, May 12, 2016

Glossary

English	Pinyin	Characters
Baluchistan	<i>Bīlùzhīshěng</i>	俾路支省
China Development Bank	<i>Guójiā Kāifā Yínháng</i>	国家开发银行
China Exim Bank	<i>Zhōngguó Jìnchūkǒu Yínháng</i>	中国进出口银行
China Export and Credit Insurance Corporation/Sinosure	<i>Zhōngguó Chūkǒu Xìnyòng Bǎoxiǎn Gōngsī</i>	中国出口信用保险公司
China-Pakistan Economic Corridor (CPEC)	<i>Zhōngguó-Bājīsītǎn Jīngjì Zǒuláng</i>	中国巴基斯坦经济走廊
Chinese Communist Party (CCP)	<i>Zhōngguó Gòngchǎndǎng</i>	中国共产党
Deng Xiaoping	<i>Dèng Xiǎopíng</i>	邓小平
Gwadar Port	<i>Guādá'ěr Gǎng</i>	瓜达尔港
Han Ethnicity	<i>Hànzú</i>	汉族
India	<i>Yìndù</i>	印度
Islamabad	<i>Yīsilánbǎo</i>	伊斯兰堡
Karakorum Highway	<i>Kālākūnlún Gōnglù</i>	喀喇昆仑公路
Kashgar	<i>Kāshígá'ěr</i>	喀什噶尔
Khyber Pakhtunkhwa	<i>Kāibó'ěr</i>	开伯尔
One Belt and One Road (OBOR)	<i>Yī Dài Yī Lù</i>	一带一路
Pakistan	<i>Bājīsītǎn</i>	巴基斯坦
People's Republic of China (PRC)	<i>Zhōnghuá Rénmín Gònghéguó</i>	中华人民共和国
Punjab	<i>Pángzhēpǔshěng</i>	旁遮普省

Security Council (of the United Nations)	<i>Ānquán Lǐshìhuì</i>	安全理事会
Silk Economic Belt	<i>Sīchóu zhī Lù Jīngjì Dài</i>	丝绸之路经济带
Sindh	<i>Xìndéshěng</i>	信德省
Taliban	<i>Tǎlibān</i>	塔利班
The 21st Century Maritime Silk Road	<i>21 Shìjì Hǎishàng Sīchóu zhī Lù</i>	21 世纪海上丝绸之路
The Silk Road Fund Co. Ltd.	<i>Sīchóu Jījīn</i>	丝绸基金
Uighurs	<i>Wéiwú'ěrzú</i>	维吾尔族
United Nations General Assembly	<i>Liánhéguó Dàhuì</i>	联合国大会
United States of America (USA)	<i>Měiguó</i>	美国
Xi Jinping	<i>Xí Jìnpíng</i>	习近平
Xinjiang	<i>Xīnjiāng Wéiwú'ěrzú Zìzhìqū</i>	新疆

APPENDIX A - Types of Energy Projects

Table 7 - Types of Energy Projects

Type of Project	Estimated Cost (US \$Million)	Capacity (MW)
Energy Priority Projects	22,360	11,109.5
Energy Actively Promoted Projects	11,639	2,520
Energy Proposed Projects		180
Total	34,000	13,809.5

Source: CPEC Energy Projects, China Pakistan Economic Corridor, Ministry of Development and Reform, Government of Pakistan, <http://cpec.gov.pk/energy>

APPENDIX B - CPEC Energy Costs and Capacity

Source	Estimated Cost (US \$million)	Capacity (MW)
Coal	15,790	9,540
Hydel	5,619	2,690
Wind	646	399
Solar	1,302	1,000
Transmission lines	3,000	
Other Projects	7,643	To be decided
Total	34,000	13,629

Project	Type	Estimated Cost (US \$Million)	Capacity (MW)
COAL			
Coal-fired Power Plants at Port Qasim	EPP	1,980	1,320
Sahiwal Coal-fired Power Plant	EPP	1,600	1,320
Engro Thar Block II 2 Coal Fired Power Plant	EPP	2,000	1,320
Surface mine in block II of Thar Coal field	EPP	1,470	
Imported Coal Based Power Project at Gwadar	EPP	600	300
SSRL Thar Coal Block-I & SEC Mine Mouth Power Plant	EPP	3,300	1,320
CPHGC Coal-fired Power Plant, Hub	EPP	1,940	1,320
Thar Mine Mouth Oracle Power Plant & surface mine	EPP	1,300	1,320
Rahimyar khan imported fuel Power Plant	EAPP	1,600	1,320
<i>Total Coal</i>		15,790	9,540
HYDROPOWER			
Suki Kinari Hydropower Station, Naran	EPP	1,802	870
Karot Hydropower Station	EPP	1,420	720
Kohala Hydel Project	EAPP	2,397	1,100

Phandar Hydropower Station	PEP		80
Gilgit KIU Hydropower	PEP		100
<i>Total Hydropower</i>		5,619	2,870
WIND			
Hydro China Dawood Wind Farm (Gharo, Thatta)	EPP	112.65	49.5
UEP Wind Farm (Jhimpir, Thatta)	EPP	250	100
Sachal Wind Farm (Jhimpir, Thatta)	EPP	134	50
Three Gorges Second & Third Wind Power Project	EPP	150	100
Cacho Wind Power Project	EAPP		50
Western Energy (Pvt.) Ltd. Wind Power Project	EAPP		50
<i>Total Wind</i>		646.65	399.5
SOLAR			
Quaid-e-Azam Solar Park, Bahawalpur	EPP	1,302	1,000
<i>Total Solar</i>		1,302	1,000
TRANSMISSION LINES			
Matiari to Lahore Transmission Line Project	EPP	1,500	
Matiari to Faisalabad Transmission Line Project	EPP	1,500	
<i>Total Transmission Lines</i>		3,000	
OTHER PROJECTS TO BE PLANNED			
Other		7,642.35	
TOTAL ENERGY		34,000	13,809.5

Source: CPEC Energy Projects, China Pakistan Economic Corridor, Ministry of Development and Reform, Government of Pakistan, <http://cpec.gov.pk/energy>

APPENDIX C - Costs of Infrastructure

Project	Estimated Cost (US \$Million)	Length (Km)
ROAD		
KKH Phase II	1,366	120
Peshawar-Karachi Motorway	2,980	392
Khuzdar-Basima Road N-30	80	110
Upgradation of Yarik-Zhob Phase I	195	210
KKH Thakot-Raikot N32	719.8	136
<i>Total Road</i>	<i>5,340.8</i>	
RAIL		
Expansion and reconstruction of existing Line ML-1	8,172	1,830
Havelian Dry Port	65	
Capacity Development of Pakistan Railways		
<i>Total Rail</i>	<i>8,237</i>	
RAIL BASED MASS TRANSIT PROJECTS		
Karachi Circula Way		
Greater Peshawar Region Mass Transit		
Quetta Mass Transit		
Orange Line - Lahore		
<i>Total Rail Based Mass Transit Projects</i>		
TOTAL INFRASTRUCTURE	13,577.8	

Source: CPEC Infrastructure Projects, China Pakistan Economic Corridor, Ministry of Development and Reform, Government of Pakistan, <http://cpec.gov.pk/infrastructure>, <http://cpec.gov.pk/mass-transit-projects>

APPENDIX D - Costs for Gwadar Port and City

Project	Estimated Cost (US \$Million)
Gwadar East-Bay Expressway	140.6
New Gwadar International Airport	230
Construction of Breakwaters	123
Dredging of berthing areas & channels	27
Development of Free Zone	32
Necessary facilities of fresh water treatment, water supply and distribution	130
Pak China Friendship Hospital	100
Technical and Vocational Institute at Gwadar	10
Gwadar Smart Port City Master Plan	4
Bao Steel Park, petrochemicals, stainless steel and other industries in Gwadar	
Development of Gwadar University (Social Sector Development)	
Gwadar Livelihood Project	
Total Gwadar	796.6

Source: CPEC Gwadar Projects, China Pakistan Economic Corridor, Ministry of Development and Reform, Government of Pakistan, <http://cpec.gov.pk/gwadar>

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