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The China Pakistan Economic Corridor
*Report on a delegation to Pakistan, October-
November 2017*

Institute for Independence Studies, 27 Old Gloucester Street, London WC1N 3XX.

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As China's economy has advanced, and as its poverty levels have inexorably declined, we find the issue of common prosperity, for both China's neighbours as well as for the wider world, increasingly coming to the fore.

China is, therefore, increasingly taking the lead in the creation of new institutions, designed not to supplant existing bodies but to supplement them, and based on broad and inclusive participation. By far the most ambitious initiative that China has unveiled is President Xi Jinping's concept of the Belt and Road Initiative, also known as the new silk roads.

Building on an ancient lineage, embracing global trends today

Spanning the three continents of Asia, Europe and Africa, and embracing more than 65 countries, this revival of ancient trade routes, which first took shape when the Chinese dynasties of the East were complemented by the Roman Empire in the West, and by the Indus Valley, Persian and other great civilisations along the way, is also at the same time strikingly modern in its desire to uphold global free trade and an open world economy and to enhance regional cooperation based on market principles.

So, this is a new idea, but one with an ancient lineage. As the National Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce of the People's Republic of China have jointly observed:

More than two millennia ago the diligent and courageous people of Eurasia explored and opened up several routes of trade and cultural exchanges that linked the major civilisations of Asia, Europe and Africa, collectively called the Silk Road by later generations. For thousands of years, the Silk Road Spirit – 'peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit' - has been passed from generation to generation, promoted the progress of human civilisation, and contributed greatly to the prosperity and development of the countries along the Silk Road. Symbolising communication and cooperation between the East and the West, the Silk Road Spirit is a historic and cultural heritage shared by all countries around the world.

China's initiative to jointly build the Belt and Road, embracing the trend towards a multipolar world, economic globalisation, cultural diversity and greater IT application, aims at being highly efficient in terms of the allocation of resources and at achieving a deep integration of markets among the countries concerned, thereby jointly creating an open, inclusive and balanced regional economic cooperation architecture that benefits all.

The initiative is an open one. It covers, but is not limited to, the area of the ancient Silk Road. It is open to all countries, and international and regional organisations, so that the results will benefit wider parts of the globe as well.

It is harmonious and inclusive. It advocates tolerance among civilisations, respects the paths of development chosen by different countries, and supports dialogue among different civilisations on the principles of seeking common ground whilst reserving differences and drawing on each other's strengths, so that all countries can coexist in peace for common prosperity.

¹ On the initiative of the Hon. Alderman Mushtaq Lasharie CBE, Chairman of Third World Solidarity, and on the invitation of the Pakistan government, the delegation visited Pakistan from October 25 to November 1 2017. A report-back meeting was held in the House of Commons attended by 8 Members of Parliament and about 60 representatives of Pakistani community organisations in Britain. A pamphlet was published which outlined the findings of the delegation. This Working Paper presents the text of the keynote speech delivered at that meeting.

Anatomy of the China Pakistan Economic Corridor (CPEC)

The new silk road was initially envisaged to go in five directions:

- From north west and north east China through Central Asia and Russia to the Baltic Sea;
- From north west China through Central Asia and the Persian Gulf to the Mediterranean;
- From south west China through the Indochina peninsula, Malaysia and Singapore to the Indian Ocean;
- From the Chinese ports, through the South China Sea and the Straits of Malacca to the Indian Ocean and westwards from there, for example to East Africa;
- And by the same route, but then on to the South Pacific from the Straits of Malacca.

Six economic corridors were also envisaged:

- From north east China through Mongolia and Russia to the Baltics;
- From the coastal provinces through western China to Central Asia and then to Russia and the Baltics;
- From north west China through Xinjiang, Central and West Asia to the Persian Gulf and the Mediterranean;
- From Yunnan and Guangxi Zhuang in south west China through Vietnam, Laos, Cambodia, Thailand and Malaysia to Singapore;
- From China through Pakistan, entering the Indian Ocean through the port of Gwadar. This is, of course, the famous China Pakistan Economic Corridor or CPEC;
- And, through Myanmar, Bangladesh and India, entering the Indian Ocean via the Bay of Bengal.

These are increasingly being supplemented by new initiatives, including a polar silk road through the Arctic and a link to Latin America.

The delegation to Pakistan, October-November 2017

These new silk routes will embrace – and will require major investments in – railways, highways, sea transportation, pipelines and the information superhighway and connectivity.

To translate this grand vision into reality will require trillions of dollars of investment in infrastructure and in all sectors of the economy in the more than 65 countries directly encompassed within the new silk road initiative, as well as further afield. Cumulatively it represents the greatest business opportunity in the contemporary world.

Our delegation visited Pakistan from October 25 to November 1 2017, and was able in one week to:

- Visit the cities of Islamabad, Rawalpindi, Karachi, Quetta and Gwadar
- Meet with government ministers, senior officials, civil servants and development specialists at central, provincial and city levels
- Meet with high-ranking military personnel from the army and navy
- Meet with senior politicians from various political parties, as well as with think tanks and research institutes
- Meet with leading figures and major companies from the private sector, along with academics, the media (including giving five TV interviews), and others.

We were also able to visit and see first hand key CPEC projects, including the port of Gwadar and the Karot hydropower project, north of Islamabad.

We also visited military facilities, museums, places of scenic beauty and historic interest and various economic projects, including in retail and real estate.

We were especially privileged to witness the arrival to Quetta of the Pakistan Motor Rally and to participate in two high-level functions to greet and honour the participants, including one young woman, travelling the length of the country in safety and security, with some 200 male fellow motor and biking enthusiasts.

Findings of the delegation

After this intensive and exciting week, these were some of our basic conclusions:

- CPEC is a game-changer. It is a pioneering initiative of unprecedented scope and scale. It has the capacity and potential to transform Pakistan, turning it into a developed nation, a regional hub and a significant player in the global economy.
- CPEC also holds major significance for China, not merely, for example, in terms of energy security, but also as a showcase to the world for the globally transformative nature of the Belt and Road Initiative.
- CPEC also has major implications for other regional countries, including Saudi Arabia, the United Arab Emirates (UAE), Oman, the Central Asian republics, Russia and even for those neighbouring countries that at the present time are unfortunately adopting a negative or sceptical attitude towards it.
- Support for CPEC represents the considered view and national consensus of the Pakistani people and society. Even if the political situation is at times complex or changeable, this has no negative implications for the determination to pursue the CPEC project. Its importance to Pakistan is firmly grasped by the whole country, from the highest officials to the grassroots levels.
- The early harvest projects, including the port of Gwadar, are well underway and even running significantly ahead of schedule. This should give confidence to the parties concerned as well as to third party investors.
- These early harvest projects have been particularly well chosen. A prime example is the natural advantages and strategic location (facing the Straits of Hormuz) of the port of Gwadar. With a depth of 18.5 metres, a distance between deep sea and the port of 4.7 knots and its 110 berthing capacity, Gwadar holds greater potential than that combined of more than 20 westward facing Indian ports. Other early harvest projects will also significantly and positively impact on people's lives, national development and productivity, for example by addressing and overcoming the energy shortage through increased generation capacity.
- CPEC is a national project and will benefit all sections of society, all areas of the country and every community. Due to the location of key projects, particular benefits will accrue to hitherto under-developed and marginalised areas, including Baluchistan, KPK and Gilgit Baltistan.
- Corporate Social Responsibility (CSR) is intrinsic to CPEC, with education, health care, vocational training, and so on built into all the main project plans.
- CPEC is already generating significant employment opportunities for local workers, who predominate in all projects. Moreover, skills training and technology transfer are provided by the Chinese side. While all this will benefit people from all Pakistan's communities and national groups, we were able to see in both Quetta and Gwadar that jobs, training and scholarships are going to Baloch people. This is a project to empower not to exploit the Baloch.
- Despite continued regional instability and hostile pressures, the security situation in Pakistan is vastly improved, compared to the widely reported state of affairs a few years ago. The very highest importance is attached to the security of CPEC projects and their workers, not least through the dedicated Special Security Division (SSD), which operates with the highest degree of professionalism and has all the resources and personnel it needs. Of course, not all incidents can be avoided – it is the same in any country – but in the main, foreign investors can have confidence both in their personal safety and that of their investments.
- Pakistan maintains a moderately high growth rate. In 2016 it was 5.7%. The comparable figure for the USA was 1.6%. A May 2017 report from the World Bank stated: "Pakistan's growth will continue to benefit from growing consumer and investor confidence in the first half of FY17, following the successful efforts to restore macroeconomic stability during the last 4 years."
- With a population of over 207 million, Pakistan is the world's fifth or sixth most populous nation. The country has a young population, some two thirds of the total, ensuring an abundant labour supply for the foreseeable future.
- Pakistan has a very significant middle class of more than 80 million people, greater than the entire population of Germany or Turkey. Even the Indian 'Hindu' newspaper reported in February 2017 (I use this source advisedly as it cannot be accused of displaying a pro-Pakistan bias):

The general perception still, and unfortunately, held by many people, foreigners and Pakistanis, is that Pakistan is largely an agricultural, rural economy, where 'feudals' dominate the economic,

social, and particularly political space. Nothing could be further from this outdated, false framing of Pakistan's political economy. Perhaps the single most significant consequence of the social and structural transformation under way for the last two decades has been the rise and consolidation of a Pakistani middle class, both rural, but especially, urban.

I would further note that this middle class shares all the education, services, leisure, consumer and retail demands of its global counterparts, creating immense market opportunities.

- Pakistan is a dynamic and increasingly progressive society, with a free, lively and diverse media, including dozens of TV news channels, leading to a very well-informed public.
- Women play a full part in society at every level. Constitutionally, a minimum one third of parliamentary seats are reserved for them.

Appreciation in Pakistan

As Pakistan's Interior Minister, Ahsan Iqbal, whom we met on our visit, said of the CPEC when he was in London early in 2018:

It brings positive changes to the lives of millions of people in Pakistan...(it) is the biggest flagship project of the Belt and Road Initiative.

It is demonstrating to the people that the Belt and Road Initiative is not just in speeches, not just on paper, but it is in reality...

It has helped significantly in overcoming the energy shortage by investment in energy projects. It is helping connect different markets in Pakistan through infrastructure projects.

And we also hope that through its infrastructure, it will be a bridge between China, Southeast Asia and Central Asia, which has almost three billion people.

After China decided to come, the perception of Pakistan's economy changed. We have placed a 10,000 security force for special protection of Chinese who are working on the CPEC projects. The security force is working in addition to normal police and military units that are [also] deployed to protect the CPEC projects.

Conclusions

In summary therefore: CPEC is a \$62 billion project linking China's Xinjiang to the Chinese built port of Gwadar in Baluchistan. Gwadar received its first major shipment of Chinese goods in December 2016. Pakistani officials predict that the project will result in the creation of upwards of 700,000 direct jobs between now and 2030; add 2-2.5% to Pakistan's GDP growth; with the value of the projects equal to all FDI in Pakistan since 1970; and equivalent to 17% of Pakistan's 2015 GDP.

In all this there are major opportunities for third countries and their businesses, including in Europe and the UK. Early stage infrastructure may be mainly built by Chinese and local companies, but many of the necessary professional services, including banking, accountancy and legal, as well as architecture and design, are already or will soon be provided by major UK companies.

Once the basics are in place, there will be significant further opportunities in such diverse areas as hotels and services, textiles and light industry, high end manufactures, consumer goods and so on.

Businesses from the Pakistan diaspora, be they in the UK, the Gulf countries or elsewhere, are ideally placed to be the pioneers, icebreakers and bridge builders, with their connections and their familiarity with both societies and cultures, East and West.