



CPEC: “Iron Brothers,” Unequal Partners

by Sudha Ramachandran

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For the full article, see: <https://jamestown.org/program/cpec-iron-brothers-unequal-partners/>

OE Watch Commentary: Serious differences have come to the fore between China and Pakistan over the \$60-billion China-Pakistan Economic Corridor (CPEC). At a Joint Working Group (JWG) meeting at Islamabad in November 2017, China announced its decision to suspend funding for at least three road projects in Pakistan, pending the release of “new guidelines.” Only a few days earlier, Pakistan rejected Chinese funding for the \$14-billion Diamer-Bhasha dam project and withdrew its request for inclusion of this project in CPEC. Pakistan objected to Chinese conditions, which included Chinese ownership of the project, operation and maintenance costs and securitization of the project by pledging another operational dam.

China and Pakistan often hold up CPEC, a flagship venture of China’s Belt and Road Initiative (BRI), as a symbol of their co-operative partnership. Recent developments indicate serious differences between the two countries. Although CPEC is widely seen primarily as a “connectivity corridor”, power plants and special economic zones (SEZs) are also being developed. The project is envisioned as linking China’s economically underdeveloped Xinjiang Uighur Autonomous Region with the deep-sea port of Gwadar in Pakistan’s Baluchistan province through a network of highways, railways, oil and gas pipelines and fiber optic cables.

However, little was known about its massive plans for Pakistani agriculture. Original documents of CPEC’s long-term plan, whose details were disclosed by the Pakistani English daily Dawn in May, reveal that Chinese enterprises will lease thousands of acres of Pakistani agricultural land to set up ‘demonstration projects’ to introduce new seed varieties, pesticides and irrigation technologies. Facilities for processing, storing and transporting, grains, fruits and vegetables are also being set up, indicating that access to the full supply chain of Pakistan’s agriculture is an important goal of CPEC. The number of Chinese nationals working and living in Pakistan has also surged in recent years, transforming entire neighborhoods in Pakistani towns into ‘Chinatowns’. Pakistan faces a “Sinicization” of its economy, population and culture.

Pakistan’s former Prime Minister Nawaz Sharif has said that Baluchistan will be CPEC’s “biggest beneficiary.” Baluchis, however, are not convinced. Baluch opposition to the project is strong and has even been expressed violently. Baluch militants have carried out several attacks on workers from outside the province, including those from China.

Over the past year, a small but vocal group of analysts have begun expressing unease over what CPEC will bring Pakistan. In particular, they are calling for transparency on deals. In Dec 2017, the Pakistani government released a summary of CPEC’s Long-Term Plan. But even this sheds no light on the terms and conditions of agreements, project timelines or the exact nature of Chinese funding. Documents disclosed by Dawn and information trickling out of official meetings point to troubles ahead. The most important is the looming debt trap. Economists have highlighted the estimated \$90 billion in debt that Pakistan will have to repay China over 30 years.

The state-run China Overseas Port Holding Company, for example, which will operate Gwadar port for a period of 40 years, is set to take 91 percent of gross revenue collection from terminal and marine operations and 85 percent of gross operations revenue from the Gwadar free zone. SEZs are being set up exclusively for Chinese companies where they will be exempted from taxes. There is even little clarity regarding who will run or supervise the elaborate electronic surveillance system that China will install in Pakistani cities.

Source: Syed Irfan Raza. “Three CPEC projects hit snags as China mulls new financing rules,” *Dawn*, 5 December 2017. <https://www.dawn.com/news/1374532/three-cpec-projects-hit-snags-as-china-mulls-new-financing-rules>

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The decision of Chinese government was conveyed to Pakistan in the Joint Working Group meeting and the existing procedure for release of funds had been abolished... “In fact the Chinese authorities informed us that the previous procedure of release of funds was meant for early harvest projects only and new guidelines will be issued for future projects of the CPEC,” the official said...(the official) claimed that Chinese side was quite disturbed with increasing news reports being published in Pakistan regarding corruption in CPEC projects and that was the reason China has temporarily halted release of funds for the corridor.

Source: “China not taking ownership, operation of Diamer-Bhasha Dam: official,” *Global Times*, 7 December 2017. <http://www.globaltimes.cn/content/1079282.shtml>

A Chinese official from the National Development and Reform Commission (NDRC) on Thursday said recent Pakistani media outlets have either falsified information or merely represented a certain official’s stance in reports on a China-Pakistan project.

The unnamed NDRC official said claims in media reports that China “placed strict conditions, including ownership of the project” is inaccurate and the two sides have not even started talks of the development plan, the Xinhua News Agency reported...

Pakistan news site tribune.com.pk reported on November 15, citing Water and Power Development Authority Chairman Muzammil Hussain that “Chinese conditions were about taking ownership of the project, operations and maintenance costs and securitization of the Diamer-Bhasha project by pledging another operational dam.”

The NDRC official on Thursday said that China and Pakistan are staying in contact with each other on the Diamer-Bhasha Dam project, and that the project is not included in the list of energy projects under the China-Pakistan Economic Corridor...

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Continued: CPEC: “Iron Brothers,” Unequal Partners

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Although the Chinese government has avoided publicizing its concerns over political instability in Pakistan, there is apprehension in China over the implications of unrest and insecurity for CPEC. The corridor links Xinjiang with Baluchistan, both turbulent regions, and runs through the insurgency-wracked Khyber Pakhtunkhwa and disputed Gilgit-Baltistan territories. Bomb blasts and grenade attacks have killed scores of Pakistani workers and Chinese nationals employed in CPEC projects.

Pakistan’s upcoming parliamentary elections are an additional cause for concern. While Pakistan’s main political parties are not opposed to CPEC, there are differences in their priorities. The ruling Pakistan Muslim League—Nawaz (PML-N) prioritizes projects along CPEC’s relatively calm eastern route, which runs through its stronghold, Punjab. However, should the Pakistan Tehreek-e-Insaf (PTI) form or be part of the next government it can be expected to shift focus to the turbulent western route. A change in government could lead to a review and or change in the deals.

China and Pakistan are likely to continue to differ on issues related to CPEC. However, these are unlikely to derail the initiative, given their strong relationship, Pakistan’s deepening dependence on China and Beijing’s determination to make a success of the Chinese Belt and Road Initiative’s (BRI) flagship venture. **End OE Watch Commentary (Ramachandran)**

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China’s cyber policy has become partly visible to foreign nations through observation, tracking, and inference. The policy appears to have three vectors. These three aspects—peace activist, espionage activist, and attack planner—dominate China’s cyber policy. Some are always hidden from view while others are demonstrated daily. Three Faces of the Cyber Dragon is divided into sections that coincide with these vectors.

<https://community.apan.org/wg/tradoc-g2/fmso/m/fmso-books/195610/download>