

Pakistan's corridor of uncertainty

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The CPEC could heighten regional disparities within Pakistan, and even enable China to step up trade with India

The China-Pakistan Economic Corridor became operational during the second week of November 2016. Pakistan's prime minister, chief of army staff and other senior officials along with some Chinese were in Gwadar, witnessing the departure of the first shipment from the port, after having arrived there through different routes from Kashgar and from within Pakistan.

'Game-changer' is the phrase being used by many in Pakistan to describe the \$45-billion CPEC. The pace at which the project progressed despite political controversies deserves admiration: the Chinese and the Pakistanis went ahead with the corridor within a period of two years.

Many challenges

However, there are serious challenges to the project. Though the political opposition by non-Punjabi provinces — especially Balochistan and Khyber Pakhtunkhwa — is projected as a major issue, there are serious economic, environmental and fiscal concerns relating to the CPEC. Of course, there are concerns from Gilgit-Baltistan as well, but they are not considered important.

First and foremost, the CPEC is not just a 'corridor' or a 'route' comprising road and rail networks. It is much more than that. In fact, only around \$12 billion is allocated to building the 'corridor'; the rest — around \$34 billion — will go into investing in energy projects — coal and hydel — and creating economic zones and related projects from Gilgit-Baltistan to Gwadar.

The nature of these investments — hydel and coal projects leading to the generation of power — are a particular source of friction due to their location. Khyber Pakhtunkhwa and Balochistan complain that the CPEC investments benefit Punjab more than rest of the provinces in terms of economic and power projects. The Pakistan Tehreek-e-Insaf and the Khyber Pakhtunkhwa government have been repeatedly blaming the federal government for not providing its the provincial 'share' of the CPEC.

Second, Khyber Pakhtunkhwa and Balochistan also complain about the routes and the pace at which they are being built. The CPEC foresees two routes primarily — eastern and western. The former runs primarily through Punjab and Sindh and the latter primarily through Balochistan and Khyber Pakhtunkhwa, linking Gwadar with Gilgit through the Karakoram Highway (KKH). The complaint from Khyber Pakhtunkhwa is that the eastern route is being given priority by the Sharif brothers, over the western.

Though the government has been attempting to address the issue of the eastern and western corridors in parliament and outside, there are deep suspicions that Punjab is a larger beneficiary. In short, these provinces feel the CPEC is more of a China-Punjab Economic Corridor.

Mainly, the Balochis feel the development will "pass through" them rather than benefit them and Gwadar will become a Punjabi town soon. The Balochis' fear has a historical basis, starting from British times. Investing in Balochistan's infrastructure and resources hardly benefited the locals; it benefited those who made the investments — earlier, the British and now, the Punjabis. And now they fear the CPEC will continue the same trend and make the Balochis onlookers as their province is 'robbed' in the name of development.

Third, there have been a few concerns from financial and environmental perspectives, especially relating to power projects. While some of the projects are hydel, there is substantial investment in coal for energy. Environmentalists fear that when the entire world is going slow on burning coal for energy production and is investing in renewables,

the idea of investing more in coal may become counter-productive in the long run.

Money matters

A larger concern is fiscal — related to pricing and payments. Pakistan's power sector is known for its bad governance; there has been a long-running controversy over the pricing in terms of the cost of electricity produced per unit.

There have already been reports that the Chinese projects are expected to sell electricity at a higher cost and the state will have to buy. South Asia is known for its power debt with respect to state-run companies, and Pakistan is no exception. Though the new projects are based on the concept of build, operate and transfer (BOT), the cost for the initial years will have to be borne by the state for purchases. At a later stage, even if the Chinese are willing to transfer, how many will be willing to buy coal plants?

The pricing policy has been a mess for Pakistan, and if the state is willing to pay more for Chinese power, other producers (IPPs) are likely to get upset and may even pursue a legal course. While at this stage the investments in power projects look good, much would depend when they yield results, and how Pakistan is going to buy electricity from these projects.

Trade with India

Fourth, a concern raised recently in Pakistan's parliament is interesting. What if the Chinese want to use the CPEC to trade with India?

Some people are aware that the corridor will not serve a narrowly north-south link — connecting Kashgar with Gwadar — but also enable feeder roads. For Pakistan, as long as these feeders are on the west of the CPEC — meaning, linking Afghanistan, Iran and Central Asia — it would not be an issue. But if the Chinese show interest in using it for the substantial Sino-Indian trade, there would be serious questions internally.

Finally, from an Indian perspective, there are a few issues. Firstly, the CPEC as a corridor runs through Gilgit Baltistan; besides investments on the KKH, the Chinese are also investing in hydel projects in a region that our parliamentary resolution considers Indian. Secondly, perhaps, there is something for New Delhi to learn from the pace at which the CPEC got operationalised.

Still, despite all these problems, the Chinese have succeeded in getting goods from Kashgar into Gwadar within two years. A regional comparison with Chabahar and Sittwe would highlight the pace at which the Chinese have operated: it is something widely admired in our neighbourhood.

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