

## An avoidable controversy

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The China-Pakistan Economic Corridor (CPEC) seems to have been caught up in a controversy, stemming most probably from a number of misconceptions about the project. This claim is being made without prejudice to the wisdom of objections being raised by those who seem to be making it a do-or-die matter. Politics is perhaps the reason why the government has so far shied away from clarifying these misconceptions. Perhaps the ruling PML-N wants to take full political credit for bringing in to Pakistan what it would like the voters to believe to be an unencumbered Chinese ‘investment’ of \$46 billion.

Had the PML-N government taken all the four provincial governments along on this project from the very beginning instead of confining it only to the Punjab government, perhaps many of the misgivings of the three smaller provinces would not even have cropped up. And had the federal Planning Minister, Ahsan Iqbal, included the planning departments of all the four provinces in the work being carried out under his ministry on the project, perhaps the doubts about the intentions of the PML-N government would not have arisen.

Also, had the government made it clear from the very beginning that the \$46 billion is no dole, but a loan (carrying ‘zero’ per cent or 1.6 per cent interest on the amount being loaned for building the Corridor), which needs to be paid back, then perhaps the feeling of being deprived of a ‘free lunch’ would not have arisen among the smaller provinces. And by the way, one still does not know the terms of repayment of this loan, i.e., in how many installments is it to be repaid and in which currency. One suggestion is, if the loan is in dollars let us repay it in dollars earned through a financially appropriate rent charged to the Corridor users.

It also needs to be kept in mind that the CPEC is not a Pakistan project as such, but essentially a Chinese one. The details of this project can be found in China’s thirteenth five-year plan. It is ours only to the extent that it is being located within the physical boundaries of Pakistan. Had it not been based on immediate Chinese global trading interests, Pakistan on its own would never have even thought of it. And its impact on Pakistan’s economy would in the long run be enormous but it would be no more than a trickle for a number of years in the beginning.

Approximately \$28 billion worth of fast-tracked “Early Harvest” projects are to be developed by the end of 2018 because China wants its shortened global trade routes to start paying without much loss of time. There is no way the western route could be completed within this period, therefore, the impression of it being delayed. In fact, it would take at least five years for the western route to take shape. Most of the government loan will be spent directly by China itself through its own companies for upgrading the Gwadar seaport, building a state-of-the-art airport at Gwadar and a modern economic zone plus economic zones along the Corridor, as well as for constructing the Corridor itself. And the remaining loan would be available for the private sector at an interest rate of five to six per cent for setting up power plants and other physical and social infrastructure facilities along the Corridor located at identified economic zones. The project will open trade routes for the western part of China and provide that country direct access to the resource-rich Middle East region via the Arabian Sea, bypassing longer logistical routes that currently go through the Strait of Malacca. As part of the project, a 1,100km motorway will be constructed between

the cities of Karachi and Lahore, which will connect to the already completed M2 Motorway that runs between Lahore and Islamabad. The Karakoram Highway between Rawalpindi and the Chinese border will also be completely overhauled and widened.

The Karachi-Peshawar main railway line will also be overhauled to allow for train travel at up to 160km per hour with expected completion by December 2019. As part of the “Early Harvest” scheme of the CPEC, an estimated 10,400MWs of electricity are slated for generation by March 2018. The Pakistan government will be contractually obliged to purchase electricity from those firms at pre-negotiated rates.

**Source:** <http://tribune.com.pk/story/1024248/an-avoidable-controversy/>