
China Pakistan Economic Corridor: The Economic Implications for Balochistan



Regional Studies
Vol XXXV, Issue 2
pp.90-113
© Author(s)

<http://irs.org.pk>
P-ISSN: 0254-7988
E-ISSN: 2959-5459

Manzoor Ahmed*

Date of Acceptance: 4 February 2017

Abstract

Unlike transit corridors, economic corridors are explicitly designed to stimulate economic development and uplift social indicators. While the China-Pakistan Economic Corridor (CPEC) has been efficiently described as an economic corridor and game changer to the overall economic landscape of Pakistan, its implications for the economy of the Balochistan province of Pakistan are yet to be determined. The fact that 61 percent of the total \$62 billion CPEC-related investments will be allocated to projects in the energy sector, which are situated out of Balochistan, a relevant point worth investigating is whether the CPEC will be just a transit route for Balochistan or it will be a harbinger of a greater socio-economic change to the province. This paper attempts to analyse how CPEC can be instrumental in changing the social and economic landscape of Balochistan. The study, while analyzing various aspects of Balochistan's economy, argues that the CPEC enterprise has an enormous significance for the social and economic development of Balochistan. With numerous growth nodes and economic corridors, Balochistan needs Foreign Direct Investment (FDI) and greater connectivity. The CPEC will likely provide the much-needed physical infrastructure and help to exploit the trade and other economic potentials of the province.

Introduction

In mid 2000s Pakistan and China developed a proposal under the China-Pakistan Economic Cooperation to create an Economic Corridor from Gwadar in Balochistan to Kashgar in western Chinese province of Xinjiang. This proposal culminated into formal launching of the China-Pakistan Economic Corridor (CPEC) in 2013 with the planned portfolio of projects worth around \$62 billion.¹ CPEC is a well-thought out and well-crafted concept that is likely to usher in a process of significant and broad-based cooperation between China and Pakistan. CPEC will

* Dr. Manzoor Ahmed is Associate Professor of Economics, and Dean Faculty of Social Sciences and Management, Lasbela University, Balochistan, Pakistan

potentially augment the increasing mutuality of interest based on shared understanding of political, strategic and economic vision of both China and Pakistan. It will construct a new framework of collaboration and interaction for economic engagement and regional cooperation that will have far-reaching geo-economic and political implications not only for China and Pakistan but also for the neighbouring regions of West Asia, the Central Asia, and the Middle East.

CPEC, in fact, is a vital part of the greater Chinese concept of 'Go West' through the 'One Belt One Road' (OBOR) project. Thus, the project is part of China's grand vision, known as the OBOR initiative.² This vision extends from the Baltic region in Europe to Southeast Asia and from China to Africa. Therefore, it is safe to say that CPEC offers a great strategic advantage to China as it gains physical access to the Indian Ocean and closer proximity to the Middle Eastern oil resources. Other OBOR projects around the world do not offer such advantages to China. Arguably, the CPEC enterprise recognises the new dynamics of geopolitics by pursuing a more systematic, pragmatic, and prudent interaction for economic, energy, trade, and commerce development. Besides further consolidating the bilateral relations of China and Pakistan and putting them on firmer commercial and economic basis, CPEC will also provide an opportunity to both the countries to improve their economic and geostrategic interaction with adjoining regions. Both China and Pakistan will expectedly obtain enormous social and economic gains from trade and commerce connectivity through roads, railways, and sea-lanes with the neighbouring regions, the Middle East, and Europe.³ It will equally contribute to economic development of countries that may potentially become an active part of this arrangement. However, in order to reap the full benefits of CPEC, Pakistan needs to harmonise her relations and pursue a politics of interdependence and positive connectivity with the neighbouring countries and closed economic ties with far away economies. This will give a considerable boost to Pakistan's economy. With this, the regions along the corridor will witness a substantial socio-economic development. It will offer a prospect to Pakistan to address some of her key issues, i.e., poor physical infrastructure and connectivity, energy bottlenecks, and limited or no attraction for foreign direct investment (FDI) that are a great source of hampering its economic growth and development. Under the CPEC

agreement—which is further elaborated in Energy Project Cooperation of both countries signed on 8 November 2014—around 61 percent of \$62 billion CPEC investments would be allocated to energy-related projects in order to meet the much-needed energy demands of the country. The energy deficit, according to some estimates⁴ costs the economy of Pakistan around 2 percent to 2.5 percent of Gross Domestic Product (GDP) every year. The energy projects that were planned for completion in early harvest phases—in 2017-2108—would add up to 10,400 Megawatts of electricity to the energy system of Pakistan. So far 7,000 Megawatts of electricity has been added to the national grid system.⁵

According to the agreements signed between Chinese President Xi Jinping and Prime Minister Nawaz Sharif during the Chinese President's visit to Islamabad in April 2015, 36 percent of CPEC related investments would be devoted to infrastructure and communication development.⁶ Pakistan desperately needs a vibrant infrastructure to bring its economy to potential level as, according to a report of the Wilson Center,⁷ the poor performance of transport and communication in Pakistan costs the economy 4 percent to 6 percent of GDP annually. Improved communication and greater connectivity are crucial not only in creating new opportunities of development in the country, facilitating smooth movement of goods, services, people, and ideas across country, and enabling Pakistani exports, but also in reducing the regional and provincial inequality, as the peripheries will be connected to the core and countryside to the main markets and cities. The construction of highways and motorways, railway tracks, and other means of communication and transportation all the way from Gwadar to the western region of China will generate massive economic activities and employment opportunities in Pakistan. Notwithstanding the fact that CPEC has significant geo-economic importance for the neighbouring countries, its likely contribution to the economic growth and development of Pakistan is far bigger than any other country. Hence, the CPEC project, if not a panacea for Pakistan to fix her economic distresses altogether, will certainly have the potential to make a substantial contribution to putting the economy back on track.

For China, CPEC is equally important geopolitically and beneficial economically. It not only provides an opportunity for China to make a strategic presence at Gwadar at the mouth of the Strait of

Hormuz⁸—a place with immense geo-strategic importance—but will connect the Chinese western Xinjiang region to Southwest Pakistan, the Middle East, and the rest of the world through road and rail networks, as well as sea routes.⁹ Such connectivity will spur regional and international trade with Xinjiang province of China and could bring a substantial improvement to the economy of the entire region. This, of course, will provide China with a sea route access to her relatively under-developed western part and reduce her sole dependence on the Strait of Malacca for transporting her exports and imports.¹⁰

CPEC is a national project and its economic and political impacts can be analysed considering the country as whole. A review of the relevant literature reveals that despite some serious work on assessing the social, economic, and geo-political impact of CPEC on Pakistan and the region, CPEC is comparatively a new development and the body of academic literature that discusses CPEC is also in its infancy. Therefore, more work with a robust and systematic approach is required to evaluate the possible advantages and foreseeable ramifications of this mega enterprise. While examining CPEC at national and regional level is undoubtedly critical and warrants rigorous research, as it almost covers the width and breadth of the country, it is equally crucial to appraise the discernible efficacy of CPEC on each specific region and province of Pakistan.

The discourse on CPEC is incomplete without discussing Gwadar, as the very concept of the project has germinated after thorough consideration of geo-strategic importance and immense economic significance of the port city. Gwadar deep-sea port has already been built, where, expectedly, an array of economic activities will take place with ample potentials, affecting the economy of Pakistan in general and Balochistan province in particular. Therefore, carrying out a comprehensive study to assess the possible prospects and implications of CPEC on Balochistan and specifically on its social and economic development is warranted. This study, therefore, aims to assess this vital question. The key and overarching research question and theme of the study is: what will be the prospective economic implications of CPEC on the economy of Balochistan; will it be a game changer for the social and economic landscape of the province, or will it just be a corridor that merely passes through it without any tangible economic impacts?

The rest of the paper is organised as follows: the subsequent section outlines some of the salient features of the economy of Balochistan. The third section attempts to analyse whether CPEC happens to be a mere transit route that passes through Balochistan without tangible economic significance, while the fourth section of the paper delineates the expected potentials and challenges of CPEC for Balochistan. The Fifth section discusses the geo-economic imperatives of CPEC for Balochistan, which is followed by the conclusion.

The Economy of Balochistan:

A Bird's Eye View

Balochistan is geographically the largest Pakistani province (almost 45 percent of the total territory of the country) and least populated (only 5 percent of the country's total population). The province has natural resources, but its infrastructure is least developed and its people are the poorest in per capita income terms compared to other provinces of the country. There are many reasons why the Balochistan lags so far behind the rest of the country, as is evident from its economic, social, and political indicators. Illiteracy is high because opportunities to educate the children are limited. Poverty is rampant as very limited employment opportunities exist because of lack of physical and economic infrastructure for investment and growth. More than 76 percent of the rural population in Balochistan lives in absolute poverty¹¹ and unemployment is also staggeringly high.¹² Unemployment in Balochistan is high because successive governments have failed to build physical and economic infrastructure necessary for economic development that can create employment opportunities and help in reducing poverty. Currently, the public sector is the major employer. Traditional sectors like mining and small farming cannot absorb the unemployed lot, and successive federal and provincial governments have failed to initiate a vital industrialisation process that could generate enough employment.

In terms of economic structure, Balochistan is markedly different from other provinces of Pakistan. While the rest of Pakistan is labour-abundant with redundant labour force, Balochistan, with relatively smaller population and a large surface area with strong economic potential, can easily accommodate its indigenous labour force. While it is true that agriculture sector, like in the rest of Pakistan, continues to attract interest

in Balochistan, its potential is circumscribed by the scarcity of water.¹³ A greater part of Balochistan is not connected to the Indus River System to irrigate its vast and fertile land. The province performs far worse than the national average of Pakistan.¹⁴ For instance, per capita GDP in Balochistan in 2014-15 was Rs.31,000, while for the same fiscal year the per capita GDP in Punjab, Sindh, and Khyber Pakhtunkhwa (KP) was Rs.54,672, 69,417, and 53,000, respectively.¹⁵ The labour productivity in Balochistan is lower than other provinces of Pakistan. Hence, the poor living standard in the Balochistan, to a large extent, is a reflection of unemployment and low productivity. An average worker in Balochistan produces 1/3rd of the average worker of Sindh province, and the same average worker is around 25% as productive as an average worker in KP and Punjab.¹⁶ This suggests that a worker in Balochistan (a shepherd, a fisherman, a farmer, or a daily wage labourer) produces goods and services equal to \$1 or Rs.110 per hour.¹⁷ Although in per capita terms Balochistan historically did not lag far behind KPK and the Punjab—because of its sparse population and vast resource base—the change in per capita GDP in Balochistan is far lower than other provinces. For instance, from the year 2000 to 2008, the per capita GDP in Balochistan has shown a marginal increment from Rs.31,086 to Rs.32,452, and declined to Rs.31,000 in 2015, as shown above. Whereas during the same period Punjab's per capita GDP has increased from Rs.40,537 to Rs.49,808.¹⁸ Hence, it may be plausible to argue that the economic growth of Balochistan remained almost stagnant, while all other provinces could maintain a medium growth rate.¹⁹ This situation, therefore, led to drift the province away from the social and economic trends of the country. Since the mid-1970s, its share of the country's GDP has dropped from 4.9 to less than 3 percent in 2000.²⁰ The province has the highest infant and maternal mortality rate, the highest poverty rate, and the lowest literacy rate in Pakistan.²¹

CPEC and Balochistan Province

As stated earlier, of the \$62 billion Chinese investment in Pakistan, 61 percent is allocated to power projects, the majority of them are located outside of Balochistan, except a \$600 million worth of 300 Megawatt imported coal based power project in Gwadar and \$1,090

million worth of 1,320 Megawatt coal-fired power plant at Hub.¹ In other allied projects, the province has so far attracted around \$980 million investment including a technical and vocational training institute (\$10 million)² and a hospital in Gwadar, called the Friendship Hospital (\$100 million)³ at Gwadar. Other projects include new Gwadar International Airport (\$230 million), Gwadar East-Bay Expressway (\$140 million), necessary facilities of fresh water treatment, water supply and distribution (\$130 million), development of a free economic zone (\$32 million), Khuzdar-Basima Road (\$110 million), etc.⁴ In such a scenario, a valid question that may be asked is whether CPEC is just a transit route that passes through the province without adding much economic substance to it. It is important to mention that Gwadar is essentially the tail of CPEC, connecting Kashgar in China through different communication networks. Therefore, the vitality of its deep seaport for trade between the Middle East, Africa, and Europe with the western region of China is accentuated by the fact that it will reduce the distance from the Western Chinese city of Kashgar in the Xinxiang province to the port city of Gwadar in Balochistan. This new inroad trade route will reduce the distance from 16,000 km to around 2,500 km, and will connect the western China to the Middle East.²²

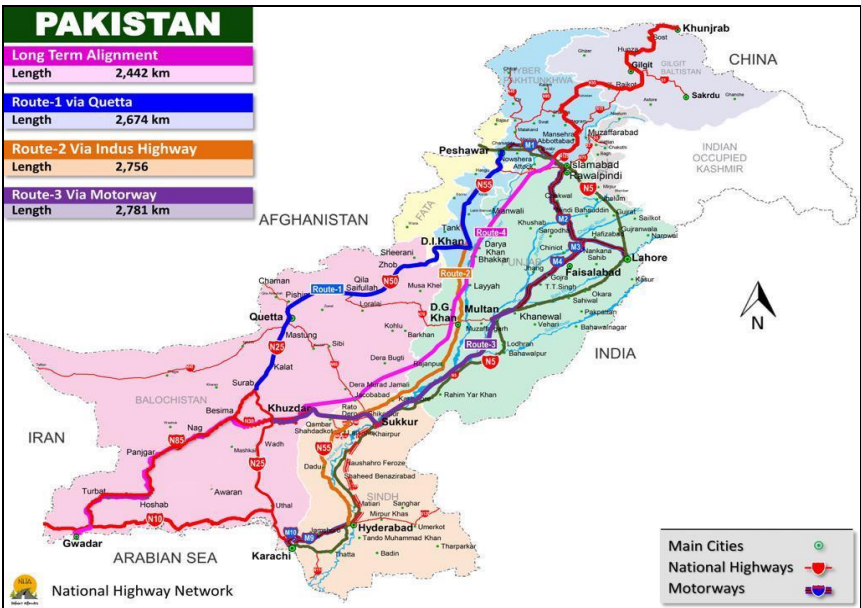
¹ <http://cpec.gov.pk/energy>.

² <http://cpec.gov.pk/project-details/39>.

³ <http://cpec.gov.pk/project-details/38>.

⁴ <http://cpec.gov.pk/gwader>.

Figure 1: CPEC Highways/Motorways Planning



Source: Planning Commission of Pakistan, 2017.

As shown in Figure 1, all three routes of the corridor that begin from Gwadar and pass through the breadth of Balochistan virtually cover all regions of the province. For example, while the Coastal Highway connects Gwadar to Karachi passing through towns and cities of districts Gwadar and Lasbela, the main road network artery from the port city to the up country, connects western, south-western, and midland regions of the province to Ratodero, Sindh, D. I. Khan, KP, and to the northern region of Balochistan through the western route. It, therefore, can be said with certainty that the corridor fulfils Balochistan’s decades-long requirements of road and other related infrastructure development. Albeit some of the less-developed regions—districts Kharan, Washook, Awaran, etc.—do not make a part of the main corridor. They will, however, be connected to the mainstream network through allied highways. For instance, the Prime Minister of Pakistan, while inaugurating the Hoshab-Gwadar section of the road under CPEC on 3 February 2016 announced a 250 km length of highway from Hoshab to Bela, District Lasbela, passing through the length of District Awaran.²³ A similar highway is underway to connect Kharan, Washuk, Nushki, and

Chagai districts to the main corridor from Besima, a small town in Washuk district. So, in this way, Balochistan will be knitted-up together and further connected to the national mainstream through various highways and subsidiaries of the corridor.

Now a pertinent question that warrants a rational justification is that although Balochistan will have a fine road infrastructure and connectivity through CPEC roads and network projects —by the virtue of Gwadar being at the extreme southwest of the province—will it be just a passing corridor or it will be a harbinger of economic activities brining about socioeconomic changes to the province? Cynics, some academics and political leaders from Balochistan being the prominent ones among them, are of the opinion that CPEC with its present design—where the greater part of its investments are planned and being executed out of Balochistan—is hard to bring any improvement to the economic and social landscape of the province. Hence, to them, CPEC would be a mere corridor and a transit route for the province where goods would be transported to and from the port city to the up country and the western region of China. The key concern of such quarters emanates from the fact that in the initial \$62 billion Chinese direct investments and loans destined to various projects, Balochistan gets two infrastructure projects, apart from some projects designed for Gwadar city, as discussed earlier in this paper, and six Special Economic Zones, including the Gwadar Special Economic Zone.²⁴ It is imperative that the federal government has a clear vision or serious interest in the economic development of Balochistan in relation to CPEC. If not, CPEC might end up being a corridor without much economic significance for the province. The 653 km Makran Coastal Highway completed in 2004 stretched from Uthal, District Lasbela, to Gwadar and up to the Iranian border is a classic case in point. Although it connects the entire Gwadar District, as well as a part of Lasbela, to the biggest metropolis of Pakistan, Karachi, so far it has failed to bring any significant economic change to the southern region of Balochistan. Traditional source of livelihood of District Gwadar is fisheries, which witnessed no noteworthy improvement for the last decade that could be attached to the development of the Coastal Highway. The socioeconomic indicators in the district remain as abysmal today as they were in 2004-05. For example, Social Policy and Development Centre's estimates show that the incidence of poverty in

district Gwadar was 47.6 percent in 1999 whereas the Social Policy and Development Institute and Pakistan Poverty Alleviation Fund's estimates present the district with 45.2 percent poverty in 2013, failing to make any marked improvement in reducing poverty.¹¹ This is because neither the federal government nor the provincial government has come up with a concrete and sustainable plan and strategy for the coastal development accompanying the Coastal Highway.

Similarly, the sceptics suspect that CPEC, lacking any distinct and viable economic package specifically for Balochistan, would not be able to help the province in rectifying its worst affected social and economic sectors. So the prevailing perception amongst a wide range of people in the province is that CPEC and its allied projects may bring more prospects to the rest of country than Balochistan. To them, CPEC is likely to remain a mere corridor supplementing no major economic substance and social change to the province. Thus, if CPEC is merely a transit corridor instead of being an economic one, its potential for fostering any kind of economic development in Balochistan will be severely limited.⁴ However, such a perception needs to be viewed with a pinch of salt.

Whereas it may be true that in preliminary \$62 billion investment, around 61% is allocated for energy projects and Balochistan's share in such projects is not significant. In addition, the provincial government apparently lacks any comprehensive vision to revamp and usher in a web of economic activities for Balochistan vis-à-vis CPEC developments, yet this study argues that the underlying dynamics of CPEC with its inherent economic pursuits have the potential of translating and changing the social and economic scene of Balochistan.

The Potential of CPEC for Balochistan and Challenges to it

Balochistan is a resource-rich region with a manageable population and high resource to labour force ratio. The province has the potential to create thousands of jobs and bring the currently staggering unemployment to the so-called natural rate of unemployment.²⁵ Development, indeed, is a complex process of induced structural change. So, in order to develop, the province needs to have a development strategy aiming to change the economic landscape. CPEC

with ample potential and opportunities is likely to provide an impetus to the development vision of the province and can provide a direction to which the provincial economy is aspiring to move.

Needless to say that viable industrial and trade development strategy is a prerequisite for economic growth and development. It is essential that the Government of Pakistan involves key business houses, both local and overseas, to design and evolve appropriate industrial policies, as otherwise CPEC will just remain a 'transit' route with no significant benefits to Pakistan's economy except providing a shorter transport route to China and her trading partners. Thus, CPEC must be realised as an economic corridor instead of being a transit route.

The economic corridors anywhere in the world are explicitly designed or aimed to support economic growth and promote development. Pakistan, given its multitude economic woes, needs to design and articulate programmes to stimulate industry, trade, and commerce so that it can get maximum gain from CPEC-related business opportunities.²⁶ Balochistan undoubtedly is one of the most important areas of Pakistan in relation to CPEC developments: Its geographical location makes it a great trade route, linking the deep-sea port of Gwadar with Xinjiang province of China, Afghanistan, and the Central Asian Republics. CPEC is rightly described not only as a set of roads and highways, but also a comprehensive package of development projects contributing to all sectors of the economy. The road and rail networks and infrastructure development in the province can contribute to the economic development in the region in many ways. It can create an enduring economic opportunity for Pakistan, as well as for Balochistan province, and has the potential to transform the provincial economy in many ways and bring it at par with the national economy of the country.

The Government of Pakistan has planned to create nearly 29 industrial parks and 21 mineral processing zones in all four provinces under the CPEC umbrella, out of them 27 are granted the status of Special Economic Zones (SEZs) and Mineral Processing Zones.²⁷ In Balochistan Quetta, Dostan, Gwadar, Khuzdar, Uthal, Hub, and Dera Murad Jamali are identified for industrial zones, for the proposed Minerals Economic Processing Zones Khuzdar (chromite, antimony), Chagai (chromite), Qila Saifullah (antimony, chromite), Saindak (gold, silver), Reko Diq (gold), Kalat (iron ore), Lasbela (manganese), Gwadar

(oil refinery), and Muslim Bagh (chromite) have occupied the list.²⁸ The indication of developing such economic zones is the clear manifestation of the fact that the Government of Pakistan has envisioned a comprehensive plan to boost the economic potential of all provinces including Balochistan. The government, however, needs to clarify how the recently created SEZs, with their corresponding tax regimes for CPEC, will affect the revenue-generation capacity and fiscal powers of the provinces, as after the 18th Amendment to the Constitution of Pakistan, the provinces are more independent in managing their fiscal affairs and raising funds through different sources.

Probably, CPEC will happen to be a conduit predominantly for imports from the Gulf courtiers to the western region of China. Hence, in the light of the current Chinese imports demand from the Middle East, we can analyse the potential of driving the industrialisation process in Balochistan province. For instance, in 2014, China imported nearly \$88 billion worth of oil from the Middle Eastern countries, of which \$76 billion worth of oil was primary and unprocessed products, which, in other words, indicates that nearly 85% of the oil imported by China from the Middle East was processed in China.²⁹ Similarly, in 2014, Pakistan imported \$5.6 billion worth of unprocessed fuel and lubricant products from the Gulf region.³⁰ Thus, even if China is to import only 10 percent of her total unprocessed oil from these countries through CPEC, it will considerably increase the flow of such products to Pakistan. Apart from this, in 2014, China also imported nearly \$17 billion worth of industrial supplies such as machinery and mechanical appliances, chemical and mineral products, vehicles, aircraft and vessels, textiles and articles, and miscellaneous manufactured articles from the Middle East, particularly from the United Arab Emirates,⁵ which is of course far greater than the \$2.4 billion imported by Pakistan in the same year.⁶

Since a bulk of the imports to western region of China that can be transited through CPEC will be intermediary goods and natural resources, it is imperative to develop industries around the corridor—specifically in and around the port city of Gwadar—that would rely on such products as their main inputs. The strategic location of Gwadar and

⁵ <http://www.mei.edu/content/uae%E2%80%99s-strategic-trade-partnership-asia-focus-dubai>.

⁶ <https://www.dawn.com/news/1246761>

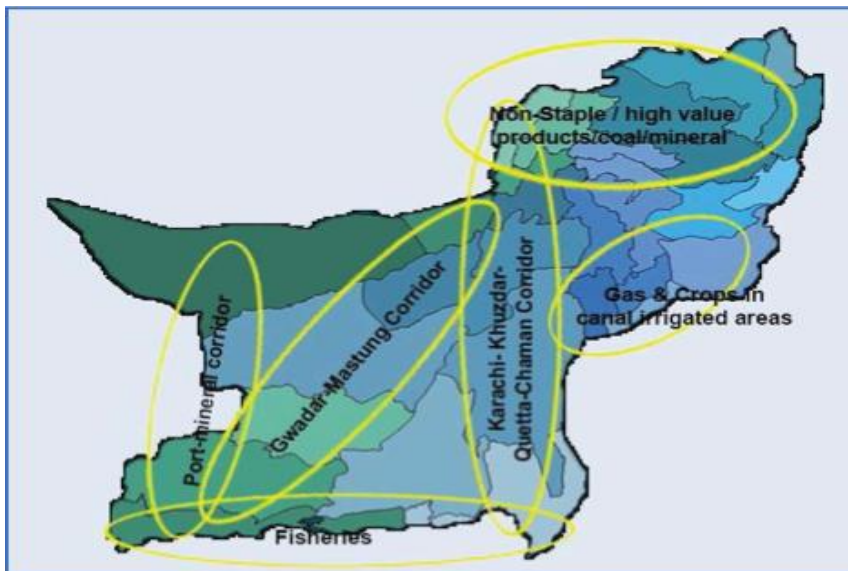
its presence in Balochistan makes the latter an ideal place for petroleum refineries, automobiles, shipyard and shipbreaking, textile and clothing, steel and cement plants, and manufacturing industries for petrochemical intermediaries. Primary goods that may be imported to Gwadar by China can be processed in Balochistan and afterward transported to China and other trading partners. It will initiate economic activities that can contribute not only to overall economic growth and development of Balochistan, but also provide thousands of jobs to the local youth.

The physical and social infrastructure development in Balochistan has remained stagnant since independence of Pakistan. Currently, vast areas of the province are without physical and social infrastructure: roads, electricity, water supply, education, health, or any kind of employment opportunities or facilities are nonexistence in greater part of Balochistan. It can be said, though regrettably, that Balochistan is still reeling in horticultural and pastoral stage of growth, where livestock and minor crop subsectors command the largest share to the provincial economy, whereas the manufacturing and finance together account for only 9 percent to the provincial economy.³¹ The province faces major challenges in terms of physical infrastructure paucities and primary sector economy, which restrained the provincial economy to move onto secondary and tertiary sectors. Given the resource constraints, it is crucial to concentrate the development effort on selected sectors and areas, i.e., growth nodes and economic corridors that can create a pull effect for the rest of the sectors of the provincial economy. What follows in this study is an analysis of the proposed growth nodes and economic corridors vis-à-vis CPEC that can provide the necessary impetus for growth and development for the province.

The Government of Balochistan has identified 15 potential growth nodes, where industrial, social sector, urban, and agriculture/fisheries sectors' development can be focused around. The growth nodes may potentially be located at Quetta, Turbat, Gwadar, Khuzdar, Sibi, Qila Saifullah, Hub Chowki, Panjgur, Loralai, Kharan, Dalbandin, Nushki, Chaman, Zhob, and Dera Allahyar. Moreover, the government can develop at least five clustered growth nodes comprising the above locations and proximate towns considering the nearby cities as urban centres of these clustered growth nodes. The growth nodes—where the social, economic, and industrial development can be

focused—are identified based on various criteria including location on junctions, population size and its growth rates, and mineral, fruit, fish, cereals, vegetable productions, etc. CPEC infrastructure and other related facilities could be utilised to connect these growth centres to the markets and ports, and establish a value chain that could support the economic activities in Balochistan.³² Considering the growth nodes, six potential economic corridors are classified in Figure 2.

- Corridor 1 is the coastal belt that covers the southern area of Balochistan—Districts Gwadar and Lasbela—accommodating the fishing industry. In the Figure 2, it is encircled as ‘Fisheries’.
- Corridor 2 comprises the link between the copper/mineral belt in Chagai and Gwadar via Mashkel, Kharan, and Buleda—as shown in Figure 2 as the ‘Port-Mineral Corridor’.
- Corridor 3 forms part of CPEC that covers Gwadar Turbat, Panjgur, Besima, Khuzdar, and Mastung.
- Corridor 4 runs over the trade route along highway N-25 (the RCD road) that connects the port city of Karachi with Chaman on the Pakistan-Afghan border via Lasbela, Khuzdar, Kalat, and Quetta.
- Corridor 5 comprises gas fields and canal irrigated agriculture producing major food and cash crops. This covers the oil, gas, and coal rich districts of Dera Bughti and Kohlu.
- Corridor 6 comprises the north-eastern districts producing non-staple high value products, such as fruits, vegetables, wool, etc., and minerals, including coal, chromite, etc.

Figure 2: Potential Economic Corridors

Source: Chief Minister Policy Reform Unit, Government of Balochistan (2014).

The economic corridors characteristically emphasise Balochistan's tremendous industrial growth and trade potential. Yet, in order to exploit the potential of each corridor, besides a long-term development vision, a comprehensive road and rail network needs to be provided knotting the corridors and connecting them to the port city, to rest of the country, to Afghanistan and CARs, and to the western part of China. Interestingly, the proposed communication network of CPEC, covering a majority of regions and districts in Balochistan, will provide the necessary alignments, which is a prerequisite for the productive sectors to grow. Hence, the completion of CEPC-related communication network could create the required connectivity, enabling the economy of Balochistan for the productive exploitation of its vast and diverse resource base and promote output, trade, and development in the province. Furthermore, CPEC comprises four phases of projects and schemes and currently it is in the first phase or 'Early Harvest' projects that are estimated to be completed in 2017-18: the other being the short-term projects (2020), the medium-term projects (2025), and long-term (2030). On top of other prerequisites, the potential corridors in Balochistan need massive investments. The public sector, given its

limited finances, is unable to inject the required investment alone. The private sector investment, including FDI, has paramount importance in this regard. Some of the projects and schemes planned for medium- and long-terms phases under the CPEC umbrella will be attracted to these corridors. For this to happen, both the federal and provincial governments, alongside large foreign and local businesses, should encourage the small- and medium-sized enterprises and motivate the financial sector to provide the required finances. Considering this, it is, therefore, plausible to argue that CPEC will deliver the necessary infrastructure and economic impetus in which Balochistan can exploit and boost its economic potentials.

In order to gain maximum economic benefits from CPEC and aligned projects, however, some key measures need to be taken. An important measure is to invest in education to equip the local communities with the required skills and technical knowhow to gain from the opportunities that CPEC will present. Infrastructure development, logistics regulatory framework, and industrial parks and zones proposed for Balochistan will certainly demand skilled workforce. Moreover, education and training institutions will help in creating an indigenous human resource pool and enable the people of Balochistan to become stakeholders in CPEC. This would lead to an enduring improvement and significant change to the social and economic status of the people of Balochistan, who would have to otherwise withstand harsh and impoverished living.

As discussed, the Economic Corridor passes through many of the major cities and towns of Balochistan, thus, it can be argued that CPEC's colossal projects not only have significant impacts in terms of employment generation in southern and northern districts, but could also have a multiplier effect on the disconnected regions of the province in relation to employment opportunities and other social and economic indicators. It is predicted that CPEC and its allied projects can potentially generate around 700,000 employment opportunities during the period of 2015-2030, which is considered to be short-term and medium-term periods in CPEC categorisation for Pakistan.³³ A sizable part of these job opportunities would incur in Balochistan, as the province accounts for a good share of CPEC projects. A study conducted by Haq and Zia³⁴ shows that most of the districts of Balochistan are ranked as poor and

deprived in terms of social and economic wellbeing. In the first phase, 49 projects of various magnitudes are planned to be undertaken in all four provinces of Pakistan, out of which Balochistan would get 16 projects, the Punjab 12, Sindh 13, and KPK 13. The projects in Balochistan consist of Hub Coal Power Plant, Gwadar Power Plant, Gwadar International Airport, D.I. Khan-Quetta Highway (N-50), Khuzdar-Besima Highway (N-30), etc.⁷ Once these infrastructure, energy, and socioeconomic projects are complete under the umbrella of CPEC, they will have a significant impact not only on job creation, but also on the entire economic landscape of the province. As discussed earlier in the paper, Balochistan lags far behind other provinces and regions of Pakistan in all socioeconomic and welfare indicators. And the proposed CPEC projects for Balochistan could potentially open up a new vista of opportunity that would transform the social and economic scene of Balochistan and could help Balochistan in coming at par with other provinces.

Nevertheless, amidst prospects for development, the province has been dogged with a disgruntlement that has led to revolts and insurgencies stretched out over decades. The Baloch insurgents have serious reservations about CPEC and its aligned development. They fear that development of the Gwadar Port and greater economic activities resulting out of it would shift the demographic balance against the local Baloch and could convert them into a minority in their own province because of migration of workforce from other provinces. The resentment of Baloch separatists against CPEC poses a strong challenge to it, as sustainable development warrants a peaceful environment. As long as the people of Balochistan are not taken on board and their concerns addressed amicably, an enduring challenge looms upon the development of CPEC.

CPEC and geo-economic imperatives of Balochistan

The geographical location of Balochistan—placing it in the middle of Central, West, and South Asia—would always make it susceptible to the effects of regional and global geopolitics.³⁵ The maritime significance

⁷ <http://cpec.gov.pk/>

of Balochistan is evident from the fact that its coastal belt can provide the shortest and most convenient sea access to the landlocked and resource-rich Central Asian Republics (CARs) and Afghanistan. As a significant international trade route and transit corridor and being resource-rich in oil, gas, metal, and maritime resources, Balochistan may provide the centre stage for regional and global geopolitics and geo-economics.

Besides its commercial and economic importance, the geographic location of Gwadar provides the port city with an immense geostrategic value. Given its geographic and geostrategic location, Gwadar has for long been considered to have the potential of exploiting the transit trade to and from the landlocked CARs, Afghanistan, and western China, by providing them the nearest access point towards the sea for their exports and imports. The completion of CPEC network, besides facilitating the transportation of goods back and forth from China to the Middle East and Africa, can help build trade and economic cooperation. For Balochistan, the economic gain from CPEC may also stem from the proximity of Gwadar port to the geostrategic shipping point of the Strait of Hormuz—from where billions dollar worth of oil and lubricants pass every day. Gwadar will emerge as a hub of trade and commerce once CPEC and its allied communication network are built and fully functional, connecting the port city to the rest of Pakistan, China, Afghanistan, and CARs. According to Gwadar Port Master Plan, by 2020 the port can capture 25 percent of the total international trade of Pakistan, 12 percent for Xinjiang province of China, 40 percent for Afghanistan, and 15 percent of the total trade of Pakistan with CARs.³⁶ The port can potentially contribute billions of rupees worth revenues to the national exchequer and create thousands employment opportunities for the people of Balochistan. Additionally, Balochistan coast is conducive for building shipping industry. It is vital to establish the shipyard and ship breaking industry to gain maximum benefit from the maritime economics of the region. As discussed, Balochistan is full of all kinds of hidden treasures. These treasures cannot be exploited and utilised for the benefit of the people of Balochistan, however, due to lack of adequate political will and infrastructure deficiencies. Now, through CEPC, the required infrastructure development can be undertaken that could generate the resources necessary for economic development of Balochistan.

It is important to reiterate that CPEC, being a vital part of OBOR, is meant for China to strengthen its trade and commerce connectivity with various regions of the world, reviving the ancient trade routes between Europe, Central Asia, the Middle East, South Asia, and China.³⁷ Whereas China's key focus in developing CPEC is to bolster its trade and economic connectivity, Pakistan will expectedly emerge not only as a major economic partner but could also play a central strategic role. The hub of this geostrategic vitality is Gwadar, as well as Balochistan as a whole, which is likely to become a key hub for international trade and commerce around the Indian Ocean and could become a major gateway for the Middle Eastern oil export to South Asia and western China, as well as Central Asian oil and natural gas export to the wider world.³⁸ With the planned inflow of CPEC-related FDI into the region, Balochistan would become a conduit of petro-chemical trade that would reinvigorate its otherwise weak social and economic structure. This connectivity and access to regional economic markets could be a key stabilising factor for peace and tranquillity in Balochistan, which has been witnessing political discontent for long.

Bordering Iran and Afghanistan to the north and southwest and shoring up Arabian Sea to its south, the south-western province of Pakistan commands immense potential for border trade. Whereas, border trade with Iran and Afghanistan has been a great source of livelihood for the people of Balochistan, especially for northern (bordering Afghanistan) and western (bordering Iran) districts, establishing Free Trade Zones across borders and utilising the CPEC infrastructure to transport the processed commodities across the border and to other provinces of Pakistan and to western China can boost border trade in Balochistan.

The proposed oil and gas pipelines from Iran to Pakistan, which could be extended to Chinese western region and India, are expected to become an important component of CPEC. Since the proposed pipelines pass through the length of Balochistan, they could help provide the required fuel and energy for the proposed industries around CPEC.

Conclusion

The provincial economy of Balochistan is unique amongst the federating units of Pakistan, comprising over 44 percent of territory but

least integrated into the mainstream economy, with rampant poverty and high deprivation. The province is marred with patronage-driven political economy and dearth of accountability. Around 80 percent of the population is rural with an economy that is a typical manifestation of agro-pastoral structure. Balochistan lags far behind other regions in all socioeconomic indicators. Although nature has been gracious enough in filling its wallet with material and natural resources, the lack of political will, infrastructure deficiencies, and hostile local socio-economic structure has restrained the area from becoming the harbinger of growth and development. Although mineral resource base is the key sector of Balochistan, it remains underdeveloped and contributes only 1.4 percent to employment generation in the province.³⁹ Other growth potentials of provincial economy are trade and transit routes and coastal development. CPEC can potentially provide the prerequisites to boost these growth potentials. This can help in reinvigorating Balochistan's economic structure, mainly through developing mineral sector and other growth potentials and greater connectivity. This paper has argued that CPEC will likely change the economic landscape of Balochistan by providing adequate communication network and investments to its potential economic corridors. CPEC is in its early stage, though, and it is hard to confirm or even predict its actual social and economic impact on Pakistan, let alone Balochistan. Nevertheless, the paper has presented a scenario with the key potential areas that could gain maximum benefit from CPEC and usher in a growth and development process in the province. It needs to be acknowledged that given the level of weak and dysfunctional state of Balochistan's economy and dire situation of the social capital, one project, no matter how diverse and multifaceted it may be, cannot change the entire economic and social landscape. This paper has shown, however, that CPEC, by virtue of being an economic and development corridor, can generate employment opportunities, help alleviate poverty, engage youth in entrepreneurial and commercial activities, maintain law and order situation, and improve overall social and economic outlook in the province. In this regard, the paper has argued that CPEC, though indirectly, can provide the incentives for regional stability and development opportunities in Balochistan province. And for this to happen, Pakistan needs to take comprehensive measures to enhance the capacities of the underdeveloped regions of the country

including Balochistan. In this context, Balochistan in general and Gwadar in particular can emerge to be of great geostrategic significance, offering a remarkable boost to the economy of Pakistan and the whole region.

Amidst the uncertainty in regional and international geopolitics, however, such an ideal situation is by no means guaranteed. CPEC—being an integral part of greater Chinese OBOR project and the Chinese expansion to West Asia, the Middle East, Central Asia, Western Europe, and Africa—is indeed not seen by other regional and global hegemonic powers in a positive light. The US, with traditional presence and deep interest in the region, as well as India, Iran, and certain Middle Eastern countries, is having deep apprehensions against growing Chinese influence in the region and could make CPEC a hard undertaking. Thus, what is required is a farsighted and prudent consideration and in-depth analysis of CPEC and OBOR with their greater implications on geopolitics and economics. The Government of Pakistan and other key stakeholders of the project should devise a comprehensive and realistic policy, taking into account the potential threats that could come in the way of the smooth materialisation of CPEC.

Notes and References

- ¹ Moonis Ahmar, "Strategic Meaning of the China-Pakistan Economic Corridor," *Strategic Studies*, Vol. 28, No.4 (2014): 35-49.
- ² Jehanzeb Khalil and Saima Parveen, "Gwadar-Kashgar Economic Corridor: Challenges and Imperatives for Pakistan and China," *Journal of Political Studies*, Vol. 22 (2015): pp. 351-366.
- ³ Shabir Ahmed Khan, "Geo-Economic Imperatives of Gwadar Sea Port and Kashgar Economic Zone for Pakistan and China," *IPRI Journal*, Vol.13 (2013): 87-100.
- ⁴ Mario Esteban, "The China-Pakistan Corridor: A transit, Economic or Development Corridor?" *Strategic Studies*, Vol.36 (2016): 63-74.
- ⁵ <https://www.brecorder.com/2017/09/08/368272/over-7000-mw-added-to-national-grid-system-in-last-4-years/> (last accessed on 2 January 2018).
- ⁶ *Details of agreements signed during Xi's visit to Pakistan*, <https://www.dawn.com/news/1177129> (last accessed on 2 January 2018).
- ⁷ https://www.wilsoncenter.org/sites/default/files/ASIA_150521_Pakistan's%20Interminable%20Energy%20Crisis%20rpt_0629.pdf (last accessed on 14 December 2017).
- ⁸ The Strait of Hormuz that is located between Oman and Iran, connects the Persian Gulf with the Gulf of Oman and the Arabian Sea. The Strait of Hormuz is the world's most important oil chokepoint due to its daily oil flow of almost 17 million barrels per day. Flows through this point are roughly 35 percent of all seaborne traded oil, or almost 20 percent of oil traded worldwide. Asghar Jafari Valdani, "The Geopolitics of the Strait of Hormuz and the Iran-Oman Relations," *Iranian Review of Foreign Affairs*, Vol.2 (2012).
- ⁹ Asghar Jafari Valdani, "The Geopolitics of the Strait of Hormuz and the Iran-Oman Relations," *Iranian Review of Foreign Affairs*, Vol.2 (2012): 7-40,
- ¹⁰ Hasan Askari Rizvi, "The China-Pakistan Economic Corridor: Regional Cooperation and Socio-Economic Development," *Strategic Studies*, Vol.32 (2015): 1-17.
- ¹¹ Arif Naveed, Geof Wood, Usman Muhammad Ghaus, "Geography of Poverty in Pakistan – 2008-09 to 2012-13: Distribution, Trends and Explanations," Pakistan Poverty Alleviation Fund and Sustainable Development Policy Institute, Islamabad, Pakistan, (2016).
- ¹² Balochistan, Govt of, Planning and Development Department. http://balochistan.gov.pk/index.php?option=com_docman&task=cat_view&gid=1445&Itemid=677 (last accessed on 3rd June, 2016).
- ¹³ See the Balochistan Conservation Strategy and technical and background papers prepared for the Balochistan Resource Management Programme. <http://www.devconsult.pk/wp-content/uploads/2013/09/Balochistan-Conservation-Strategy.pdf> (last accessed 2nd Jan 2018).

- 14 World Bank, "Pakistan-Balochistan Province: Public Financial Management and Accountability Assessment," Integrative Fiduciary Assessment No. 39799, World Bank, Washington, DC. (2013).
- 15 Pasha Hafiz A. "Growth of the Provincial Economies," Institute for Policy Reforms, Islamabad, Pakistan (2015). <http://ipr.org.pk/wp-content/uploads/2016/04/GROWTH-OF-PROVINCIAL-ECONOMICS-.pdf>.
- 16 World Bank Pakistan *Balochistan Economic Report: From Periphery to Core, Report No. 40345-PK (2008)*, available at <http://siteresources.worldbank.org/PAKISTANEXTN/Resources/1241610364594/6097548-1257441952102/balochistaneconomicreportvol2.pdf>.
- 17 Manzoor Ahmed and Akhtar Baloch Akhtar, "Political Economy of Balochistan, Pakistan: A Critical Review", *European Scientific Journal*, 11(2014): 1857-7881.
- 18 For details, see Manzoor Ahmed and Akhtar Baloch, "The Political Economy of Development: A Critical Assessment of Balochistan, Pakistan". *International Journal of Academic Research in Business and Social Sciences*, Vol. 7, No. 6 (2017): 1026-1045. <https://mpr.ub.uni-muenchen.de/80754/>; and Hafiz A. Pasha, "Growth of the Provincial Economies". Institute for Policy Reforms, Islamabad, Pakistan (2015). <http://ipr.org.pk/wp-content/uploads/2016/04/GROWTH-OF-PROVINCIAL-ECONOMICS-.pdf>.
- 19 Ahmed, M. and Baloch A. "Political Economy of Balochistan, Pakistan: A Critical Review," *European Scientific Journal Vol.11, No. 5* (2015): 274-293. <https://eujournal.org/index.php/esj/article/viewFile/5688/5508>.
- 20 Kaiser Bengali and Aisha Ghaus Pasha, "Pakistan," in Ann L. Griffiths (ed.), *Handbook of Federal Countries*, for Forum of Federation, (McGill-Queen University, 2005).
- 21 Moonis Ahmar, "Strategic Meaning of the China-Pakistan Economic Corridor," *Strategic Studies*, 28 (2014): 35-49.
- 22 See <http://foreignpolicynews.org/2016/05/09/china-pakistan-economic-corridor-route-map-implication-india/>.
- 23 See <http://www.dawn.com/news/1237192>.
- 24 Ministry of Planning, Development and Reforms, Government of Pakistan (2017). <http://cpec.gov.pk/#>.
- 25 Chief Minister's Policy Reform Unit, "Proposed Balochistan Development vision and Strategy," *Concept Note*, Government of Balochistan, Quetta, Balochistan, (2014).
- 26 Massarrat Abid and Ayesha Ashfaq, "CPEC: Challenges and Opportunities for Pakistan," *Pakistan Vision*, Vol. 16, No.2 (2014), pp.143-169.
- 27 <https://www.thenews.com.pk/print/13780-govt-proposes-29-industrial-parks-21-mineral-zones-under-cpec>.
- 28 <https://www.thenews.com.pk/print/13780-govt-proposes-29-industrial-parks-21-mineral-zones-under-cpec>.

- 29 <http://www.dawn.com/news/1246761>
- 30 Nakhoda Aadil, "The 'E' in CPEC," *Dawn Karachi*, 20 March 2016. <https://www.dawn.com/news/1246761>
- 31 For details, please see Chief Minister's Policy Reform Unit, Proposed Balochistan Development Vision and Concept Note to Government of Balochistan, Quetta, Balochistan.
- 32 Balochistan Development Vision and Strategy, Chief Minister's Policy Reform Unit. Government of Balochistan (2014). http://cmpru.gob.pk/wp-content/uploads/docs/Composed_Report_Balochistan_Dev_Vision_and_Strategy.pdf.
- 33 Rashida Haq and Nadia Farooq, "Impact of CPEC on Social Welfare in Pakistan: A District Level Analysis," paper presented in 32nd Annual General Meeting and Conference (13-15 December, 2016), Pakistan Institute of Development Economics, Islamabad.
- 34 Rashida Haq and Uzma Zia, "Multidimensional Wellbeing: An Index of Quality of Life in a Developing Economy," *Social Indicator Research*, Vol.114, No.3.
- 35 Umbreen Javaid and Javeria Jahangir, "Balochistan: A Key Factor in Global Politics," *South Asian Studies*, Vol.30 (2015): 91-105.
- 36 Kausor Takreem, "Chinese Trade Through Gwadar Port: Benefits to Pakistan," An unpublished PhD thesis, Areas Study Centre for Russia, China and Central Asia, (University of Peshawar, 2013).
- 37 Safdar Sial, "The China-Pakistan Economic Corridor: An Assessment of Potential Threats and Constraints," *Conflict and Peace Studies*, Vol.6 (2014): 24 -39.
- 38 Jason R. Murtha, "The Strategic Importance of Balochistan," an unpublished Masters Thesis, Naval Postgraduate School, Monterey, (California, the United States, 2011).
- 39 Provincial Budget Document, Finance Department, Government of Balochistan, Quetta, Balochistan (2016).