



# CHINA-PAKISTAN RELATIONS

IN THE TWENTY-FIRST CENTURY

Ayesha Siddique



CENTRE FOR PUBLIC POLICY  
AND GOVERNANCE



FORMAN CHRISTIAN COLLEGE  
(A CHARTERED UNIVERSITY)

CROSSMEDIA

**CHINA-PAKISTAN RELATIONS**  
*in the twenty-first century*

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# Foreword

Ayesha Siddique's *China-Pakistan Relations in the Twenty-First Century* provides an important perspective on an intriguing international relationship involving China as a "major power" and Pakistan as a "middle power" whose own foreign policy is increasingly rooted in its connections to China. These connections are not new. In fact, the China-Pakistan partnership is arguably one of the oldest and most enduring international relationships in post World War II Asia, surviving and even flourishing as one Chinese ambassador once noted "through thick and thin". Other expressions have also been used to characterize the closeness of the relationship between Pakistan and China, perhaps the most graphic one being the phrase "as close as lips and teeth," as one Chinese Foreign Minister once described it.

Though often viewed primarily through a regional lens, Pakistan's ties to China have also played an important role on the international stage. Most notably, that includes the key role Pakistan played in making then US National Security Advisor Henry's Kissinger's trip to China in July 1971 possible, leading to the "normalization" of relations between what are undoubtedly the two most powerful nations in the world today, China and the United States. Intriguingly, the changing nature as well as the increasing competitiveness of relations between China and the United States in the twenty-first century could once again provide opportunities for Pakistan, given Pakistan's complicated yet deep relationships with both countries.

Pakistan's vital role in "opening" relations between the US and China was viewed as "historic" at the time. However, in future decades the part Pakistan played in making that normalization possible (and in turn fundamentally altering the nature of the Cold War) may loom even larger. For my part, as a fourteen year old going to school in Murree in the summer of 1971, I remember reading newspaper articles in *Dawn* and the

*Pakistan Times* suggesting that Kissinger was recuperating from a bout of dysentery in the Governor's Mansion in Nathia Gali when in fact he was flying over the Himalayas from Islamabad to Beijing to "seal the deal". Pakistan's role in facilitating this historic connection also helps explain the American "tilt" toward Pakistan in the Indo-Pakistan war a few months later that led to the birth of Bangladesh.

The part that Pakistan played in "normalizing" relations between China and the United States also benefited Pakistan, demonstrating as it did that Pakistan could play a constructive role, to the extent even of bringing previously hostile major powers together. Yet, if anything, the challenges for Pakistan have become more acute over time, not only with respect to Pakistan's dominant neighbor to the east (India) but also with respect to its neighbors to the west (Iran and especially Afghanistan). Viewed through that prism, it is no wonder that policymakers in Islamabad welcome and appreciate the fact that there are fewer foreign policy "headaches" associated with its relations with China than with its other neighbors. Very likely, policymakers in Beijing share the same view.

Meanwhile, China faces an even more complex diplomatic terrain, not only because of its status as a great power but also because it shares frontiers with fourteen different countries, tied with Russia in terms of the number of bordering sovereign nations with which it must contend: Afghanistan, Bhutan, India, Kazakhstan, Kyrgyzstan, Laos, Myanmar, Mongolia, Nepal, North Korea, Pakistan, Russia, Tajikistan and Vietnam (by contrast, the United States shares a border with only two countries, Canada and Mexico). Each of those fourteen countries have their own unique histories and some have border issues with China that could become flashpoints for future crises. However, Pakistan is not one of them: almost certainly, China views its relationship with Pakistan as one of the most "satisfactory" on the list of countries with which it shares a border.

This state of affairs stands in stark contrast to another of Pakistan's



important international connections, relations with the United States which at times have seemed more like a “roller coaster” careening between peaks and valleys. In contrast, relations between Pakistan and China have remained remarkably stable, even during periods of international crisis and upheaval. While this measure of stability in an unstable region has provided something of an anchor for Pakistan, it also brings with it benefits for China, among other things standing as an example of the type of neighborly understanding that China would doubtless want to achieve with other countries with which it shares international frontiers.

My own perspective here is based partly on my earlier career as a diplomat, in this case serving in a number of the countries bordering China including as US Ambassador to Mongolia; USAID Mission Director in Pakistan, India and Central Asia; and US Senior Civilian Representative for southern Afghanistan based in Kandahar. In each case, I had a “ringside” view, not only on the challenges that the United States faces in Asia but also on the challenges that China must contend with when managing relationships with a diverse and complicated set of neighbors.

Very appropriately, Ayesha Siddique’s monograph focuses on economic aspects of Pakistan’s partnership with China, a key factor in explaining its continued relevance and durability. And, if anything, the importance of those economic connections have grown in recent years, led in large part by the China-Pakistan Economic Corridor (CPEC) initiative that has also helped strengthen and improve Pakistan’s infrastructure. This growing economic partnership is facilitated by Pakistan’s participation in the Asian Infrastructure Investment Bank (AIIB), contributing to what Ayesha Siddique describes as the “transformative” effect of both CPEC and AIIB on Pakistan and its future development prospects. Flowing from that platform are other potential important areas of cooperation which are developing but still have a long way to go: technological, educational and cultural.

While reflecting positively on Pakistan’s connections to China, Ayesha

Siddique also explores many of the outstanding challenges and potential pitfalls, not only with respect to the actual implementation of CPEC but also in ensuring that strong economic ties involve deepened relationships in other areas including cultural ones. While highlighting expanding educational exchanges and a stronger interest on the part of Pakistanis in learning Chinese, she also observes that the cultural aspects of Pakistan's partnership with China lags far behind. In addition, she notes the "asymmetry" inherent in any relationship in which one partner is stronger and more dominant than the other, a state of affairs that could become even more important - and problematic - in the years ahead.

The reality is, relationships between sovereign states are always in a state of flux and are always changing, affected not only by developments within one or the other of the bilateral partners but also by developments involving other countries, both within the region and beyond. So far, ties between Pakistan and China have evolved in remarkably positive ways and with little friction, strengthened further by common perceptions of "strategic solidarity" that speak to the geo-political dimensions of a relationship in which economics nonetheless plays a driving force. But, as Ayesha Siddique highlights in *China-Pakistan Relations in the Twenty-First Century*, plenty of challenges still lie ahead.

Finally, let me express my appreciation to Dr. Saeed Shafqat and Forman's Centre for Public Policy and Governance (CPPG) for their role in encouraging academic analysis as well as dialogue and discussion on the serious issues of our time. This monograph and the wealth of information it contains stands out as yet another example of this contribution, further strengthening Forman's commitment to promoting engagement on issues that are important to Pakistan, Asia and the entire world.

**Jonathan S. Addleton**

Rector

Forman Christian College (A Chartered University)

Lahore, Pakistan

## Director & Editor's Note

Forman's Centre for Public Policy and Governance (CPPG) has been publishing regularly since 2008. From Policy Briefs to Monographs, the CPPG has several publication formats, which are listed and available on our website: [cppg.fccollege.edu.pk](http://cppg.fccollege.edu.pk). On 'China's Rise' and China-Pakistan relations, we have been working since 2013; however, the CPPG created a small China Cell in 2017 and have been publishing more vigorously and systematically. From the Monograph series, this is the sixth monograph and second one on China, the first was published in 2018 and in between, our team of researchers did produce a discussion paper (2020) and a research article for the *Journal of South Asian and Middle Eastern Studies* (US) Spring 2021. This year also marks 70 years of China-Pakistan relations, and we are celebrating it through this publication and it is my considered view that the issues raised in this study could set the tenor for the future direction.

Ayesha Siddique's *China-Pakistan Relations in the Twenty-First Century* is the latest in the series and she has been working on this for more than a year and it has undergone several internal reviews and then like all the CPPG publications, due peer review process. On an average at the CPPG, it takes us about two years to produce a research monograph. This monograph has grown out of Ayesha's initial MPhil thesis, which was titled "Assessing China's soft power in relation to the China-Pakistan Economic Corridor." Her thesis was theoretically rigorous and conceptually refreshing, I encouraged her to expand, conduct additional research, and develop a full-fledged monograph on *China-Pakistan Relations in the Twenty-First Century*. She accepted the challenge and has done an excellent job in identifying the patterns of thought and policy orientations of Pakistani and Chinese policy makers and their approach to addressing common goals and objectives. In doing so, her work not only provides credible data, sound analysis and concrete recommendations but also raises questions for additional research. I do hope that our current and

future students will find the research inspiring and worth following the trend. In the same spirit, I am staying optimistic that policy makers, policy analysts, academia, media, businesses, and leaders of the political parties will find it relevant to think through the future course of China-Pakistan relations.

We are continuously striving to encourage our MPhil students to concentrate on choosing policy relevant topics and demonstrate a commitment of purpose while working on their thesis. We aim to infuse this spirit among our doctoral scholars and through innovative and cutting edge policy relevant research, see the CPPG grow into a Centre of Excellence.

I am indebted to all my CPPG colleagues, particularly, Ms. Saba Shahid, Research Fellow, in enriching and expanding the CPPG's Think Tank functions and streamlining the monograph series.

I want to gratefully acknowledge the support of Dr. Jonathan Addleton, Rector, Forman Christian College (A Chartered University) for his encouragement and also graciously agreeing to write a Foreword for this monograph.

**Saeed Shafqat**

Editor CPPG Monograph Series

Professor & Founding Director,

Centre for Public Policy and Governance (CPPG),

Forman Christian College (A Chartered University), Lahore.

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**Ayesha Siddique**

# Abbreviations

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China and South Africa
CPC	Communist Party of China
CPEC	China-Pakistan Economic Corridor
CPFTA	China-Pakistan Free Trade Agreement
CRBC	China Road and Bridge Corporation
CSC	China Scholarship Council
GDP	Gross Domestic Product
HEC	Higher Education Commission, Pakistan
IMF	International Monetary Fund
IBRD	International Bank of Reconstruction and Development
MDB	Multilateral Development Banks
MOE	Ministry of Education, People's Republic of China
MoU	Memorandum of Understanding
NAVTTTC	National Vocational and Technical Training Commission, Pakistan
NUML	National University of Modern Languages, Islamabad
PRC	People's Republic of China
SECP	Securities and Exchange Commission of Pakistan
TVET	Technical and Vocational Education Training
UK	United Kingdom
US/USA	United States of America
UN	United Nations
WB	World Bank
WTO	World Trade Organization

# Introduction

The year 2021 marked seventy years of China-Pakistan diplomatic relations. In fact, both societies have had civilizational links dating back to the seventh century, owing to their close geographic proximity. Both have maintained close ties, even though they vary ideologically, culturally and politically. Over the past years, the socio-economic gap has also widened. Today, China is the world's largest economy.<sup>1</sup> In the past seventy years, it has made improvements in almost all economic, social and development indicators, despite long periods of civil war, domestic unrest and foreign interventions.<sup>2</sup> Pakistan, on the other hand, has lagged behind in almost all indicators, even though it was initially among the "top ten performing developing countries" and even ahead of China.<sup>3</sup>

However, even while "a great deal has changed within the two countries, in the region and in the world at large, but their relationship has remained unaffected."<sup>4</sup> In fact, China-Pakistan relationship has only strengthened with time, and many scholars have explored into the reasons for this exceptional case. Two early scholarly studies, one by John Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, and the other by Anwar Hussain Syed, *China and Pakistan: Diplomacy of an Entente Cordiale*, explained that China-Pakistan relationship is based on common interest, describing it as an "entente cordiale."<sup>5</sup> Later, the scholarly narrative changed as Andrew Small described China-Pakistan relationship as an "axis," based on a common enmity towards India, the "strategic glue" binding *The China-Pakistan Axis*.<sup>6</sup> Until recently, weaving these diverging views together, Ghulam Ali, in his book, *China-Pakistan Relations: A Historical Analysis* draws on the key "factors of durability," which may provide an explanation for the continuity of, and burgeoning China-Pakistan relations. These include geographic proximity, regular visits by the top leadership of the two countries, the supportive role of media of the two countries, and both sides strictly adhering to the policy of non-interference in each other's internal affairs.<sup>7</sup> In any case, scholars

across the board cannot help but accept that both countries irrefutably share a unique bond, which is, in the words of John Garver, “of a truly special character.”<sup>8</sup> Both countries have demonstrated, through and through, that they are indeed, “Iron Brothers,” and their relation is “higher than the mountains,” “deeper than the oceans,” “sweeter than honey,” and “an all-weather” friendship.

Since its origin, the nature of China-Pakistan relationship has been predominantly geostrategic, with strong defence, geopolitical and military cooperation at a state-to-state level.<sup>9</sup> In the twenty-first century, however, these “major factors upon which the Sino-Pakistan entente was originally based are gradually fading away.”<sup>10</sup> Of course, they continue to provide stability to the China-Pakistan relationship, but are no longer as significant as they used to be earlier. China-Pakistan relations have now “reached a point where these traditional characteristics are being replaced by new realities.”<sup>11</sup> China’s economic rise in the twenty-first century has changed the global dynamics and, for China, economic relations have become “increasingly important in its foreign relations.”<sup>12</sup>

In what ways has the rise of China affected China-Pakistan relations? What is the scope and nature of China-Pakistan relations in the twenty-first century?

This study is geared towards addressing these two primary questions. The central argument is that China-Pakistan relations in the twenty-first century have expanded, horizontally, in four key areas: economic, technological, educational and cultural, as well as vertically, from a state-to-state level down to people-to-people level. The study highlights the transformative role of the China-Pakistan Economic Corridor (CPEC) and the Asian Infrastructure Investment Bank (AIIB), both of which have helped China-Pakistan bilateral cooperation become multifaceted, multi-dimensional and multilateral.



## Notes

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<sup>1</sup> In 2014, China became the world's largest economy in terms of purchasing-power-parity.

<sup>2</sup> For a more detailed account, see, Sulmaan Wasif Khan, *Haunted by Chaos: China's Grand Strategy from Mao Zedong to Xi Jinping* (Cambridge, Massachusetts; Harvard University Press, 2018).

<sup>3</sup> Ishrat Husain, *Pakistan: The Economy of an Elitist State*, Second Edition (Oxford University Press, 2020), 442.

<sup>4</sup> Ghulam Ali, *China-Pakistan Relations* (Oxford University Press, 2017), 1.

<sup>5</sup> Anwar H. Syed, *China and Pakistan: Diplomacy of an Entente Cordiale* (University of Massachusetts Press, 1974); John W. Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century* (University of Washington Press, 2001).

<sup>6</sup> Andrew Small, *The China-Pakistan Axis: Asia's New Geopolitics* (Oxford University Press, 2020), 1.

<sup>7</sup> Ali, *China-Pakistan Relations*, 213–35.

<sup>8</sup> Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, 187.

<sup>9</sup> The work of all three, Ghulam Ali, Anwar Syed and John Garver, provides a great deal of literature on the historical nature of China-Pakistan relationship, indicating that it has primarily been based on strategic, geopolitical, diplomatic, defence and military cooperation at a state-to-state level. For more see, Ali, *China-Pakistan Relations*; Syed, *China and Pakistan*; Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*.

<sup>10</sup> Ali, 210.

<sup>11</sup> *Ibid.*, 209.

<sup>12</sup> *Ibid.*, 210.

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# China-Pakistan Economic Relations

In the twenty-first century, economic relations have become the cornerstone of the overall bilateral China-Pakistan relationship. They have evolved from being based on bilateral trade of a few commodities to growing into a range of multilateral cooperation frameworks that have helped deepen trade, business, industrial, financial and economic ties. The first China-Pakistan trade agreement was signed in 1963, whereby, both countries extended the Most Favored Nation (MFN) trading status to each other. As part of this, China provided long-term credit for Pakistan's industries, marking the beginning of China-Pakistan economic cooperation.<sup>1</sup>

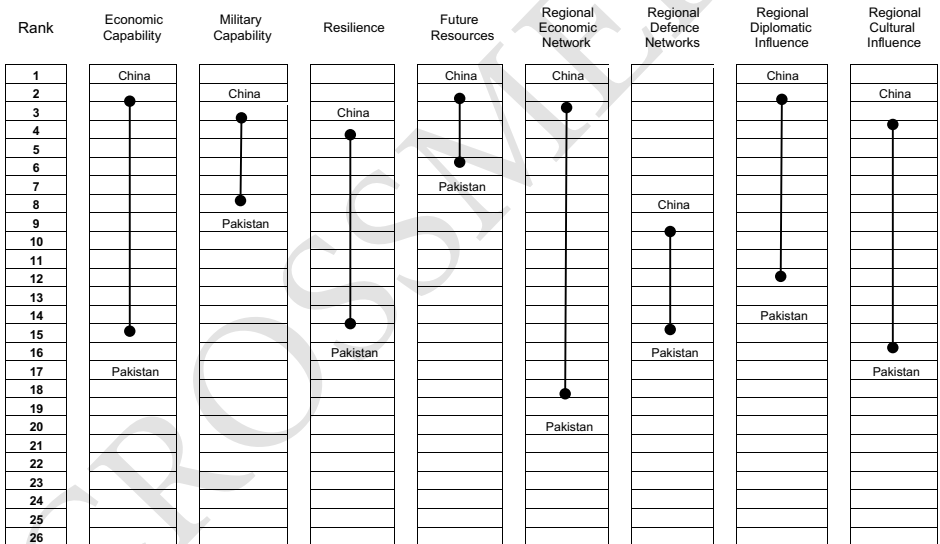
There has generally been an asymmetric economic interdependence, with China as the prime provider of economic infrastructure, resources and assistance. However, it has always been underscored by win-win outcomes, driven primarily by strategic common interests of both the countries, with China's economic assistance always corresponding to the economic need of Pakistan. Pakistan was granted the first loan from China worth \$60 million, in addition to tons of wheat, rice, and assistance in several industrial projects, in 1965.<sup>2</sup> At times Pakistan was in grave economic crisis, China was quick to convert the loans to grants.<sup>3</sup> This was a meaningful act "because China itself was a poor country at the time."<sup>4</sup> This indicates that China's economic assistance goes back to the time when China itself was economically developing.

## **WHEN AN ECONOMIC SUPERPOWER MEETS A MIDDLE POWER**

Today, China is a "superpower" and Pakistan is a "middle power" in Asia, according to the Lowy Institute Asia Power Index 2020.<sup>5</sup> China ranks

2<sup>nd</sup> place and Pakistan 15<sup>th</sup> on the Index. Hence, both have a different rank and power status, and are at different stages of development. Figure 1 shows the rank of China and Pakistan on eight sub-measures of power, out of twenty-six countries that exercise power in Asia. These sub-measures include, economic capability, military capability, resilience, future resources, economic relationship with other regional countries, defence networks, diplomatic influence and cultural influence.

**FIGURE 1**  
**RANK OF CHINA AND PAKISTAN ON DIFFERENT MEASURES OF POWER**



Source: The figure is based on the ranking provided by the Lowy Institute Asia Power Index (2020 Edition).

China tops all sub-measures of power. It's economic and military capabilities, and regional economic network and diplomatic influence are unmatched. Pakistan ranks lower than China on all sub-measures. It is farthest apart from China on the sub-measure of "economic capability." China is at 1<sup>st</sup> place, and Pakistan 17<sup>th</sup>. This raises two questions: How does China, an economic giant, relate to Pakistan, a middle-ranked economy? How can the relations in such a case be fruitful, bilateral,

sustainable and win-win?

**TABLE 1**  
**ECONOMIC CAPABILITY OF CHINA AND PAKISTAN**

	China	Pakistan
<b>Economy Size</b>		
GDP (PPP)	\$ 28 Trillion	\$ 1 Trillion
<b>International Leverage</b>		
Corporate Giants	309	0
Global Reserve Currency	2.0%	0.0%
International Currency Share	1.9%	0.0%
Official Reserves	\$ 3 Trillion	\$ 0.01 Trillion
<b>Economic Connectivity</b>		
Global Exports	\$ 3.4 Trillion	\$ 0.03 Trillion
Global Imports	\$ 3.2 Trillion	\$ 0.06 Trillion
Global Investment Outflows	\$ 222 Billion	\$ 0.85 Billion
Global Investment Inflows	\$ 227 Billion	\$ 12.7 Billion

*Source: All the figures are taken from the Lowy Institute Asia Power Index (2020 Edition).*

To answer these questions, it may be useful to first disaggregate the measure of “economic capability.” Table 1 indicates the economic capability of China and Pakistan, disaggregated into three measures: economy size, international economic leverage and economic connectivity.

It shows that China’s GDP is \$28 trillion, while that of Pakistan is \$1 trillion. This means China’s economy is almost thirty times bigger than that of Pakistan. China’s international economic leverage is also much greater than that of Pakistan. It has 309 corporate giants, that is, public companies listed in the Forbes 2000, while Pakistan has none. Its global reserve currency is about 2 percent, while that of Pakistan is negligible. The share of China’s international financial transactions undertaken in its national currency, Yuan Renminbi, is 1.9 percent, while that of Pakistan is none. China’s official reserve assets, \$3 trillion, are 300 times more than

that of Pakistan. China also has extensive regional economic linkages, which is evident from the large volume of its global exports and imports, and investment flows.

There was a time Pakistan was economically stronger than China.<sup>6</sup> However, China managed to surpass Pakistan and all the other regional countries, in terms of its economic strength, prowess and capabilities. China's economic rise has, in fact, been the most significant phenomenon in global affairs in the twenty-first century.<sup>7</sup> Decades back, in 1987, British Professor, Paul Kennedy predicted the rise of China in his best seller, *The Rise and Fall of the Great Powers*.<sup>8</sup> The same year, Chinese Professor, Wang Huning, now one of the seven people running China,<sup>9</sup> wrote a book *America Against America*, during his academic visit to the US, predicting the rise of China.<sup>10</sup> Both the professors were perhaps right; for in 2014, China overtook the US as the world's largest economy. At this, the American economist, Joseph Stiglitz announced the onset of the "Chinese century."<sup>11</sup>

The real question is: How has China managed to strengthen its position and resources over the course of time? What has been China's path to economic development, and to what extent has it affected China's economic relationship with its regional trade partner and neighbor, Pakistan?

## **CHINA'S ECONOMIC RISE AND THE TRANSFORMATION OF ITS RELATIONSHIP WITH PAKISTAN**

There are competing views on China's rise and its implications for the emerging world order. These can broadly be categorized into three schools of thought. The first school is based on the realist paradigm, with scholars wary of, and pessimistic about a rising China. They highlight its hegemonic and revisionist tendencies, and intent to build a Sinocentric world order.<sup>12</sup> China is, in many ways, considered to be a threat to the present liberal world order. The second school has a sympathetic

view and argues in favor of China's rise, highlighting its cooperative, harmonious, and peaceful intent. Scholars belonging to this camp emphasize China's vision of a "community of common destiny," and "a shared world for mankind." They ascertain China's rise to be inherently non-confrontational, incremental, and peaceful, arguing that the Chinese view apparently conflicting norms and institutions to be inclusive.<sup>13</sup> The third school argues neither in favor of hegemony nor harmony, but rather suggests a realistic and feasible way forward by which a rising China can coexist with the established regional and global powers. Belonging to this school are some of the most experienced scholars-cum-practitioners. The former Australian Prime Minister, Kevin Rudd, for instance, suggests China and the US to undertake a "managed strategic competition" for a competitive yet collaborative relationship.<sup>14</sup> Similarly, Pakistan's social scientist, Saeed Shafqat, advocates for a greater need for the world to understand "what makes the rise of China different from the other Great Powers of the 19<sup>th</sup> and 20<sup>th</sup> century," which is essentially China's "counter-containment strategy" of linking security with economic development.<sup>15</sup> Likewise, the American diplomat, Henry Kissinger urges both, the US and China, to pursue quality diplomacy to rescue the world from tragedy.<sup>16</sup> An underlying commonality across all three schools of thought is that China's rise is, nevertheless, inevitable.

China's rise can be traced back to the twentieth century. The period from 1978 to 2000 is considered as the era of reform, reconstruction and internal consolidation. China moved from a rigid planned economy to market economy, from political disintegration to unity, and from military to civilian rule. The country took corrective measures to reverse the disastrous after-effects of Mao's Cultural Revolution that had caused civil unrest, and instability. Deng Xiaoping, considered to be the architect of modern China, pursued modernization and development at home, with his foreign policy directive of "hide your capacities and bide your time," underscoring a passive, peaceful, calm and non-assertive Chinese approach abroad.<sup>17</sup> His "Reform and Opening Up" policy, in 1978, played an important role in helping consolidate China, build the necessary economic mass, political

and military power, technological sophistication, and helped move China to a market-based economic model and connect with the world.<sup>18</sup>

In the education sector, competence and performance became crucial factors for admission in college. This helped bring meritocracy in the system, including in the government recruitment process. In addition to this, higher education institutions in China, which had first emerged in the Republican era and suffered badly during Mao's Cultural Revolution, were fortified. There was massification of higher education in China, and universities were restored,<sup>19</sup> and cross border educational exchange programs were promoted. In the agricultural sector, which had suffered badly, causing famine during Mao's Great Leap Forward, Deng redefined the relationship between the rural farmers and the government. He reintroduced household farming and private production. This helped lift peasants out of poverty and enabled the rural economy to become market-oriented. China eventually moved from a rigid "planned" economy to a "market" economy. It became more decentralized and power was devolved from the state enterprises to the local level and Special Economic Zones were developed to boost exports and industry production.<sup>20</sup> In the post-World War II period, particularly in the 1980's, a process of global liberalization under the leadership of the US had accelerated and China took advantage of it. It liberalized its economy, investing surplus funds abroad, and also gaining access to the global market to sell goods, attaining raw material imports and energy resources necessary for sustaining its economic growth.

Deng effectively utilized China's demographic dividend to build a competitive, skilled and productive workforce that eventually served as the main engine of growth for China. China's economy began to flourish, people's standard of living improved, and personal and cultural freedoms expanded. Deng's successors continued his legacy of reform and opening up. And, indeed, as Henry Kissinger brings to everyone's attention, "what is so remarkable about this achievement is that while there was foreign investment, there was no foreign governmental assistance, that it was



done on the basis of the industry and dedication of the Chinese people.”<sup>21</sup>

China’s accession to the World Trade Organization (WTO) in 2001 “marked a milestone in China’s history of going global.”<sup>22</sup> China became an active player in international organizations and began building commercial agreements with foreign countries.<sup>23</sup> The Global Financial Crisis in 2008 tipped the balance of power in its favor. While many countries, including the Western liberal democracies, experienced an economic recession, China was able to insulate its economy and, in fact, maintain an exceptional double-digit growth. The same year, China successfully hosted the Olympic Games, raising the world’s expectations of its ability to shoulder more responsibilities, and play an active role in global governance. Since President Xi Jinping assumed power in 2012, China has adopted a more proactive and assertive role, evident from its growing economic strength, bold assertions of sovereignty, muscular posturing in the South China Sea and claiming maritime rights. China has adopted a “striving for achievement” strategy, with slogans such as “community of common destiny,” also enshrined in the Constitution under the Xi Jinping Thought. Xi Jinping has also embarked on a reformist path, launching bio-diversity conservation initiatives and an anti-corruption campaign to reverse the unanticipated consequences of Deng Xiaoping’s rapid marketization.

From Deng Xiaoping to Xi Jinping, China has pursued consistent strategic policies, those of national rejuvenation and unity, security and economic development. This has strengthened Chinese capabilities and resources. Based on the continuously growing Chinese power and influence, Sinologists have been categorizing China as an “emerging potential superpower,” with the capacity to bid for global superpower status.<sup>24</sup> The Chinese leadership has also been explicitly stating the country’s ambitions of realizing the “China Dream,” and becoming a country with “pioneering global influence” by 2049, the second centenary of China; a goal also enshrined in the Constitution of China.

China's rise has led to a transformation of China's relations with the world. The China-World Exposure Index (2019) by McKinsey Global Institute reveals eight dimensions along which China has become more integrated with the world.<sup>25</sup> Table 2 presents a summary of it. Ever since China has joined the WTO in 2001, it has gradually allowed foreign investors, multinational companies and distribution firms to operate in China. Though, on many fronts, the world is still relatively less integrated in China, than China in the world.

**TABLE 2**  
**SCALE OF CHINA'S GLOBAL INTEGRATION**

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**TRADE**

11% of global goods trade.  
However, 6% of global services trade

**TECHNOLOGY**

Second in the world on R&D spending.  
However, more IP imports than exports

**CAPITAL**

Top 3 financial systems.  
However, less than 6% foreign ownership

**PEOPLE**

First in the world in the number of people outbound.  
However, 0.2% of global migrants

**FIRMS**

111 Global Fortune 500 companies.  
However, less than 20% revenue earned overseas

**DATA**

First in the world on the number of internet users.  
However, only 20% US cross-border data flows

**ENVIRONMENT**

45% of global renewable investment.  
However, top source of carbon emissions globally

## CULTURE

Second largest box office in the world.

However, 1/3 of South Korean TV drama export

*Source: Adapted from "China and the World: Inside a Changing Economic Relationship" (2019) by McKinsey Global Institute.*

China has been able to penetrate different parts of the world, and different sectors, to varying degrees. Larger, developed and industrially advanced economies such as those of Western Europe and North America, in general, have a lower exposure to China. China has become more integrated into resource rich countries, such as Australia, that offer valuable minerals and metals. China has also become more integrated into Asian economies, such as Singapore, Malaysia and South Korea, given their close geographic proximity to China and regional value chains.

China's economic rise has transformed its relations particularly with Pakistan. This is because Pakistan is "tightly linked with China through regional supply chains." More importantly, Pakistan is a small emerging economy and a neighboring country, so it has a "high exposure to Chinese outbound investment."<sup>26</sup> Pakistan has become more integrated with China, and China is now an important market and significant provider of investment and capital.<sup>27</sup>

## BILATERAL TRADE, INVESTMENT AND RUPEE-YUAN CURRENCY SWAP

In the past one decade, Pakistan has been the 6<sup>th</sup> top destination for China's foreign capital investment, while China has been the 2<sup>nd</sup> top for Pakistani investment.<sup>28</sup> China-Pakistan bilateral trade amounts to \$20 billion, with China as Pakistan's top regional and global trade partner, and Pakistan as the 15<sup>th</sup> leading trade partner of China, as of 2020.<sup>29</sup>

A series of free trade agreements have helped significantly expand the bilateral trade. The first China-Pakistan Free Trade Agreement

(CPFTA-I) came into effect in 2007.<sup>30</sup> It led to a reduction in bilateral tariffs and this helped grow bilateral trade by 242 percent from 2007 to 2018, almost six times faster than the growth of Pakistan's trade with the rest of the world.<sup>31</sup> The CPFTA-I, undoubtedly, led to an increase in bilateral trade. However, Pakistan's imports from China grew more than its exports, leading to a trade deficit. As a result, corrective measures needed to be taken. Consequently, the second China-Pakistan Free Trade Agreement (CPFTA-II) was signed, and it came into effect in 2020.<sup>32</sup> It addressed these concerns through several amendments. This included the introduction of a new tariff elimination schedule that allowed Pakistani traders to export at least 313 new products to the Chinese market with zero duties, changes to rules of origin and trade remedies provisions, and safeguard measures for the protection of the domestic industry and market.<sup>33</sup> So far, it has helped increase mutual market access and address the issue of trade deficit, increasing Pakistan's exports to China by 70 percent in just one year.<sup>34</sup>

The expanding trade ties have deepened investment, business and industrial linkages and opened new avenues of cooperation in the financial, banking and business sector as well. In 2007, the China Development Bank and Pakistan's Ministry of Finance established the Pak-China Investment Company Limited, registering it with the Securities & Exchange Commission of Pakistan (SECP).<sup>35</sup> In December 2016, China received 40 percent shares in Pakistan Stock Exchange, as part of a Chinese consortium constituting three Chinese exchanges and two Pakistani financial institutions.<sup>36</sup> Table 3 provides details of the collaborations and developments in the business, banking and financial sectors.

**TABLE 3**  
**CHINA-PAKISTAN FINANCIAL COOPERATION**

2017	Pakistan Stock Exchange (PSX) signed a contract with Shenzhen Stock Exchange (SZSE) for acquiring trading and surveillance systems to bring PSX at par with other global stock exchanges.
2018	State Bank of Pakistan allowed Bank of China (BOC) to establish a local yuan settlement and clearing setup in Pakistan; Currency Swap Agreement with China by State Bank of Pakistan; Pakistan's government approved the issuance of Panda Bond, Pakistan's first Renminbi-denominated bond to raise loans from Chinese capital markets.
2020	Habib Bank Limited: First Pakistani Bank to operate in China.

*Source: All the information is compiled from Pakistan's English-language newspaper, Dawn.*

The most important of these is the currency swap agreement that has allowed both countries to transact with each other in their local currencies, Pakistani Rupee and Chinese Yuan. In the long run, this will help reduce relative volatility of the currencies against the dollar. It will provide relief from exchange rate fluctuations in the global market. For Pakistan, it will help reduce dependency on the dollar and reduce pressure off the depleting foreign exchange reserves. Other initiatives by the State Bank of Pakistan, such as allowing the issuance of "Panda Bond" and setting up a settlement and clearing mechanism,<sup>37</sup> will help reduce the cost of doing business, enhance market liquidity and make Pakistan's banking system more efficient in transacting in Chinese Yuan. This will improve financial integration between China and Pakistan, strengthening their trade, economic and financial ties.

## **NEW MULTILATERAL ECONOMIC COOPERATION MECHANISMS**

Bilateral trade, investment and financial cooperation has, undoubtedly, helped deepen China-Pakistan economic relationship. There

are two Chinese economic initiatives that are now redefining the China-Pakistan relationship, allowing both countries to transform their bilateral economic cooperation into one that is multilateral, multifaceted and multidimensional. These include the China-Pakistan Economic Corridor (CPEC) and the Asian Infrastructure Investment Bank (AIIB), covered exclusively in Chapter 2 and 3, respectively. They have provided a new framework of cooperation, redefining, rejuvenating and strengthening China-Pakistan economic ties.

By launching the CPEC and AIIB, China has been translating its economic power into multilateral goods. Though, skeptics argue that this is part of China's attempt to dispel fear of its economic heavyweight and demonstrate itself as a responsible global power. The Chinese leadership has, nevertheless, been emphatic about how China's modernization "offers a new option for other countries and nations who want to speed up their development while preserving their independence; and it offers Chinese wisdom and a Chinese approach to solving the problems facing mankind."<sup>38</sup> China has increased its support and commitment to international and regional institutions, and also undertaken a series of cross-border initiatives with other countries. The CPEC and AIIB are two key Chinese initiatives through which China is extending its expertise, knowledge and developmental assistance to Pakistan.

The AIIB and CPEC are not only redefining the China-Pakistan relationship but also strengthening Asian regionalism and the multilateral arrangements that now underpin the Asian economic order. Together, they are opening new avenues of cooperation in a range of other areas, such as education and culture, promoting regional connectivity, South-South cooperation, and trade, business, investment, commerce, financial and technological cooperation. Pakistan has been participating, benefiting from, and acknowledging the CPEC and AIIB with the hope of learning from the Chinese model, strategies and approach to achieve win-win outcomes. As part of its vision and strategy for the twenty-first century, Beijing has not just welcomed but, in fact, invested high stakes in Islamabad. This is

because, in the words of Pakistan's former Ambassador to Beijing, Syed Hasan Javed, "China knows that if it is the future, the key is Pakistan."<sup>39</sup>

## Notes

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<sup>1</sup> Ghulam Ali, *China-Pakistan Relations* (Oxford University Press, 2017), 54.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid., 55.

<sup>4</sup> Ibid.

<sup>5</sup> Lowy Institute, "Comprehensive Power Data - Lowy Institute Asia Power Index," Lowy Institute Asia Power Index 2020, accessed June 20, 2021, <https://power.lowyinstitute.org/data/power/>.

<sup>6</sup> Ishrat Husain, *Pakistan: The Economy of an Elitist State*, Second Edition (Oxford University Press, 2020), 442.

<sup>7</sup> Saeed Shafqat, "China's Rise: How Is It Impacting the Gulf, Iran, Pakistan and Beyond?," *Asian Journal of Middle Eastern and Islamic Studies* 11, no. 1 (March 1, 2017): 15–36, <https://doi.org/10.1080/25765949.2017.12023323>.

<sup>8</sup> Paul Kennedy, *The Rise and Fall of the Great Powers*, (New York: Vintage, 1989).

<sup>9</sup> Ayesha Siddique and Saeed Shafqat, "How Belt and Road Initiative (BRI) and the China-Pakistan Economic Corridor (CPEC) Are Reshaping China's Soft Power?," *Journal of South Asian and Middle Eastern Studies* 44, no. 3 (2021): 61–94, <https://doi.org/10.1353/jsa.2021.0007>.

<sup>10</sup> Bloomberg, "A \$2,500 Book on U.S. Decline Is Suddenly a Must-Read in China," accessed February 21, 2021, <https://www.bloomberg.com/news/articles/2021-01-13/a-2-500-book-on-u-s-decline-is-suddenly-a-must-read-in-china>.

<sup>11</sup> Joseph Stiglitz, "The Chinese Century," *Vanity Fair*, December 2014, <https://www.vanityfair.com/news/2015/01/china-worlds-largest-economy>.

<sup>12</sup> William A Callahan, "China's 'Asia Dream': The Belt Road Initiative and the New Regional Order," *Asian Journal of Comparative Politics* 1, no. 3 (September 1, 2016): 226–43, <https://doi.org/10.1177/2057891116647806>.

<sup>13</sup> Qin Yaqing, "International Society as a Process: Institutions, Identities, and China's Peaceful Rise," *The Chinese Journal of International Politics* 3, no. 2 (July 1, 2010): 129–53, <https://doi.org/10.1093/cjip/poq007>.

<sup>14</sup> Kevin Rudd, "Short of War," *Foreign Affairs*, February 24, 2021, <https://www.foreignaffairs.com/articles/united-states/2021-02-05/kevin-rudd-usa-chinese-confrontation-short-of-war>.

<sup>15</sup> Shafqat, "China's Rise."

<sup>16</sup> Robert Blackwill, "Nine Theses on US-China Relations," *Council on Foreign Relations*, April 2020, <https://www.cfr.org/article/nine-theses-us-china-relations>.

<sup>17</sup> Qi Haixia, "Disputing Chinese Views on Power," *The Chinese Journal of International Politics* 10 (2017): 234.

<sup>18</sup> Ibid.

<sup>19</sup> Mark S. Ferrara, *Palace of Ashes: China and the Decline of American Higher Education* (Baltimore: Johns Hopkins University Press, 2015), 156.

<sup>20</sup> Marcus Vinicius de Freitas, "Reform and Opening-up: Chinese Lessons to the World," Policy Center for the New South, May 8, 2019, <https://www.policycenter.ma/sites/default/files/PCNS-PP-19-05.pdf>.

<sup>21</sup> Henry Kissinger, "China's Rise and China-US Relations," In *China's Rise - Threat Or Opportunity?* ed. Herbert Yee (Routledge, 2010), <https://doi.org/10.4324/9780203842690-9>.

<sup>22</sup> Hui Feng, *The Politics of China's Accession to the World Trade Organization: The Dragon Goes Global*, Routledge (2006), 171.

<sup>23</sup> Paolo Urio, *China 1949–2019: From Poverty to World Power* (Springer Singapore, 2019), <https://doi.org/10.1007/978-981-13-8879-8>.

<sup>24</sup> Stephen G. Brooks and William C. Wohlforth. "The Rise and Fall of the Great Powers in the Twenty-First Century: China's Rise and the Fate of America's Global Position." *Quarterly Journal: International Security*, vol. 40. no. 3. (Winter 2015/16): 7–53.

<sup>25</sup> Jonathan Woetzel, Jeongmin Seong, Nick Leung, Joe Ngai, James Manyika, Anu Madgavkar, Susan Lund, and Andrey Mironenko. "China and the World: Inside a Changing Economic Relationship," McKinsey Global Institute, 2019. <https://www.mckinsey.com/~media/mckinsey/featured%20insights/china/china%20and%20the%20world%20inside%20the%20dynamics%20of%20a%20changing%20relationship/mgi-china-and-the-world-full-report-june-2019-vf.ashx>.

<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

<sup>28</sup> China's foreign capital investment to Pakistan in the period 2010-2019 was \$19.7 billion, which constitutes 34% of China's global investment. On the other hand, Pakistan's investment to China has been \$375 million. See Lowy Institute Asia Power Index for more detail, <https://power.lowyinstitute.org/>.

<sup>29</sup> China-Pakistan bilateral trade amounted to \$20 billion as of 2019. For more detail see Lowy Institute, "Comprehensive Power Data - Lowy Institute Asia Power Index," Lowy Institute Asia Power Index 2020, accessed June 20, 2021, <https://power.lowyinstitute.org/data/power/>.

<sup>30</sup> Phase I of the China Pakistan Free Trade Agreement (CPFTA) was signed in 2006 and came into operation in 2007.

<sup>31</sup> Pakistan Business Council, "Preliminary Analysis of Pak-China FTA Phase II," Pakistan Business Council, accessed July 26, 2021, <https://www.pbc.org.pk/research/preliminary-analysis-of-pak-china-fta-phase-ii/>.

<sup>32</sup> The second phase of the China Pakistan Free Trade Agreement (CPFTA) spanning 2019-2024 was finalized between the two countries in early 2019 and entered its implementation phase from January 1, 2020.

<sup>33</sup> For more details and a quick summary of the CPFTA Phase II, visit Pakistan's Ministry of Commerce's following webpage: <https://www.commerce.gov.pk/wp-content/uploads/2020/01/CPFTA-II-FAQs-1.pdf>.

<sup>34</sup> For a detailed preliminary analysis of CPFTA Phase II, see the report by Pakistan Business Council and Consortium for Development Policy Research, titled: China Pakistan Free Trade Agreement Phase 2: A Preliminary Analysis. It can be found at <https://cdpr.org.pk/wp-content/uploads/2020/03/China-Pakistan-Free-Trade-Agreement-Phase-2-merged-final.pdf>.

<sup>35</sup> Ali, *China-Pakistan Relations*.

<sup>36</sup> The Chinese exchanges are namely, China Financial Futures Exchange Company Limited,



Shanghai Stock Exchange and Shenzhen Stock Exchange; and they have 30 percent of the stock while the remaining 10 percent belongs to two local financial institutions, namely Pak-China Investment Company Limited and Habib Bank Limited. For more, see, <https://www.psx.com.pk/psx/exchange/profile/about-us>.

<sup>37</sup> Omar Qureshi, "Pak-China Currency Swap - a Cure for Dollar Dependency," *The Express Tribune*, October 2, 2020, <http://tribune.com.pk/story/2266678/pak-china-currency-swap-a-cure-for-dollar-dependency>.

<sup>38</sup> Yan Xuetong, "Chinese Values vs. Liberalism: What Ideology Will Shape the International Normative Order?," *The Chinese Journal of International Politics* 11, no. 1 (March 1, 2018): 1–22.

<sup>39</sup> Syed Hasan Javed, "Evolving China-Pakistan Relations," *Global Village Space Magazine*, May 2021, 27.

CROSSMEDIA

## **Transformative Role of the China-Pakistan Economic Corridor (CPEC)**

China-Pakistan economic relations have strengthened since the launch of the China-Pakistan Economic Corridor (CPEC). The CPEC, with the Gwadar Port as its crown jewel, was formally launched by President Xi Jinping during his visit to Pakistan in 2015. Although, the idea of building the Gwadar Port was proposed by Pakistan, which was seeking Chinese collaboration and assistance as early as January 2000, long before anything like the CPEC even existed.<sup>1</sup> Today, CPEC is one of the six corridors,<sup>2</sup> and also the pilot project, of China's Belt and Road Initiative (BRI).

The BRI is a "comprehensive cultural, economic, and political network that promotes connectivity and cooperation between countries, regions, and cities along the Silk Road."<sup>3</sup> It was formally launched in 2013, covering around 65 countries, 4.4 billion people and 40 percent of the global GDP.<sup>4</sup> It was initially proposed in September 2013 by President Xi Jinping in his speech at Kazakhstan's Nazarbayev University in which he suggested collaboration between the Central Asian states and China to build a "Silk Road Economic Belt." Just a month later in October, at the Indonesian Parliament, he proposed collaboration between the Association of Southeast Asian Nations (ASEAN) member states and China by building a "21st Century Maritime Silk Road." Together, the "Silk Road Economic Belt" (in short, Belt) and the "21st Century Maritime Silk Road" (in short, Road) are referred to as the Belt and Road Initiative (BRI).<sup>5</sup>

The BRI is geared towards reviving the old Silk Roads, connecting Asia, Europe and beyond. In 2015, the Chinese government drafted

and published an official document, titled: “Vision and Actions on Jointly Building Silk Road Economic Belt and 21<sup>st</sup> Century Maritime Silk Road,” outlining the framework and principles of the BRI. It clearly stated that “China’s economy is closely connected with the world economy,” and so it is “committed to shouldering more responsibilities and obligations within its capabilities and making greater contributions to the peace and development of mankind.”<sup>6</sup>

### **CHINA’S BRI: EXPORTING THE “CHINA MODEL” OR FOSTERING A NEW TYPE OF INTERNATIONAL RELATIONS?**

There are diverging views on China’s motive behind the BRI. Some scholars consider the BRI to be “nothing more than a branding strategy,” one that merely showcases China’s investments abroad.<sup>7</sup> While others, for instance, William A. Callahan, argue that it reflects China’s revisionist tendencies intended at “reconstituting the regional order and eventually global order with new governance ideas, norms and rules.”<sup>8</sup> Notables in the field, such as Francis Fukuyama, caution of China exporting its “China Model” through its BRI in the participant countries.<sup>9</sup>

This raises two questions: What is the “China Model”? And does the “China Model” point to China’s development path that other countries must be made to follow, offering a universal “model,” with a specific set of strategies and policies that are easily replicable for all? The answer is, no. There neither is, nor can possibly be a single, universal and replicable model of success that may simply work for every country, everywhere and at all times. Ironically, and interestingly, this is exactly what the China Model is. In the words of Paolo Urio, “paradoxically, the China Model is that there is no model, but a continuous transformation of the ways of thinking and managing the modernization process.”<sup>10</sup> The “China Model” encapsulates China’s ever-changing and evolving path to development and its constant search for the right strategies and policies suitable to different contexts, situations and circumstances.

By launching the BRI, China is neither “exporting” the China Model nor coercing others to accept it. In fact, the China Model is not about countries following a set of fixed strategies or replicating China’s path to development. Rather, the China Model is about creating an adaptive environment, and finding the best fit solutions based on the local circumstances and conditions. The BRI is a means through which China is extending its expertise, knowledge and developmental assistance to other countries wishing to fast speed their development based on their own conditions and circumstances. The Belt and Road participant countries have the freedom to devise their own development path, and this makes the BRI “flexible, inclusive and open,”<sup>11</sup> increasing the likelihood of win-win outcomes. In this sense, the BRI best demonstrates China’s “strategic vision for the 21<sup>st</sup> century,”<sup>12</sup> whereby, it is fostering a new type of international relations, one that is based on multilateralism, non-interference and mutually beneficial win-win outcomes.

With the world increasingly converging on four key areas – environmental, economic, technological, and aspirational,<sup>13</sup> the BRI is further accelerating this convergence, allowing for an advancement of shared interests in each of these four domains. To advance environmental awareness, the BRI has a total of twenty-two formal multilateral mechanisms focusing exclusively on environmental repercussions. Of these, the most prominent one is the BRI International Green Development Coalition, that has more than 120 participant organizations from 60 states and environment ministries from 25 BRI states. In the economic realm, the BRI is promoting interdependence and openness. China is spearheading this with its total investment ranging from about \$1 trillion to \$8 trillion.<sup>14</sup> Cooperation in the technological landscape is manifested in China’s “Digital Silk Road” for which 16 countries have officially signed Memorandums of Understanding (MoU).<sup>15</sup> Critics, however, see it as ‘digital authoritarianism,’ even though it is evidently geared towards minimizing the digital gap and allowing all countries to share the benefits from open access to technology and information. Additionally, the BRI is delivering people’s common set of material aspirations. For instance, it is

catering to people's shared educational aspirations through educational exchange programs. In doing so, it is also strengthening people-to-people connectivity.<sup>16</sup>

At the core of the BRI is strengthening the people-to-people bond. It is one of the five connectivity goals of the BRI.<sup>17</sup> It encompasses cooperating in a diverse range of areas, including "tourism," "public health" and "science and technology." Moreover, it aims at promoting "exchanges between legislative bodies and political organizations," and basically in "all other areas of common interest." It stresses, particularly, on the need to enhance cooperation by "promoting extensive cultural and academic exchanges."<sup>18</sup> China has particularly been interested in attracting foreign students, especially those along the Belt and Road. In 2017, 64 percent of all international students in China were from the Belt and Road countries.<sup>19</sup> For these countries, China has been providing exclusive funding opportunities, partnerships, preferential policies and institutional frameworks for cooperation. Ten thousand government scholarships are reserved annually for students belonging to the Belt and Road countries.<sup>20</sup> Some of the more popular scholarship programs include the "Silk Road Scholarship" and "Belt and Road Initiative Scholarship." These scholarships are tied directly to the BRI projects. They allow locals to specialize in BRI related jobs and enter the well-established Chinese job market.

## **CPEC: A NEW PATH TO ECONOMIC DEVELOPMENT AND TRANSFORMATION**

The CPEC is popularly described as the "flagship project" of the BRI. It is "the largest infrastructure development portfolio ever to be undertaken in Pakistan."<sup>21</sup> The 'Long Term Plan on CPEC,' developed jointly by Pakistan's Ministry of Planning, Development and Reform and China's National Development and Reform Commission provides details about the components of the CPEC.<sup>22</sup> It categorizes the CPEC projects as 'early harvest' projects (that were completed in 2019), 'short-term' projects

(that were completed in 2020), ‘medium-term’ projects (expected to be completed by 2025), and ‘long-term’ projects (expected to be completed by 2030).<sup>23</sup>

The CPEC consists of infrastructure, energy and power plant projects, the Gwadar Port project, Special Economic Zones, as well as a range of other small initiatives. Table 4 provides the complete list of the major CPEC projects and their progress status as of 2021.

**TABLE 4**  
**CPEC PROJECTS AND THEIR PROGRESS STATUS (2021)**

Energy Projects	Progress
Coal Power Plants (Karachi, Sahiwal, Hub, Thar)	Operational
Three Wind Farms (Thatta)	Operational
Three Gorges Wind Farm	Operational
Quaid e Azam Solar Park	Operational
HUBCO Thar Coal Power Project	Construction Work
Karot Hydropower Station	Operational by December 2021
ThalNova Thar Coal Power Project	Operational by December 2021
Suki Kinari Hydropower Station	Operational by June 2022
SSRL Thar Coal Block-I & Power Plant	Operational by December 2022
Kohala Hydel Project	Operational by February 2023
Azad Pattan Hydel Project	Operational by 2026
Cacho 50MW Wind Power Project	Operational by 2026
Western Energy (Pvt.) Ltd. Wind Power Project	Feasibility Study Going on
Thar Mine Mouth Oracle Power Plant	Feasibility Study Going on
Phandar Hydropower Station	Feasibility Study Going on
Gilgit KIU Hydropower	Under Review

Infrastructure Projects	Progress
Karakoram Highway Thakot-Havelian	Operational
Peshawar Karachi Motorway	Operational
Orange Line Lahore	Operational
Khuzdar-Basima Road	Construction Work
Upgradation of D.I.Khan - Zhob	Construction Work
Railway Main Line 1	Construction Work
Havelian Dry port	Construction Work
Karachi Circular Railway	Construction Work
Greater Peshawar Region Mass Transit	Feasibility Study Going On
Quetta Mass Transit	Feasibility Study Going On
Karakoram Highway Thakot-Raikot	Feasibility Study Going On
Gwadar Port Project	Progress
New Gwadar International Airport	Operational
Technical and Vocational Institute	Operational
Pak-China Friendship Hospital	Operational
Gwadar East-Bay Expressway	Operational
Gwadar Free Economic Zone	Operational
Gwadar Smart Port City Master Plan	Operational
Coal based Power Plant Project	Feasibility Study Going On

Source: All the information is compiled from the Ministry of Planning, Development and Special Initiatives' webpage. <http://cpec.gov.pk/progress-update>.

Table 4 indicates that most of the “energy projects,” especially all four major power plants in Karachi, Sahiwal, Hub, Thar, and three wind farms in Thatta have been completed and are fully operational. The rest of the projects are also expected to be operational within the next five years.

All the “infrastructure projects” are also either complete or have the construction work in progress. Most of these infrastructure projects pertain to the transport sector. Improving transport connectivity, especially road transport, has been one of the top priorities as roads are the primary mode of transport and travel in Pakistan. Road transportation accounts for more than 90 percent of the national traffic, transportation and freight. The road transport sector contributes 10 percent of the GDP and 6



percent of the total national employment.<sup>24</sup> The intra-Pakistan CPEC road network connects Kashgar to Gwadar and constitutes four main routes. The four main routes include the 'Eastern' alignment which passes through central Punjab and Sindh, the 'Central' alignment through Khyber Pakhtunkhwa, the 'Western' alignment through Baluchistan and parts of Khyber Pakhtunkhwa, and the 'Northern' alignment connecting all these three alignments with the Pakistan-China border at the Khunjerab Pass, linking Pakistan's road network to China. A "feeder system" constituting numerous crisscrossing junctions connects the peripheral areas to these four main routes. This helps integrate the underdeveloped, backward, peripheral and rural areas to the CPEC road network.

Of course, the Chinese investment in CPEC is "the largest in the history of the two countries."<sup>25</sup> The scale of the project is unprecedented. However, China and Pakistan have had some early experience of working together in joint infrastructure projects. It can be traced back to the time they built the world's highest road, also known as the eighth wonder of the world, the Karakoram Highway, in a span of about twenty-years (1959-1978). It was the "first embodiment of the China-Pakistan working relationship," and to-date serves as "a symbol of perseverance, courage and optimism."<sup>26</sup> The Highway was paved through dangerously high-altitude mountains, glaciers and remote valleys, in the course of which more than one thousand Chinese and Pakistani construction workers lost their lives. The Highway connected Kashgar to Islamabad, opening new vistas of trade and transport between China and Pakistan, though its true potential remains yet to be realized fully. With the basic groundwork in place, the monetary, managerial and logistical investments under the CPEC have been geared towards the repair, revamp and upgradation of the Highway. There is some work in progress, as indicated in Table 4. However, once complete, this would improve connectivity of Pakistan to China's Silk Road route through the Gilgit-Baltistan region.

Equally important is the railway transport connectivity, which is geared towards uplifting the operations of Pakistan Railways. Pakistan

Railways bore the burden of about 70 percent of the national freight in the 1970s. However, this has dropped to a low 4 percent, today. The CPEC railway projects are expected to bring this back to 20 percent by 2025,<sup>27</sup> by upgradation of the railway tracks. This includes, but is not limited to, overhaul of tracks, upgradation of the signal system, electrification and locomotive purchases. This is likely to improve the productive capacity of the railways and eventually contribute towards Pakistan's economic development. One of the projects under CPEC is reconstruction of the Railway Main Line 1 Track, also indicated in Table 4. The Track will extend to Kashghar and connect to the BRI railway grid. Despite the fact that it is expected to provide many benefits, its high cost, about \$8 billion, has been a cause of concern. Besides revamping the main railway line, several other local rail transport projects have also been proposed under the CPEC. These include four rail-based mass transit projects. Table 4 indicates that the project dedicated to Punjab, Orange Line Metro Train, has been completed and is fully operational, while the Karachi Circular Railway in Sindh, the Greater Peshawar Region Mass Transit System in Khyber Pakhtunkhwa, and Quetta Mass Transit System in Balochistan still have some work under progress.

The main focus of the CPEC during Phase I (2015-2020) was the Gwadar Port. Gwadar is the largest deep-sea port in the world and considered to be the "crown jewel" of the CPEC. The Gwadar Port project is the "most prominent cross-sectoral project of the CPEC" and also "the largest and most advanced multi-modal connectivity-related initiative of the CPEC."<sup>28</sup> Table 4 indicates that all the initiatives part of the Gwadar Port project have been completed and are fully operational. There has been an upgradation of the port facilities and its connectivity network, and this is likely to boost Gwadar's export potential, especially through the Gwadar Free Economic Zone in the coming years.

All of the CPEC projects are of immense significance for both China and Pakistan as well as the region at large. They have the capacity to transform the regional dynamics through trade, connectivity and

cooperation. For China, the CPEC offers at least five advantages. First and foremost, it offers a geo-economic advantage by providing China access to the southern warm waters, and a stronger foothold in the Indian Ocean through Gwadar. It provides a shorter and cheaper transit route that bypasses the Malacca Strait, to Central Asia and Middle East, Africa and Europe. Second, it helps utilize the surplus Chinese resources, including human, financial and production resources, while giving play to Chinese expertise in technology, infrastructure and engineering operations.<sup>29</sup> Third, it is expected to have a positive spill-over effect and promote development in Western China, which currently lags behind other developed parts of China. Fourth, it will help China gain access to Pakistani natural resources and a reasonably large market. Fifth, it will allow China to enhance the circulation of, and internationalize, its currency (Renminbi) through CPEC projects.

The CPEC is equally significant for Pakistan. It offers Pakistan an opportunity to capitalize on its present infrastructure, resources and raw capabilities. Pakistan has an unmatched geo-strategic location that offers economic advantages. It is at the crossroads of the energy rich Central Asia and the Middle East; bordered by two economic powerhouses, China and India in the north-west, and having access to the warm waters in the south. Given this geo-strategic location, Pakistan has the potential to become a regional transit economy. It can provide a route for transit of about \$1 trillion in trade.<sup>30</sup> Moreover, Pakistan has a rich diversity of landscapes, arable land and varied climatic conditions offering vast opportunities to harness the potential of different sectors and industries. It has abundant natural resources, including mineral wealth. It has one of the largest copper reserves in the world, fourth largest coal reserves in the world and it is also the fourth largest cotton producer globally. It has enormous human capacities, with a population of 207 million people, inclusive of a youth bulge.

The CPEC is of immense significance for Pakistan for at least five reasons. One, the CPEC energy projects are expected to resolve the issue

of energy crisis and shortfall, which has reduced exports, increased current account deficit, depleted foreign exchange reserves and raised Pakistan's debt servicing burden.<sup>31</sup> Table 4 indicates that most of these early harvest energy projects have been completed or are under progress. They have added 5320 MW to the power generation capacity in Pakistan, with an investment of \$7.9 billion,<sup>32</sup> and have already helped significantly improve Pakistan's power generation capacity. Two, the CPEC transport projects are expected to help upgrade road, rail and port connectivity, reducing the time and cost of movement. Three, the CPEC is expected to create job and employment opportunities. So far, it has already created 70,000 jobs and, according to the Applied Economics Research Centre (AERC), it is likely to create as many as 700,000 direct jobs by its completion year 2030, that may lead to an annual economic growth of 2.5 percent.<sup>33</sup> Four, the CPEC Special Economic Zones (SEZ) are expected to help attract foreign investment and boost exports. This is also likely to have a positive spillover effect on other segments of the economy. Five, the investments in 'hard infrastructure' are complemented with 'soft infrastructure' – investments in local human resources, especially through the provision of training, education and study-abroad opportunities, as subsequent chapters of this study will explain in further detail. Hence, the CPEC is expected to help in human capital development, poverty alleviation, and cultivation of local talent and innovation. It is likely to play a transformative role in uplifting Pakistan's economy and enhancing its regional integration and connectivity, if properly strategized and implemented as envisioned.

## **THE KEY TO CATALYZING ECONOMIC TRANSFORMATION: CPEC SPECIAL ECONOMIC ZONES**

Phase I of the CPEC ended in 2020, marking the completion of most of the CPEC early harvest and short-term projects. Table 4 indicates that most of these energy, transport, and port development projects are now complete. While several challenges remain,<sup>34</sup> and there are competing view over the success of the completed projects, with

the pandemic further complicating the matter, yet, most of these CPEC projects have nevertheless been well-received by the Pakistani people and the political leadership.<sup>35</sup>

The CPEC has now entered Phase II, in which the most important target is the development of the Special Economic Zones (SEZ),<sup>36</sup> geographically demarcated areas, delimited and enjoying preferential policies to attract foreign investment and boost exports. The CPEC SEZs will be based on China's experience but custom designed to fit Pakistan's needs. China started off with one SEZ in the 1970s, and today has more than 2,500. The SEZs have contributed significantly towards China's economic growth and development. They have provided about 22 percent of China's GDP, 45 percent of the total national foreign direct investment, 60 percent of the total exports and have generated more than 30 million jobs.<sup>37</sup>

The CPEC SEZs will be pitched to the Chinese investors, though they will not be granted exclusive rights, preferences or incentives over non-Chinese, including local Pakistani, investors.<sup>38</sup> The SEZs will operate closely with the expanding middle-income class and consumer base in Pakistan, and the booming export markets of the nearby regions, particularly, the Middle East and Africa. This is expected to boost Pakistan's foreign direct investment and export processing capacity, and also create job opportunities.

These developments have opened up the possibility of integrating at least three Pakistani industrial sectors with China's global value chains in textile, chemical and metals.<sup>39</sup> These are China's top export value commodities, but are labor intensive industries that China is seeking to relocate in countries along the Belt and Road. Pakistan can be a strong candidate for these industries as it has a well-developed industrial base and exporting regime in these sectors. Textile, chemical and metal industry goods constitute 75 percent of all traded goods in Pakistan. Pakistan also has a large workforce and labor costs are five times cheaper than China.

If Pakistan were to plan appropriately and integrate these value chains, it could increase exports by \$500 billion and save \$20 billion through import substitution and create at least 85 million jobs.<sup>40</sup>

Of course, the success of the CPEC SEZs will depend upon effective project management, commitment and strategic long-term planning by the Pakistani government, and its ability to create a business-friendly environment, determine strategic locations for the zones and create fruitful linkages with the local market needs. Under CPEC, there are currently nine SEZs in total, listed in Table 5. The first three SEZs, Allama Iqbal Industrial City, Dhabeji, and Rashakai, are high-priority SEZs. In addition to the SEZs listed in the table, there is also one Gwadar Free Economic Zone, indicated earlier in Table 4, and twenty-one Mineral Economic Processing Zones in total.<sup>41</sup>

**TABLE 5**  
**SPECIAL ECONOMIC ZONES UNDER CPEC**

<b>SEZ Project</b>	<b>Industrial Sectors</b>
Allama Iqbal Industrial City, Punjab	Textile, Pharmaceuticals, IT, Chemical, Automotive
Dhabeji SEZ, Sindh	Textile, Automotive, Chemical, Pharmaceuticals, Electronics
Rashakai Economic Zone, Khyber Pakhtunkhwa	Textile, Home Building Materials, Electronics, Automobile
Bostan Industrial Zone, Baluchistan	Fruit Processing, Pharmaceutical, Electronics, Halal Food Industry
ICT Model Industrial Zone, Islamabad	IT, Steel, Food Processing, Pharmaceutical, Light Manufacturing
Industrial Park Pakistan Steel Mills, Sindh	Textile, Chemical, Steel, Foundry & Fabrication, Warehousing
Mirpur Industrial Zone, AJK	Mix Industries

Mohmand Marble City, Khyber Pakhtunkhwa	Marble & other Mix industries
Moqpondass SEZ, Gilgit Baltistan	Marble, granite, iron ore processing, mineral processing & value addition

*Source: All the information is compiled from the website of Pakistan's Ministry of Planning, Development & Special Initiatives. <http://cpec.gov.pk/special-economic-zones-projects>*

The three high-priority SEZs<sup>42</sup> have been launched and are expected to, collectively, provide more than one million jobs, if properly strategized.<sup>43</sup> The Allama Iqbal Industrial City in Faisalabad, the largest SEZ in size, is expected to create about 300,000 jobs and attract investments worth Rs. 400 billion.<sup>44</sup> The Dhabeji SEZ has the potential to attract about US \$5 billion worth investments and create 50,000 direct and 500,000 indirect employment opportunities.<sup>45</sup> The Rashakai SEZ is expected to create as many as 200,000 job opportunities for the locals.<sup>46</sup> If properly strategized and implemented, these high-priority SEZs may attract investments and boost exports as well as reduce poverty through job creation. It is equally important that “dignified and quality work should be prioritized over the quantity of jobs created,”<sup>47</sup> so the SEZs can truly catalyze economic transformation in Pakistan.

## DEBUNKING THE DEBT-TRAP MYTH

The CPEC is expected to be completed at a cumulative cost ranging from \$46 to \$62 billion. It is being financed primarily through three means, (1) Chinese loans, mostly concessionary<sup>48</sup> and interest-free,<sup>49</sup> (2) private consortia<sup>50</sup> and (3) international multilateral banks, such as the AIIB. Since China is the biggest investor, it has led some experts and scholars to highlight Pakistan’s growing dependency on China. Critics describe the CPEC as part of China’s “debt-trap diplomacy,” and “string of pearls” strategy, intended to create unsustainable debt on Pakistan, among other Indian Ocean neighbors, to seize control over them.<sup>51</sup> There is, indeed, some evidence of Pakistan worrying over its ability to meet the terms and conditions of China’s economic assistance because of the

weak state of its economy. This has been a matter of concern for China as well and it has led to renegotiation on some of the project agreements. For instance, in 2020, China began seeking additional guarantees before sanctioning the \$6 billion loan for Pakistan Railway Main Line 1 Project, presuming the deteriorating financial and economic position of Pakistan, after Islamabad sought debt relief from G-20 countries. However, through several rounds of negotiation, the technical, administrative and other issues were resolved, and in April 2021 the Chinese government sent the project, Pakistan's first modern railways' infrastructure project, to the Exim Bank of China for approval of the loan.<sup>52</sup>

Generally, there is an acute, yet significant, difference between the nature of Chinese lending versus the Western debt given to Pakistan.<sup>53</sup> No doubt, the CPEC projects are being financed by the Chinese financial institutions in the form of loans and debt and, hence, have strings attached, raising the possibility of pushing the country into a further debt crisis. Yet, it is pertinent to note that the Chinese policy banks govern these lending. These policy banks have been financing projects by issuing credit for specific targeted projects. Instead of simply lending money to meet the short-term "financial" needs, they have been issuing productive credit for infrastructure projects, which is intended to meet the long-term "economic" need by building the necessary economic infrastructure.<sup>54</sup> The growing future economic development and productivity is what serves as "security" for the credit issuance.

It is equally important to understand that the issue of debt-trap is, in fact, tied to the issue of energy crisis.<sup>55</sup> The energy crisis has reduced Pakistan's exports, increased current account deficit, depleted foreign exchange reserves and raised the debt servicing burden. The CPEC energy projects have helped significantly increase Pakistan's power generation capacity.<sup>56</sup> They are helping address the energy crisis, which in turn is improving Pakistan's productive capacity to generate revenue and pay off the debt. Once the energy crisis is completely resolved, the burden of debts on Pakistan would be manageable and "easily absorbed"



by the increased exports, transit fees and fuel import savings. In this context, Ishrat Husain, Pakistan's renowned economist, opines that "the fear of debt entrapment does not stand the test of empirical validity."<sup>57</sup>

The CPEC investments do not naturally translate into a debt crisis, as is typically thought to be the case in the prevailing scholarly studies. Of course, if Pakistan continues to misallocate and misappropriate funds, then the debt crisis may indeed be unavoidable. Razak Dawood, the Advisor for Commerce and Investment to the Prime Minister of Pakistan, very rightly so, expressed his despair over CPEC stating that "the previous [Pakistani] government did a bad job negotiating with China on CPEC; they didn't do their homework correctly and didn't negotiate correctly so they gave away a lot."<sup>58</sup> Thus, the onus is on Pakistan itself.

The CPEC has, nevertheless, opened new vistas of cooperation, beyond and outside of the formal CPEC framework. China-Pakistan economic cooperation is taking place not just at a government-to-government level but has seeped down to a people-to-people level. Cooperation, partnership, and collaboration is emerging between Chinese and Pakistani private sector parties, private businesses, firms and enterprises on both sides. This may be illustrated by the case of the automotive sector, one of the fastest growing sectors in Pakistan.<sup>59</sup>

Automotive industries have been included in almost every CPEC SEZ by the Chinese and Pakistani government, which Table 5 also indicates. However, the private sector has been quick to grab this opportunity to build a near similar arrangement for itself, independent of the CPEC SEZs. There are now at least nine Chinese automotive firms which have partnered with Pakistani firms.<sup>60</sup> The most recent example is that of the MG JW Automobile Pakistan Pvt Ltd. This is a joint venture of China's SAIC Motors Corporation, one of the Big Four state-owned Chinese automakers and a Fortune Global 100 company, with Pakistan's JW-SEZ Group, to make equity investments in an assembly plant to manufacture the British car brand — Morris Garages (MG), at what will

be Pakistan's first private SEZ, in Raiwind, Lahore. It is expected to bring Rupees 1.3 billion worth investments, including foreign direct investment worth Rupees 663 million and local investment of Rupees 637 million.<sup>61</sup>

The case of MG JW Automobile Pakistan Pvt Ltd also demonstrates that Pakistan is ready for digitization, and that it is automating and upgrading the operations of several sectors of its economy. The Pakistani Board of Investment had received the SEZ entry application of MG JW Automobile Pakistan Pvt Ltd through its recently launched 'SEZ Management Information System Module,' which acts as a one-window for SEZs in Pakistan. The Module has been introduced to facilitate investors from anywhere in the world to enter the SEZs, while ensuring that the application process is automated and transparent. The introduction of such a Module is in itself a stepping-stone towards building a digital economy and digital future of SEZ driven industrialization.

The CPEC projects have opened new avenues of cooperation and are helping meet Pakistan's economic and infrastructure needs. However, they have also increased Chinese presence in Pakistan. This has raised concerns, leading some observers to categorize China as a new colonial power,<sup>62</sup> which is resource hungry, using Pakistan as a resource frontier. With China using its own personnel for site projects and contracting projects to the Chinese companies, foreign observers label it as the new "East India Company." Yet, China and Pakistan are using the opportunity CPEC projects offer to intensify trade and economic relations, seeking win-win outcomes.

This has created an interest to expand cooperation in a range of other related socio-economic areas. For instance, Pakistani political economist, Shakeel Ahmad Ramay explains the lessons Pakistan can learn from China's poverty alleviation model, that allowed it to lift 850 million people out of poverty, by modifying the Chinese model to Pakistan's local conditions.<sup>63</sup> Similarly, Ikram-ul-Haq, Pakistan's leading tax expert, brings to light how Pakistan can successfully uproot corruption by learning from

the Chinese experience. He suggests that, while it may not be possible for Pakistan “to adopt China’s lawfare model completely, given they [Chinese] have a one-party system,” it nevertheless offers useful lessons, and a roadmap that can help in “empowering the state to counter corruption successfully through creating a powerful watchdog” that gets hold of, what President Xi Jinping calls, “tigers and flies.”<sup>64</sup> In addition to this, both countries have shown an interest to work together and develop clean and low-carbon energy. They have also begun sharing their own experiences of afforestation, ecological and tree-planting projects. Pakistan’s “10 Billion Tree Tsunami,” and China’s “Great Green Wall” are key initiatives by both sides, geared towards biodiversity conservation and mitigation of climate change.<sup>65</sup> With a growing interest and research in these areas, it is most likely that cooperation may practically unfold in the coming years.

## Notes

<sup>1</sup> Filippo Boni and Katharine Adeney, “How China and Pakistan Negotiate,” *Carnegie Endowment for International Peace*, accessed June 11, 2021, <https://carnegieendowment.org/2021/05/24/how-china-and-pakistan-negotiate-pub-84592>; Ghulam Ali, *China-Pakistan Relations* (Oxford University Press, 2017), 203.

<sup>2</sup> The six corridors include, 1. Eurasian Land Bridges, 2. China-Mongolia-Russia Economic Corridor, 3. China-Central and West Asia Economic Corridor, 4. China-Indochina Peninsula Economic Corridor, 5. Bangladesh-China-India-Myanmar Economic Corridor and 6. China-Pakistan Economic Corridor.

<sup>3</sup> Nadine Godehardt, “No End of History: A Chinese Alternative Concept of International Order,” *German Institute for International and Security Affairs*, 2016, 5.

<sup>4</sup> The Chinese government released a complete document on March 28, 2015 on “On Visions and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road,” The document provides a comprehensive overview of how China has conceived and designed BRI and aims to pursue its accomplishment, National Development and Reform Commission (NDRC), “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road”, National Development and Reform Commission, [http://en.ndrc.gov.cn/newsrelease/201503/t20150330\\_669367.html](http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html) (accessed 1 July 2018).

<sup>5</sup> NDRC PRC, Ministry of Foreign Affairs, and Ministry of Commerce, PRC, “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road,” National Development and Reform Commission, PRC, March 2015, [http://en.ndrc.gov.cn/newsrelease/201503/t20150330\\_669367.html](http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html).

<sup>6</sup> Ibid.

- <sup>7</sup> Andreea Brinza, "Biden's 'Build Back Better World' Is an Empty Competitor to China," *Foreign Policy*, accessed June 30, 2021, <https://foreignpolicy.com/2021/06/29/biden-build-back-better-world-belt-road-initiative/>.
- <sup>8</sup> William A Callahan, "China's 'Asia Dream': The Belt Road Initiative and the New Regional Order," *Asian Journal of Comparative Politics* 1, no. 3 (September 1, 2016): 226–43, <https://doi.org/10.1177/2057891116647806>.
- <sup>9</sup> Francis Fukuyama, "Exporting the Chinese Model," *Project Syndicate*, January 12, 2016, <https://www.project-syndicate.org/onpoint/china-one-belt-one-road-strategy-by-francis-fukuyama-2016-01>.
- <sup>10</sup> Paolo Urio, *China 1949–2019: From Poverty to World Power* (Springer Singapore, 2019), <https://doi.org/10.1007/978-981-13-8879-8>.
- <sup>11</sup> Nadine Godehardt, "No End of History: A Chinese Alternative Concept of International Order," *German Institute for International and Security Affairs*, 2016, 20.
- <sup>12</sup> Saeed Shafqat, "China's Rise: How Is It Impacting the Gulf, Iran, Pakistan and Beyond?," *Asian Journal of Middle Eastern and Islamic Studies* 11, no. 1 (March 1, 2017), 18, <https://doi.org/10.1080/125765949.2017.12023323>.
- <sup>13</sup> Kishore Mahbubani, *The Great Convergence: Asia, the West, and the Logic of One World* (Public Affairs, 2017), 55–88, <https://www.publicaffairsbooks.com/titles/kishore-mahbubani/the-great-convergence/9781610390347/>.
- <sup>14</sup> Jonathan Hillman, "How Big Is China's Belt and Road?," *Center for Strategic and International Studies (CSIS)*, 2018, <https://www.csis.org/analysis/how-big-chinas-belt-and-road>.
- <sup>15</sup> Huang Yong, "Construction of Digital Silk Road Lights up BRI Cooperation," *People's Daily Online*, 2019, <http://en.people.cn/n3/2019/0424/c90000-9571418.html>.
- <sup>16</sup> Ayesha Siddique and Saeed Shafqat, "How Belt and Road Initiative (BRI) and the China-Pakistan Economic Corridor (CPEC) Are Reshaping China's Soft Power?," *Journal of South Asian and Middle Eastern Studies* 44, no. 3 (2021): 61–94, <https://doi.org/10.1353/jsa.2021.0007>.
- <sup>17</sup> China's *Action Plan of the Belt and Road Initiative* explicitly charts out five goals all participatory countries should gear towards in order to increase co-operation with each other. They should strengthen and expand "policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bond."
- <sup>18</sup> NDRC PRC, Ministry of Foreign Affairs, and Ministry of Commerce, PRC, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road."
- <sup>19</sup> Ministry of Education of the People's Republic of China, "Growing Number of Foreign Students Choosing to Study in China for a Degree across Multiple Disciplines," Ministry of Education of the People's Republic of China, April 2018, [http://en.moe.gov.cn/News/Top\\_News/201804/t20180403\\_332258.html](http://en.moe.gov.cn/News/Top_News/201804/t20180403_332258.html).
- <sup>20</sup> NDRC PRC, Ministry of Foreign Affairs, and Ministry of Commerce, PRC, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road."
- <sup>21</sup> Zehra Waheed, "Linking Ambitions, Transparency and Institutional Voids to South–South Funded CPEC Project Performance," in *China's Belt and Road Initiative in a Global Context: Volume II: The China Pakistan Economic Corridor and Its Implications for Business*, ed. Jawad Syed and Yung-Hsiang Ying (Palgrave Macmillan, 2020), 110.
- <sup>22</sup> Government of Pakistan, Ministry of Planning, Development and Reform, and People's Republic

of China, National Development and Reform Commission. “Long Term Plan for China Pakistan Economic Corridor 2017-2030,” 2017. <http://cpec.gov.pk/brain/public/uploads/documents/CPEC-LTP.pdf>.

<sup>23</sup> Ibid.

<sup>24</sup> Siegfried O. Wolf, *The China-Pakistan Economic Corridor of the Belt and Road Initiative: Concept, Context and Assessment*, Contemporary South Asian Studies (Springer International Publishing, 2020), 125–241, <https://doi.org/10.1007/978-3-030-16198-9>.

<sup>25</sup> Ali, *China-Pakistan Relations*, 211.

<sup>26</sup> Najma Minhas, “Karakoram Highway: A Dream Fifty Years Ahead of Time,” *Global Village Space Magazine*, May 2021.

<sup>27</sup> Siegfried O. Wolf, *The China-Pakistan Economic Corridor of the Belt and Road Initiative: Concept, Context and Assessment*, 137.

<sup>28</sup> Ibid., 138.

<sup>29</sup> Jawad Syed and Yung-Hsiang Ying, eds., *China's Belt and Road Initiative in a Global Context: Volume II: The China Pakistan Economic Corridor and Its Implications for Business*, Palgrave Macmillan Asian Business Series (Palgrave Macmillan, 2020), 21–36, <https://doi.org/10.1007/978-3-030-18959-4>.

<sup>30</sup> Yasir Arrfat, “Aligning the Global Value Chains of China and Pakistan in the Context of the Belt and Road Initiative, and China Pakistan Economic Corridor,” in *China's Belt and Road Initiative in a Global Context: Volume II: The China Pakistan Economic Corridor and Its Implications for Business*, ed. Jawad Syed and Yung-Hsiang Ying (Palgrave Macmillan, 2020), 208.

<sup>31</sup> Ishrat Husain, “CPEC & Pakistan's Economy: A Way Forward,” *CPEC Centre of Excellence*, 2018, <https://cpec-centre.pk/cpec-pakistans-economy-a-way-forward/>.

<sup>32</sup> Rasheed Khalid, “CPEC Not a Debt Trap,” *The News*, accessed June 29, 2021, <https://www.thenews.com.pk/print/802860-cpec-not-a-debt-trap>.

<sup>33</sup> Pakistan Today, “CPEC to Create over 700,000 Direct Jobs,” *Pakistan Today*, 2021, <https://archive.pakistantoday.com.pk/2016/12/25/cpec-to-create-over-700000-direct-jobs/>.

<sup>34</sup> See Siegfried O. Wolf, *The China-Pakistan Economic Corridor of the Belt and Road Initiative: Concept, Context and Assessment*, 93-123. Also see, Jonathan Hillman, *The Emperor's New Road: China and the Project of the Century* (Yale University Press, 2020).

<sup>35</sup> Most projects have been well-received by the Pakistani people, elites and leadership of the country, who dismiss any criticism of it. However, it is equally important to note that perceptions are not monolithic. Though the national sentiment has been positive, there are different perceptions along different social, political, and economic strata. Some of its projects such as the Orange Line in Lahore, launched in October 2020, aroused resentment from among locals for wiping out historical sites, and relocating local communities. The government claimed that it boosted employment and is expected to save public money worth Rs. 60 billion per year and cater to the transport needs of 88 million people per year (245 thousand daily). Yet, the case of the Orange Line underscores the need for Pakistan to adopt an inclusive approach, ensure multi-stakeholder participation and community involvement through all phases of the CPEC projects.

<sup>36</sup> Yasir Arrfat, “Aligning the Global Value Chains of China and Pakistan in the Context of the Belt and Road Initiative, and China Pakistan Economic Corridor”.

<sup>37</sup> Douglas Zhihua Zeng, ed., *Building Engines for Growth and Competitiveness in China*, Directions in Development - Countries and Regions (The World Bank, 2010), <https://doi.org/10.1596/978-0-8213-8432-9>.

<sup>38</sup> The CPEC SEZ are a level playing field for both Chinese and non-Chinese, including local Pakistani investors. There is wide-ranging criticism that these SEZs under the CPEC are likely to operate at the expense of other SEZs in the country. However, it is pertinent to understand that what differentiates CPEC SEZ from non-CPEC SEZs is that they will be pitched to the Chinese investors. Both the CPEC SEZs and non-CPEC SEZ are governed by the same law and hence, offered the same incentives, rights and relief. There is also skepticism over whether the CPEC SEZs would entitle Chinese investors to operate their business at the expense of the local investors, depriving the locals of investment opportunities. However, these are only speculations, backed with little to no evidence. While the SEZs under CPEC will attract Chinese investors, these Chinese investors will not be granted exclusive rights, preferences or incentives over local investors. It is a level playing field for all.

<sup>39</sup> Yasir Arrfat, "Aligning the Global Value Chains of China and Pakistan in the Context of the Belt and Road Initiative, and China Pakistan Economic Corridor".

<sup>40</sup> *Ibid.*, 203-226.

<sup>41</sup> Siegfried O. Wolf, *The China-Pakistan Economic Corridor of the Belt and Road Initiative: Concept, Context and Assessment*, 130.

<sup>42</sup> Within the legal-governance framework, Pakistan's SEZ Act 2012 holds the federal government in charge of granting approvals and provision of utilities such as electricity, while the provincial government is in charge of managing the activities of its respective zone. Each of the three high priority zones is located in a different province –Rashakai in Khyber Pakhtunkhwa, Dhabeji in Sindh, and Allama Iqbal Industrial City in Punjab, and each of the provincial government has adopted its own way to manage its SEZs' affairs.

<sup>43</sup> Hassan Khawar, "CPEC SEZs: Gearing Up," *Express Tribune*, October 2020, <https://tribune.com.pk/story/2267075/cpec-sezs-gearing-up>.

<sup>44</sup> The Allama Iqbal Industrial City in Faisalabad is located in close proximity to the "M3 Industrial City" which has a well-established industrial base of textile, pharmaceuticals and information technology, and has attracted foreign direct investments from China, Turkey, Korea, Europe, and Japan. Thus, the strategic location offers easy accessibility to the market and raw materials. Numerous national and international firms have already expressed their will to launch their businesses there.

<sup>45</sup> Dhabeji operates under the auspices of the Sindh government, which is developing the project and procuring under a public private partnership. The China Harbour Engineering Company has won the bid, though the agreement is yet to be formalized. Dhabeji has a strategic location and is well connected, with strong air, sea and railway linkages and trade routes. The issue of electricity provision to DSEZ has also been resolved lately, with the National Transmission & Despatch Company (NTDC) agreeing to develop the grid station for the zone.

<sup>46</sup> Khawar, "CPEC SEZs."

<sup>47</sup> Saeed Shafqat & Saba Shahid, *China-Pakistan Economic Corridor: Demands, Dividends and Directions* (Lahore: Centre for Public Policy and Governance, 2018), 98.

<sup>48</sup> Of the total Chinese loans, \$11 billion are concessionary loans, being dispersed by the Exim Bank

of China, China Development Bank and Industrial and Commercial Bank of China at a composite interest rate of 1.6% , much lower than that by other international financing banks. For more see, Syed and Ying, *China's Belt and Road Initiative in a Global Context*, 21–36.

<sup>49</sup> Projects in Gwadar, worth \$757 million, are being financed primarily through interest free loans or grants which require no repayment. For more see, Syed and Ying, 21–36.

<sup>50</sup> Joint Chinese–Pakistani firms will undertake energy projects worth \$15.5 billion. Chinese banks will lend loans subsidized by the Chinese government while the Pakistani government will buy electricity at a pre-determined rate.

<sup>51</sup> James McBride and Andrew Chatzky, “China’s Massive Belt and Road Initiative,” *Council on Foreign Relations*, 2020, <https://www.cfr.org/backgrounders/chinas-massive-belt-and-road-initiative>.

<sup>52</sup> Khalid Hasnain, “Railway Project Sent to Chinese Bank for Approval of \$6bn Loan,” *Dawn*, April 21, 2021, <https://www.dawn.com/news/1619407>.

<sup>53</sup> Hussein Askary and Jason Ross, “Why China’s ‘Debtbook Diplomacy’ Is a Hoax,” *The Schiller Institute*, 2018, <https://schillerinstitute.com/why-chinas-debtbook-diplomacy-is-a-hoax/>.

<sup>54</sup> Ibid.

<sup>55</sup> Husain, “CPEC & Pakistan’s Economy.”

<sup>56</sup> Khalid, “CPEC Not a Debt Trap.”

<sup>57</sup> Husain, “CPEC & Pakistan’s Economy.”

<sup>58</sup> Jamil Anderlini, Henny Sender, and Farhan Bokhari, “Pakistan Rethinks Its Role in Xi’s Belt and Road Plan,” *Financial Times*, 2018, <https://www.ft.com/content/d4a3e7f8-b282-11e8-99ca-68cf89602132>.

<sup>59</sup> The automotive sector, particularly the automobile industrial landscape has become competitive since the government announced the new Pakistan Automotive Development Policy (2016-2021). The policy has boosted the auto industry and encouraged competition and attracted Chinese investment and FDI in Pakistan. Japanese Suzuki, Honda and Toyota were once the dominant players, along with Korean Kia and Hyundai. The competitive advantage and unique selling point of the Chinese is primarily better technology and more safety features at affordable prices. The Chinese automakers are either introducing new products or setting up assembly lines for complete knock down assembly plant. The main reason for the Chinese automakers turning to Pakistan is their desire to set up a right-hand-drive production base outside of China, which is primarily a left-hand-drive market.

<sup>60</sup> Global Village Space, “China-Pak Companies Join Hands in Pakistan’s Auto Market,” Global Village Space, 2021, <https://www.globalvillagespace.com/china-pak-companies-join-hands-in-pakistans-auto-market/>.

<sup>61</sup> APP, “Chinese Firm to Set up EV Plant in Pakistan,” *The Express Tribune*, March 2021, <https://tribune.com.pk/story/2289222/chinese-firm-to-set-up-ev-plant-in-pakistan>.

<sup>62</sup> Amitai Etzioni, “Is China a New Colonial Power?,” *The Diplomat*, accessed January 31, 2021, <https://thediplomat.com/2020/11/is-china-a-new-colonial-power/>.

<sup>63</sup> Shakeel Ahmad Ramay, “China’s Poverty Alleviation Model: A Miracle to Explore,” *Global Village Space Magazine*, May 2021.

<sup>64</sup> Ikramul Haq, “Uprooting Corruption: Lessons from China,” *Global Village Space Magazine*, May 2021.

<sup>65</sup> Ikram Junaidi, “China Will Support Pakistan’s Efforts to Increase Forest Cover: Envoy,” *Dawn*, 2018, <https://www.dawn.com/news/1452025>.





## **Transformative Role of the Asian Infrastructure Investment Bank (AIIB)**

One of the key factors that has transformed the China-Pakistan relations in the twenty-first century is China's launch of, and Pakistan's early participation in, the Asian Infrastructure Investment Bank (AIIB). China's establishment of the AIIB "represents a critical juncture to the financial and institutional architecture of the global economic order."<sup>1</sup> The AIIB, an international multilateral development bank, with more than hundred Asian and non-Asian member countries, has provided \$8.5 billion in loans for 45 projects in 18 member countries to date.<sup>2</sup> This chapter will explain that for Pakistan, which has historically been a client to the World Bank (WB) since 1950, and the Asian Development Bank (ADB) since 1966,<sup>3</sup> participation in the AIIB has "enlarged the market for infrastructure funding."<sup>4</sup> More importantly, it has provided a stable framework of cooperation for China and Pakistan.

### **PAKISTAN'S SUPPORTIVE ROLE IN THE ESTABLISHMENT OF THE AIIB**

In his meeting with the Pakistani leadership in 2015, the President of the AIIB, Jin Liqun, affirmed that Pakistan "is an important regional founding member of the Bank," and expressed his gratitude for Pakistan's "strong support for and interest in the AIIB."<sup>5</sup> Today, the AIIB is considered an equivalent of the World Bank (WB) and the Asian Development Bank (ADB). It is commonly categorized as a Multilateral Development Bank (MDB), an International Financial Institution (IFI) and a Regional Investment Bank (RIB), based on its institutional typology. It has come a long way in a short span of time. Since the idea of AIIB was initially

proposed, to its establishment and formal inauguration of activities, Pakistan has played a supportive role.

On 24 October 2014, Pakistan became one of the twenty-one prospective founding members by signing a Memorandum of Understanding (MoU)<sup>6</sup> on establishing the AIIB at a ceremony held at the Great Hall of the People in Beijing.<sup>7</sup> Besides China itself, the other countries included, Bangladesh, Brunei, Cambodia, India, Kazakhstan, Kuwait, Laos, Malaysia, Mongolia, Myanmar, Nepal, Oman, the Philippines, Qatar, Singapore, Sri Lanka, Thailand, Uzbekistan and Vietnam. Hence, there was no major industrially advanced or developed country among the prospective founding members of the AIIB.<sup>8</sup> However, as the deadline to become a founding member neared, in March 2015, fifty-seven countries agreed to join the bank. The AIIB was officially launched in Beijing on 29 June 2015,<sup>9</sup> and Pakistan became one of the fifty-seven founding members. The AIIB formally inaugurated its activities on 16 January 2016. At its first Annual Meeting, one of the first four authorized development projects was approved to be in Pakistan.<sup>10</sup> Hence, Pakistan became the first client to the AIIB. Thereafter, the AIIB has continued to help improve social and economic outcomes in Pakistan.

The AIIB's key objective, stated in the first article of its Charter, is to "foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia." The mission of the AIIB is "Financing Infrastructure for Tomorrow," which includes its commitment to sustainability with a focus on one, green infrastructure; two, connectivity and regional cooperation; three, technology-enabled infrastructure and four, private capital mobilization.<sup>11</sup> However, early work on the AIIB described it as a foreign policy tool of China to increase its gambit of power and balance the US. Later, there was some analysis over the AIIB challenging the existing norms of the other international multilateral banks, such as the WB and the ADB. Several scholars also contended that it posed a revisionist challenge to the global financial order, through internationalization of the RMB currency.<sup>12</sup>

More recent works, however, reveal that China has been pursuing a gradual modification of the existing international economic order, instead of directly challenging or accepting it. It is gradually modifying it in at least four ways. One, it is accommodating the US hegemony and, yet, contesting its legitimacy by criticizing the US-led global financial governance, calling for democratization of international economic order. For instance, in 2015, Xi Jinping raised the issue that the International Monetary Fund (IMF) and World Bank must increase representation of emerging countries.<sup>13</sup> Two, China has been demonstrating itself as a responsible power by projecting the AIIB as a tool of its infrastructure diplomacy. Three, China continues to revise the core architecture of AIIB in response to the changing global realities and concerns issued by the international community. For example, the AIIB was initially supposed to comprise of only Asian members, but this was revised later; procurement, staff members, board membership now include non-regional members as well.<sup>14</sup> Four, China has been making the institutional design of AIIB compatible with existing international multilateral development banks, such as the WB and ADB.

Table 6 gives a comparative overview of the three banks: Chinese-led AIIB, US-led World Bank and Japanese-led Asian Development Bank.

**TABLE 6**  
**COMPARISON OF**  
**ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB),**  
**WORLD BANK (WB),**  
**ASIAN DEVELOPMENT BANK (ADB)**

Mission

AIIB	Financing Infrastructure for Tomorrow
WB	To end extreme poverty and promote shared prosperity
ADB	To reduce poverty and improve the living conditions of people

### Established

AIIB	2015
WB	1944
ADB	1966

### Working Language

AIIB	English by rule
WB	English by practice
ADB	English by rule

### Headquarters

AIIB	Beijing, China
WB	Washington DC, US
ADB	Manila, Philippines

### Head

AIIB	Jin Liqun (Chinese)
WB	David Malpass (American)
ADB	Masatsugu Asakawa (Japanese)

### Membership

AIIB	103
WB	188
ADB	68

### Authorized Capital

AIIB	\$100 billion with 20% paid-in, 80% callable (at least 75% for regional members)
WB	\$10 billion in 1994 with 20% paid in, 80% callable
ADB	\$1 billion in 1965 with 50% paid-in, 50% callable initially (at least 60% for regional members)

### Currency

AIIB	\$US or convertible currencies
WB	Gold, \$US or other currencies as specified
ADB	50% gold or convertible currency 50% the currency of the member

### Voting Structure

AIIB	Proportional share votes; 12% basic votes (600 votes each for founding members)
WB	Proportional share votes; 5.55% basic votes
ADB	Proportional share votes; 20% basic votes

### Top Five Voting Powers

AIIB	China (27%), India (8%), Russia (6%), Germany (4%), Korea (3%)
WB	US (16%), Japan (7%), China (4%), Germany (4%), France (3%), UK (3%)
ADB	Japan (12%), US (12%), China (5%), India (5%), Australia (5%)

### Governance Structure

AIIB	Board of Governors, Board of Directors (9 regional & 3 non-regional), President and Vice President
WB	Board of Governors, Executive Directors (5 from largest shareholders and 7 elected by governors), President and Vice President
ADB	Board of Governors, Board of Directors (7 regional & 3 non-regional), President and Vice President

### Board of Directors

AIIB	Non-resident
WB	Resident
ADB	Resident

Note: The information in Table 6 is compiled from multiple sources

(1) Miran Park, "China-Led AIIB as a Gradual Modification of Asian Financial Order: Chinese Strategies to Launch New Financial Institution," *Journal of International and Area Studies* 24, no. 2, 2017.

(2) Ming Wan, *The Asian Infrastructure Investment Bank: The Construction of Power and the Struggle for the East Asian International Order*, *The Political Economy of East Asia*. Palgrave

Macmillan US, 2016.

(3) Website of the Asian Infrastructure Investment Bank (AIIB): <https://www.aiib.org/en/index.html>, Asian Development Bank: <https://www.adb.org/>, World Bank: <https://www.worldbank.org/en/home>

Table 6 indicates that the AIIB is neither a wholly status quo nor a wholly revisionist institution. The AIIB is similar to the WB and ADB, especially in terms of governance structure, membership and voting power structure. Those similarities mean that Beijing has largely embraced the deep principle of the liberal world order, underpinned by multilateral relations, without necessarily seeking radical changes.<sup>15</sup>

## PROJECTS IN PAKISTAN

So far, the AIIB has financed projects worth US \$1.68 billion in Pakistan. Table 7 provides the key projects financed by the AIIB in Pakistan.

**TABLE 7**  
**AIIB FINANCED PROJECTS IN PAKISTAN**

### National Motorway M-4 (Shorkot-Khanewal Section) Project

Duration	2016-2020
Sector	Transport
Implementation Agency	National Highway Authority of Pakistan
Objectives	Achieve an efficient transport corridor between Islamabad, Faisalabad, and Multan.
Total Cost	US \$273 million
AIIB Financing	US \$100 million loan
Co-Financiers	Asian Development Bank (ADB) loan/grant US \$100 million; Department for International Development of the Government of the United Kingdom (DFID) grant US \$34 million; Government of Pakistan US \$39 million

### Tarbela 5 Hydropower Extension Project

Duration	2017-2022
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Sector	Hydropower
Implementation Agency	Water and Power Development Authority (WAPDA)
Objectives	Facilitate the sustainable expansion of electricity generation capacity
Total Cost	US \$823.5 million
AIIB Financing	US \$300 million loan
Co-Financiers	World Bank loan US \$390 million; Government of Pakistan US \$124.5 million

### Lahore Water and Wastewater Management Project - Phase I

Duration	2018
Sector	Water
Implementation Agency	Lahore Water and Sanitation Agency (LWASA)
Objectives	Ensure sustainable supply of safe water and strengthen institutional capacity of LWASA
AIIB Financing	Grant US \$505,000

### Phase II

Duration	2019-2023
Total Cost	US \$533.3 million
AIIB Financing	US \$400 million loan
Co-Financiers	Lahore Water and Sanitation Agency US \$133.3 million

### Karachi Bus Rapid Transit Red Line Project

Duration	2020-2023
Sector	Transport
Implementation Agency	Government of Sindh
Objectives	Provide an efficient transport system
Total Cost	US \$503.33 million
AIIB Financing	US \$71.81 million loan

Co-Financiers	Asian Development Bank (ADB) loan US \$235 million; Agence Française de Développement (AFD) loan US \$71.81 million; Green Climate Fund (GCF) loan US \$37.20 million; GCF Grant US \$11.80 million; Government of Sindh US \$75.71 million
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### Khyber Pakhtunkhwa Cities Improvement Project

Duration	2020
Sector	Urban Sector
Implementation Agency	Government of Khyber Pakhtunkhwa
Objectives	Improve access to safely managed water, sanitation and green urban spaces
Total Cost	US \$380 million
AIIB Financing	US \$142 million loan
Co-Financiers	Asian Development Bank (ADB) grant/loan US \$200 million; Government of Khyber Pakhtunkhwa US \$38 million

### COVID-19 Active Response and Expenditure Support (CARES) Program

Duration	2020-2021
Sector	Several
Implementation Agency	Ministry of Finance
Objectives	Mitigate the negative socio-economic impacts by the COVID-19 pandemic.
Total Cost	US \$1,000 million
AIIB Financing	US \$500 million loan
Co-Financiers	Asian Development Bank (ADB) loan US \$500 million

### Resilient Institutions for Sustainable Economy (RISE) Program

Duration	2020-2021
Sector	Several
Implementation Agency	Ministry of Finance
Objectives	Enhance the policy, institutional and regulatory framework



Total Cost	US \$750 million
AiIB Financing	US \$250 million loan
Co-Financiers	International Bank for Reconstruction and Development, World Bank loan US \$250 million; International Development Association (IDA), World Bank, credit US \$250 million

### Balakot Hydropower Development Project

Duration	2020-2027
Sector	Hydropower
Implementation Agency	Pakhtunkhwa Energy Development Organization (PEDO)
Objectives	Increase energy access and promote renewable energy by developing a 300 MW run of river hydropower plant.
Total Cost	US \$755 million
AiIB Financing	US \$280 million loan
Co-Financiers	Asian Development Bank (ADB) loan US \$300 million; Government of Pakistan US \$175 million

### Karachi Water and Sewerage Services Improvement Project Phase I

Duration	2019-2025
Sector	Water
Implementation Agency	Government of Sindh and Karachi Water and Sewerage Board (KWSB)
Objectives	Improve access to safe water services in Karachi and increase KWSB's financial and operational performance.
Total Cost	US \$100 million
AiIB Financing	US \$40 million loan
Co-Financiers	International Bank for Reconstruction and Development, World Bank loan US \$40 million; Government of Sindh US \$20 million

### Phase II

Duration	2020-2027
Total Cost	US \$600 million
AiIB Financing	US \$240 million loan

Co-Financiers	World Bank loan US \$240 million; Government of Sindh US \$120 million
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*Source: All the information is compiled from the website of the Asian Infrastructure Investment Bank (AIIB), <https://www.aiib.org/en/index.html>.*

Table 7 indicates that the AIIB has financed nine development projects in Pakistan since its inauguration. Most of these projects are related to the water, hydropower and transport sector. The AIIB is working in concert with local implementation agencies, which are primarily public sector government run bodies. Most of the projects have been financed by sovereign backed loans by AIIB. Though, the Lahore Water and Waste Management Project (2018) is an exception. It is based on a grant, requiring no repayment.

## **KEY DEFINING FEATURES OF THE AIIB'S INVOLVEMENT IN PAKISTAN**

There are four key defining features of the AIIB's involvement in Pakistan. One, almost all of the AIIB projects are joint and co-financed with loans and grants provided by the ADB and WB, as Table 7 indicates. Such co-financing signifies the high standards and safeguards of its projects in Pakistan. It also indicates that the ADB and WB are treating the AIIB as a "peer bank." This bolsters the AIIB's reputation, legitimacy, and authority.<sup>16</sup> More importantly, it reflects how the AIIB "intends to proceed in close concert with the existing international institutions,"<sup>17</sup> as well as how it is supplementing the present international financial system by catering to the growing demand and infrastructure needs of developing countries like Pakistan.

Two, China is the largest stakeholder in the AIIB, yet, its aim is to promote global and regional partnership. It has the power of veto over major decisions, as well as various means to influence "if it so chooses."<sup>18</sup> However, the AIIB operates with a considerable degree of autonomy. This is evident from the fact that it has received support from many countries

globally, including Pakistan. The fifty-seven founding members of the AIIB included Asian, as well as non-Asian countries. Many countries involved in territorial disputes with China, such as the Philippines, Vietnam, Brunei and Malaysia, eventually applied to become founding members. As many as seventeen European states, including many key allies of the US, went ahead to join it, despite strong opposition from the US. France, UK, Germany and Italy have one of the largest shares of capital and votes, which gives them a strong voice and influence in the bank operations. This guarantees that the bank adheres to “global financial, environmental and social standards, as established by the existing Multilateral Development Banks.”<sup>19</sup> Memberships in the AIIB have doubled since the time it was established. From 57 founding members in 2015, today, the total number of members has reached 103. Interestingly, half of the members are regional and half non-regional.<sup>20</sup>

The AIIB has gained recognition from international organizations and bodies based on its strong performance. In a very short span of time, the AIIB has championed broad international representation. The bank has twelve members of the executive board, each belonging to a different country. While the AIIB’s president is Chinese, the five vice presidents each have been from different countries. Based on its strong capital base and prudent policies, it has received the highest possible credit rating from the world’s top credit rating companies (Standard and Poor’s, Moody’s, and Fitch).<sup>21</sup> Also, in 2018, the UN General Assembly officially granted “permanent observer status” to the AIIB,<sup>22</sup> allowing it to participate in the UN policy discussions related to its mission and objectives. It indicates that the AIIB has championed effective policymaking by limiting political influence and that China has shown restraint from unilateral interventions and political influence.

Three, the AIIB has been providing a supportive role, not just through investments in infrastructure in Pakistan, but also policy-based loans, extending financing on an exceptional basis. Table 7 of AIIB

Projects in Pakistan shows two projects that fit this case. The first one is the COVID-19 Active Response and Expenditure Support (CARES) Program. In June 2020, the AIIB approved a loan of US \$500 million to support the Government of Pakistan's efforts to manage and recover from the adverse economic and social impacts of the pandemic. This was a part of the AIIB's financing for CARES, funded under the AIIB's COVID-19 Crisis Recovery Facility (CRF), and co-financed with the ADB. The CRF has been established as part of the coordinated international response with an initial size of US \$5 to 10 billion to help the AIIB members, like Pakistan, recover from the COVID-19 crisis by addressing their economic, financial and other financing needs. The purpose is to "promote social protection and economic resilience to prevent long-term damage to the productive capacity, including human capital, of Pakistan's economy."<sup>23</sup> The second project is the Resilient Institutions for Sustainable Economy (RISE) Program. In July 2020, under the same CRF, the AIIB approved a loan of US \$250 million, co-financed with the WB. The idea was to help boost the Pakistani government's RISE Program, which is geared towards investing in human capital, expanding social safety nets, improving the country's health infrastructure and promoting economic development and growth.<sup>24</sup> These two programs of the AIIB signify that it has been responsive to the changing global circumstances and realities and providing budgetary support to Pakistan.

Four, the AIIB is increasingly intertwining with the CPEC. Generally speaking, there is some overlap between where the AIIB invests and the locations of the projects along the Belt and the Road. Many AIIB projects are related to the transport and energy sector, and "it so happens that all of these are projects located in the countries along the Belt and Road."<sup>25</sup> Pakistan is the case in point. There is some overlap between the AIIB and CPEC projects. Some AIIB sponsored projects are helping support the completion of some of the key segments of the CPEC. For instance, the National Motorway M-4 (Shorkot-Khanewal Section) Project of the AIIB, the first project listed in Table 7, would improve connectivity to the CPEC

## Special Economic Zone, Allama Iqbal Industrial City.

Though, there is no institutional or legal link between the AIIB and CPEC, yet they are both increasingly becoming inalienable. In most of the joint discussions held between the AIIB administration and the Pakistani political officials, successful completion of the CPEC remains the key focus area.<sup>26</sup> This is also the case because the AIIB and the CPEC have some degree of commonality of purpose. Both are geared towards improving the economic and social outcomes in Pakistan. In this sense, both “can be understood, and best justified, as existing ultimately for the purpose of improving the lives of those affected by the projects they sustain.”<sup>27</sup> Together, the AIIB and CPEC provide a stable framework of cooperation for China and Pakistan.

The AIIB and CPEC are not only redefining the China-Pakistan relationship but also strengthening Asian regionalism and the multilateral arrangements that underpin the Asian economic order. China-Pakistan cooperation through CPEC and AIIB is also an embodiment of the growing “South–South” cooperation. For Pakistan, this is “a huge shift from a North–South development cooperative regime (meaning flow from the developed to the developing world) to South–South economic development (SSED, denoting technological and financial assistance from one developing country to another).”<sup>28</sup> Pakistan is accustomed to North-South, Western-led developmental assistance, which makes this South-South, Chinese-led developmental assistance a new phenomenon that offers new opportunities.

The case of AIIB exemplifies China’s long-term strategic vision. In fact, it is best demonstrated by the way China has been keen to help Pakistanis develop the necessary skill set for successfully becoming a part of the CPEC and AIIB. This is through a series of initiatives, as the subsequent chapters will further elaborate. For instance, the Chinese government has offered educational exchange programs and scholarships

to establish strong market-university linkages. For Pakistan, among other developing countries, it has offered a post-graduate program that allows students to do an AIIB Master of International Finance (AMIF) at leading Chinese universities. The program has already gained prominence in Pakistan.<sup>29</sup> While this is indicative of China's strategic vision, it also provides both countries an opportunity to redefine and rejuvenate China-Pakistan relationship to charter new avenues of collaboration and partnership that the twenty-first century offers.

## Notes

<sup>1</sup> Matteo Dian and Silvia Menegazzi, *New Regional Initiatives in China's Foreign Policy: The Incoming Pluralism of Global Governance* (Palgrave Macmillan, 2018), 48, <https://doi.org/10.1007/978-3-319-75505-2>.

<sup>2</sup> Chen Weihua, "AIIB Wins the World's Confidence with Record of Success," *China Daily*, accessed July 1, 2021, <https://www.chinadaily.com.cn/a/201907/19/WS5d3115b6a310d830563ffd8c.html>.

<sup>3</sup> Both the WB and ADB have had a strong presence in Pakistan through donor development projects. Pakistan became a member of the World Bank in 1950. Ever since, the World Bank has provided \$40 billion in assistance. The four priority areas of engagement and assistance have been energy, private sector development, inclusion, and service delivery. At present, the current portfolio has 46 projects with a net commitment of around \$9.1 billion. The Asian Development Bank has had an equally strong presence. Pakistan joined it as a founding member in 1966. ADB has been working in Pakistan to strengthen its infrastructure, improve social services, and promote inclusive economic development. To date, ADB has committed \$33.5 billion in loans, \$148.5 million in grants, \$190.7 million in technical assistance projects, and \$570.4 million in co-financed projects for Pakistan.

<sup>4</sup> Giuseppe Gabusi, "Global Standards in the Asian Infrastructure Investment Bank: The Contribution of the European Members," *Global Policy* 10, no. 4 (2019): 632, <https://doi.org/10.1111/1758-5899.12738>.

<sup>5</sup> Asian Infrastructure Investment Bank (AIIB), "AIIB News," Asian Infrastructure Investment Bank (AIIB), 2015, <https://www.aiib.org/en/news-events/news/2015/President-designate-Jin-meets-Prime-Minister-Sharif-and-Finance-Minister-Dar-of-Pakistan.html>.

<sup>6</sup> The MoU specified that the AIIB would be an inter-governmental regional development institution, headquartered in Beijing, along with the amount of authorized and initial subscribed capital and paid-in-ratio.

<sup>7</sup> Ministry of Foreign Affairs of the People's Republic of China, "Xi Jinping Meets with Representatives from Various Countries Attending the Signing Ceremony of the MOU on Preparing to Establish the Asian Infrastructure Investment Bank," Ministry of Foreign Affairs of the People's Republic of China, October 24, 2014, [https://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1204639.shtml](https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1204639.shtml).

<sup>8</sup> Ming Wan, "The AIIB Tied in a Belt," in *The Asian Infrastructure Investment Bank: The Construction of Power and the Struggle for the East Asian International Order*, ed. Ming Wan, The Political Economy of East Asia (New York: Palgrave Macmillan US, 2016), 43–57, [https://doi.org/10.1057/9781137593870\\_3](https://doi.org/10.1057/9781137593870_3).

<sup>9</sup> Ibid.

<sup>10</sup> Ankit Panda, "At First Annual Meeting, China-Led AIIB Approves First Loans," *The Diplomat*, June 2016, <https://thediplomat.com/2016/06/at-first-annual-meeting-china-led-aiib-approves-first-loans/>.

<sup>11</sup> This is the mission of the AIIB, defined by its corporate strategy. For more, see, <https://www.aiib.org/en/policies-strategies/strategies/corporate-strategy.html>.

<sup>12</sup> At present, RMB is ranked number five in the currency ranking for global payments by value. China's RMB has a long way to go as its share of global transactions is almost 2%, while dollar's share of global transactions is almost 40%.

<sup>13</sup> Miran Park, "China-Led AIIB as a Gradual Modification of Asian Financial Order: Chinese Strategies to Launch New Financial Institution," *Journal of International and Area Studies* 24, no. 2 (2017), 63.

<sup>14</sup> Ibid., 65–67.

<sup>15</sup> Park, "China-Led AIIB as a Gradual Modification of Asian Financial Order."

<sup>16</sup> Gregory T. Chin, "The Asian Infrastructure Investment Bank – New Multilateralism: Early Development, Innovation, and Future Agendas," *Global Policy* 10, no. 4 (2019): 576, <https://doi.org/10.1111/1758-5899.12767>.

<sup>17</sup> Paul Cammack, "Situating the Asian Infrastructure Investment Bank in the Context of Global Economic Governance," *Journal of Chinese Economic and Business Studies* 16, no. 3 (July 3, 2018): 14, <https://doi.org/10.1080/14765284.2018.1476082>.

<sup>18</sup> Gregory T. Chin, "The Asian Infrastructure Investment Bank – New Multilateralism: Early Development, Innovation, and Future Agendas," 573.

<sup>19</sup> Dustin R. Turin, "The Beijing Consensus: China's Alternative Development Model," *Inquiries Journal* 2, no. 01 (2010): 631, <http://www.inquiriesjournal.com/articles/134/the-beijing-consensus-chinas-alternative-development-model>.

<sup>20</sup> Dian and Menegazzi, *New Regional Initiatives in China's Foreign Policy*, 48.

<sup>21</sup> Asian Infrastructure Investment Bank, "AIIB Receives Third Triple-A Credit Rating," Asian Infrastructure Investment Bank, 2017, <https://www.aiib.org/en/news-events/news/2017/AIIB-Receives-Third-Triple-A-Credit-Rating.html>.

<sup>22</sup> Turin, "The Beijing Consensus," 576.

<sup>23</sup> Asian Infrastructure Investment Bank (AIIB), "AIIB Supports Pakistan's Efforts to Manage COVID-19 with USD 500M Loan," Asian Infrastructure Investment Bank (AIIB), June 2020, <https://www.aiib.org/en/news-events/news/2020/AIIB-Supports-Pakistans-Efforts-to-Manage-COVID-19-with-USD500-M-Loan.html>.

<sup>24</sup> Asian Infrastructure Investment Bank (AIIB), "AIIB Approves USD 250-Million Loan to Assist Pakistan to Mitigate Impact of COVID-19," Asian Infrastructure Investment Bank (AIIB), July 2020, <https://www.aiib.org/en/news-events/news/2020/AIIB-Approves-USD250-Million-Loan-to-Assist-Pakistan-to-Mitigate-Impact-of-COVID-19.html>.

<sup>25</sup> Gerard J. Sanders, "The Asian Infrastructure Investment Bank and the Belt and Road Initiative: Complementarities and Contrasts," *Chinese Journal of International Law* 16, no. 2 (June 1, 2017):

371, <https://doi.org/10.1093/chinesejil/jmx019>.

<sup>26</sup> For instance, there was a recent meeting of Pakistan's Minister for Planning, Development & Reform, Makhdum Khusro Bakhtyar, with the President of AIIB, Jin Liqun and leadership of Chinese companies including China Railway Construction Corporation, Huawei, Norinco and others, on the sideline of CPEC's 8th Joint Cooperation Committee (JCC) meeting in December 2018. One of the key points discussed was the AIIB's pivotal role in helping complete the CPEC projects. For more, see, Ministry of Planning, Pakistan, "Minister Planning Asks for a Long-Term Partnership with Financial Institutions and Chinese Firms | China-Pakistan Economic Corridor (CPEC) Official Website," CPEC Ministry of Planning Pakistan, accessed December 22, 2020, <http://www.cpec.gov.pk/news/144>.

<sup>27</sup> Gerard J. Sanders, "The Asian Infrastructure Investment Bank and the Belt and Road Initiative: Complementarities and Contrasts," 370.

<sup>28</sup> Zehra Waheed, "Linking Ambitions, Transparency and Institutional Voids to South–South Funded CPEC Project Performance," in *China's Belt and Road Initiative in a Global Context: Volume II: The China Pakistan Economic Corridor and Its Implications for Business*, ed. Jawad Syed and Yung-Hsiang Ying (Palgrave Macmillan, 2020), 91.

<sup>29</sup> HEC Pakistan, "Youth of Excellence Scheme of China Master's Program," Higher Education Commission, Pakistan, 2021, <https://hec.gov.pk/english/scholarshipsgrants/lao/YES/Pages/default.aspx>.



## China-Pakistan Technological Cooperation

China-Pakistan economic relations have paved the way for cooperation in the technology sector. Scientific, technical and technological cooperation dates back to 1964, when a series of agreements were signed between both the countries and, as part of which, direct radio and telecommunication linkages were established.<sup>1</sup> Ever since, more than 475 cooperative projects have been carried out in a range of related fields, including agriculture, water conservancy, chemical engineering, medical and health service, aerospace engineering, biotechnology, meteorology and oceanography.<sup>2</sup> The Ministries of Science and Technology of China and Pakistan have been responsible for collaboration and routine liaison.<sup>3</sup> Through a range of collaborative activities, such as exchange programs and cooperative research, the private sector and higher education institutes of both the countries have also become key participants.

Yet, there is a huge difference in the level of technological and scientific sophistication of China and Pakistan at present. Table 8 disaggregates this into four sub-measures: human resources in Research and Development (R&D), R&D spending, number of supercomputers and renewable energy generation.

**TABLE 8**  
**TECHNOLOGICAL SOPHISTICATION OF CHINA AND PAKISTAN**

	China	Pakistan
Human Resources in R&D (Total R&D Researchers)	1,767,579	69,769
R&D Spending (% of GDP)	2.1%	0.2%
Number of Supercomputers in Global Top 500	229	---
Renewable Energy Generation (in gigawatt hours)	1,615,689	30,794

*Source: All the figures are taken from the Lowy Institute Asia Power Index (2020 Edition).  
<https://power.lowyinstitute.org/>*

The table indicates that there is a wide gap between China and Pakistan's technological competency, with China far ahead of Pakistan on all the metrics. Given this gap, this chapter is intended to explain the nature, scope and extent of China-Pakistan cooperation in the technology sector. The chapter explains how China has become a key player in the global technology value chains, which has allowed it to integrate deeper with the world. It also provides insights into the growing Chinese investments in the technological and digital infrastructure in Pakistan. For Pakistan, the Chinese investments help address the technological deficiencies, and for China it helps build its Digital Silk Road, a key component of its BRI. China-Pakistan technological cooperation does not simply constitute China's investments in hard infrastructure. In fact, both countries have been engaged in developing local talent ecosystems and talent cultivation through a series of collaborative activities, training and exchanges in advanced ICT programs.

## **CHINA: A KEY PLAYER IN THE GLOBAL TECHNOLOGY VALUE CHAINS**

China's economic power has allowed it to boost and refine its technological capabilities. In the global Research & Development (R&D) sector, China accounts for 23 percent of the global spending, just 2 percent less than that of the US.<sup>4</sup> This has enabled it to sharpen its technological capability. According to David Shambaugh, China's "scientific and technological power is now increasingly world class."<sup>5</sup> Its expertise and consumer market base in information technology (IT), artificial intelligence, 5G networking and cyberspace connectivity is expanding with time. Though, sceptics blame China for intellectual property theft and forced tech transfers.

China is a leading player in the global technology sector. It is highly integrated in the global value chains of electronics, computer, technology and equipment sectors. It accounts for 44 percent of the global production of computers and electronics; 90 percent of the global supply of personal computers and cell phones and 70 percent of televisions. It is not just the largest supplier but also the largest assembler as well as the final consumer of these products. For instance, in 2017, it accounted for 40 percent of the global phone sales. China uses global standards for more than 90 percent of its technology firms. Hence, it is not surprising that some of the major powers also make their IT revenue in China. For instance, the IT sector of the US generates 14 percent of its profits in China.<sup>6</sup>

Globally, China has developed its technological spheres of influence, what Thomas and Wu term as, "technology ecosystem."<sup>7</sup> As China becomes a key player in the global technology value chains, it naturally integrates deeper into the world because technologies have become incorporated in almost every aspect of life, making the technology sector inherently global. Does this make China a global leader? Does it allow China to gain supremacy over the US-dominated technology

ecosystem? Senior business executives working for global high-tech firms assert that, amid an increasing US—China competition, their firms do not wish to pick sides. Instead, their goal is to compete in both Chinese and US technology ecosystems, regardless of the innumerable challenges.<sup>8</sup>

China's own economic development is dependent on its domestic technological innovation and advancement. China has built a competitive digital economy, which has the capacity to undertake rapid and large-scale commercialization of digital business models owing to its huge young market, with as many as 850 million internet users, of which around 70 percent make online digital payments, and a strong digital ecosystem built around three internet giants (Alibaba, Baidu and Tencent). China's domestic producers provide up to 80 percent of the inputs to global technologies. However, the remaining inputs come from global multinationals. This means Chinese technology ecosystem is separate yet integrated with that of other countries. This is what makes decoupling hard and complex. China needs continued access to the foreign, especially American tech providers for the core components and tech-know how, and to boost its domestic innovation, competitiveness, and productivity. With superpowers like the US and European Union adopting tighter trade policies towards China in the tech products and services, the world's relationship with China is changing. Since technology is at the center of the changing China-world relations, these changing global realities may significantly affect all countries, including Pakistan.<sup>9</sup>

## **CHINESE INVESTMENTS IN TECHNOLOGY INFRASTRUCTURE IN PAKISTAN**

The pandemic has revealed that in today's digitized world, the functions of the economy, inclusive of the health care system, are inalienable from the digital world. The health care system has become dependent on digital resources and innovations. The outbreak of Coronavirus has exposed Pakistan's weak public health infrastructure. It has highlighted the need to digitize and automate the functions of

the economy. Smartphones, accessible and faster Internet connections are important tools to ensure quick and cost-effective delivery of critical information to the people by medical practitioners, and can allow for remote care through telemedicine, benefiting both the patient and the health care professional.

In Pakistan, the Chinese investments in technological and digital infrastructure are helping fulfill the gap by improving Internet accessibility and broadband networks to peripheral and remote areas particularly those in the northern parts of the country. This will also be advantageous for the marginalized communities, including the youth. With a large youth population facing a high unemployment rate, this can help change their socio-economic prospects, contribute to job creation by providing them an opportunity to tap into alternative non-traditional means of earning through online platforms.

The Pakistan-China Optic Fiber Cable (OFC) Project is one of the key projects helping bridge the digital divide, enhancing accessibility, strengthening the ICT infrastructure and reach to the peripheral, especially northern areas such as Gilgit Baltistan. The line, which currently extends from Khunjerab Pass to Rawalpindi, has been completed, and the final stretch of the cable is now under implementation. Once complete, it will help build the Digital Silk Road by connecting to a submarine cable in the Arabian Sea to provide service to countries participating in the BRI and some parts of Europe. It will serve as a segment of the larger submarine Pakistan East Africa Connecting Europe (PEACE) cable in the Indian Ocean and the Mediterranean. This will provide an alternate, safe and quick route for Pakistan's Internet traffic and telecom connectivity with regional countries as well as European countries. This Digital Silk Road will also help build, strengthen and complement the Health Silk Road. However, these projects have attracted criticism from foreign observers for promoting Chinese values, which are considered to be at odds with the preexisting predominantly Western values. For instance, writing for the *Council on Foreign Relations*, David Sacks conjectures that China's

telecom infrastructure and fiber optic cable projects with Pakistan will have detrimental effects, facilitating Pakistan's "crack down on civil liberties and spread Chinese Internet governance norms."<sup>10</sup>

In the telecom sector, the Zong network, owned by China Mobile, has the third highest cellular market share in Pakistan, almost 21 percent as of 2020. During the pandemic, the number of subscribers have increased by about 4 million between June 2020 to March 2021.<sup>11</sup> Three Chinese mobile vendors, OPPO, Huawei and Vivo, constitute the top five mobile vendors with the highest market share. In addition to this, two Chinese Internet giants have made huge investments in Pakistan: the Alibaba Group and Tencent.<sup>12</sup>

China-Pakistan relations in the digital realm are geared towards collaborating and developing new technologies. While technological advances and increased digitization may help improve efficiency and upgrade manual functions, it is important to also be aware of their negative impact in a country like Pakistan that has manual functions in almost every aspect of life. The adoption of new technologies, such as robotics and Internet based systems can "disrupt labor markets by making certain jobs obsolete."<sup>13</sup> No doubt, jobs and the nature of work in the future will be quite different from what it is like today, and manual jobs will likely be wiped out as new ones will emerge, and this calls for a need to adopt new technologies, adapt and move with time. However, there is still uncertainty as to what the future holds. Instead of investing only in new digital technologies, it may be wiser for Pakistan to "invest in its main assets, its labor force, to ensure it has the necessary skills and capabilities to adapt to a more volatile, uncertain and competitive job environment."<sup>14</sup>

## **JOINT COLLABORATIONS TO DEVELOP ICT TALENT ECOSYSTEMS**

In this context, it is pleasing to note that China and Pakistan are collaborating and engaged in developing local talent ecosystems and

talent cultivation through a series of activities, partnerships and certification and training courses in advanced Information and Communication Technology (ICT) courses. For instance, Huawei has been engaged in nurturing Artificial Intelligence (AI) professionals, training them to use AI technologies for development and innovation purposes. In 2019, Huawei Technologies Pakistan jointly organized Train the Trainer (TTT) activities for lecturers in collaboration with the Higher Education Commission (HEC) Pakistan. The program was part of the Presidential Initiative for Artificial Intelligence & Computing (PIAIC), put forward by Pakistan's current President, Arif Alvi. Huawei trained 19 professors from 11 colleges across Pakistan.<sup>15</sup>

Such initiatives are equipping people with the necessary skills and strengthening Pakistan's digital infrastructure. In May 2021, the National University of Sciences and Technology (NUST) inked a Memorandum of Understanding (MoU) with Huawei Pakistan to work together for the development of talent in Pakistan vis-a-vis Artificial Intelligence. The purpose was to share expertise and further learning in advanced ICT areas. The MoU also included possibilities of integrating Huawei's Artificial Intelligence content with the academic courses taught at NUST.<sup>16</sup> Such advancements in technology are likely to equip the students with the skills required in today's digitized world.

Similarly, Huawei launched its global flagship corporate social responsibility program: 'Seeds for the Future' in Pakistan in collaboration with the HEC in 2015. The goal was to attract youngsters from Pakistan and develop valuable cutting-edge ICT skills by sharing Chinese ICT expertise and experiences, while also trying to ensure long-term economic, social, and environmental sustainability. So far, eighty-seven Pakistani students have benefited from the program by attending a two-week training program in China. During the pandemic, the program and training sessions organized by Huawei Headquarters were conducted online.

To conclude, China-Pakistan cooperation in the technological realm includes technology transfers and innovation in a range of sectors as analyzed above. While it allows China to realize its vision of building the Digital Silk Road, it has also opened up opportunities for Pakistan to learn, innovate and adopt modern information and communication technologies. No doubt, numerous challenges lie ahead, yet the development of China-Pakistan local talent eco-systems and talent acquisition programs is a positive development that will allow for an exchange of ideas by both sides and an opportunity to learn from each other and, in effect, deepen technological cooperation in an increasingly digitized twenty-first century.

## Notes

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<sup>1</sup> Ghulam Ali, *China-Pakistan Relations* (Oxford University Press, 2017), 54.

<sup>2</sup> Embassy of the People's Republic of China, "Scientific and Technical Cooperation Between China and Pakistan," Embassy of the People's Republic of China, 2013, <http://pk.chineseembassy.org/eng/zbgx/scientechcooperation/t191006.htm>.

<sup>3</sup> Ibid.

<sup>4</sup> Giuliana Viglione, "China Is Closing Gap with United States on Research Spending," *Nature*, January 15, 2020, <https://doi.org/10.1038/d41586-020-00084-7>.

<sup>5</sup> David Shambaugh, ed., *China and the World* (Oxford University Press, 2020), 4.

<sup>6</sup> Jonathan Woetzel, Jeongmin Seong, Nick Leung, Joe Ngai, James Manyika, Anu Madgavkar, Susan Lund, and Andrey Mironenko. "China and the World: Inside a Changing Economic Relationship," McKinsey Global Institute, 2019. <https://www.mckinsey.com/~media/mckinsey/featured%20insights/china/china%20and%20the%20world%20inside%20the%20dynamics%20of%20a%20changing%20relationship/mgi-china-and-the-world-full-report-june-2019-vf.ashx>.

<sup>7</sup> Christopher A. Thomas and Xander Wu, "How Global Tech Executives View U.S.-China Tech Competition," *Brookings*, February 25, 2021, <https://www.brookings.edu/techstream/how-global-tech-executives-view-u-s-china-tech-competition/>.

<sup>8</sup> Ibid.

<sup>9</sup> Woetzel et al., "China and the World: Inside a Changing Economic Relationship."

<sup>10</sup> David Sacks, "The China-Pakistan Economic Corridor—Hard Reality Greet's BRI's Signature Initiative," *Council on Foreign Relations*, 2021, <https://www.cfr.org/blog/china-pakistan-economic-corridor-hard-reality-greets-bris-signature-initiative>.

<sup>11</sup> Pakistan Telecommunication Authority, "Telecom Indicators," PTA, accessed May 29, 2021, <https://www.pta.gov.pk/en/telecom-indicators/1>.

<sup>12</sup> Global Village Space, "China-Pakistan's Relations 70th Anniversary," *Global Village Space Magazine*, 2021, <https://www.globalvillagespace.com/may-2021-vol-iv-issue-v/>.

<sup>13</sup> World Bank, "Pakistan @ 100: Shaping the Future 2047" (Washington, USA, 2019), <https://>



openknowledge.worldbank.org/bitstream/handle/10986/31335/Pakistanat100Overview.pdf?sequence=3&isAllowed=y.

<sup>14</sup> Ibid.

<sup>15</sup> Huawei Technologies Co. Ltd, "Huawei's ICT Talent Ecosystem 2019" (Shenzhen, China, 2019), [https://e.huawei.com/mediares/MarketingMaterial\\_MCD/EBG/PUBLIC/en/2020/12/9e278455-3879-4757-9567-7589c317fe30.pdf](https://e.huawei.com/mediares/MarketingMaterial_MCD/EBG/PUBLIC/en/2020/12/9e278455-3879-4757-9567-7589c317fe30.pdf).

<sup>16</sup> NUST, "NUST and Huawei Pakistan Set to Collaborate on AI Talent Development | NUST," National University of Science and Technology, May 2021, <https://nust.edu.pk/news/nust-and-huawei-pakistan-set-to-collaborate-on-ai-talent-development/>.

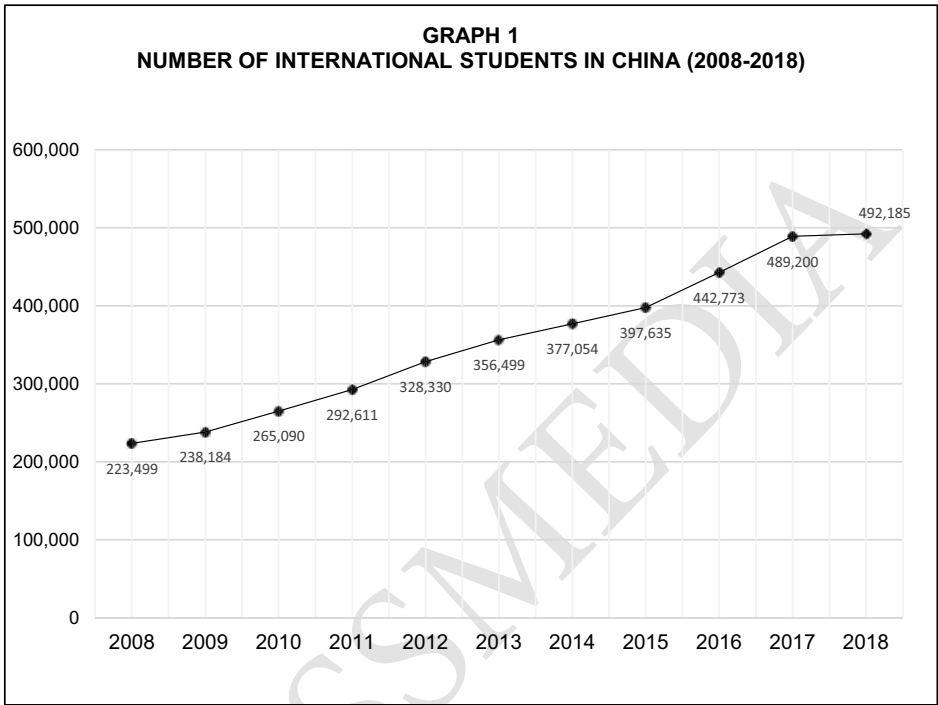
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## China-Pakistan Educational Relations

China-Pakistan educational relations can be traced back to 1964 when the first China-Pakistan cultural agreement was signed, as part of which Chinese students visited Karachi to learn Urdu. One of those students, Lu Shulin, became China's Ambassador to Pakistan and another, Wei Weikang, the director of Pakistan Affairs in the Ministry of Foreign Affairs.<sup>1</sup> Ever since, China-Pakistan educational exchange and bilateral ties have continued to strengthen. This chapter argues that investments and relations in the education sector range from those at primary level, such as the construction of China-Pakistan Gwadar Faqeer Primary School and Middle School in Balochistan, to higher education and tertiary-level as well as across a range of other related areas such as technical education and vocational training.

There has been an increase in the number of Pakistani students traveling to China in recent years. In fact, in general, there has been an increase in the number of foreign students travelling to China. In the past one decade, the inbound mobility of foreign students has increased by more than a hundred percent.<sup>2</sup> Graph 1 shows the upward trend. In 2008, there were 223,499 foreign students enrolled in Chinese universities, and by 2018 the number rose to 492,185. Today, China is the third top study abroad destination globally, after the US and UK.<sup>3</sup>

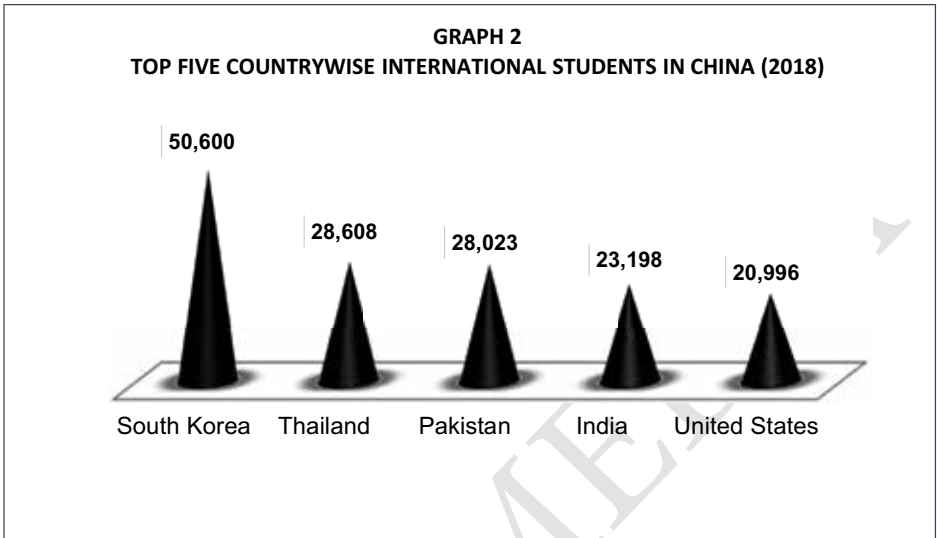


Source: Figures are compiled from

(1) China Association for International Education, as illustrated in the work of Xiaojiong Ding, "Exploring the Experiences of International Students in China" *Journal of Studies in International Education*, 2016, (2) Website of the Ministry of Education, People's Republic of China.

## **INCREASED ENROLMENT IN CHINESE EDUCATIONAL INSTITUTIONS: A WAVE OF PAKISTANI STUDENTS**

In 2018, Pakistan was the third top source of international students to China. Graph 2 graphically depicts the top five country-wise sources of international students in China in 2018.



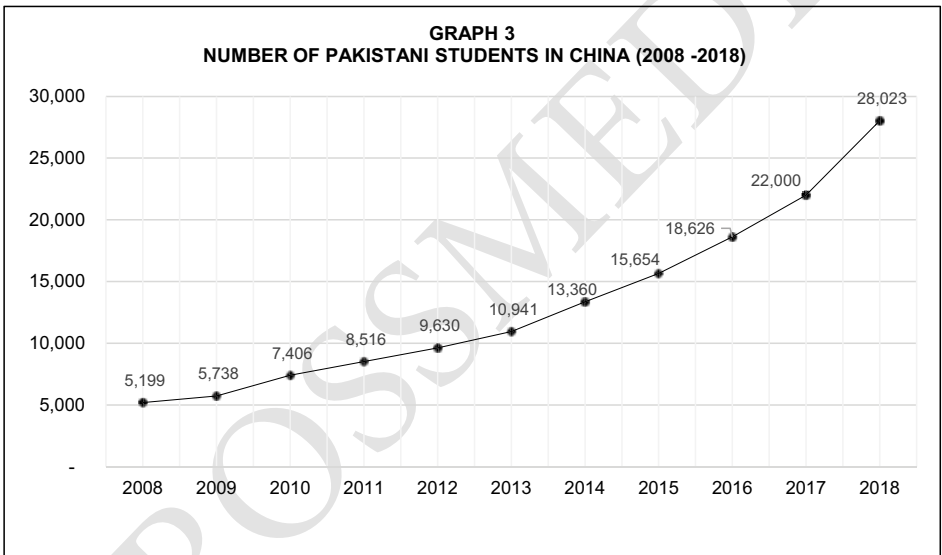
*Source: Figures are compiled from the webpage of the Ministry of Education of the People's Republic of China, titled "Statistical Report on International Students in China for 2018."*

In many ways, China has become a quick fallback option for Pakistani students. It is a better alternative to the costly Western higher education and poor-quality Pakistani education. Pakistan's education system has been struggling with numerous problems. The country spends less than six percent of its national income on the education sector.<sup>4</sup> Consequently, the education sector is largely under-funded and higher education largely neglected. The higher education system is sub-standard and relatively weak with regards to the massive population size and growing socio-economic needs, and particularly in comparison to the other countries regionally. The gross enrolment ratio is low, ranging from ten to twenty percent. This is significantly low compared to the world average of thirty percent, also considered to be the minimum threshold for any country to prosper economically, socially and politically.<sup>5</sup>

The Pakistani education system is in a poor condition due to governance deficits, weak institutions and complex state-society relations. At best, the system helps polish the skill-set of students based on borrowed knowledge from the developed parts of the world rather than creating new knowledge and innovation. It lags behind in the use and adoption of new digital technologies to keep up with the global market. The system continues to undergo reform, yet most are piecemeal in nature and unable to provide an equitable, good quality and standard of education. Hardly any university has made it to the international rankings, and of the few that have, they too fall in the second half of the top 400.<sup>6</sup> Even more worrying is the graduate unemployment rate, which has remained high, for instance, it was 7 percent in 2018, indicating a mismatch to job market and livelihood.<sup>7</sup>

This sub-standard higher education system in Pakistan has been one of the primary “push” factors for students opting to go to China. China has strategically placed itself as a better value-for-money study abroad destination, offering better quality education and promising better job opportunities. China’s higher education system has come a long way from where it started. Higher education institutions in China first emerged in the Republican era and were fortified by the Communist Party of China (CPC) in its early days till they suffered badly during Mao’s Cultural Revolution. It was only in the late 1970’s under Deng Xiaoping’s educational reforms that there was massification of higher education in China, and universities were restored, restructured, and flourished.<sup>8</sup> Since Deng, the CPC has deployed a systematic, coordinated and targeted approach and made huge investments to build a strong higher education delivery system. This has allowed it to educate its own citizens, build a skilled workforce and lift them out of poverty. In order to seek world-class university status, three of the most important projects embarked by the Chinese government were Project 985, Project 211 and Double World Class Project. All of these concentrated funds on a few public universities in order to increase their competitiveness. Consequently, China was able to establish its “C9 League,” equivalent of the American “Ivy League.” Today, China also

hosts thirty-two international branch campuses of foreign universities. In fact, it is the largest importer of international branch campuses, globally.<sup>9</sup> It has developed spacious and state-of-the-art campuses and made huge investments in scientific research. This giant higher education system has allowed China to extend collaboration with other countries. Though, critics argue that despite gaining prominence and demand, the Chinese higher education suffers from numerous challenges.<sup>10</sup>



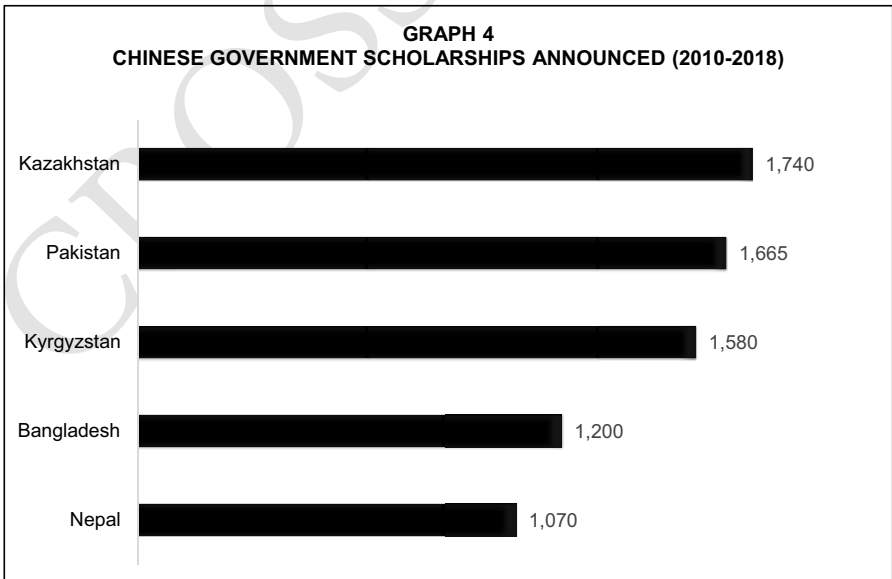
Source: Figures are compiled from the website of

(1) Project Atlas, Institute of International Education, (2) China Power Project, Center for Strategic and International Studies, (3) Dawn News, (4) Ministry of Education, People's Republic of China.

For the Pakistani students the benefits of studying in China, nevertheless, outweigh the costs. This has led to an increase in the number of Pakistani students travelling to China. Graph 3 shows the number of Pakistani students in China over the past ten years. There were 5,199 Pakistani students in China in 2008 and by 2018 there were six times more students studying there. It is also interesting to note that the exchange process has become bilateral, with many Chinese students travelling to Pakistan. For instance, as many as 1,000 Chinese students

were studying in Pakistan in 2018.<sup>11</sup>

Part of the reason that may explain the rising number of Pakistanis going to China is the provision of scholarships by the Chinese government subsidizing the pursuit of education. China's Ministry of Education (MOE) has been the key body facilitating this educational exchange process. Affiliated with the MOE are two other prominent bodies, namely the China Education Association for International Exchange (CEAIE) and Chinese Service Centre for Scholarly Exchange (CSCSE), both promoting international academic and professional exchanges. The Chinese Scholarship Council (CSC), also affiliated with the MOE, has been exclusively designated with the task of providing financial support through scholarship schemes to deserving students. Graph 4 shows that the Chinese government announced 1,665 scholarships for Pakistani students between 2010 and 2018. This makes Pakistan the second top beneficiary among all the South and Central Asian countries.



Source: Adapted from "Silk Road Diplomacy: Deconstructing Beijing's Toolkit to Influence South and Central Asia" by Asia Society Policy Institute, 2019.



The rising number indicates the expanding China-Pakistan educational ties. Students have been availing the educational opportunities being offered by China to brighten their future prospects and easily transition into the well-established Chinese job market. If this trend persists, then, by 2030, the number of Pakistani students travelling to China to pursue higher education would exceed 200,000.<sup>12</sup> If this is the case then, China, which is at present the second top study-abroad destination of Pakistani students, would replace UK to become the top destination.

### **BRIDGING OF EDUCATIONAL EXCHANGE PROGRAMS WITH CPEC: PROMISES OF STRONG MARKET-UNIVERSITY LINKAGES FOR THE YOUTH**

It is worth mentioning that China's provision of educational opportunities signifies its strategic long-term vision. It has custom designed scholarship programs for developing countries along the Belt and Road. An example of this is the Chinese government's "Scholarship for Youth of Excellence Scheme of China (YES China)." It gives Pakistani students a chance to do a Master of One-Belt-Road Sustainable Infrastructure Engineering (MOSI) or AIIB Master of International Finance (AMIF), among several other degree programs. The program has gained prominence in Pakistan and indicates the strong market-university linkages China has been establishing in Pakistan.<sup>13</sup>

Another example is that of the China Road and Bridge Corporation (CRBC), which has offered fully funded scholarships for hundred Pakistanis over a period of five years under its program 'Inherit of Pak-China Friendship: Hundred Talents Study Financing Program' in collaboration with China's Southeast University.<sup>14</sup> Ten people benefitted from this opportunity in 2017, and another twenty-four in 2018. The scholarship is designed for Pakistanis engaged in projects under the CPEC. It sponsors a two-year long Master's in Transportation Engineering, designed exclusively to help excel in the CPEC integrated transportation.<sup>15</sup> The

program has been custom designed for both countries to mutually benefit out of it, however, it is equipping students solely with the skills necessary to deliver the CPEC and, hence, imparting skills which are of value only within a limited context and for a limited time period. This indicates poor strategizing on part of Pakistan.<sup>16</sup> It is risky for Pakistan to keep building a workforce with skills that have a limited applicability and are futile for future job opportunities.<sup>17</sup>

It is equally important for Pakistani policy makers to ensure that these opportunities offered by China are inclusive, and accessible to a wide-ranging student population in Pakistan. The Chinese leadership has been quite vocal about this. For instance, at the Second Belt and Road Forum for International Co-operation in April 2019, President Xi Jinping stressed on, “the need to build bridges for exchanges and mutual learning among different cultures, deepen cooperation in education, science, culture, sports, tourism, health and archaeology... in order to facilitate multi-faceted people-to-people exchanges.”<sup>18</sup>

There are some educational exchange opportunities that are inclusive, sensitive to the local environment and catering to local needs, for instance, the “Gwadar-China Scholarship Program,” that is being offered by China in collaboration with Pakistan’s Higher Education Commission (HEC). It is an international program designed for the Baluchi youth and in particular for the local students of Gwadar.<sup>19</sup> It offers numerous opportunities, of which, the key one is to learn Chinese language at the leading native Chinese language institutes. Fourteen students of Gwadar were selected for this yearlong Chinese language learning course in March 2018, and another thirty-six in November.<sup>20</sup> The scholarship is primarily sponsored by the Government of Pakistan but operates in collaboration with the Chinese universities. For China, it serves the purpose of promoting cross-cultural learning. For Pakistan, it serves the purpose of producing competitive Chinese language proficient individuals who can benefit from the job opportunities emerging through the CPEC. More importantly, it is

likely to create a sense of inclusiveness and ownership of the CPEC in the Baluchi students. Hence, the scholarship program is a win-win. On the one hand, it allows China to exercise influence by hosting, introducing and familiarizing Pakistanis to the Chinese way of life. On the other hand, Pakistani students get equipped with skills that have a more long-term future prospect.<sup>21</sup>

In the higher education realm, another interesting example of the expanding China-Pakistan relations is the recent business school collaboration. In August 2017, the leading business schools in China (eight in total) and Pakistan (nine in total) launched the “CPEC Consortium of Business Schools,” supported by the Higher Education Commission (HEC) of Pakistan. The consortium seeks to bring business school leaders on one single platform through collaborative research, and educational and management development programs to support CPEC.<sup>22</sup> This evidences the growing academic collaborations between China and Pakistan, which are likely to support the economy and management systems of both the countries.

Most of these activities have certainly been propelled since the launch of the CPEC. The CPEC infrastructure projects showcase China’s economic power, clout and expertise, and the locals see themselves benefiting from China’s growing economy in the form of economic aid, foreign investment and academic scholarships tied to the Chinese initiatives, activities and projects. This has increased cooperation and collaboration between the higher education institutes, academia, independent research bodies and think tanks of the two countries. It is no surprise, hence, that Pakistan now has the highest co-authored publications with China than with any other country.<sup>23</sup>

## CHINA-PAKISTAN COOPERATION IN VOCATIONAL EDUCATION TRAINING

China-Pakistan educational cooperation includes collaborative efforts in the technical and vocational education training (TVET) sector, with the aim to boost workforce productivity and create a skilled workforce and, in effect, enhance industrial productivity. A key milestone in the China-Pakistan collaboration in the TVET sector has been the successful launch of the Pakistan-China Technical and Vocational Training Institute at Gwadar in 2019, financed by the Chinese government grant. It is intended to equip the locals with the necessary skills for operating and managing the port and the industrial and growing commercial businesses.

China has been working with Pakistan to enhance the technical skill set and workforce productivity, particularly of the youth, constituting 29 percent of the total population.<sup>24</sup> There is a lack of investment in the well-being of the young population of the country, which is also the reason why Pakistan holds a low 154<sup>th</sup> position on the Global Youth Development Index (2016).<sup>25</sup> To improve this, China is working closely with Pakistan's National Vocational and Technical Training Commission (NAVTTTC), an apex body at the national level. It is responsible for providing policy direction and implementing the incumbent government's "*Hunarmand Pakistan*" initiative to impart training and provide skill development courses to youth. It is presently imparting Chinese language training as well as helping build skills in fields such as artificial intelligence, cloud computing and industrial automation.<sup>26</sup> The NAVTTTC is also working with the Chinese companies engaged in CPEC to create a joint collaborative mechanism to absorb the youth in CPEC projects. It has also planned to build training and technical and vocational training centres along the CPEC route in the near future.<sup>27</sup>

To sum it up, China-Pakistan educational cooperation provides an opportunity for people from both sides to connect, interact and converse. Many of these educational opportunities are being offered in relation to the

CPEC and have accelerated since its inception. Recognizing the salience of educational exchanges and the experiences of foreign students in China, David Shambaugh has perceptively observed that these “will certainly sensitize them to Chinese viewpoints and interests... they will possess knowledge of the Chinese language, as well as Chinese society, culture, history, and politics... They will also share personal connections with former classmates and will move up through professional hierarchies simultaneously.”<sup>28</sup>

At present, according to unofficial statistics, about 5,000 students on average graduate, and return back to Pakistan every year from China.<sup>29</sup> It is important for Pakistani policymakers to plan out what skills they wish their students to acquire and how those acquiring higher education degrees from China can be absorbed back home to curb brain drain. Otherwise, it may be a missed opportunity for Pakistan. It is equally important to evaluate how inclusive and multi-faceted these exchange opportunities are. For instance, the Gwadar-China Scholarship is an example of an inclusive initiative. It is important that Pakistan utilizes these exchange opportunities and translates them for mutually beneficial outcomes. Pakistani policymakers must develop clarity over what skill sets they require of the youth in future. Nevertheless, for the Pakistani students, China continues to offer a good value-for-money alternative to other top-tier study abroad destinations in the West or studying in Pakistan. Such opportunities will continue to promote people-to-people connectivity and exchange of knowledge and expertise, a chance to learn, engage in dialogue, develop alternative perspectives and inter-cultural competency, and, in effect, expand China-Pakistan educational relations.

## Notes

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<sup>1</sup> Ghulam Ali, *China-Pakistan Relations* (Oxford University Press, 2017), 54.

<sup>2</sup> Mathematically, 2008 to 2018 means 11 years which is almost a decade. To calculate the percentage increase the following function was performed:  $[(492,185 - 223,499) \div 223,499] * 100$ .

<sup>3</sup> Institute of International Education, "Project Atlas Infographics -2019 Press Release. Global Mobility Trends.," Institute of International Education, 2019, <https://www.iae.org/en/Research-and-Insights/Project-Atlas/Explore-Data/Infographics/2019-Project-Atlas-Infographics>.

<sup>4</sup> Jandhyala B.G. Tilak, "Higher Education in South Asia: Crisis and Challenges," *Social Scientist* 43, no. 1/2 (2015): 50.

<sup>5</sup> Ibid., 46.

<sup>6</sup> Ibid., 49.

<sup>7</sup> World Bank, "Unemployment with Advanced Education (% of Total Labor Force with Advanced Education)," World Bank, July 2020, [https://data.worldbank.org/indicator/SL.UEM.ADVN.ZS?most\\_recent\\_year\\_desc=true](https://data.worldbank.org/indicator/SL.UEM.ADVN.ZS?most_recent_year_desc=true).

<sup>8</sup> Ferrara, *Palace of Ashes: China and the Decline of American Higher Education*, 156.

<sup>9</sup> C-BERT, "Branch Campuses – C-BERT," Cross-Border Education Research Team (C-BERT) (State University of New York at Albany and Pennsylvania State University, 2017), <http://cbert.org/resources-data/branch-campus/>.

<sup>10</sup> Critics argue that the Chinese higher education is ultimately rooted in the long idealized Western model, which is foreign. Hence, it carries with it the challenges of indigenization. There are academic cultural differences in the Western and Eastern education system. The Eastern education system is comparatively more hierarchal and regulated. There is limited autonomy, academic freedom and free speech. The learning process is based more on text memorization and less on independent critical thinking. China's higher education system is also considered to be efficiency-driven, primarily geared towards improving global competitiveness through increased efficiency in research, teaching and service. Scholars and experts argue that it must develop into an innovation-driven system and one that cultivates critical thinking, creativity and a sense of autonomy in individuals. For a detailed analysis, see, Jinhui Xu, *Conceptualizing Soft Power of Higher Education: Globalization and Universities in China and the World*, Perspectives on Rethinking and Reforming Education (Springer Singapore, 2018), 202, <https://doi.org/10.1007/978-981-13-0641-9>.

<sup>11</sup> Gulf News, "Fanfare as Chinese Students Graduate in Pakistan," *Gulf News*, 2019, <https://gulfnews.com/world/asia/pakistan/fanfare-as-chinese-students-graduate-in-pakistan-1.63739400>.

<sup>12</sup> On average, the number of Pakistani students travelling to China has been increasing by almost 18%. If the figures are extrapolated based on the historical trend, then the number of students in 2030 would be approximately 204,000.

<sup>13</sup> HEC Pakistan, "Youth of Excellence Scheme of China Master's Program."

<sup>14</sup> HEC Pakistan, "Opening Ceremony Of First Batch Of Pakistani Students Selected Under CRBC Scholarship Program," Higher Education Commission, Pakistan, December 19, 2017, <http://hec.gov.pk/english/news/news/Pages/Ceremony-CRBC-scholarship.aspx>.

<sup>15</sup> HEC Pakistan, "HEC-CRBC Scholarship Program Offered By China Road And Bridge Corporation

For The Year 2018,” Higher Education Commission, Pakistan, April 24, 2018, <http://hec.gov.pk/english/scholarshipsgrants/lao/CRBC/Pages/default.aspx>.

<sup>16</sup> Hasaan Khawar, “CPEC and Skill Development,” *The Express Tribune*, May 22, 2018, <https://tribune.com.pk/story/1715631/6-cpec-skills-development/>.

<sup>17</sup> Ayesha Siddique and Saeed Shafqat, “How Belt and Road Initiative (BRI) and the China-Pakistan Economic Corridor (CPEC) Are Reshaping China’s Soft Power?,” *Journal of South Asian and Middle Eastern Studies* 44, no. 3 (2021): 61–94, <https://doi.org/10.1353/jsa.2021.0007>.

<sup>18</sup> CPEC Portal, “The Complete Text of President Xi Jinping’s Speech at the Belt and Road Forum for International Cooperation 2019,” CPEC Portal, April 26, 2019, <http://www.cpecinfo.com/news/the-complete-text-of-president-xi-jinping-speech-at-the-belt-and-road-forum-for-international-cooperation-2019/NzAWMQ==>.

<sup>19</sup> HEC Pakistan, “Scholarship for Chinese Language Course,” Higher Education Commission, Pakistan, 2018, <http://hec.gov.pk/english/scholarshipsgrants/GCSP/Pages/Scholarship-Chinese-Language-Course.aspx>.

<sup>20</sup> CPEC Portal, “Students from Gwadar Get Scholarships from HEC for Chinese Language Learning in China,” *CPEC Portal*, October 11, 2018, <http://www.cpecinfo.com/news/students-from-gwadar-get-scholarships-from-hec-for-chinese-language-learning-in-china/NjA0NA==>.

<sup>21</sup> Siddique and Shafqat, “How Belt and Road Initiative (BRI) and the China-Pakistan Economic Corridor (CPEC) Are Reshaping China’s Soft Power?”

<sup>22</sup> The Chinese universities and institutes that are part of the consortium include Fudan University, Hong Kong Polytechnic University, Nanjing University, Peking University, Shanghai Jiao Tong University, Tsinghua University, University of Science and Technology of China, and Zhejiang University. Pakistani universities include, Balochistan University of Information Technology, Engineering and Management Sciences (BUIITEMS), COMSATS Institute of Information Technology, Institute of Business Administration (IBA), Institute of Business Management Sciences (IMS), Lahore University of Management Sciences (LUMS), National University of Sciences and Technology (NUST), Pakistan Institute of Development Economics (PIDE), and University of the Punjab.

<sup>23</sup> Ehsan Masood, “Scientists in Pakistan and Sri Lanka Bet Their Futures on China,” *Nature*, China’s Science Silk Road: Part 2, <https://www.nature.com/articles/d41586-019-01125-6>.

<sup>24</sup> About 29 percent of the population is between the age of 15-29 years.

<sup>25</sup> “The Global Youth Wellbeing Index,” International Youth Foundation, accessed July 6, 2021, <https://www.youthindex.org/>.

<sup>26</sup> National Vocational and Technical Training Commission, Government of Pakistan, [http://navttc.gov.pk/?page\\_id=7064](http://navttc.gov.pk/?page_id=7064).

<sup>27</sup> National Vocational and Technical Training Commission, Government of Pakistan, 10 March 2019, <http://navttc.gov.pk/?p=4395>.

<sup>28</sup> David Shambaugh, “China Engages Asia: Reshaping the Regional Order,” *International Security* 29, no. 3 (2004): 64–99.

<sup>29</sup> Zamir Awan, “Change of Mindset Needed for Better Understanding of CPEC,” *Asia Times*, September 24, 2018, <http://www.atimes.com/change-of-mindset-needed-for-better-understanding-of-cpec/>.





## China-Pakistan Cultural Relations

Strong cross-cultural bonds between people are a pre-requisite to building a sustainable relationship. A healthy and constructive cross-cultural interaction opens space for dialogue, inclusion, togetherness, networking and people-to-people connectivity. China and Pakistan share several common Asian cultural values, those of collectivism, group identity, discipline, conformity and social conservatism. Yet, they have a different and distinctive cultural value system at home.<sup>1</sup> Is it possible to build and sustain cultural ties in such a case? What is the scale and nature of China-Pakistan bilateral cultural relations? To address these questions, it may be useful to turn to three metrics: the people-to-people exchanges, information flows and cultural diplomacy.

### PEOPLE-TO-PEOPLE EXCHANGES

The scale of people-to-people exchange can help gauge the extent of cultural interaction between China and Pakistan. What is the size of the Chinese diasporic community in Pakistan, and Pakistani diasporic community in China? How attractive is China as a migrant destination for Pakistanis, and Pakistan as a destination for Chinese? And how popular are they as travel destinations?

The diasporic impact and influence in the case of both, China and Pakistan, remains limited as the diasporic communities only constitute a small share of their total immigrant population. Migrant population of Pakistani origin is only one percent of the total immigrant population in China, while the migrant population of Chinese origin in Pakistan is less than one percent of the total immigrant population in Pakistan.<sup>2</sup> Besides a limited diasporic influence, both the countries are not popular migrant

destinations for one another either. Pakistan is not the most attractive destination for Chinese migrants. Similarly, China is not the most attractive destination for Pakistanis, as there are very few Pakistanis, compared to other foreign migrants, settled in China.<sup>3</sup> However, China and Pakistan are increasingly becoming popular travel destinations, although, there are three times more Pakistanis travelling to China than Chinese to Pakistan. For instance, in 2018, China was the third top travel destination of Pakistanis, with as many as 132,042 Pakistani (non-resident visitors) travelling to China. Pakistan, on the other hand, was the twenty-first leading travel destination of Chinese, with as many as 39,174 Chinese travelling to Pakistan.<sup>4</sup>

### **INFORMATION FLOWS: CHINA'S STATE TV, NEWSPAPER, RADIO STATION GET LANDING RIGHTS IN PAKISTAN**

Information flows between China and Pakistan is another useful metric that can help understand the scale and extent of cultural relations between Chinese and Pakistanis. It can be gauged from the appeal of Chinese media outlets (radio, television, newspaper) in Pakistan, and vice versa. There is some interaction as far as the conventional modes of information dissemination are concerned. These include the Chinese state-run Xinhua News Agency, China Radio International and China Central Television (CCTV); all of which have been licensed to operate in Pakistan. Their reach and popularity, however, remains low.<sup>5</sup> On the other hand, there is no evidence of any Pakistani state-run channel licensed to run in China. Nevertheless, the media houses in both China and Pakistan, as Rosheen Kabraji notes, "have recently assumed an important role in promoting the rhetoric and the image of a strong partnership."<sup>6</sup> This also echoes in the masses of both countries.<sup>7</sup> For instance, Pakistanis have the most favorable view of China, after China itself, according to a study conducted by the PEW Research Centre.<sup>8</sup>

In today's internet age, these conventional print newspapers, prime time headlines on state-run television channels or state-run

radio channels are becoming less popular. They are being replaced by electronic and online mediums, with digital news distribution through online and mobile venues. Hence, it makes more sense to analyze these modern-day electronic media platforms and their cross-border usage and popularity. The online media platforms of both, China and Pakistan, exercise a negligible influence in each other's media landscape. When compared to each other, China's media platforms, however, are more influential in Pakistan than Pakistan's media platforms in China.<sup>9</sup>

## **CONFUCIUS INSTITUTES: CHINA'S CULTURAL DIPLOMACY TOOL IN PAKISTAN**

China-Pakistan cultural connectivity can also be gauged from their cultural diplomacy efforts. There are at least two important tools of China's cultural diplomacy with Pakistan. First is the "sister city" agreement, which connects a Chinese city or locality with a Pakistani city, to promote bilateral cultural exchanges, trade and connectivity between the two. Second is China's Confucius Institute Network, which promotes Chinese language and culture and furthers people-to-people connectivity with Pakistan.<sup>10</sup>

China introduced its first sister city with Pakistan in 1984, which was also the first in the South and Central Asian region. However, it is only when Xi Jinping assumed presidency in 2012 that Pakistan saw "an uptick" in new sister city agreements. There are now, as of 2021, a total of sixteen sister city agreements between China and Pakistan, with the bulk of these signed following the launch of the CPEC in 2015. The sister city agreements are believed to be packaged with the BRI and CPEC to promote bilateral trade and investment deals and people-to-people connectivity.<sup>11</sup> The cultural cooperation and interaction between the sister cities, however, has remained limited.

Instead, China's primary tool of cultural diplomacy with Pakistan has been its Confucius Institute Network, as part of which China has built

four “Confucius Institutes” based in higher education institutes, and two “Confucius Classrooms,”<sup>12</sup> which are based in primary and secondary level schools. The scope and reach of the Confucius Classrooms has remained limited, but the Confucius Institutes have been playing a critical role in promoting and facilitating the learning of Chinese language, breaking the language barrier and, hence, promoting people-to-people interaction. They are also intertwining with the CPEC activities, becoming a potent force of China-Pakistan cultural connectivity.

The first Confucius Institute was launched in Islamabad in 2007 in the National University of Modern Languages (NUML).<sup>13</sup> NUML has had a Chinese language department since the 1970’s to train, in particular, the Pakistani military personnel in Chinese language.<sup>14</sup> In the beginning, there were only about thirteen students.<sup>15</sup> Later, however, NUML opened admissions for the civilians<sup>16</sup> and, in 2007, it launched the Confucius Institute in collaboration with the Beijing Language and Culture University, China. The NUML Confucius Institute offers a range of teaching and training facilities. Of all its programs, its Chinese language Mandarin courses are the most popular.<sup>17</sup> It holds the recognition of being the first Pakistani institute authorized by Hanban to hold Chinese language proficiency test (HSK) in Pakistan.<sup>18</sup> With initially just a few students, since the launch of CPEC in 2015, the number has been doubling on an annual basis.<sup>19</sup>

Confucius Institutes are established in host countries’ educational institutions and linked to their counterparts in China. In total, Pakistan houses four Confucius Institutes, NUML Confucius Institute being one of them. Table 9 provides further details regarding this.

**TABLE 9**  
**CONFUCIUS INSTITUTES IN PAKISTAN**

Pakistani Institution	Linked to Chinese Institution	Location	Year
National University of Modern Languages	Beijing Language and Culture University	Islamabad	2007
University of Karachi	Sichuan Normal University	Karachi	2013
University of Agriculture	Xinjiang Agricultural University	Faisalabad	2015
University of the Punjab	Jiangxi University Science and Technology	Lahore	2015

*Source: All the information is compiled from Pakistan's English-language newspaper, Dawn.*

## PAKISTANIS GRAVITATING TOWARDS CHINESE LANGUAGE

All four of these Confucius Institutes are administered to conduct the Chinese Proficiency Test (HSK). These facilities provided by the Confucius Institutes, coupled with an increase in the number of educational exchange programs being offered to study in China, and numerous CPEC job opportunities, have together created an enabling environment that has led to an increased interest in learning Chinese language in Pakistan. There has been a mushroom growth of Chinese language programs being offered in schools and colleges in Pakistan.<sup>20</sup> Private schools and educational institutes are providing Mandarin language learning courses to equip students with future job and career opportunities with Chinese. The youngsters are “increasingly gravitating towards Mandarin in search of jobs and degrees.”<sup>21</sup> The Confucius Institutes are catering to this rising demand while also organizing and hosting events in the form of job fairs, international conferences and exhibitions, actively supporting the CPEC. For instance, in May 2018, the Confucius Institute at the University of the Punjab hosted a “CPEC Chinese Job Fair.”<sup>22</sup>

In their entanglement with the CPEC, of utmost importance is the geographical location of the Confucius Institute along the CPEC route. Lahore, Karachi and Faisalabad are three of the major cities of the country, and the universities in these respective cities which house the Confucius Institutes are reputed and influential educational institutions. In addition to this, another two Confucius Institutes are planned to be established soon; one in Gilgit<sup>23</sup>, and another one in Peshawar at the University of Peshawar, linked to the Northwest University of China<sup>24</sup>. The strategic geographic location of Peshawar and Gilgit, along the CPEC route, make them an ideal site for the establishment of the Confucius Institutes, for it is where the CPEC connects to China.

Pakistan does not have any official state-sponsored tools of cultural projection, equivalent of China's Confucius Institutes. However, there are other mechanisms through which Pakistan promotes cultural interaction, with the hope of exercising cultural influence. For instance, NUML's strong association with the Confucius Institute has allowed it to expand ties with the Chinese in the academic realm, and further strengthen this collaborative process. It has announced setting up NUML International Centre of Education (NICE) in Xinjiang Normal University in China to teach Urdu and English language.<sup>25</sup> Other mechanisms Pakistan has adopted for promoting cultural interaction include visa facilitation. This is to incentivize the Chinese to visit Pakistan and experience the culture first-hand, visit historical cultural heritage and tourist sites.

Chinese and Pakistanis have historically had limited people-to-people interaction. Pakistan has had exposure to foreign, but predominantly Indian and American, and until recently, Turkish, content, ideas, narratives, and products. The Indian entertainment industry, Bollywood, along with many cultural rituals are ingrained in the life of an ordinary Pakistani. While Pakistan and India have political, economic and cultural differences, yet given the close geographic proximity, common historical background, colonial legacies, they exhibit a socio-cultural affinity in many aspects of life. Similarly, in the case of both China and

Pakistan, there has been some influence of the Western culture and way of life. This is evident from their adoption and admiration of the English language, American education system, the Fulbright Exchange Program, and products of the Hollywood cultural industries.

Consequently, China-Pakistan interaction in the cultural realm has remained limited. Both countries have had numerous cultural agreements in place. For instance, the first cultural agreement was signed in 1964. Numerous initiatives undertaken as part of this agreement have, undoubtedly, helped expand cultural collaboration, especially through visa facilitation and promotion of people-to-people cultural exchanges.<sup>26</sup> Until recently, the “Executive Programme of Cultural Agreement,” signed in February 2018, has provided a renewed framework for cultural cooperation, but there is a need to support its implementation. An example of a much-needed collaborative initiative is the recent “CPEC Cultural Caravan.” It was launched in November 2017, and concluded in February 2018, and travelled along the CPEC route. It included cultural exchange activities, panel talks, art exhibitions and literary festivals, with people participating from both the countries. The CPEC Expos are yet another example. For instance, a two-day CPEC Summit and Expo was held in Karachi in 2018, featuring cultural evenings in which participants from both the sides performed in the form of troupes. However, to sustain the edifice of China-Pakistan cultural relations at the societal level, there is a need to undertake cultural collaboration in a range of other promising areas such as music, films, fashion, food, art and architecture. This could help enrich and liven up China-Pakistan cultural relations by opening new avenues for mutually rewarding socio-economic development.

## Notes

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<sup>1</sup> Jawad Syed, "Ethics and Governance Norms in Cross-Cultural Projects: Implications for CPEC and Other China–Pakistan Projects," in *China's Belt and Road Initiative in a Global Context: Volume II: The China Pakistan Economic Corridor and Its Implications for Business*, ed. Jawad Syed and Yung-Hsiang Ying (Palgrave Macmillan, 2020), 75–88.

<sup>2</sup> Lowy Institute, "Comprehensive Power Data - Lowy Institute Asia Power Index," Lowy Institute Asia Power Index 2020, accessed June 20, 2021, <https://power.lowyinstitute.org/data/power/>.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ayesha Siddique and Saeed Shafqat, "How Belt and Road Initiative (BRI) and the China-Pakistan Economic Corridor (CPEC) Are Reshaping China's Soft Power?," *Journal of South Asian and Middle Eastern Studies* 44, no. 3 (2021): 61–94, <https://doi.org/10.1353/jsa.2021.0007>.

<sup>6</sup> Rosheen Kabraji, "The China-Pakistan Alliance: Rhetoric and Limitations," *Asia Programme Paper ASP PP 2012/01, Chatham House*, 2012, <https://www.semanticscholar.org/paper/The-China-Pakistan-Alliance%3A-Rhetoric-and-Kabraji/a254fc1efa27b54307328af4333e0863f94a07ca>.

<sup>7</sup> Ghulam Ali, *China-Pakistan Relations* (Oxford University Press, 2017), 231–232.

<sup>8</sup> PEW Research Centre, "Global Indicators Database," Pew Research Center's Global Attitudes Project, accessed July 8, 2021, <https://www.pewresearch.org/global/database/>.

<sup>9</sup> According to the Lowy Institute Asia Power Index, this can be gauged by the metric "Outward Media Flow" of China to Pakistan and Pakistan to China. The Index (2019) reveals that online search interest for China's media platforms (news agencies, newspapers, TV and radio broadcasters) of Pakistan among all Asian countries is 3.8%. On the other hand, the online search interest for Pakistan's media platforms of Chinese among all Asians as of 2019 is 0.8%.

<sup>10</sup> Samantha Custer, Tanya Sethi, Jonathan Solis, Joyce Lin, Siddhartha Ghose, Anubhav Gupta, Rodney Knight, and Austin Baehr, "Silk Road Diplomacy: Deconstructing Beijing's Toolkit to Influence South and Central Asia," *Asia Society Policy Institute*, 2019, 8, [http://docs.aiddata.org/ad4/pdfs/Ties\\_That\\_Bind--Full\\_Report.pdf](http://docs.aiddata.org/ad4/pdfs/Ties_That_Bind--Full_Report.pdf).

<sup>11</sup> Ibid.

<sup>12</sup> There is one in Muzzafargarh and another in Hyderabad.

<sup>13</sup> NUML, "National University of Modern Languages -Confucius Institute," accessed December 10, 2018, <https://www.numl.edu.pk>

<sup>14</sup> Deutsche Welle, "Why Are Pakistanis Keen to Learn Chinese Language?," Deutsche Welle, accessed December 13, 2018, <https://www.dw.com/en/why-are-pakistanis-keen-to-learn-chinese-language/a-41465711>.

<sup>15</sup> Gulf News, "Foreign Language Interest on the Rise among Pakistanis," *Gulf News*, January 1, 2017, <https://gulfnews.com/world/asia/pakistan/foreign-language-interest-on-the-rise-among-pakistanis-1.1954799>.

<sup>16</sup> Deutsche Welle, "Why Are Pakistanis Keen to Learn Chinese Language?"

<sup>17</sup> Umar Bacha, "More Students in Pakistan Learning Mandarin Today than Ever Before," *Dawn*, May 22, 2017, <https://www.dawn.com/news/1334637>.



<sup>18</sup> NUML, “National University of Modern Languages -Confucius Institute.”

<sup>19</sup> People’s Daily Online, “China Is Now a Popular Destination for Pakistani Overseas Students,” May 26, 2018, <http://en.people.cn/n3/2018/0526/c90000-9464383.html>.

<sup>20</sup> Siddique and Shafqat, “How Belt and Road Initiative (BRI) and the China-Pakistan Economic Corridor (CPEC) Are Reshaping China’s Soft Power?”

<sup>21</sup> Sabrina Toppa, “Why Young Pakistanis Are Learning Chinese,” *The Atlantic*, November 14, 2018, <https://www.theatlantic.com/international/archive/2018/11/pakistan-china-cooperation-cpec/568750/>.

<sup>22</sup> Siddique and Shafqat, “How Belt and Road Initiative (BRI) and the China-Pakistan Economic Corridor (CPEC) Are Reshaping China’s Soft Power?”

<sup>23</sup> Umar Bacha, “More Students in Pakistan Learning Mandarin Today than Ever Before,” *Dawn*, May 22, 2017, <https://www.dawn.com/news/1334637>.

<sup>24</sup> CPEC Portal, “Confucius Institute to Be Established in Khyber Pakhtunkhwa,” CPEC Portal, March 7, 2018, <http://www.cpecinfo.com/news/confucius-institute-to-be-established-in-khyber-pakhtunkhwa/NDk1Ng==>.

<sup>25</sup> CPEC Portal, “Islamabad Celebrates Chinese Spring Festival,” *CPEC Portal*, February 16, 2017, <http://www.cpecinfo.com/news/islamabad-celebrates-chinese-spring-festival/MTI2Ng==>.

<sup>26</sup> Ali, *China-Pakistan Relations*, 54.



## **China-Pakistan Relations in the Twenty-First Century**

An outstanding feature of China-Pakistan relations is faith in strategic solidarity and enduring mutual trust. However, no state-to-state relation can be completely free from problems. On occasions, China and Pakistan have faced challenges of diverging views and differences in national interest goals. Yet the two have shown resolve to iron out any differences with mutual respect, dignity and determination to sustain strategic solidarity. They have almost always been able to overcome their differences through a distinct “dispute settlement mechanism.” China and Pakistan “have developed a norm to address all their issues privately away from the public gaze.” By “resolving disputes amicably, behind the scenes,” they have prevented any negative impact on the relationship.<sup>1</sup> This holds the promise of a resilient and dynamic China-Pakistan relationship in the twenty-first century.

Separately, however, China and Pakistan face distinct challenges that they must resolve in order to progress and move forward together in the coming decades of the twenty-first century. This chapter explains that for a rising and globalizing China, the biggest problem is the interplay of its rise with the crumbling present international liberal order. For Pakistan, on the other hand, lack of consistency in policies and poor governance continue to aggravate internal problems. In turn, these have exposed the institutional weaknesses and security vulnerabilities of Pakistan. These issues of internal misgovernance have been constraining Pakistan’s ability to make optimal use of opportunities that China’s rise, economic growth and development offers. Yet, despite these limitations, China and Pakistan have shown considerable vigor and vitality in sustaining and deepening cultural, educational, economic relations, as this research has

also highlighted in the preceding chapters.

## **A RISING CHINA: ILLIBERAL, AUTHORITARIAN AND COMMUNIST?**

Across the globe, democracy as a system of governance is suffering from deepening crisis of legitimacy, with free market principles of international economic order struggling to combat forces of protectionism. Under these conditions, Yan Xuetong contends, people across the world have been losing faith in liberalism, especially since 2008 when the Western liberal democracies were unable to recover from the Global Financial Crisis.<sup>2</sup> This may be a window of opportunity for China to reshape the international normative order, however, Yan Xuetong asserts, liberalism is still the dominant ideology. We live in a world which is predominantly governed by the principles of liberalism, democratic values and free market principles. Defending the liberal world order, many scholars and writers, persuasively and passionately argue that China, “an illiberal state,” should not be allowed to seek global leadership.<sup>3</sup>

The Communist Party of China (CPC) is considered to be a centralized party, exercising absolute control over the affairs of the government and the state.<sup>4</sup> Foreign observers find this absolutist and intrusive role of the CPC as irksome. It is perceived as ‘repressive’, ‘undemocratic’ and ‘violating human rights’, all of which are believed to undercut China’s image and reputation abroad. By this logic, China is a rising power devoid of ‘soft power,’ according to Joseph Nye, the architect of the concept of soft power. He argues that China may have built sufficient hard power, but it lacks the soft power needed to become a global power.<sup>5</sup> China’s soft power is nowhere near that of the US.<sup>6</sup> This is because China’s domestic realities are very different from what it is trying to sell.<sup>7</sup> China has a strong party control, weak civil society, a deficit of democratic values and a low productivity of cultural industries.<sup>8</sup> Likewise, David Shambaugh contends that China is exercising “soft authoritarianism” at home.<sup>9</sup>

However, Kerry Brown, takes a different position, bringing to attention that the world has little understanding about China, and pleads that “there needs to be much more support for basic education about China and for knowledge-based engagement with it...on China, there is scant evidence of even a decent level of understanding amongst most politicians, opinion formers, and commentators.”<sup>10</sup> Just as China is embedding in the world, several scholars consider it important for the world to “embed” in the Chinese worldviews, in order to effectively respond, compete, collaborate and take advantage of China’s rise.<sup>11</sup> Given this context, it may be more useful to begin by gaining insights into the Chinese political system and how ordinary Chinese view their country’s governance structure and performance.

Contrary to the popular belief, the satisfaction of an ordinary Chinese with the CPC and government is at its historic high today. The Harvard Kennedy School Policy Brief (2020), titled, “Understanding Chinese Communist Party (CCP) Resilience: Surveying Chinese Public Opinion Through Time,” constitutes the longest-running independent attempt to trace the satisfaction of an ordinary Chinese citizen with the performance of their government. The Brief concludes that, “since the start of the survey in 2003, Chinese citizen satisfaction with government has increased virtually across the board. From the impact of broad national policies to the conduct of local town officials, Chinese citizens rate the government as more capable and effective than ever before. Interestingly, more marginalized groups in poorer, inland regions are actually comparatively more likely to report increases in satisfaction.”<sup>12</sup> This deflates the foreign observers’ claims that the Chinese are unhappy with their political system, CPC or the government.

It may be useful to draw attention to a few earlier similar observations. For instance, in the 1990s, a survey by American professors revealed that a vast majority of the Chinese believed that the legitimacy of a government is based “not on pluralism and participation but moral rectitude and administrative performance.”<sup>13</sup> Similarly, surveys

conducted in the early 2000s revealed that more than 90 percent Chinese supported democracy but not multiple parties, and strongly believed that democratization should not come at the expense of economic growth and social stability.<sup>14</sup>

Interestingly, despite a highly centralized party, China has a highly decentralized economy and administrative structure, commonly categorized as an “M-form” hierarchy, where each locale is an independent unit.<sup>15</sup> China’s approach to effectively contain the COVID-19 virus best demonstrates this. The center pursued a territorially differentiated and a decentralized approach, coordinated and supported by the local level state organs.<sup>16</sup> In his remarkably well-researched study, Philipp Renninger, reveals that the CPC is in fact a tool through which the Center state organs are indirectly linked to the local state organs.<sup>17</sup> This means that common assertions about the monolithic character of the CPC and the absence of any countervailing forces within it are exaggerated or show lack of understanding about the functioning of the CPC.

The emerging non-state sector and the middle class have been key contributors to innovation and development of China. Making a critical appraisal of the CPC, Kerry Brown explains “it is the Party which has become a parasite, relying on it (non-state sector) to survive.”<sup>18</sup> This undercuts the Western claims over Chinese “authoritarianism.” In fact, as Daniel Bell states, it is too simplistic to divide a political system into “good” democracy or “bad” authoritarianism. The Chinese political model is a “political meritocracy,” though still imperfect.<sup>19</sup> Their political governance system is “an evolving three-pronged approach,” with meritocracy at the top leadership tier, experimentation at the middle provincial level and democracy at the local level.<sup>20</sup>

Similarly, Kishore Mahbubani, a Singaporean diplomat, states that the “soul of China, [it] is not communist.”<sup>21</sup> Kerry Brown, further clarifies that the CPC, though titled as the “Communist Party,” has a more political rather than ideological function.<sup>22</sup> Moreover, an ideological consensus

in the form of “Xi Jinping Thought,” that makes frequent references to Marxism-Leninism, Communism and Socialism, is “a tool to create the all-important sense of unity and purpose” at home. It serves as a “common language” between the CPC, the CPC’s state and the 88 million members of the CPC.<sup>23</sup>

It is worth noting that the CPC has been adapting to the newly emerging trends and societal developments within China.<sup>24</sup> Nearly 5.86 million Chinese students have studied abroad from 1978 to 2018.<sup>25</sup> China has been able to expose its younger generation to the Western education and way of life, and also fight brain drain by absorbing eighty-three percent of these students back.<sup>26</sup> These Chinese youngsters who have a modern educational background and are likely to be more politically open and learned, are the future leaders and will play an important role in shaping the narrative, policies and future direction of China. Individual political thinkers are also beginning to play an equally important role. The most interesting and exemplary case is that of Professor Wang Huning, initially a professor of law and politics, and today a member of the Politburo, the highest decision-making body. His ascendancy to power indicates that political thinkers and professionals may not be visible but are embedded in the Chinese policy planning process.<sup>27</sup>

Besides the critical role of political leadership and the CPC, China has demonstrated its abilities through its strong performance in the past three decades. It retains the distinction of being the only country to have successfully managed and, in fact, come out stronger, from both the 1997 Asian Financial Crisis as well as 2008 Global Financial Crisis; a trend that has reappeared amid the Coronavirus pandemic in 2020 too. During the pandemic, China has been able to maintain a constant three percent annual growth rate. If this persists, Kerry Brown, astutely observes, “China will have won the battle to show that diplomacy and international relations can be run largely value free (or at least Western value free), and focused purely on economic and material outcomes.” Many countries would continue to engage with China, on economic,

monetary and material terms, while not having to conform to its value system or ideologies.<sup>28</sup> With this, China may convince the international community about its peaceful rise in the twenty-first century, carving its way in today's liberal world order.

## **PAKISTAN: A PIVOTAL STATE**

As a 'rising' China struggles to establish its credentials as a great power capable of reshaping the world order, Pakistan continues to dither, burdened with internal challenges pertaining to governance, security and weak institutions that reduce its absorptive capacity to fully benefit from its relations with China. Is a crisis-ridden Pakistan ready to rejuvenate and transform itself into a pivotal partner of China in the twenty-first century?

Pakistan certainly needs to undertake the formulation and effective implementation of deeper and wide-ranging policy reforms<sup>29</sup> to fully benefit from the expanding China-Pakistan relations. However, despite stumbling, fumbling and acrimonious party politics, the Pakistani leadership is displaying a willingness to empower local actors and entities by undertaking measures that allow devolution of power and strengthen the voice of citizens. If Pakistan continues to travel on this path carefully, it could create a conducive governance environment that enables reform and is self-sustaining and self-adaptive.

It is worth recalling, Pakistan was among the top ten performing developing countries in the world, with an annual six percent GDP growth rate, from 1950 to 1990. It was ahead of China, India and Vietnam, among others, in the economic and social indicators.<sup>30</sup> However, from 1990 onwards, the country regressed on almost all indicators, primarily because it pursued, what Ishrat Husain terms as, an elitist growth model. Economic and political power became concentrated in the hands of a few elites, with the playing field "tilted in favor of those privileged, patronized, and preferred by the government of the day."<sup>31</sup> The state and market forces were made to work only in favor of this small group and the



absence of checks and balances, coupled with a subservient and dormant population, led to an unequal and inequitable distribution of the benefits of economic growth. Over the past years, this has prevented the country from achieving sustainable economic, social and human development.<sup>32</sup>

Given this state of Pakistan's political economy, most of the studies on the growing China-Pakistan economic relations point at the challenges Pakistan will continue to face. Several scholars and experts contend that Pakistan will not be able to fully benefit from the burgeoning China-Pakistan relations, and the CPEC, because of a lack of good governance. In fact, this is, undoubtedly, one of the primary reasons that has led to incompleteness, delay, mishandling and cancellation of some CPEC projects as well as renegotiation of contractual agreements. In a recent study, Jonathan Hillman, provides an insightful critique and practical constraints of the CPEC, titling it as the "Black Hole" of the BRI. He contends that "after ballooning to a mythical \$100 billion, CPEC has drifted back to earth and delivered only a fraction of its initial promise."<sup>33</sup> Similarly, Siegfried O. Wolf comprehensively refers to the different legal, security, law and order, political, institutional and administrative, and the environmental challenges the CPEC faces.<sup>34</sup> Likewise, policy analysts summarize the challenges as Four Cs: a lack of capacity, consistency, communication and context.<sup>35</sup>

Given these challenges, policy practitioners, scholars and economic analysts prescribe large-scale governance reforms, suggesting the need for Pakistan to improve its governance and regulatory environment and strengthen the domestic institutions. There is, in essence, consensus over the need to improve the quality of governance. In fact, effective governance is "central to the effort to move Pakistan beyond the 'crisis state,'" according to Maleeha Lodhi.<sup>36</sup> While these claims are irrefutable, it is equally important to take into consideration the present-day state of Pakistan's political economy and its progress on several critical fronts, especially in the past few years since the new government, Pakistan Tehreek-i-Insaf (PTI) has assumed power in 2018.

It is, also, perhaps too idealistic to assume that any country, be it Pakistan or any other, may practically achieve an ideal state of “good governance.” Professor Merilee S. Grindle, from the Harvard Kennedy School, calls instead for striving for “good enough governance.”<sup>37</sup> Instead of chasing a long wish list of things that “must be done” to achieve good governance, it is more useful, realistic and feasible to achieve a state of “good enough governance,” a condition of minimally acceptable government performance that does not hamper economic and political development. She insightfully explains the need for countries to distinguish between what’s necessary and what’s not, what should come first and what may be done later, what is feasible and what is not. In light of Grindle’s definitional context, it is noteworthy that Pakistan is following the “good enough governance” agenda. The country is undertaking reform, albeit piecemeal and at a slow pace, but which is nevertheless improving its governance landscape.

In the past one decade, Pakistan has experienced two consecutive cycles of democratic rule, improved nine places on the Global Peace Index and two places on the Human Development Index. It has also shown significant improvement in four of the six Worldwide Governance Indicators (WGI) by the World Bank. These include political stability, government effectiveness, rule of law, and control of corruption.<sup>38</sup> The sitting government has launched an anti-corruption drive, quite unlike its predecessors. Writing for *The Diplomat*, Professor Alfred Wu states that, while it may be too early to gauge the anti-corruption drives’ effectiveness, it is, nevertheless, important to laud some of the crucial steps taken by far. These include the establishment of an Asset Recovery Unit and the introduction of a whistle-blower law.<sup>39</sup>

Yet, “why is Pakistan not delivering what we hope for? Because of dictatorship, or India or the Americans?” This is a question the notable Pakistani writer, Mohsin Hamid asked in one of his earlier works, and then answered: “Perhaps, but these days a large part of the reason is this: we citizens aren’t paying enough for Pakistan to flourish.”<sup>40</sup> He may

be pleased to note now that Pakistan has been able to raise tax revenue consistently over the past few years, along with a 65 per cent increase in tax filers<sup>41</sup> since 2018. In 2021, a historic high tax revenue was collected, amounting to more than Rupees 4 trillion.<sup>42</sup> Introduction of technology in the tax collection process has helped increase efficiency and the digital payment services have helped promote financial inclusion, which is likely to loosen the grip of the elite class in the near future. In the British publication, *The Independent*, the authors opine that “it is possible to see green-shoots emerging in political and economic arenas. What [Imran] Khan is trying to implement is a wholesale reform that steers the country towards an inclusive political and economic system.”<sup>43</sup>

On the economic front, the International Monetary Fund (IMF) has mentioned the success of Pakistan, particularly the successful policies of the government that helped bring economic stability. In 2019, all three international credit rating agencies, Standard & Poor’s, Moody’s and Fitch affirmed a ‘stable’ outlook. Bloomberg ranked Pakistan’s Stock Exchange as one of the leading markets of the world.<sup>44</sup> On the Ease of Doing Business Index, Pakistan has jumped up 75 places in the past three years. Though, Pakistan’s economy ranks a low 152<sup>nd</sup> on the Index of Economic Freedom (2021) by The Heritage Foundation and The Wall Street Journal, however, it has seen significant improvement in the sub-index of government integrity, investment and business freedom.<sup>45</sup> An April 2021 press release by the World Bank affirmed Pakistan’s economy “showing signs of a fragile economic recovery with a gradual resumption of economic dynamism.” This indicates an improvement in the economic landscape and investment climate.<sup>46</sup> This is perhaps what Goldman Sach hinted at, as early as 2005, by including Pakistan in “The Next 11” list of countries that would have a BRIC-like impact in rivaling the G7 in the twenty first century.<sup>47</sup>

In the social sector, the country has undertaken a social safety protection strategy, titled “Ehsaas Program.”<sup>48</sup> It has the potential to serve as a complementary policy reform, that can help maximize the effects

of the CPEC, allowing the benefits to be shared widely.<sup>49</sup> It has been hailed for its effectiveness, outreach, transparency and efficient delivery mechanism by the international community, donors and development organizations.<sup>50</sup> It is also pleasing to note that Pakistan-China are all set to collaborate in the social sector for poverty alleviation.<sup>51</sup>

Within the country's leadership, there is now a will to undertake reform and bring the country out of crisis, implementation of course is never easy. However, to have simply gathered the political will, this in itself is an important achievement, for nothing "is possible without political will on the part of a political leadership that commits itself to the larger good rather than its own interests," according to Maleeha Lodhi.<sup>52</sup> Although, in a recent article, she points at how problematic it is getting with the present leadership increasingly relying "on rhetoric to show it is governing effectively rather than let policy measures speak for themselves."<sup>53</sup> Even if one were to accept the absence of any significant progress in the policy landscape, what cannot be denied is an increased participation in the political processes and debate by the ordinary people. At a grass root level, an increasingly active, engaged, politically aware and connected population, that is no longer "dormant," in this digital age is perhaps the most important transformation the country is experiencing. In this regard, one of the most comprehensive, detailed and remarkable report by the World Bank launched in 2019, titled "Pakistan at 100," concludes that the existing government initiatives related to e-governance that provide a platform for citizen feedback, and text messaging based awareness drives that spread knowledge about citizens' rights are "a promising first step in this direction."<sup>54</sup> With such local governance architecture being put in place, it is safe to say that the country is headed in the right direction.

However, despite the country's progress on some of these critical fronts, most of the studies continue to be backward looking, presenting a sombre picture of Pakistan's economic conditions. In their analyses, the former federal minister and governor of State Bank, Hafiz Pasha and Shahid Kardar respectively, evidenced and criticized the International

Monetary Fund (IMF) Staff Report for its inaccuracies in reporting and presenting a bleak picture of the prospects for Pakistan's economy.<sup>55</sup> Ground realities indicate, and one can evidently see, the "architecture for real, tangible change" being put into place.<sup>56</sup>

Given this progress, there should be no reason to categorize Pakistan as a failed state. The country has come to terms with its poor past record. On the international stage, it is engaged, taking a series of right steps, and "the message to world leaders is loud and clear: In a dramatic shift from the past, our country [Pakistan] is no longer a pawn, a joke or a global bystander."<sup>57</sup> Undoubtedly, the path to restoring reputation abroad and achieving good enough governance and sustainable development at home is long, but this chapter evidenced the present leadership gradually and successfully being able to "reverse the self-destructive path on which Pakistan was treading for decades."<sup>58</sup> The institutional and governance reform process has begun, creating an impetus for long term reform that will improve Pakistan's absorptive capacity to benefit from the deepening China-Pakistan ties, especially the CPEC project, which itself is a long-term project, expected to be completed in another fifteen years. No doubt, developing these piecemeal and incremental reforms into broader, deeper and comprehensive reforms for accelerating and sustaining growth may seem ambitious and challenging, given Pakistan's track record. However, "it is possible."<sup>59</sup> Many countries that are now economic powerhouses have done it and Pakistan is no different. Korea, Malaysia and China started with near-similar or much worse initial conditions (education level, growth rates and development level) than those of Pakistan today but managed to achieve the same economic transformation that Pakistan is now trying to achieve.<sup>60</sup> China, for instance, started from a per capital income in 1981 that was almost half that of Pakistan's today, but managed to increase it 14-fold within the next 30 years.<sup>61</sup>

A report by the Lowy Institute indicates Pakistan's unrealized potential; its failure to exercise as much influence as its raw capabilities indicate. It categorizes Pakistan as an "underachiever" because it

exerts undersized influence relative to its abundant resources. Pakistan only needs to harness its potential and resources, and this is what the China-Pakistan cooperation is geared towards. It will help capitalize on Pakistan's present resources, capabilities and infrastructure. Since the past two years, Pakistan has been successfully converting its resources into influence, the Lowy Institute report notes.<sup>62</sup>

With the reform process accelerating in Pakistan, and the China-Pakistan cooperation deepening, the question that remains is: How sustainable and durable can this deepening China-Pakistan socio-economic cooperation be in the coming years? Keeping an eye on the twenty-first century, Saeed Shafqat and Saba Shahid take a reformist position, stating that “the CPEC must amplify and define even broader terms of strategic, commercial, educational and cultural engagement with China—that deepens and widens the scope of bilateral relations.”<sup>63</sup> While, John Garver reminds us that “China's cooperative relationship with Pakistan is arguably the most stable and durable element of China's foreign relations.”<sup>64</sup>

China-Pakistan cooperation and support during 2021, the year of the Coronavirus pandemic, adds to the long list of times that bear testimony to this “all weather” friendship. When the World Health Organization (WHO) declared COVID-19 a pandemic, countries stigmatized and politicized it, but a unanimous resolution was passed in the Senate of Pakistan<sup>65</sup> and the Pakistani President embarked on a trip to Beijing to demonstrate solidarity. China, on the other hand, actively contributed to Pakistan's fight against the Coronavirus, undertaking multifaceted health diplomacy, sending medical teams, supplies as well as vaccines. This indicates that, together, China and Pakistan have the potential to become the main center and engine of growth for the Central and South Asian region in the twenty-first century.

## Notes

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- <sup>1</sup> Ghulam Ali, *China-Pakistan Relations* (Oxford University Press, 2017), 225.
- <sup>2</sup> Yan Xuetong, "Chinese Values vs. Liberalism: What Ideology Will Shape the International Normative Order?," *The Chinese Journal of International Politics* 11, no. 1 (March 1, 2018): 4.
- <sup>3</sup> Elizabeth C. Economy, "China's New Revolution: The Reign of Xi Jinping," *Foreign Affairs*, Vol 97, No3, May/June 2018, 60-74.
- <sup>4</sup> In China's political system, the fundamental unit is a system of people's congresses comprising of National People's Congress and the local people's congresses at different levels through which the people exercise state power. The system is governed, by a single-ruling party, the Communist Party of China (CPC) since the past seventy years. The CPC has leadership over all areas of endeavor across China. However, the CPC also encourages participation by the several "democratic parties" in China's political system, and in formulation and implementation of national policies. However, such a multi-party cooperation and political consultation system operates strictly under the auspices of the leadership of the CPC. In addition to this, there is also a system of regional ethnic autonomy which is an institutional arrangement for resolving ethnic issues. There is a system of community-level self-governance at the lowest level primarily composed of rural villagers' committees, urban residents' committees, and congresses of enterprise workers and staff. This is the basic building block of China's democratic politics, as villagers and rural people participate in democratic elections, policy-making and management. For more, see Fang Ning's *"China's Political System"* (Springer, 2020).
- <sup>5</sup> Joseph S. Nye, *Soft Power: The Means to Success in World Politics* (Public Affairs, 2004).
- <sup>6</sup> Joseph S. Nye, "No, the Coronavirus Will Not Change the Global Order," *Foreign Policy*, 2020, <https://foreignpolicy.com/2020/04/16/coronavirus-pandemic-china-united-states-power-competition/>.
- <sup>7</sup> Joseph S. Nye, "The Rise of China's Soft Power," *Belfer Center for Science and International Affairs*, December 2005, <https://www.belfercenter.org/publication/rise-chinas-soft-power>.
- <sup>8</sup> Nye, "No, the Coronavirus Will Not Change the Global Order."
- <sup>9</sup> David Shambaugh, *China's Future* (UK: Polity, 2016).
- <sup>10</sup> Kerry Brown, "Why the West Needs to Stop Its Moralising against China," *E-International Relations*, August 2020, <https://www.e-ir.info/2020/08/10/why-the-west-needs-to-stop-its-moralising-against-china/>.
- <sup>11</sup> Ben Harburg, "Americans Don't Know China- and That's a Huge Problem," *Fortune*, August 2018.
- <sup>12</sup> Edward Cunningham, Tony Saich, and Jessie Turiel, "Understanding CCP Resilience: Surveying Chinese Public Opinion Through Time" (Harvard Kennedy School: Ash Center for Democratic Governance and Innovation, 2020).
- <sup>13</sup> Michael Swaine and Ryan DeVries, "Chinese State-Society Relations: Why Beijing Isn't Trembling and Containment Won't Work," *Carnegie Endowment for International Peace*, 2019, <https://carnegieendowment.org/2019/03/14/chinese-state-society-relations-why-beijing-isn-t-trembling-and-containment-won-t-work-pub-78596>.
- <sup>14</sup> Zhengxu Wang, "Public Support for Democracy in China," *Journal of Contemporary China* 16, no. 53 (November 1, 2007): 561–79, <https://doi.org/10.1080/10670560701562283>.
- <sup>15</sup> Yuen Yuen Ang., *How China Escaped the Poverty Trap*. Cornell University Press, 2016. <https://>

[www.jstor.org/stable/10.7591/j.ctt1zgwm1j](http://www.jstor.org/stable/10.7591/j.ctt1zgwm1j).

<sup>16</sup> Renninger's work reveals the complex Chinese central–local system; with one central, national level and four local levels in the following hierarchy: 1. Provinces, 2. Cities, 3. Districts, 4. Townships. At the grassroots level are villages and neighborhoods. A central–local and party–state structure lets the center treat the entire country like a chess game. The command and support structure helped contain the coronavirus with the Communist Party of China acting as a tool through which the centre state organs command, control and support the local state organs. On the central level, party leaders like Xi Jinping are like state leaders, and on the local levels, party secretaries have greater authority than state leaders. For more, see, Philipp Renninger, "The 'People's Total War on COVID-19': Urban Pandemic Management Through (Non-)Law in Wuhan, China," SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, July 28, 2020), <https://papers.ssrn.com/abstract=3691447>.

<sup>17</sup> Philipp Renninger, "The 'People's Total War on COVID-19': Urban Pandemic Management Through (Non-)Law in Wuhan, China," SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, July 28, 2020), <https://papers.ssrn.com/abstract=3691447>.

<sup>18</sup> Kerry Brown, *The World According to Xi* (I.B. Tauris, 2018), 62–63.

<sup>19</sup> Daniel Bell, in his book, "The China Model" states that China is a political meritocracy. It constitutes a morally legitimate means of selecting and promoting political leaders up a social hierarchy based on superior ability and virtue. This is because the CPC is neither a "Party," nor one following the "Communist" ideology anymore. In fact, it is "a pluralistic organization composed of meritocratically selected members of different groups and classes, and it aims to represent the whole country." Therefore, Bell boldly recommends that the CPC be renamed as "Chinese Meritocratic Union," which better corresponds to its institutional reality,

<sup>20</sup> Daniel A. Bell, *The China Model: Political Meritocracy and the Limits of Democracy*, Revised edition (Princeton, New Jersey: Princeton University Press, 2016).

<sup>21</sup> Kishore Mahbubani, *Has China Won? The Chinese Challenge to American Primacy*, Public Affairs, 2019, <https://www.publicaffairsbooks.com/titles/kishore-mahbubani/has-china-won/9781541768123/>.

<sup>22</sup> Kerry Brown, *The World According to Xi* (I.B. Tauris, 2018), 47.

<sup>23</sup> Ibid.

<sup>24</sup> François Godement, *Hundred Think Tanks Bloom in China* (European Council on Foreign Relations., 2016).

<sup>25</sup> Ministry of Education of the People's Republic of China, "More Chinese Study Abroad in 2018," Ministry of Education of the People's Republic of China, March 2019, [http://en.moe.gov.cn/news/media\\_highlights/201904/t20190401\\_376249.html](http://en.moe.gov.cn/news/media_highlights/201904/t20190401_376249.html).

<sup>26</sup> Ministry of Education of the People's Republic of China, "Brief Report on Chinese Overseas Students and International Students in China 2017," Ministry of Education of the People's Republic of China, April 2018, [http://en.moe.gov.cn/documents/reports/201901/t20190115\\_367019.html](http://en.moe.gov.cn/documents/reports/201901/t20190115_367019.html).

<sup>27</sup> For more, see, Ayesha Siddique and Saeed Shafqat, "How Belt and Road Initiative (BRI) and the China-Pakistan Economic Corridor (CPEC) Are Reshaping China's Soft Power?," *Journal of South Asian and Middle Eastern Studies* 44, no. 3 (2021): 61–94, <https://doi.org/10.1353/jsa.2021.0007>. The authors make a case that Wang's rise and advisory role in the top echelons of policy making circles clearly shows that the intellectuals may not be visible but are indeed playing a key role in



in the Chinese policy landscape. Wang Huning is shaping the direction of contemporary Chinese politics. Today, China's policy initiatives such as the BRI are being operationalized under the Vice-Chairmanship of Wang Huning.

<sup>28</sup> Kerry Brown, "Hearing: U.S.-China Relations in 2020," in *Testimony before the U.S.-China Economic and Security Review Commission*, Panel One: China's Assessment of Its Strategic Environment (U.S.-China Economic And Security Review Commission), accessed October 2, 2020, [https://www.uscc.gov/sites/default/files/2020-09/Brown\\_Testimony.pdf](https://www.uscc.gov/sites/default/files/2020-09/Brown_Testimony.pdf).

<sup>29</sup> World Bank, "Pakistan @ 100: Shaping the Future 2047."

<sup>30</sup> Ishrat Husain, *Pakistan: The Economy of an Elitist State*, Second Edition (Oxford University Press, 2020), 442.

<sup>31</sup> Husain, *Pakistan: The Economy of an Elitist State*, 453.

<sup>32</sup> For a more detailed account, see, Ishrat Husain, *Pakistan: The Economy of an Elitist State*, Second Edition (Oxford University Press, 2020).

<sup>33</sup> Jonathan Hillman, *The Emperor's New Road: China and the Project of the Century* (Yale University Press, 2020), 12.

<sup>34</sup> Siegfried O. Wolf, *The China-Pakistan Economic Corridor of the Belt and Road Initiative: Concept, Context and Assessment*, Contemporary South Asian Studies (Springer International Publishing, 2020), 125–241, <https://doi.org/10.1007/978-3-030-16198-9>.

<sup>35</sup> Hassan Khawar explains the challenge of one, the public sector's "capacity" to facilitate investments, two, the national, regional and international "context" in which CPEC is being implemented, three, the "consistency" with which policies are pursued and implemented, and four, the need for effective "communication" to overcome negative propaganda. For more see, Khalid, "CPEC Not a Debt Trap."

<sup>36</sup> Maleeha Lodhi, ed., *Pakistan Beyond the "Crisis State"* (Pakistan: Oxford University Press, 2011), 349.

<sup>37</sup> Merilee S. Grindle, "Good Enough Governance: Poverty Reduction and Reform in Developing Countries," *Governance* 17, no. 4 (2004): 525–48, <https://doi.org/10.1111/j.0952-1895.2004.00256.x>.

<sup>38</sup> The six Worldwide Governance Indicators include voice and accountability; political stability and absence of violence; government effectiveness; regulatory quality; rule of law; and control of corruption. From 2009 to 2019, the percentile rank of Pakistan has improved on the political stability and absence of violence; government effectiveness; rule of law; and control of corruption metrics. There has been a small drop in the percentile rank on the 'voice and accountability,' and the 'regulatory quality' during the same time frame.

<sup>39</sup> Zara Qaiser and Alfred Wu, "Can Imran Khan Really End Corruption in Pakistan?," *The Diplomat*, May 2019, <https://thediplomat.com/2019/05/can-imran-khan-really-end-corruption-in-pakistan/>.

<sup>40</sup> Mohsin Hamid, "Why Pakistan Will Survive," in *Pakistan Beyond the "Crisis State,"* ed. Maleeha Lodhi (Oxford University Press, 2020).

<sup>41</sup> Farrukh Khan and Saba Karim, "How Imran Khan Helped Pakistan Step into Its Role as a World Player," *The Independent*, 2019, <https://www.independent.co.uk/voices/imran-khan-naya-pakistan-india-kashmir-us-iran-new-messages-a9121126.html>.

<sup>42</sup> Dawn, "Tax Revenues," June 2021, <https://www.dawn.com/news/1626865>.

<sup>43</sup> Khan and Karim, "How Imran Khan Helped Pakistan Step into Its Role as a World Player."

<sup>44</sup> Imrana Wazir, "2 Years of PTI Govt Performance Report (2018- 2020)" (Ministry of Information

and Broadcasting Government of Pakistan, August 18, 2020), <https://www.insaf.pk/news/2-years-pti-govt-performance-report>.

<sup>45</sup> The Heritage Foundation, "2021 Index of Economic Freedom -Pakistan," 2021 Index of Economic Freedom, 2021, [//www.heritage.org/index/country/pakistan](http://www.heritage.org/index/country/pakistan).

<sup>46</sup> World Bank, "Pakistan's Economy Shows Signs of a Nascent Recovery," World Bank, April 2021, <https://www.worldbank.org/en/news/press-release/2021/04/05/pakistan-s-economy-shows-signs-of-a-nascent-recovery>.

<sup>47</sup> Goldman Sach, "Beyond The BRICS: A Look At The Next 11," April 2007, <https://www.goldmansachs.com/insights/archive/archive-pdfs/brics-book/brics-chap-13.pdf>.

<sup>48</sup> "Ehsaas" is a comprehensive multifaceted, multisectoral, multistakeholder welfare program for achieving economic development. It provides a modifiable, flexible framework constituting a series of wide-ranging initiatives custom designed specifically for the marginalized people, communities and areas.

<sup>49</sup> World Bank, "Belt and Road Economics: Opportunities and Risks of Transport Corridors," World Bank, accessed June 21, 2021, <https://www.worldbank.org/en/topic/regional-integration/publication/belt-and-road-economics-opportunities-and-risks-of-transport-corridors>.

<sup>50</sup> These include Amnesty International and representatives of International Monetary Fund, the World Bank and Asian Development Bank. A report jointly prepared by the UNICEF, UN and the International Policy Centre for Inclusive Growth (IPC-IG) assessing social protection response to Covid-19 in Asia revealed Pakistan covering the highest number of responses to social protection primarily through Ehsaas program. For more see, The News, "Amnesty International All Praises for Pakistan Govt's 'Ehsas' Program," The News, 2019, <https://www.thenews.com.pk/latest/450044-amnesty-international-all-praises-for-pakistan-govts-ehsas-program>; The News, "International Donors Praise Ehsaas Emergency Cash Programme," The News, 2020, <https://www.thenews.com.pk/print/694676-international-donors-praise-ehsaas-emergency-cash-programme>; Global Village Space, "PM Imran's Ehsaas Program Makes Global Headlines as Best in Asia Pacific," Global Village Space, October 6, 2020, <https://www.globalvillagespace.com/pm-imrans-ehsaas-program-makes-global-headlines-as-best-in-asia-pacific/>.

<sup>51</sup> In 2021, following a meeting of Ambassador to China to Pakistan Nong Rong and the PM's Special Assistant Dr. Sania Nishtar, a Memorandum of Understanding (MoU) is under discussion between the Ministry of Commerce of the People's Republic of China and the Poverty Alleviation and Social Safety Division (PASSD) for the development of a platform for collaboration around poverty eradication.

<sup>52</sup> Lodhi, *Pakistan Beyond the "Crisis State,"* 352.

<sup>53</sup> Maleeha Lodhi, "The Government's Emerging Traits," *Dawn*, April 2021, <https://www.dawn.com/news/1617782>.

<sup>54</sup> World Bank, "Pakistan @ 100: Shaping the Future 2047," 84.

<sup>55</sup> Shahid Kardar and Hafiz Pasha, "Analysis: IMF Paints a Sombre Picture of Economy," *Dawn*, March 19, 2018, <https://www.dawn.com/news/1396195>.

<sup>56</sup> Khan and Karim, "How Imran Khan Helped Pakistan Step into Its Role as a World Player."

<sup>57</sup> *Ibid.*

<sup>58</sup> *Ibid.*

<sup>59</sup> World Bank, "Pakistan @ 100: Shaping the Future 2047."

<sup>60</sup> Ibid.

<sup>61</sup> Ibid.

<sup>62</sup> Lowy Institute, "Comprehensive Power Data - Lowy Institute Asia Power Index," Lowy Institute Asia Power Index 2020, accessed June 20, 2021, <https://power.lowyinstitute.org/data/power/>.

<sup>63</sup> Saeed Shafqat & Saba Shahid, *China-Pakistan Economic Corridor: Demands, Dividends and Directions* (Lahore: Centre for Public Policy and Governance, 2018), 83.

<sup>64</sup> John W. Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century* (University of Washington Press, 2001), 187 -188.

<sup>65</sup> Embassy of the People's Republic of China. "Senate of Pakistan Passed the Resolution to Support China's Fight Against COVID-19 Epidemic", Chinese Embassy, 10 February, 2020. <http://pk.chineseembassy.org/eng/zbqx/t1748075.htm>.



# Conclusion

China-Pakistan relations have undergone unprecedented transformation since the past century and are still evolving. China's two economic initiatives, the CPEC and the AIIB, have redefined the China-Pakistan relationship in the twenty-first century, allowing both countries to transform their bilateral cooperation into one that is multilateral, multifaceted and multidimensional. They have provided a new framework of cooperation, rejuvenating and strengthening China-Pakistan ties and opening new avenues of cooperation in a range of areas. This study shows that China-Pakistan relations have been expanding horizontally, beyond the traditional geo-strategic realm to at least four new realms: economic, technological, educational and cultural.

Economic ties have become the cornerstone of the China-Pakistan relationship. There have been three key defining moments that have strengthened and expanded China-Pakistan economic relations in the twenty-first century. First, the China-Pakistan Free Trade Agreement (CPFTA), Phase I in 2007 and Phase II in 2020, has strengthened the trade ties. Second, the launch of CPEC in 2015 has provided a stable framework of bilateral economic relations and opened new vistas of cooperation. Third, Pakistan's membership in China's AIIB in 2015 is helping fulfil the country's infrastructure needs. China is now an important market and significant provider of investment and capital in Pakistan, which also means an increased exposure of Pakistan to Chinese investments. However, despite this asymmetric economic interdependence, this study indicated that China's economic assistance has always corresponded to the economic need of Pakistan and is underscored by win-win outcomes and driven primarily by strategic common interests of both the countries.

China's technological superiority has helped strengthen China-Pakistan technological cooperation. Several Chinese tech giants, including

Huawei, Tencent and Alibaba, have made investments in Pakistan, and are becoming a key stakeholder in Pakistan's technology value chains. Chinese investments in the 'hard' technological infrastructure in Pakistan include, for instance, the construction of the Optic Fiber Cable (OFC), that is likely to bridge the digital divide, enhance accessibility, strengthen the ICT infrastructure especially in the peripheral and remote areas of Pakistan. For Pakistan, the Chinese investments are helping address the technological deficiencies, and for China, it is helping build its Digital Silk Road, a key component of its BRI. China and Pakistan are also investing in the 'soft' infrastructure, developing local talent ecosystems through a series of cross-border collaborative activities, and training and exchange programs in advanced ICT courses.

China-Pakistan educational cooperation ranges from collaborative projects at the primary level, such as the construction of China-Pakistan Gwadar Faqeer Primary School and Middle School in Balochistan, and at the higher education and tertiary-level, as well as across a range of other related areas, such as technical education and vocational training. China has become a popular study-abroad destination for Pakistani students, and in many ways a quick fallback option, offering a better alternative to the costly Western higher education and poor-quality Pakistani education. In the past one decade, from 2008 to 2018, the number of Pakistani students travelling to China has increased by six times. China has been incentivizing this educational exchange process by providing funding opportunities and linking its educational programs to the CPEC. Pakistanis are increasingly availing these educational opportunities to brighten their future career prospects and easily transition into the well-established Chinese job market and avail the job opportunities related to the CPEC projects.

Of all the dimensions of China-Pakistan relations, cultural connectivity remains the weakest. The people-to-people exchanges have remained limited; both countries neither exercise a strong diasporic impact nor are they popular migrant destinations for one another, though

they are increasingly becoming popular travel destinations. Information flows between China and Pakistan have also remained limited, with a limited reach and influence of their media houses in each other's media landscape. Through its Confucius Institutes, China is, however, trying to bridge the cultural divide. The Confucius Institutes are playing a critical role in promoting and facilitating the learning of Chinese language, breaking the language barrier and, hence, promoting people-to-people interaction. They are becoming a potent force of China-Pakistan cultural connectivity. Their operations are intertwining with the CPEC projects, and also facilitating China-Pakistan educational exchange programs. This is creating an enabling environment and boosting the need to learn Chinese language, with private schools and educational institutes increasingly opting in to provide Mandarin language learning courses to equip the students with future job and career opportunities with the Chinese.

In each of the four realms, economic, technological, educational and cultural, China-Pakistan relations have also expanded vertically, from the state-to-state level down to the people-to-people level. In the economic realm, independent private parties from both sides are joint venturing and connecting in a diverse range of areas. A glaring example of this is the joint venturing by private investors in the automotive sector. In the digital realm, Chinese tech giants and their Chinese native representatives have been engaged in developing local talent ecosystems, connecting people from both sides in today's digitized world. In the educational realm, the bilateral educational exchange programs provide a chance for cross-cultural communication between the Chinese and Pakistani students to learn, engage in dialogue and develop a sense of inter-cultural competency and harmony. In the cultural realm, an increased provision of, and enrollment in, Chinese language Mandarin programs indicates how the two countries are breaking the language barrier, thereby, furthering people-to-people contact. Hence, China-Pakistan interaction is no longer limited to a government-to-government and state-to-state level, as was typically the case in the past century. Instead, it is now seeping down to a people-to-people level, with China making meaningful inroads into the

lives of ordinary Pakistanis.

The twenty-first century augurs well for expansion, consolidation and for charting enduring and mutually rewarding partnerships between Pakistan and China. Cooperation during the pandemic has further reinforced that it is indeed an “all weather” friendship and dispels any notions of becoming a patron-client one. In order to positively utilize this opportunity, and translate this Chinese engagement for mutual benefits, it is imperative that Pakistan adopts sound policies and undertakes deeper and wide-ranging policy and governance reforms internally. Slowly, though still with inadequate planning and conviction, Pakistani leadership is, nevertheless, displaying a willingness to empower and strengthen the voice of citizens, all of which is likely to create a conducive governance environment, one that is decentralized, self-adaptive and enables reform. This will allow for a competitive yet constructive relation with China, allowing both the countries to take-off together as the main engine of growth for the Asian region and the world at large.



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