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Q.3

A decade of CPEC: Success and Failures

China Pakistan Economic Corridor is the flagship project of Belt and Road Initiative [BRI]. In July 2023, Pakistan and China celebrated a decade of this huge 64 billion dollar project. There is no doubt that CPEC has made significant contributions in the energy, infrastructure and transport sector of Pakistan. Beijing and Islamabad have formally agreed to start the second phase of CPEC. The second phase involves sustainable development, advancement of agriculture, renewable energy production and creation of specialised economic zones in various cities. Moreover, China Pakistan friendship provides Pakistan a much needed breathing space in the hostile neighborhood. Although CPEC has been claimed as a revolutionary project, the situation on ground seems a bit different. Pakistan is in a severe debt crisis. Unemployment and poverty are at an all time high. Industries are closing resulting in a huge trade deficit. The power plants

that were installed up under CPEC are running on imported coal. The economic corridor was meant to service the dwindling economy of this country, but it failed to achieve its goals. The failures and successes of CPEC don't only depend on the investment and efforts of Chinese. The reality is that Pakistan has not been entirely successful in capitalizing on the benefits of CPEC. The only way to maximize the benefits of this project is to make Pakistan internally stable. That is possible only if there is political and economic stability.

4. Contribution to Pakistan's Energy Sector:

→ Electricity shortfall in 2013: 10,000 MW
2024

→ Electricity Production installed capacity = 38,000 MW

→ Electricity requirement = 27,000 MW
[Statistics by National Transmission and Dispatch Centre]

In 2013, Pakistan was in the dark. People of that country were facing

loadshedding for more than 12 hours every day. Under CPEC, many energy generation projects were installed.

Pakistan is now producing electricity through coal, nuclear energy, oil, water, solar and wind energy. Both renewable and non-renewable sources of electricity were added in the system. Important powerplants which were installed are:

1- Coal Power plants

2- Nuclear power plants

K1	K2	} 1320 MW
C1		
C2		
C3		
C4		

3- Hydroelectric Power Plant:

Kumrat

Sukki Kinari

Sahiwal

4- Solar Power Plant

Quaid-e-Azam Power plant,

Bahawalpur

5- Wind Power Plant

Sindh and

Balochistan coastal Belt

2- Transportation and Infrastructure:

CPEC has made

Significant contributions to Pakistan's transportation and infrastructure. A network of roads and highways are built from Karachi to Gwadas. Important routes include Karachi-Sukkur motorway and Kohala-DEK motorway. **ML2**, the circular railway project will also start working soon. For economy and industry to prosper, good infrastructure and transportation facilities are required. China has always been a time tested friend of Pakistan. CPEC has played a great role in revitalizing Pakistan's roads and highways.

Gwadar Port:

The most important component of CPEC is the Gwadar port. Once this port is fully functional, Pakistan will become a transit corridor for South Asia, Central Asia and Middle East. Moreover, Gwadar Economic Zone is also under process. 5 powerplants have been installed in Gwadar. This has been critical for the province of Balochistan and its development.

Challenges and limitations of CPEC:

1. Rising debt ceiling:

Pakistan's total debt payments
from 2022 to 2026 = 77 B\$

Pakistan's debt payment to
China from 2022 to 2026 = 26 B\$
[United States Institute of Peace]

One main criticism on the billion dollar project of CPEC is that it has led to a grave debt crisis in Pakistan. CPEC could not increase the production of Pakistan's industrial sector. As a result, Pakistan is dependent on China and other allies for imports. This has led to the problem of imbalance of payments.

2. The threat of another East-India company:

As mentioned above, CPEC has increased Pakistan's dependence on its northern neighbour. China's excessive involvement in Pakistan often makes analysts wary

of its intentions. However, Pakistan is a sovereign country with autonomous institutions and the 7th best army in the world. It can defend itself against any intervention.

Inability to Improve Economy and Industry:

Despite bold promises, CPEC has not been able to deliver in terms of the economic and industrial boost. More than 50% of industries have been closed in Pakistan. Textile and sports industry, which was once the biggest industry of the country, is now on the verge of collapse. Similarly, economy is in dire situation. Most of the power plants are working on imported coal. 50% of foreign reserves of Pakistan are used up.

Conclusion:

Although CPEC has not been able to deliver as per expectations, the blame cannot be shifted to the project itself. Pakistan has to improve its security and political conditions. The state has to work of human

development to reduce its dependency of external aid.

Q. 4

KSA - Iran Rapprochement:

KSA - Iran bonhomie brokered by China is nothing short of a seismic change in middle east. The rivalry which destroyed middle east for decades finally ended, thanks to Beijing. In March 2023, the foreign ministers of China and the two rival countries met with each other. They decided to put back their differences and work together for the betterment of citizens of both countries. This rapprochement would have far reaching impacts on middle east. Pakistan would also be greatly benefited from this deal. It would bring much needed peace in middle east. After 1980, Arab spring turned into arab nightmare. From Syria to Yemen and Iraq to Libya, everywhere was in chaos. The crisis aggravated after US intervention in Iraq in 2003. Since

then, international powers have been using middle east for their vested interests. Along with bringing peace, this deal has also enhanced chinese global clout.

Influence on Middle East

1- Changes in Yemen:

Yemen has been a common battleground of USA and Iran. Iran has provided weapons and finances to the Houthis groups. Saudia calls Houthi groups as rebels and terrorists. USA finances the government of Yemen against Houthi groups. Houthis have also directly attacked on the borders of Saudia Arabia. The people of Yemen have been starving for peace.

2. Peace in Syria:

In Syria, civil war was going on for almost two decades. Saudia support the organization Free Syrian Army while Iran supported Bashar-al-Assad. Both countries were sponsoring their proxies in respective places. This deal would not solve the internal conflicts of Syria but would stop the foreign intervention.

3. Impacts on Lebanon and Iraq:

In Lebanon, Iran directly supports the Hizbullah group. Saudi Arabia supports the government. Iran would its supply line to reach Hizbullah. Iran and Saudi have been supporting their respective allies. The proxy wars in Lebanon would be put down by this deal. Similarly, Peace would also be ensured in Iraq.

4. China's Influence on middle east:

China is an unbiased broker. The deal directly doesn't bring much for China. But, it has a long lasting impact. US' role in middle east has always been linked to war. Iran, Iraq, Syria, all suffered greatly due to repeated interventions of US in middle east. US was one of KSA's largest oil importer. As US and middle east grew apart, China skillfully filled this vacuum. Despite sanctions, China has entered into a \$400 B\$ trade deal with Iran. China is building NEOM city in Saudi Arabia. It is becoming one of the largest import and export markets for UAE.

5. Declining US' role in middle east:

With the increasing clout of China, US' role in middle east would decline. For long, US has been trying to make a deal between Israel and Palestine. However, after this pact, it would become very difficult for KSA to join hands with Israel as Israel is Iran's worst enemy in middle east.

Impacts on Pakistan:

End of Sectarian Conflicts:

Pakistan is a heterogeneous society. It is the diversity of the country which makes it beautiful. Some people follow sunni-Islam and some follow Shia-Islam. People in Iran mostly follow Shia-Islam while people in KSA mostly follow sunni-Islam. Because of the ongoing rivalry between Iran and KSA, some anti-state elements would whip up the emotions of people in Pakistan. That would lead to sectarian conflicts and rivalries. KSA-Iran rapprochement would also bring peace in Pakistan by ending these sectarian conflicts.

A clearer foreign policy:

Islamabad had

balance the relationships with both countries. Any closeness with one would strain ties with the other. With this deal, Pakistan could make a clearer and more dynamic foreign policy. This would decrease Pakistan's isolation on the international stage.

Economic Prosperity:

Pakistan receives more than 2 billion dollars worth of remittances from middle east. Pakistan is in various bilateral trade agreements with both countries. This deal would make a chance for a trilateral agreement between Iran, Pakistan and Saudi Arabia.

Conclusion:

Iran-KSA rapprochement has changed the geopolitical scenario of middle east and Pakistan. It has brought much needed peace and middle east. Moreover, Pakistan also has great opportunities with KSA and Iran after this deal.

Q. No 6

Pak-Afghan relation:

Pakistan and Afghanistan share a checkered history. There were brief periods of reconciliation followed by

years and decades of hostility. Currently, the conditions in both countries are unfavourable. The Afghan govt is dealing with multiple internal crisis as well as international isolation. On the other hand, Pakistan is trying to sustain its economy amid the dire fiscal crisis. In the meantime, terrorist attacks have started in Pakistan once again. In the wake of rising insurgency, the govt of Pakistan decided to send illegal immigrants back to Afghanistan. In the contemporary scenario, it has become imperative for the two countries to resolve their conflict if they want to prosper.

1. Strain in Pak-Afghan relation: Cause

1- Rising Insurgency in Pakistan:

" 79% increase in insurgency in Pakistan during the first six months of 2023 "

Pakistan Institute of Conflict and Security Studies

Since the Afghan Taliban took over and US army withdrew from Afghanistan

there has been a rise in terror attacks. In last year, hundreds of soldiers died in these attacks. Most notably, these attacks are done on armed forces and police officials: CID Barru office, Mianwali Airbase, security official in Bajaur etc.

2. Afghan's reluctance to take action against terrorist fragments:

TTP have indirect links with Afghan Taliban. Afghan soil is being used to destroy peace in Pakistan. When US left Afghanistan, they left a plethora of sophisticated weapons. These weapons are equal to the caliber of NATO weapons. According to a report by Pentagon

7 Billion dollars worth of weapons were left by US army in Afghanistan

Despite proof and repeated dialogue, Afghanistan has not taken any action against terrorist on their soil.

3. Cross Border Smuggling and The issue of fencing:

Pak-Afghan border has become the hub of smuggling in the country

Not only weapons, but billions of dollars of goods are also smuggled across the border. Pakistan thus suffers in terms of economy as well as safety.

Issue of illegal Afghan refugees:

Pakistan has hosted more than 4 million Afghan refugees for more than two decades. The country and its citizens openly welcomed these Afghan brothers and sisters. They were provided shelter, peace, security and the means of livelihood. However, the situation is now changed. There is an Afghan led Afghan govt in Afghanistan. Pakistan govt. is only sending back illegal migrants. Some of them have been involved in crimes as well as terrorist activities. The decision of Pakistani govt to send Afghans back is strategic. Afghan govt. has been hostile in response to this policy.

Pak-Afghan Reconciliation: The way forward

One cannot change one's neighbors. Both Kabul and Islamabad have to re-engage and carry out a

diplomatic solution. Pak-Afghan relations bear a historical scar as well. Both have seen the repercussion of their diplomatic mistakes as well. In the year 2023 **Afghanistan-Pakistan-Uzbekistan** tripartite **railway project** was announced. Such agreements would boost the economic situation of both countries. Similarly, Kabul and Islamabad should make a peace treaty as well. They should launch combined military exercises and try to combat the anti-state elements on both sides of the border effectively.

Q.7

Socioeconomic future of Pakistan and The reforms in power sector:

The power sector of Pakistan has become a white elephant. It has exhausted the already scarce financial resources of the country. From industry to commercial and domestic sector, power is an essential requirement. Pakistan has been blessed with thousands of tons of natural gas and coal. The inability to extract and effectively utilise fossil fuels has

devastating impacts on the socioeconomic future of Pakistan. The country is dependent on imported fossil fuels. While the world is transitioning to renewable sources, Pakistan does not have the capacity or the resources to undergo a transition right now. As the bulk of budget is used in energy payments, a small share is left for social development.

The perils of Pakistan's power sector:

1. Imported fossil fuels:

Pakistan is producing 60% electricity from coal. Most of this coal is imported from outside. An already dwindling economy is being extracted and drained of its

fiscal reserves. According to ministry of finance:

Annual Budget : 14 Trillion PKR

Repayments : 7 Tr. PKR

Close to 50% of the entire budget is used for balancing debts and foreign payments.

2. Taxes and tariffs.

In July 2023,

IMF agreed to lend Pakistan 3 B \$. However, the money was given with strict and stringent conditions. ~~POGRA~~ NEPRA was ordered to increase the levy on petrol. NEPRA increased the taxes and tariffs on electricity. Gas prices were almost doubled. In a country where more than 40% are living in poverty, these taxes were nothing short of extortion.

3. Power Shortfall and Industrial Shutdowns:

Although Pakistan has more than enough electricity generation capacity, it doesn't have the money to do so. Hence, despite having 7,000 MW additional electricity, there is loadshedding. Not only electricity, natural gas is also getting scarce. In many areas of Pakistan, gas is only available for 3-4 hours everyday. Due to this shortfall, industries are shutting down their operations in Pakistan. Auto companies like Honda and Toyota closed their operations. Similarly, technology industry which has potential to revive Pakistan's economy, is also struggling. Textile units are being closed. The production base of country is at a drastic low.

Reforms in Power sector:

1. self sufficiency:

Pakistan needs to explore its options. Its neighbors India and China are two of the largest burners of coal. The province of Balochistan has plenty of coal reserves. Although the world is transitioning away from fossil fuels, the transition is not possible without economic growth, which in turn is dependent on energy. The west built its industries on the fossil fuels of middle east. Pakistan has to extract these resources and utilize them effectively.

2. Shift to renewable energy:

Pakistan is blessed with a 1400km long coastal belt. It has one of the best climatic for solar energy production. Efforts should be made to construct more dams and produce hydroelectricity. Similarly, the options of biomass and geothermal energy should be explored.