

:Dr. Matthew McCartney, Senior Researcher at the Charter Cities Institute and the author of *The Dragon from the Mountains: The CPEC from Kashgar to Gwadar* (Cambridge: Cambridge University Press, 2021), was invited by the CPPG for a webinar on “**Transformations in Pakistan’s Political Economy and CPEC**” on February 17, 2022.



The session began with the Director of CPPG, Dr. Saeed Shafqat, providing a context for China’s Belt and Road Initiative (BRI) within the larger US–China geopolitical rivalry spanning technology, economy, culture, and cyber activities. He then asked Professor McCartney about the potential ramifications of the BRI, including the China–Pakistan Economic Corridor (CPEC) for Pakistan.

McCartney commenced the discussion by emphasizing his interest in the economic dimensions of CPEC. He underscored CPEC’s pivotal role within the broader framework of the BRI, its geographical significance, and the economic impact of the western and eastern routes on Pakistan’s regions. He expressed that CPEC promised to be a pathway of regional connectivity that will benefit China and Pakistan and positively impact Iran, Afghanistan, India, the Central Asian republics, and the region. Underscoring the significance of CPEC, he said that the project’s aim is to enhance geographical linkages, focusing on an improved transportation system and promoting people-to-people contact through academic, cultural, and knowledge activities. He added that Pakistan’s regional and global position is also likely to see a strong boost with the positive conclusion of CPEC. The success of

CPEC is also crucial for the geopolitics of South Asia as strengthened Sino-Pak relationship may trigger concerns for India.

According to McCartney, the success of CPEC is hoped to normalize ties between Afghanistan and Pakistan. China, Pakistan, and Afghanistan signed a trilateral understanding on enhancing counterterrorism security cooperation. In this context, he highlighted the need for a deeper understanding of CPEC’s potential impact on mainstream regions.

He added that initially, CPEC was estimated to cost about \$46 billion, approximately 70% of which was being invested in energy, 8% in rail, 13% on roads, and 4 to 5% in Gwadar. But by 2017, the estimate had bumped up to \$60 billion. He acknowledged the impact of the COVID-19 pandemic, which sparked discussions on scaling back investments.

Additionally, McCartney had observed a discernible shift in economic dialogues during his travels to Pakistan spanning fifteen to seventeen years. The conversation, which had earlier been dominated by discussions on U.S. and IMF programs, has evolved to trade relations with China in recent years, reflecting the changing dynamics of global economic partnerships and the growing significance of China in economic discourse. He highlighted the polarized opinions generated by CPEC, particularly among politicians, which underscored the complex socio-political landscape surrounding the project, where diverse perspectives and interests intersect. Acknowledging these nuanced viewpoints laid the groundwork for a more comprehensive understanding of CPEC’s reception and impact within Pakistan.

Diving into the intricacies of his research methodology, McCartney expounded a two-pronged approach: the first involved an examination of historical and contemporary case studies, unraveling the impact of large-scale infrastructure projects on social, human, and economic development, and the second delved into pre-existing studies, providing a baseline understanding of the economic context before and after the implementation of significant infrastructure projects. Based on this approach, he countered the scholarship that portrayed CPEC as Pakistan’s absolute savior.

It is hoped that CPEC will completely transform its economy. Ethiopia is an example to learn from. Ethiopia regards itself as an important country and gets aid from different donors. This gives Ethiopia the upper hand, and it can dictate its own agenda. Pakistan should also leverage its 200+ million population and nuclear power and try to assert its diplomatic power and not rely only on one donor. While acknowledging the CPEC's role in addressing key constraints in investment, economic growth, production, and manufacturing, he underscored the indispensability of robust domestic policies to address challenges related to education, skills acquisition, long-term credit, political uncertainty, and property rights protection in harnessing the full potential of CPEC.

For future research, he envisioned a four-country comparative study encompassing Pakistan, Ethiopia, Sri Lanka, and Zambia to unravel the impacts of Chinese-led large infrastructure projects on diverse economic landscapes. Each of these countries have a unique economic trajectory and geopolitical positioning, which promises a rich tapestry of insights into BRI's global impact. Zambia and Ethiopia, both landlocked, faced distinct challenges in their industrialization processes. Sri Lanka and Pakistan, as transit states connecting to key ports, presented unique dynamics in their economic structures. Further, Ethiopia's sustained economic growth and Sri Lanka's successful upgrading of textile export structures contrasted with Zambia's stalled industrialization and Pakistan's shift towards de-industrialization. Adding a geopolitical layer, McCartney emphasized the significance of Ethiopia and Pakistan in global politics. With its diplomatic reach in Somalia and South Sudan, Ethiopia stood in contrast to Pakistan's economic penetration into Afghanistan and Western China. Both countries, he noted, possessed immense potential for leveraging their geopolitical positions to maximize benefits in terms of diplomatic influence and trade negotiations.

McCartney further underscored the differing mainstream perceptions of Chinese investment in these four countries. While Ethiopia viewed it as successful, Sri Lanka's experience with the Hambantota Port was often portrayed as a cautionary example of failed Chi-

nese investment. Zambia, meanwhile, exhibited mixed views, and Pakistan's evaluation remained ongoing as the project unfolded. According to McCartney, this comparative lens offered a nuanced understanding of the diverse outcomes and perceptions of Chinese-led infrastructure investments.

Ambassador Masood Khalid, former Pakistan's Ambassador to China, emphasized the potential of CPEC in leveraging Pakistan's geopolitical advantages and trade activities. While appreciating McCartney's thorough analysis, he disagreed with some of his reservations, highlighting the transformative potential of Chinese-built railway infrastructure, exemplified by the ML1 project, which would modernize the 1800 km plus railway system from Peshawar to Karachi.

The session was followed by a dynamic questions and answers session. Answering a question regarding the potential increase in Pakistan's economic dependence on China due to CPEC, McCartney acknowledged the likelihood of increased dependency on military supplies, trade, technology, and donor relations. However, direct access to Gwadar's export linkages and diversified trade partnerships, particularly with Central Asia, were identified as avenues for Pakistan to mitigate economic dependencies.

Regarding a question about the extent of skills and technology transfer facilitated by CPEC, McCartney acknowledged the significant employment opportunities generated for unskilled Pakistani workers, who constituted around 80 percent of the workforce in Chinese infrastructure projects. Further, there was an exchange of human resources from both countries, which led to mutual training and skills development.

In conclusion, McCartney emphasized big infrastructure projects' inherent nature to generate winners and losers. The key lay in deploying policy mechanisms to address and level off the distributional impacts of CPEC for a more equitable and widely accepted implementation of this large-scale infrastructure project.