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The China-Pakistan Economic Corridor and the Gulf Crisis

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Abstract

The China-Pakistan Economic Corridor (CPEC), initialed in 2013, is among China's biggest foreign policy and investment commitments. It links China's Xinjiang Province with the Arabian Sea overland through Pakistan by three major new transportation corridors, supplemented by new power plants fueled by both renewables and coal, and establishing new industrial parks and trade zones. The project could transform Pakistan, but it also has clear implications for the Gulf States and after the outbreak of the Qatar crisis in 2017, CPEC became an arena of competition for the Gulf States.

Juan Cole short bio

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Introduction[1]

On July 5, 2013, during a visit to Beijing by newly elected Pakistani Prime Minister Nawaz Sharif, China and Pakistan signed a Memorandum of Understanding on the China-Pakistan Economic Corridor (CPEC). Sharif, a steel magnate, had a special interest in growing the Pakistani economy, and was persuasive to a wary Beijing. In the aftermath, Pakistan planned out the building of three corridors, a western, central and eastern alignment, linking China's Xinjiang Province with the Arabian Sea overland through Pakistan. The corridors would be supplemented by new power plants fueled both by renewables and coal and new industrial parks and trade zones.[2] The project has clear implications for the Gulf states, and with the advent of the blockade of Qatar in 2017 by Saudi Arabia, Bahrain, the UAE and Egypt, the CPEC project became an arena of competition for the Gulf states. At the same time, in the cold light of day, that much of the billions in Chinese investment would come as loans or with strings attached gave some critics in Pakistan pause. Voices in the United States warned of an imperialist Chinese "debt trap."[3] Inviting Gulf investment was one way for Islamabad to allay these fears, since third-party investors would involve greater transparency.

Pakistan has long sought strategic rent to offset its disadvantages, as a Muslim-majority state in Hindu and Buddhist South Asia, as a country with a much smaller population than its principal rival, India, and as a resource-poor country in danger of being dominated by regional hydrocarbon states. CPEC itself offered the prospect of help along all these dimensions. As for China, some believe that it is going for a "big bang" in Pakistan, initiating a set of far-ranging changes that will have an exponential rather than merely serial effect on the economy. In turn, the hope is that a new prosperity will lessen the dangers of Pakistani-based religious radicalism, which could spread to Xinjiang.[4] China considers Pakistan an "all-weather strategic partner" and deems it a "four good country," that is, it is a good neighbor, a good friend, a good comrade, and a good partner. Of the South Asian nations, Pakistan is the most enthusiastic about One Belt, One Road, of which CPEC forms an essential leg.[5] On the other hand, critics wonder if China will ever recover even a fraction of its investment in Pakistan as an economic matter, and consider the entire project a form of influence-peddling or, in other words, strategic rent for diplomatic gain.[6]

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[1] A very early draft of this paper, then focused on the inception of CPEC, was presented at the 2nd Annual International Conference on China and the Middle East: Neoliberalism with Chinese Characteristics and Political Transformations in the Middle East, Qatar University, March 23-24, 2016, hosted by the College of Arts and Sciences, Qatar University, Doha, March 23-24. My thanks to Tugrul Keskin, Abdullah Baaboud, Mahjoob Zweiri, Luciano Zaccara and other conference participants for their comments at that time. My thanks also to an anonymous referee, whose comments helped me improve this piece.
[2] Atia Ali Kazmi, "The Trajectory of China-Pakistan Commercial Cooperation and the Economic Corridor," *Strategic Studies* 4, 1 (2014): 117-146.
[3] John Pomfret, "China's debt traps around the world are a trademark of its imperialist ambitions," *The Washington Post*, August 28, 2017. https://www.washingtonpost.com/news/global-opinions/wp/2018/08/27/chinas-debt-traps-around-the-world-are-a-trademark-of-its-imperialist-ambitions/?noredirect=on&utm_term=.7c17982727bc
[4] Tai Wei Lim, "Strategic Partnership: The China-Pakistan Relations," in Tai Wei Lim, Henry Chan Hing Lee, Katherine Tseng Hui-Yi, and Lim Wen Xin, *China's One Belt One Road Initiative* (London : Imperial College Press, 2016), pp. 283-287.
[5] Wu Zhaoli, "South Asia and the Belt and Road Initiative: Opportunities, Challenges, and Prospects," in Jie Zhang, ed., *China's Belt and Road Initiatives and Its Neighboring Diplomacy*, trans. Mengqi Xu (Singapore: World Scientific Publishing, 2016), 177-202, at 179, 184-85.
[6] Miller, *China's Asian Dream*, chap. 5.

The costs of the project made it attractive for Pakistan to seek further rent from regional hydrocarbon states, advertised as joint investments with the Chinese, as a way of offsetting the risks of a debt trap. The crisis within the Gulf Cooperation Council of oil and gas-rich monarchies that broke out in 2017 presented Pakistan and China both with complications and with opportunities. Would the crisis consume the states involved or would it give them reasons to offer further strategic rent to Islamabad? How would the increasing attempts by Saudi Arabia from about 2015 to emerge as a regional hegemon play into the new interest of China in the Greater Middle East? What would be the impact of Chinese policy on a Saudi vision of bipolarity between itself and Iran in the region?

CPEC and One Belt, One Road

The CPEC plan was cemented in an April, 2015, when Chinese President Xi Jinping made a state visit, full of pomp and circumstance, to Pakistan.[7] At that time, Xi pledged $46 billion in investments in the country, dwarfing the US Congress's $7.5 bn. program initiated in 2008. Whereas some 70 percent of US aid was military, China's proposed investment was divided between $11 bn. in infrastructure and $35 bn. in energy. During the visit, President Xi underscored that Pakistan had been his country's friend back in the 1960s when China was isolated on the world stage, and called Pakistan China's "Iron Brother." In the 1960s India and China had had a brief border dispute, and Pakistan and India have had a long term set of struggles over Kashmir, so Pakistan and China allied, in part against India. China and Pakistan have been close for decades, and the Pakistani officer corps regularly consulted with Beijing on security issues.[8]

The focus of CPEC is regional development for China and stabilization for Pakistan. The northwestern Xinjiang Province (pop. 22 mn.) has faced marginalization and a small separatist movement by the Uygur Muslim minority, which China sees as stirred up by the US Central Intelligence Agency. Some Uygurs went to Afghanistan to join the Taliban. Beijing has dealt with that separatism in part by settling Han Chinese there in large numbers and in part by crackdowns. But the Communist Party seemed to hope that new forms of economic advance would bring prosperity and tranquility. Xi said, "Our cooperation in the security and economic fields reinforce each other, and they must be advanced simultaneously." China has decided to develop, and perhaps quieten, its northwest by turning Pakistan into a sort of Hong Kong West. Hong Kong played an important role as a gateway for certain kinds of foreign investment into China. In the same way, Pakistan can be a window on the world and a conduit for oil, trade and prosperity into northwestern cities such as Urumqi and the smaller Kashgar (pop. 1 mn.), which is only about 2000 km. from Gwadar. It is much more likely that CPEC is intended to stabilize Pakistan and grow the economy of Xinjiang, thus helping to stabilize it as well, than that it is a means of getting energy to China's distant east coast, as some observers have speculated. On

[7] "Chinese president addresses Parliament, hails Pakistan as 'Iron Brother'," *The News*, April 21, 2015 https://www.thenews.com.pk/latest/3587-chinese-president-addresses-parliament-hails-pakistan-as-iron-brother.
[8] Andrew Small, *The China-Pakistan Axis: Asia's New Geopolitics* (London : C. Hurst & Co., Ltd., 2015); Ghulam Ali, *China-Pakistan Relations: A Historical Analysis* (Karachi: Oxford University Press, 2017).

the east coast, in any case, the CPC has ambitious plans for promoting electric vehicles powered by wind and solar, and so envisages declining petroleum needs over the next few decades.

CPEC is part of President Xi Jinping's "One Belt, One Road" initiative, sometimes called "the new Silk Road," which has both an overland and a maritime component.[9] To the extent that Chinese firms will be investing in factories and other facilities in Pakistan, the initiative also accords with another Xi project, "Go Out!" -- an imperative to Chinese industry to begin relocating to countries with cheap labor and inexpensive overhead, as urban China itself becomes middle income. Growing Pakistan's economy and the founding of Chinese factories there will help fulfill the goals of "Go Out!" Again, CPEC may not be envisaged as having a significant impact on the Beijing megalopolis, but may rather be intended to share around the wealth regionally.

This plan, to which China had by 2019 pledged $63 billion in aid and private investment, had four components. $34 billion has been earmarked for energy, $11 billion for infrastructure, $800 million for Gwadar Port itself, and more for "industrial zones," which will be the last projects to be implemented.[10] The initiative envisages building a 3,000 km-long "network of highways, railroads, oil pipeline and links of optical fibers" and will link Kashgar in China's north-western autonomous region of Xinjiang to Gwadar Port in Pakistan.[11]

The project provoked not only new optimism about Pakistan's ramshackle infrastructure and inadequate economic growth but also substantial opposition. The opposition came initially from three quarters: radical separatists or Muslim fundamentalist forces in Balochistan and Khyber-Pukhtunkhwa, regional political figures and parties fearful that the Punjab-oriented central government of Muslim League (N) leader Nawaz Sharif (2013-2018) would slight them in the planning of the corridors.[12] Rival India saw the plan as a direct security challenge because some of the new routes and investments would be made in Pakistan-controlled Kashmir. Imran Khan, prime minister from August, 2018, doubled down on the project, and began involving the Gulf states as a "third party."

Since partition in 1947, India and Pakistan have been at loggerheads over Muslim-majority Kashmir, and they have fought three wars and a police action over it. The bulk of this former princely state of British India forms the Indian state of Kashmir. Pakistan has about a third of Kashmir, which it terms "free" (Azad Kashmir), and its elites decided to use the CPEC to develop this disputed territory and to bind it more closely to Pakistan. After the project was announced, Indian External Affairs Minister Sushma Swaraj announced that Indian Prime Minister Narendra Modi, a Hindu nationalist, "very strongly" remonstrated with Beijing on a visit there in spring of 2015 and branded the plan "unacceptable."[13] In June of 2015, Pakistan's *The News* reported that at an all-parties conference, Foreign Office spokesperson Qazi

[9] Tom Miller, *China's Asian Dream: Empire Building along the New Silk Road* (London: Zed Books, 2017); Muhammad Iqbal Chawla, "Belt and Road Initiative: Regional and Global Dimensions," *Journal of Political Studies* (Lahore) 25, 1 (Summer 2018): 81-94.

[10] Ishrat Hussein, "CPEC: What it has achieved so far and what the future holds," *Dawn*, June 6, 2018, via http://www.cpecinfo.com/news/cpec-what-it-has-achieved-so-far-and-what-the-future-holds/NTQ1Mw==.

[11] Shazia Kousar, Abdul Rehman, Mahwish Zafar, Kamran Ali, and Nadia Nasir, "China-Pakistan Economic Corridor: a gateway to sustainable economic development," *International Journal of Social Economics*, 45, 6 (2018): 909-924.

[12] Maham Hameed, "The politics of the China-Pakistan economic corridor," *Palgrave Communications* 4, 1 (Dec 2018): 1-10.

[13] "Pakistan Army chief hits back over Indian minister's remarks," *Express Tribune*, 10 June 2015, via Lexis Nexis.

Khalilullah observed that Pakistan is "well aware of India's alleged plans to sabotage the China-Pakistan Economic Corridor project and its campaign against the corridor."[14]

One Indian riposte to the Chinese refashioning of Gwadar on the coast of Balochistan as a major port is a project of its own at Chabahar in Iran. This Iranian port could be developed as a trade entrepot on the Persian Gulf and a port of call for the Indian navy, and gas pipelines from Central Asia could be built to it. The future of Chabahar and especially of any prospect for the installation of liquefied natural gas (LNG) technology there, allowing gas to be shipped to India, was thrown into doubt by the Trump administration’s 2017 violation of the 2015 Joint Comprehensive Plan of Action or nuclear deal. For its part, Tehran sees CPEC as a positive, and perhaps a hedge in case Washington can dissuade India from pursuing Chabahar. Iran's foreign minister, Javad Zarif attempted to downplay this Indo-Chinese rivalry in Pakistan and Iran. "Economic development in Pakistan's Balochistan is in Iran's interest and economic development in Iran's Sistan Balochistan is in Pakistan's interest," he told Pakistan's *The Nation* in summer of 2015. He denied that Iran opposed the CPEC, and, indeed, suggested that both it and the Charbahar Indian project could add to the prosperity of Pakistani Balochistan and Iran's Sistan and Baluchistan Province, tamping down extremism.[15] (Iran has faced bombings in Zahedan, the capital of Sistan and Baluchistan, by the Baluch separatist group Jundullah, allegedly with Israeli backing).

The challenge from the Pakistani Taliban and the radical Haqqani group to stability in the country, and to the viability of the eastern alignment corridor, was a form of blowback. Pakistan's Inter Services Intelligence had cultivated non-state militias of a Muslim fundamentalist bent to project Pakistani power into, and to disrupt rival governments, in Afghanistan and in Indian Kashmir. The groups, however, proved impossible to control and they did not confine their activities to neighboring countries, instead hitting Pakistani military and soft targets, as well. From summer of 2014, Pakistan's military abruptly broke with the Haqqani group in North Waziristan, which had earlier been treated with kid gloves, and began bombing its bases and safe houses with F-16s. From 2009, in part at the insistence of the Obama administration, Pakistani forces had already attempted to reduce the power of the Movement of Pakistani Taliban (Tehrik-i Taliban Pakistan or TTP), largely centered in the Mahsud tribe in south Waziristan. Initially, the 2014 and after crackdown on the Haqqanis and other former allies produced a violent response, as with the fall, 2015, attack on an elementary school for the children of the officer corps in Peshawar. But over time, the radicals have been substantially curbed. Moreover, it seems obvious that such a development was necessary for the implementation of the CPEC, part of which is to run through Khyber-Pukhtunkhwa where the Pakistani Taliban had been most active.

China's investment in Pakistan, according to prominent and well-connected columnist Najam Sethi, was premised on a significant change in Pakistani military strategy, whereby they turned against using private terrorist groups such as the Haqqani group as proxies in

[14] *The News*, via BBC Monitoring Pakistan morning media roundup 29 May 2015, Lexis Nexis.
[15] "Iran minister says country's ties with India cannot affect Pakistan negatively," *The Nation* (Pakistan), 14 August 2015, via BBC Monitoring, Lexis Nexis; see also Reumah Suhail, “Developing Alliances: Emerging Trade Routes in the Arabian Sea,” *Middle East Policy*, 25 (2018): 77-85.

Afghanistan. in an April, 2015 interview on the Geo satellite news channel, "Sethi said China realized that Pakistan's military establishment had made a ‘paradigm shift’ in its stance of using non-state actors in Afghanistan and the Indian-administered Kashmir, and it was now going to cooperate with Afghanistan taking it as an independent country, and that was why, it pledged that amount."[16]

The CPEC includes a set of infrastructural projects including roads, rail, pipelines and power plants. The road from Gwadar Port in Balochistan will extend to Islamabad and then link up to an expanded and refurbished Karakoram highway to Kashgar in China's Xinjiang. A gas pipeline beginning in Gwadar will follow a more northerly route through Khyber Pukhtunkhwa but ultimately will also parallel the Karakoram Highway and go to Kashgar. Some observers believe that China is seeking to ensure its energy security with these overland pipelines, since otherwise its fuel arrives by ship via the Straits of Molucca between Singapore and Malaysia, a waterway controlled by the US navy.[17] Others have pointed out that it is unlikely that Gwadar oil pipelines can service the distant Chinese east coast, and that the Molucca dilemma cannot be overcome in this way.

The windfall of Chinese investment immediately became a political football among Pakistan's factious political parties. In April of 2015, soon after Xi’s visit to Islamabad, former prime minister Asaf Ali Zardari, of the Pakistan People's Party, warned the central government not to have all the roads out of Gwadar go through Punjab rather than through the poorer provinces such as Sindh (Zardari’s and the PPP’s power base).[18] That demand was taken up by a wide range of political figures and parties in regions outside Punjab, and by late May Nawaz Sharif convened an all-parties conference where he reaffirmed that the route would run through Balochistan and Khyber-Pukhtunkhwa, linking Gwadar to Khunjerab.[19] Sharif's assurances did little to quell provincial apprehensions. In late 2015, regional politicians were still warning the center on this issue. In Peshawar, Aftab Ahmad Khan Sherpao, the leader of the Qaumi Watan Party, said that "Amendments in western route of China-Pakistan Economic Corridor would be strongly opposed."[20]

Local suspicions abounded, especially in Balochistan.[21] Akhtar Maingal, a Baloch political leader and former chief minister of the province, staged a news conference in Quetta in which he charged that the central government had not "taken Balochs in confidence on Gwadar port." He asked the government to give Baloch their "due rights" and to deal with their reservations. He appears to have been speaking on behalf of locals who feared that the rise of the port would marginalize Baloch in their own province rather than benefiting them.[22] In

[16] "Chinese investment in Pakistan part of Beijing's global outreach policy - expert," "Aapas Ki Baat" hosted by Muneeb Farooq and Najam Sethi, Geo News TV in Urdu at 1705 GMT on 26 April, 2015, BBC Monitoring, April 28, 2015 via Lexis Nexis.

[17] Prakash Singh, "China's Troops in Pakistan May Be an Attempt to Bypass US at Sea," AFP, March 15, 2016 http://sputniknews.com/asia/20160315/1036332023/chinese-troops-sighted-pakistan-analysis.html.

[18] Naveed Miraj, "Chinese investment: Zardari cautions govt on corridor issue," *The Tribune Express*, April 27, 2015 http://tribune.com.pk/story/876494/chinese-investment-zardari-cautions-govt-on-corridor-issue/.

[19] *The News*, via BBC Monitoring Pakistan morning media roundup 29 May 15, Lexis Nexis.

[20] Khyber TV report, summarized in "Programme summary of Pakistan's AVT Khyber News 1600 gmt 6 Dec 15," BBC Monitoring, December 8, 2015 Tuesday.

[21] Ali Haider Saleem, “CPEC and Balochistan: Prospects of Socio-political Stability,” *Strategic Studies* (Islamabad) 37, 4 (Winter 2017):118-132.

[22] Khyber TV report, summarized in "Programme summary of Pakistan's AVT Khyber News 1600 gmt 6 Dec 15," BBC

January, 2016, Maingal convened a multi-party summit in Quetta at which Baloch politicians expressed reservations over the CPEC. *Dawn* (Karachi) said that they "asked the prime minister to 'fulfil promises' as well as ensure timely completion of projects."[23] In response, Islamabad denied having discriminated against any province. Apparently distressed at this center-province conflict, the Chinese embassy urged Pakistan's political parties to "create favorable conditions" for the completion of the CPEC. This reprimand to Baloch politicians like Maingal constituted yet another level of Chinese involvement in provincial politics.

While some politicians in Balochistan, which has only 5 percent of Pakistan's population and is generally less developed, wanted to ensure that the pipeline tolls and the benefits of new transportation routes did not pass their province by, separatist forces in the province appear to have feared that the CPEC would bind it more closely to Pakistan. Officials in Beijing warned that terrorist attacks by Baloch insurgents could thwart the project. There were also fears that external powers might fund Baloch separatists to disrupt the Gwadar to Quetta eastern alignment, on which work had already begun in 2015.[24] At a meeting in June, 2015, with the Chinese Vice Minister of the Ministry of State Security, Dong Haizhou, at the General Headquarters in Rawalpindi, Army chief of staff Gen. Raheel Sharif attempted to reassure China that there would no security hurdles to the completion of the corridor. In February of 2016, the Pakistani army announced the formation of a 10,000-strong division intended to safeguard Chinese citizens and facilities along the corridors.[25] By 2016 there were some 14,000 Chinese engineers and other professionals in Pakistan, working on over 200 projects, and that number rose to 20,000 by early 2019. By 2019 China was building an enormous gated district in Gwadar, scheduled for completion in 2022, where 500,000 Chinese were expected to live while they worked in the financial zone Beijing is establishing at the port. It will be the largest Chinese city in South Asia.[26]

The proposition that the CPEC will create new jobs in Balochistan became a mantra in Islamabad. On a visit to Quetta in fall of 2015, Pakistani ceremonial president Mamnoon Hussain emphasized that in 2016 Pakistan hoped to add 3,000 megawatts of electricity to the national grid, and 7,000 megawatts by the end of 2017. "He said the Dasu and Basha dams would generate 4,500MW each and the latter would also conserve water." Hussain expressed the hope that with this additional power, Pakistan could avoid the brown-outs (termed "load shedding" in South Asian English) that plagued the country until that point. (Indeed, in summer of 2015 Karachi and parts of Sindh and Balochistan experienced a complete electricity blackout). Although Hussain did not say so, it should be underlined that insufficient electricity is a substantial drag on industrial development, since factories cannot be profitable if they keep losing power, or if they have to pay extra for kerosene-fueled back-up generators, which are

Monitoring, December 8, 2015 Tuesday.

[23] *Dawn* report summarized in "Pakistan morning headlines: Saudi deputy crown prince visit, Afghan talks," BBC Worldwide Monitoring, January 11, 2016, Lexis Nexis.

[24] "Pakistan Army chief hits back over Indian minister's remarks," *Express Tribune*, 10 June 2015, via Lexis Nexis.

[25] Prakash Singh, "China's Troops in Pakistan May Be an Attempt to Bypass US at Sea," AFP, March 15, 2016 http://sputniknews.com/asia/20160315/1036332023/chinese-troops-sighted-pakistan-analysis.html.

[26] Dipanjan Roy Chaudhury, "As part of CPEC, 'Chinese only' colony coming up in Pakistan," *The Economic Times*, Aug 21, 2018 https://economictimes.indiatimes.com/news/defence/as-part-of-cpec-chinese-only-colony-coming-up-in-pakistan/articleshow/65481132.cms.

polluting and expensive. Hussain also underlined the importance of the Hazara Motorway, on which Chinese engineers had already begun work. He observed, "Chinese engineers have told me that they will build more motorways, which will be connected with the economic corridor."[27] The president offered to arrange meetings between Baloch notables and the Chinese ambassador so as to allay any apprehensions.

The president was as good as his word. In early November, Chinese ambassador to Pakistan Sun Weidong came out to Quetta to meet with "tribal elites, investors and people belonging to various walks of life at a local hotel in the provincial capital."[28] Ambassador Sun said that Balochistan would be a major beneficiary of the CPEC, which would bring "an end to unemployment" there. He said that annual Pakistan-China trade had increased to $14 bn., and that it was expected that this figure would grow substantially. He observed that China's annual GDP, at $10 trillion, was second only to that of the United States, and he said he expected it to double over the next decade. Still, he admitted, some 70 million Chinese remained below the poverty line, a problem that the government intended to address "tirelessly." Chinese Consul General based in Karachi, Ma Yaou also attended. Remarkably, Chinese diplomacy in Pakistan now reaches not just into the capital and the central government but out into the provinces, addressing private individuals there. The Chinese diplomatic corps has begun behaving more like the American, wherein ambassadors often reach out to civil society. Nor did the ambassador neglect the center. In mid-November he staged a press conference in Islamabad in which he promised that the CPEC would create an "economic revolution" in Pakistan.[29]

In March of 2016, the chief minister of Balochistan, Sanaullah Zehri, on a visit to the 15th Textile Asia Exhibit in Karachi, expressed optimism that the CPEC would change the destiny of Balochistan, as well. He said that the province was setting up tax free economic zones to attract investors. He revealed that construction work on both the eastern and western routes out of Gwadar port had already commenced. He is said to have proclaimed that " we are striving for the elimination of terrorism from Balochistan and we have been successful in this project with 80 percent peace." Zehri was elected chief minister from the Balochistan legislature in late 2015 and so was the first of a new class of provincial elected officials committed to the CPEC and placing hope in the project for their political future.[30]

Zehri's prediction has so far proved accurate, since terrorism attacks and related deaths have been on a steep decline from the 3,318 killed in 2009 by Muslim radicals. Deaths from terrorist attacks fell 27 percent in 2018 over 2017, to about 600, following a similar statistical decline over 2016. The 2018 rate was only about 18 percent of that a decade earlier. Khyber-Pushtunkhwa continued to see attacks by radical groups such as the Tehrik-i Taliban Pakistan (TTP). ISIL gained a small foothold in Balochistan and Khyber-Pukhtunkhwa, and was

[27] "Pakistani president says no change in economic corridor route," *Dawn*, 7 October 2015, via Lexis Nexis.
[28] "China envoy says economic corridor to end unemployment in Pakistan's Balochistan," *Dawn*, November 6, 2015, via Lexis Nexis.
[29] Khyber News TV report in Programme summary of Pakistan's AVT Khyber News 1600 gmt 17 Nov 15, BBC Monitoring, November 19, 2015, via Lexis Nexis.
[30] "Balochistan chief says work on Pakistan-China joint project going ahead swiftly," Associated Press of Pakistan, March 12, 2016 via Lexis Nexis.

responsible for 38 percent of the attacks. Some 96 persons were killed in 2018 by Baloch and Sindhi separatist groups.[31]

In early March of 2016 Pakistan's prominent *The Nation* magazine complained that the CPEC had not been conducted in a transparent way, but even this organ took a generally positive view of it.[32] It said that the Nawaz Sharif government can only argue in relatively vague terms that it would have a positive impact on infrastructure and would be a multiplier for trade. The Orange Line Metro in Lahore was given as an example, which the magazine said raised environmental issues that the government ignored. "The only bankable thing the regime has to go on is the eventual aid such projects will be towards market activity, by providing rapid transit for individuals in the metropolitan centres of the country."

The plan was likely, *The Nation* said, to provide some rural employment for unskilled youth at the proposed coal power plants in central and southern Punjab, Sindh and Baluchistan. But power plants to be constructed over the next 15 years would largely benefit the provinces of Sindh and Punjab. All of this employment and activity in the coal sector, it said, would simply not have happened without the Chinese interest. It also praised the plans to "tap into renewable energy sources."

The editors believe that the construction of new, high speed rail links may be the greatest benefit to the economy. Pakistan's various provinces would be more closely linked by this expanded rail network, and would be further linked to the Khunjerab Pass at the Pak-China border. Moreover, new metaled roads are planned. "Being able to safely access most areas of the country by road can enable people to travel more and distributors to access more markets." Along these new rail and road networks would be sited special economic zones, which, however, would be the last to be developed of the four components. Both domestic Pakistani entrepreneurs and international concerns were expected to be eager to invest in these zones, with their easy access to labor and transport. One big hurdle to success would be disruptions by separatist groups, which the magazine thought could not entirely be avoided. This was likely a reference to Balochistan. But it admitted, "Even if Pakistan does not attain a utopian secure state, CPEC is likely to bring about the infrastructural development the economy needs."

The implementation of CPEC concentrated on power plants in the first stage, the building of which was unimpeded by. By 2018, Quaid-e-Azam Solar, Sahiwal Coal, Port Qasim Coal, Hydrochina, Dawood Wind, and Sachal Wind One plants had all been completed. The Quaid-e-Azam the 6,500-acre Solar Park was built by China’s Zonergy Company near Bahawalpur and has a nameplate capacity of 1,000 megawatts. These and a handful of other power projects had added 7,620 megawatts to the grid by mid-2018. The country’s economic progress had been impeded by electricity shortages, which limited industrialization and industrial productivity. It is estimated that the big expansion in electricity capacity envisioned in CPEC will add 2 percent per annum to economic growth in Pakistan.[33] The new electricity

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[31] “262 terror attacks killed 595 people in Pakistan in 2018: Report,” *The Economic Times*, Jan 07, 2019 https://economictimes.indiatimes.com/news/defence/262-terror-attacks-killed-595-people-in-pakistan-in-2018-report/articleshow/67417709.cms.

[32] "The corridor to prosperity," *The Nation* (Lahore), March 07, 2016 http://tinyurl.com/jgt2h2o.

[33] Ishrat Hussein, “CPEC: What it has achieved so far and what the future holds,” *Dawn*, June 6, 2018, via

plants are, however, in the majority coal, and critics have accused China of moving away from coal itself to reduce its carbon emissions, but of sending the unused coal to Pakistan. Coal-led electricity generation for steel-making and industrialization produces profound urban crises of smog and heightened mortality from lung disease, cancer and mercury exposure. Moreover, in the near term questions began to emerge as to whether Pakistan could afford CPEC, as it ran into repeated currency reserve problems because of its heightened imports for the infrastructural projects.

Gulf Crisis

On June 5, 2017, Saudi Arabia, the United Arab Emirates, Bahrain and Egypt abruptly launched a blockade on Qatar.[34] This policy formed part of a general Saudi push to become a regional hegemon and to use the GCC as a vehicle to support local autocracies and to establish regional bipolarity versus Iran. Inasmuch as Qatar had supported the Arab Spring youth movements, and especially their populist religious-right factions, and inasmuch as it maintained correct relations with Iran, Riyadh and Abu Dhabi viewed Qatar as an impediment to autocratization and bipolarity.[35] Despite their much bigger populations, their massive petroleum reserves, the media reach of their propaganda, and their much more formidable military resources, however, Riyadh and Abu Dhabi failed in their attempt. Saudi Arabia's over-reach in attempting to become a hegemonic regional power in the Middle East and to quell dissent, moreover, led to a further crisis from fall of 2018, over the murder of a prominent journalist, which left Riyadh isolated and in need of investment partners. These two Gulf crises, the Qatar blockade and the Khashoggi murder, would ironically lead the Gulf into partnering in CPEC to the tune of tens of billions of dollars.

Mohammed bin Salman, the crown prince of Saudi Arabia, and Mohammed bin Zayed, commander of the UAE's armed forces and the crown prince of Abu Dhabi, abandoned the quietism of their predecessors and, in tandem, sought to remake the Middle East. They cooperated with the Egyptian officer corps in the latter's coup and attempt to bring the Arab Spring youth protesters to heel in 2013, have since 2015 waged an air war on Yemen. Many of these regional geopolitical moves were aimed at defeating populist movements of the Islamic right, whether the Muslim Brotherhood in Egypt or Iranian influence among regional Shiites.

Saudi Arabia and the UAE, which along with Egypt and Bahrain formed a Quartet against Qatar, imposed an economic blockade on the small gas-producing state, and even put their airspace off-limits to Qatar Air. Qatar needs to import food for its 2.3 million residents, nearly 90 percent of whom are expatriate workers attracted by the jobs generated by Qatar's natural gas industry and by all the economic enterprises it spurred. It used to truck in the food

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http://www.cpecinfo.com/news/cpec-what-it-has-achieved-so-far-and-what-the-future-holds/NTQ1Mw==; Shazia Kousar et al., "China-Pakistan Economic Corridor."

[34] Some of this section of this paper previously appeared in a different form in Juan Cole, "David and Goliath: How Qatar Defeated the Saudi and UAE Annexation Plot," *The Nation*, February 16, 2018 https://www.thenation.com/article/david-and-goliath-how-qatar-defeated-the-saudi-and-uae-annexation-plot/ . See that piece for hyperlinks to supporting evidence.

[35] Marianne Kneuer, Thomas Demmelhuber, Raphael Peresson & Tobias Zumbrägel, "Playing the regional card: why and how authoritarian gravity centres exploit regional organisations," *Third World Quarterly* 40, 3 (2019): 451-470; For the recent Saudi attempt to become a regional hegemon and to establish a Middle Eastern bipolarity versus Iran see Aidan Parkes, "Power Shifts in the Saudi–Iranian Strategic Competition," *Global Security and Intelligence Studies* 4, 1 (Spring / Summer 2019), 27-43.

overland from countries such as Jordan through Saudi Arabia, but the Saudis, Qatar's only direct neighbor, closed the border.

The first step the Qatari government took was to reach out to Turkey. Turkey's military intervened to forestall a direct invasion. Turkey and Qatar both support the right of religious parties such as the Muslim Brotherhood to participate peacefully in civil society, and were on the same side in opposing the 2013 coup by the Egyptian officer corps against Egypt's elected Muslim Brotherhood president, Mohamed Morsi. Despite Riyadh's backing of hard-line Salafi fundamentalists, which it sees as loyal to the Saudi monarchy, its leadership has come to view the Brotherhood as a populist threat to the crown, and the UAE feels the same way.

The blockade raised immediate dilemmas for Pakistan, which under then prime minister Nawaz Sharif had signed a 15-year gas supply agreement with Qatar entailing an annual import of 3.75 million tons of liquified natural gas, adding 2 gigawatts of power to the country's electricity supply and cutting the country's electricity shortfall in half. Reducing Pakistan's chronic electricity shortage was a key goal of CPEC, and any boycott of Qatar would endanger that goal. There were also already plans for a Qatari-built natural gas pipeline from Gwadar to Lahore. Pakistan has a close ties to Riyadh, but has avoided being seen to do its bidding in an unreflective way, and sometimes the relationship has turned prickly. The Sharif government had also established close ties with Turkey, the main regional geopolitical rival to Saudi Arabia—another consideration that told against Pakistan's acquiescence in the blockade. One danger observers in Islamabad noted that summer of 2017 was that China itself might be drawn into the dispute, backing Qatar because of Washington's support for Saudi Arabia.[36] As it happened, Washington soon moderated its stance, and Beijing's doctrine of harmonious development and its dependence on oil imports from Saudi Arabia forestalled any such taking of sides on its part. Pakistan thus attempted to maintain good relations with both sides in the GCC conflict.

Qatar turned to regional powers for help. Unable to bring perishables such as fruit and vegetables overland from Jordan by truck, or any longer to use the Jebel Ali container port in the UAE, Qatar reached out to Iran, Turkey and Pakistan. By September of 2017, the giant Qatari Milaha shipping conglomerate had done deals in the Pakistani port of Karachi and arranged for perishables to be brought to Qatar from Pakistan. Milaha cut the journey from a week to only four days, using the newly completed Hamad Port outside Doha, and making it worthwhile to ship rather than airlift the perishables. Observers noted that given the strong ties between Pakistan and Saudi Arabia (and given that Pakistani workers there send back $4.5 billion a year), it is likely that Islamabad consulted with Riyadh before cutting the deal. Qatar sends liquefied natural gas back to Pakistan on the Milaha ships.[37]

Qatar began importing more food by air and sea, including, as we will see, from Pakistan, avoiding shortages. Qataris began farming and gardening and even imported some

[36] Kunwar Khuldune Shahid, "The Qatar Crisis: A Diplomatic Curveball for Pakistan," *The Diplomat*, June 07, 2017 https://thediplomat.com/2017/06/the-qatar-crisis-a-diplomatic-curveball-for-pakistan/; Giorgio Cafiero and Umer Karim, "Where does Pakistan fit into the Qatar crisis?" *TRT World*, 20 Dec 2017 https://www.trtworld.com/opinion/where-does-pakistan-fit-into-the-qatar-crisis--13473.

[37] Saba Aziz, "Qatar taps Pakistan market amid Gulf blockade," *Al Jazeera*, 5 Sept 2017 https://www.aljazeera.com/news/2017/09/qatar-taps-pakistan-market-gulf-blockade-170904143241676.html.

milk cows, depending on the country's desalinization plant for water. While some food items became more expensive, especially for guest workers, the economy has proven resilient, since gas exports were unaffected by the crisis. Qatar was among the first major gas producers to go to liquefied natural gas (LNG), a technique that allows the gas to be stored in containers and shipped. Since the Quartet has not dared impose a sea blockade (which would have been an act of war in international law), Qatar was able to keep exports steady.

Not only did Pakistan's continued economic dealings with Qatar and its exports of food help the tiny gas giant weather the blockade, but so too did Pakistan's ally, China. As Qatar replaced goods from the Quartet and their supporters with goods from other markets, China's trade with Qatar rose 36 percent in 2017 alone. Qatar's exports to China also spiked by 60 percent that year. China replaced the United States as the top origin of Qatar's imports, at nearly 15 percent. One feature of the blockade was that it became more expensive for Qatar to fly goods and people west, around the Quartet states, whereas air routes due east were unhampered, in part because of the cooperation in breaking the blockade of Iran's air traffic controllers in Shiraz.[38]

The four boycotting countries presented Qatar with a set of 13 demands. The Quartet demanded what they characterized as reparations for the loss of life resulting from Qatar's recent policies, which they implied had the effect of fostering terrorism (though they declined to provide specifics). Qatar's defense minister riposted, pointing out that 80 percent of US fighter jet refueling for sorties against ISIL and other extremists in Iraq, Syria, and Afghanistan is carried out in Qatar. Qatar, with a citizen population of less than 300,000, has a GDP of around $160 billion, putting it in the neighborhood of much more populous countries such as Greece and New Zealand. It has a sovereign wealth fund of some $300 billion, a tempting target for Saudi Arabia's Mohammed bin Salman, who allegedly mulcted the Saudi business class of $100 billion by arbitrarily imprisoning them in the Riyadh Ritz Carlton.

The Quartet wanted Qatar to cut off relations with Iran, which is impossible because the two share a major gas field that runs under the Persian Gulf. Qatar is not close to Iran, but has correct relations with Tehran and, if anything, the relationship has warmed because of the pressure tactics of the Quartet. They wanted Qatar to close its award-winning Al Jazeera TV network, one of the few sites of free speech in the region. They wanted Qatar to stop supporting the Muslim Brotherhood, which they incorrectly termed a terrorist group, and they falsely accused the strongly Sunni state of backing Lebanon's Shiite Hezbollah. Like the demand for a boycott of Qatar itself, the anti-Iran emphasis in this campaign by Saudi Arabia and the UAE put Islamabad in a difficult situation, as well. Pakistan has its own large Shiite community, perhaps 20 percent of its population, which made Islamabad reluctant to sign on to any anti-Iran campaign emanating from Riyadh and Abu Dhabi (and had earlier led the Pakistani parliament to refuse to join in the Saudi-led war on Yemen).[39] Likewise, China had long cultivated Iran and insisted on importing its petroleum despite unilateral US sanctions, so that

[38] Debasish Roy Chowdhury, "China a pillar of strength in Qatar's fightback against Arab blockade," *This Week in Asia*, *South China Morning Post*, 9 June 2018 https://www.scmp.com/week-asia/geopolitics/article/2149915/china-pillar-strength-qatars-fightback-against-arab-blockade.

[39] Shahid, "The Qatar Crisis."

Beijing and Islamabad implicitly gave some cover to Doha in declining to join any anti-Iran push by Saudi Arabia and the UAE.

The Quartet further wanted to audit on a monthly basis Qatar's compliance with their demands. Such a wide-ranging ultimatum amounted to a demand for Qatar to give up its sovereignty as a country. Sheikh Tamim roundly rejected the demands and refuses even to talk with the Quartet about any of them, a stance that made him a national hero in Qatar.

Although the Saudis initially convinced President Trump to support their campaign against Qatar, over time, Secretary of Defense Jim Mattis and Secretary of State Rex Tillerson changed Trump's mind and convinced him that the feud among the Gulf Arab monarchies, which had been grouped in the Gulf Cooperation Council, only benefited Iran. (The GCC was created in 1981, at the beginning of the Iran-Iraq War in which the Gulf supported Iraq, in hopes that it would strengthen military and economic ties among Kuwait, Bahrain, Qatar, the UAE, Oman, and Saudi Arabia.) The Qatari elite, moreover, knew both men well. As former leader of the Marines and former head of Central Command, Mattis is intimate with and well aware of the value of Al Udeid, America's military base in Qatar. Tillerson, former CEO of ExxonMobil, had long had close business ties to Doha.

The Qataris, moreover, gave both cabinet members things they wanted. They announced they would increase Qatar's LNG production from 77 million to 100 million tons per year, and it is likely that Exxon Mobil, Total, and Shell, all traditional Qatari partners, will benefit to the tune of billions. Then Qatar announced that it would greatly expand the Al Udeid base, in hopes of making it a permanent strategic asset to the United States and a place where US service personnel could bring their families. Defense Minister al-Attiyah pointed out that 80 percent of refueling of US fighter jets for sorties against ISIL and other extremists in Iraq, Syria, and Afghanistan is carried out in Qatar. At the end of January, 2018, Tillerson and Mattis attended a Qatar-US strategic dialogue in which both heaped fulsome praise on Qatar as an economic and security partner for the United States. The discourse was 180 degrees away from Trump's tweet of the previous summer in which he had accused Qatar of being a rogue state and font of terrorism. While the initial instinct of Trump and his informal Middle East special envoy, Jared Kushner, was to support the Saudi attempt to use the GCC to spread autocracy and to polarize the region versus Iran, which lay in part behind the attempt to pressure Qatar to fall in line, in the end Washington blinked because of the usefulness of Qatar as a military and economic asset. Qatar's vast gas wealth allowed it to withstand Saudi boycotting strategies. At the same time, the intervention in favor of regional multipolarity by Turkey, Iran, Pakistan and China blunted the Saudi initiative.

CPEC and the Gulf Crisis

Contemporaneously with the Gulf Crisis, CPEC came to put enormous strains on the Pakistani economy. Because of the competition among GCC states for Pakistan's support deriving from the crisis, Pakistan was well positioned to deploy the split in seeking further strategic rent from all sides. In 2015-2017 as CPEC got off the ground, Pakistan's import of machinery and transport equipment rose 51 per cent to $15.5 billion. Pakistan imported $6.6 billion from Pakistan in the second half of 2017, whereas China only imported about $600 million in goods from Pakistan in the same period. This pace of spending on imports with reference to infrastructural projects was not sustainable for Islamabad and by June of 2018, Pakistan's currency reserves had fallen to dangerously low levels, imperiling its ability to pay for imports. China papered over the problem with a $1 billion loan, but going further into debt to China was not what Pakistan needed. By 2018, Pakistan's external debt was 70 percent of its Gross Domestic Product, and half of that was owed to China.[40]

The election of former cricketer Imran Khan as prime minister on August 18, 2018, nevertheless galvanized the CPEC project, which Khan strongly backed as part of his hopes for a massive improvement of Pakistani infrastructure and the economy. He had been elected in a wave of populist dissatisfaction with the country's corrupt elite, and was under pressure to produce results as quickly as possible. It had become clear, however, that Pakistan and China were having trouble capitalizing the plan, and that a massive cash infusion would be necessary to keep it on schedule. Qatar's outreach to Pakistan in resolving the food blockade may have suggested to both Islamabad and Beijing that the Gulf states would be amenable to being brought in. Soon after his election, Imran Khan flew to Riyadh and began exploring the possibility that Saudi Arabia would join as a third partner in CPEC, helping shoulder some of the economic burden in return for future investment returns.[41] At a September, 2018, meeting in Islamabad between Chinese Foreign Minister Wang Yi and his new Pakistani counterpart, Shah Mehmood Qureshi, the two agreed to involve a third-party bloc of investors in CPEC, naming Saudi Arabia, the United Arab Emirates, Oman and Bahrain.[42]

China had developed close economic relations with Saudi Arabia during the previous two decades, as the East Asian giant emerged as one of the world's biggest importers of petroleum and as Riyadh faced an often hostile political atmosphere in Washington, D.C., after the September 11 attacks. Saudi Arabia distrusted George W. Bush's focus on democratization, and was deeply opposed to Barack Obama's insouciance toward the Arab Spring revolutions and his opening to Iran. By 2018, China was importing $46 billion a year in goods (mainly petroleum) from Saudi Arabia and was the kingdom's most important trading partner.[43] Chinese arms have become important to the Saudi military, including drones. China also sought billions in investments in Saudi Arabia as part of crown prince Mohammed Bin Salman's "Vision 2030" economic plan. China also has close relations with the United Arab Emirates and other Gulf Cooperation Council states, impelled by oil imports and sales of manufactured goods, including arms.[44] Indeed, significant consultations had been carried out

[40] Tom Hussain, "In Pakistan's currency crisis, China is the problem and the solution," *South China Morning Post,* 7 July 2018 https://www.scmp.com/week-asia/geopolitics/article/2153614/pakistans-currency-crisis-china-problem-and-solution ; Laura Zhou, "Beijing has oversold benefits of US$62 billion China-Pakistan Economic Corridor, expert says," *South China Morning Post,* 24 Nov, 2018 https://www.scmp.com/news/china/diplomacy/article/2174757/beijing-has-oversold-benefits-us62-billion-china-pakistan.

[41] "Tariq al-Harir al-Jadid: bayna matabbat al-duyun wa maghnatis al-istithmar," *al-Naba',* 21 December 2018 https://annabaa.org/arabic/economicreports/17317.

[42] Aamir Shah, "Pakistan to rope in GCC investors for CPEC," *Arab News,* September 17, 2018 http://www.arabnews.com/node/1373406/business-economy.

[43] Ben Westcott, "Saudi Crown Prince arrives in China, kingdom's biggest trading partner," CNN, February 21, 2019 https://www.cnn.com/2019/02/21/asia/saudi-arabia-china-mohammed-bin-salman-intl/index.html.

[44] For China and the Gulf oil monarchies, see Muhammad S. Olimat, *China and the Gulf Cooperation Council Countries: Strategic Partnership in a Changing World* (Lanham, Md.: Lexington Books, 2016), esp. Chap. 8 on Saudi Arabia and Chap. 9 on the UAE.

with regard to incorporating Gulf Cooperation Council states into the One Belt, One Road Initiative.[45] It was therefore natural, as China and Pakistan sought a third partner for CPEC, that they turned to the cash-laden GCC states. The post-2017 rivalry between the Saudi-UAE-Bahrain bloc and Qatar also led the Gulf states to be more expansive in their search for influence abroad.

That fall, Khan faced yet another crisis of foreign reserves, which had fallen to a four-year low, putting in danger its ability to do debt servicing and even to cover more than two months of imports. At the same time, the erratic Trump administration had cut $800 million in aid to Pakistan over the course of 2018 on the grounds of its alleged lack of help in fighting terrorism.[46] The Pakistani rupee fell 25 percent against the dollar in the course of 2018, and Trump's lack of confidence did not help. Pakistan would have to go to the International Monetary Fund for a big $7 billion loan, but the Trump administration was in a position to interfere.[47] That fall, Imran Khan attended a Saudi investment conference boycotted by many other heads of state and investors in the wake of the murder in the Saudi consulate in Istanbul of dissident journalist Jamal Khashoggi. Saudi Arabia announced that it would grant Pakistan $3 billion to help it get past its foreign reserve crisis, and would loan it another $3 billion to cover oil imports. The big Saudi intervention gave Pakistan a much improved bargaining position with the IMF.[48]

While the September 2018 announcement on a third party to CPEC named the blockade faction in the Gulf plus neutral Oman, in fact the new government in Islamabad maintained good relations with Qatar, as well. In December of 2018, the Pakistani Charge d'Affaires in Doha, Murad Baseer, announced that bilateral trade between Qatar and Pakistan had increased over 70 percent since the June 5, 2017 embargo began, to $1.58 billion. He said that Gwadar port and the China Pakistan Economic Corridor would offer the two countries the opportunity to develop joint ventures with regard to natural gas and manufacturing in the CPEC-envisioned Special Economic Zones.[49] (Using natural gas produces half the carbon dioxide that burning coal does, and is far less polluting, so that if Qatar really can increase its exports to Pakistan and have some of the planned coal plants replaced with natural gas, the Pakistani public will benefit).

Imran Khan himself visited Doha in January, 2019. He discussed with Emir Tamim bin Hamad Al-Thani "ways to promote bilateral relations in various fields, especially in investment, energy, food security and military co-operation."[50] Qatar's emir told Khan he

[45] Jin Liangxiang and N. Janardhan, "Mubadirat al-hizam wa al-tariq: Al-Furas wa al-ma`uqat imam mantiqat al-khalij," *Emirates Diplomatic Academy,* June 2018 http://eda.ac.ae/docs/default-source/Publications/eda-insight_belt-and-road_ar.pdf?sfvrsn=2.

[46] Alex Ward, "Why Trump cut millions in military aid to Pakistan," *Vox,* September 4, 2018 https://www.vox.com/2018/9/4/17818396/pakistan-aid-military-trump-pompeo-afghanistan.

[47] "Pakistan ki iqtisadi mushkilat chini sarmayahkari aur 12 irb dalar ki zarurat," *Navai Vaqt,* 10 August 2018 https://www.nawaiwaqt.com.pk/10-Aug-2018/883222.

[48] Kay Johnson and Asif Shahzad, "Saudis offer Pakistan $6 billion rescue package to ease economic crisis," Reuters, October 23, 2018 https://www.reuters.com/article/us-pakistan-saudi/saudis-offer-pakistan-6-billion-rescue-package-to-ease-economic-crisis-idUSKCN1MX2FA.

[49] "Pakistan-Qatar trade ties to further grow in coming years," *The Peninsula*, December 18, 2018 https://thepeninsulaqatar.com/article/18/12/2018/Pakistan-Qatar-trade-ties-to-further-grow-in-coming-years.

[50] "Amir, Pakistani PM discuss ways to strengthen relations," *Gulf Times,* January 22, 2019 https://www.gulf-times.com/story/620026/Amir-Pakistani-PM-discuss-ways-to-strengthen-relations#tag_50250.

would end a ban on the import of Pakistani rice and bring in another 100,000 laborers from his country, adding to the 150,000 Pakistanis already working there.[51] This addition would bring Pakistanis to about ten percent of the Qatar resident population. In a follow-up joint Pakistan-Qatar Trade and Investment Conference in March, 2019, Pakistan proposed 32 investment projects, some of the CPEC-related, to Doha, valued at $10 billion were they to be realized.[52] Among the projects bruited was a food storage facility at Gwadar, which would obviously be useful to the Gulf states dependent on food imports, and the import by Pakistan of Qatari Liquified Natural Gas.[53] One Qatari thinker suggested that the relationship between Doha and Islamabad had become necessary if Qatar was to avoid being isolated, and he put forward x bases for it: 1) Civil Islam (i.e. a civil state based on pragmatic law that makes a place for Muslim political activism as opposed to a fundamentalist shariah state like Iran or a purely secular state such as the old Kamalist Turkey); 2) military partnership; 3) agriculture and food security; 4) CPEC and its transportation links to Central Asia; 5) Gwadar Port as a deep water container port.[54]

Pakistan continued to pursue aid and investments from Qatar's enemies as well. In early January of 2019, Mohammed Bin Zayed of the United Arab Emirates visited Islamabad and pledged $6 billion, half of it in deferred payments for oil imports. The other half came as a $3 billion deposit in the State Bank of Pakistan intended to shore up Pakistan's foreign currency reserves and help with liquidity. At the same time, Abu Dhabi expressed interest in making significant investments in the country, including the building of an oil refinery and setting up a special fund for investments in oil, agriculture and tourism.[55]

On 17 February, 2019, PM Imran Khan personally picked up Saudi crown prince Mohammed bin Salman from Islamabad airport during a state visit.[56] The crown prince had just come from visits to Delhi and Beijing, in what one Chinese Middle East expert dubbed a "Look East" tour that aimed at a more balanced foreign policy less tied directly to Washington, D.C.[57] Bin Salman was diplomatically isolated after he was accused of ordering the murder, on October 2, 2018, of dissident Saudi journalist and Washington Post columnist Jamal Khashogghi, with the US Congress denouncing him and countries such as Tunisia and Morocco giving him a cold shoulder. Imran Khan was one of the few major world leaders willing to

[51] Andrew England, "Qatar seeks to muscle its way back on to diplomatic stage," *Financial Times*, January 29, 2019 https://www.ft.com/content/560b9e3a-22e0-11e9-b329-c7e6ceb5ffdf ; "Qatar plans to recruit 100,000 Pakistani workers," *Global Data Point*, 2 Feb. 2019, Business Insights: Global. Web. 27 Mar. 2019 http://bi.galegroup.com.proxy.lib.umich.edu/global/article/GALE|A572113533?u=umuser.

[52] "Bakistan tu`rid `ala Qatar 30 mashru`an bi10 milyarat dular," *al-Sharq Tayms*, 12 March 2019 https://tinyurl.com/y6na95df.

[53] Aamir Ilyas Rana, "Qatar expresses interest in CPEC, investment in Gwadar," *The Express Tribune*, January 16, 2019 https://tribune.com.pk/story/1889424/1-qatar-expresses-interest-cpec-investment-gwadar.

[54] Farhan Mujahid Chak, "Limadha `ala Qatar an tu`azziz `ilaqatiha ma`a Bakistan?" *al-Jazirah*, 1 March 2019 https://tinyurl.com/yy42kfrc.

[55] Haroon Janjua, "United Arab Emirates hands Pakistan US$6.2 billion lifeline, but 'drastic economic reforms are still needed'," *South China Morning Post*, 8 January 2019 https://www.scmp.com/news/asia/south-asia/article/2181078/united-arab-emirates-hands-pakistan-us6-billion-lifeline.

[56] Joseph Hincks, "Saudi Arabia Is Investing $20 Billion in Pakistan. Here's What It's Getting in Return," *Time*, February 19, 2019 http://time.com/5531724/saudi-arabia-pakistan-mbs-imran-khan/.

[57] Weijian, Li. "Saudi Crown Prince Mohammed's Asia tour shows strategic shift," *Global Times* [Beijing, China], 25 Feb. 2019. Infotrac Newsstand, http://link.galegroup.com/apps/doc/A575620630/STND?u=umuser&sid=STND&xid=04d5e60f. Accessed 27 Mar. 2019.

meet with him and do business with him. The Khashoggi scandal had endangered the crown prince's plans to attract foreign investment in Saudi Arabia, and to find investment vehicles abroad for Riyadh.

Bin Salman offered Pakistan an unprecedented $20 billion investment program. The money was not intended as foreign aid but as an investment that would pay for itself and generate profits. Of the funds pledged in February, some $2 billion were earmarked for renewable energy plants. Nearly $10 billion, about half, was devoted to building an oil refinery at Gwadar Port. While Gwadar was an important node in the new transportation and energy networks linking China to the Arabian Sea via Pakistan, the original CPEC prospectus had funded it and its facilities at less than a billion dollars. The Saudi petroleum refined at Gwadar would fuel not only Pakistani transportation but, given the plans for trans-Himalayan pipelines, also that of China, and would generate profits for Saudi Arabia. Since pipelines longer than 4,000 km are generally unprofitable, the biggest customers for this petroleum would likely be Pakistan, Afghanistan and Xinjiang (it is only 2,000 km from Gwadar to Kashgar). Saudi officials predicted that the Saudi investment in Gwadar would be one of the bigger anywhere in the world and would bind Saudi Arabia, Pakistan and China in a new relationship.[58]

For the Saudis to take a position in Gwadar stirred controversy. It was met with hostility by some Baloch parliamentarians. Speaking in January of 2019, Aslam Bhootani, who represents Gwadar in the National Assembly, said that "We will tell the Saudi [crown] prince that Balochistan is not for sale and that elected representatives of the [Gwadar] port city have not been taken on board regarding the [oil refinery] development activities."[59] Some observers speculated that China might be unhappy to have to share Gwadar with Saudi Arabia and worried that its own refining companies had been blocked, though it might be relieved at not having to carry the troubled Pakistani economy all by itself.[60] This analysis strikes me as unlikely. The evidence is that China was very much part of the decision to bring in the Gulf states to solve Pakistan's liquidity problems in pursuing CPEC, and the Pakistani press explicitly reported that China had approved the Saudi involvement.[61] For its part, Pakistan was clearly seeking to avoid becoming captive to a single foreign patron. Unsaid in all the economic plans and pledges of aid is that Pakistan has a population of nearly 200 million and one of the best militaries in Asia, and is a nuclear power, such that it can offer a security umbrella to small Gulf allies like the UAE, Saudi Arabia and Qatar. At the same time, allying with Islamabad and making it beholden to them through loans and aid was a way of forestalling any possibility that Pakistan's military might be deployed against any of them (though that prospect is remote, and Pakistan has pointedly declined to get involved in Arabian military struggles such as the Yemen War).

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[58] "Gwadar Pakistan, Chin aur Su`udi `Arab ki dosti ki misal banega," Ary News, 12 January 2018 https://urdu.arynews.tv/saudi-minister-says-gwadar-will-be-the-example-of-pakistan-china-and-saudi-friendship/ ; Muhammad Arshad Munir, "Saudi Vision 2030 and CPEC: heralding regional prosperity," *Arab News,* 22 Mar 2019; "Saudi energy minister Al-Falih signs $18bn MoUs with Pakistan." *Construction Week*, 20 Feb. 2019. Infotrac Newsstand http://link.galegroup.com/apps/doc/A574792930/STND?u=umuser&sid=STND&xid=f482063f. Accessed 26 Mar. 2019.

[59] Adnan Aamir, "Saudi investment in Pakistan stokes tensions with China: Riyadh's billion dollar refinery projects in Gwadar seen irking Beijing," *Nikkei Asian Review*, January 28, 2019.

[60] Ibid.

[61] "Gwadar men Su`udiyah ki maujudagi chin ne qabul kar li," *Ummat,* 13 January 2019 https://ummat.net/today-newspaper/2019/01/13/49011/.

Conclusion

China's investment in Pakistan has a strong security dimension. Gwadar gives China a window on the strategic Arabian Sea and the Arabian Gulf, through which a significant proportion of Beijing's trade flows. China also seeks to ensure that separatist Muslim radicals from Xinjiang cannot find safe haven in the lawless Pakistan tribal belt and that Islamabad has the wealth and the will to quieten the insurgency that grew up in the era of George W. Bush's "War on Terror." At the same time, what I have dubbed "Hong Kong West" is intended to jumpstart economic growth in troubled Xinjiang. It seems farfetched that the project is intended to bring energy to the capital, which likely would not be economically remunerative through overland pipelines. From the Pakistan side, willingness to go all in with CPEC is typical of Islamabad's longstanding search for strategic rent as a way of bolstering its economic and military position as a resource-poor Asian state with a large and powerful neighboring rival in the form of India.

The huge infusion of cash and investments in CPEC projects from the Gulf states from fall 2018 was impelled by three crises. The first was the difficulty Pakistan had in paying for its increased level of equipment and other imports to meet its obligations, producing serial currency reserve crises that threatened its solvency. For China alone to try to resolve this problem would have entailed further extensive loans to Pakistan, which would have put Islamabad even more deeply in hock to Beijing, raising the specter of the sort of debt trap against which Washington and other critics had warned. Such a development could also sour the Pakistani public on CPEC, a dangerous possibility that could cause the entire initiative to backfire.

The second crisis was the Qatar blockade, which sent both Qatar and its enemies scurrying to find allies. Pakistan, like the child of divorced parents, was showered with competing gifts by the rivals. Qatar needed food imports and better shipping arrangements, but also needed a friend and perhaps potential mediator with the blockading parties. Pakistan has long been a rent-seeking state, accepting billions from Washington and Riyadh in the 1980s to fight the Soviets in Afghanistan and then in the 2000s joining the US to the tune of billions more in the "War on Terror." The GCC crisis gave the wealthy Gulf hydrocarbon states an impetus to woo Pakistan, with its professional army and its nuclear arsenal, opening the possibility for Riyadh of substantial inflows of strategic rent that could then be used to avoid the CPEC debt trap. This approach tells us something about Saudi Arabia's attempt to emerge as a regional hegemon. Because its primary basis for power is its wealth and because it is a small country of 22 million with limited military or coercive potential, Saudi Arabia cannot actually function as a hegemon. Further, the Saudi attempt at polarization of the region between its coalition and Iran faltered in the face of opposition by China, Pakistan and Turkey, all of whom prefer a multipolar Greater Middle East for reasons of trade and diplomacy. At most, Saudi Arabia is an influence-peddler in the region. Pakistan and China have taken advantage of this contradiction for their own purposes, seeking increased investments from both sides in the GCC conflict.

The third crisis was the Khashoggi murder, which threatened Mohammed Bin Salman's plans to find non-oil investments and attract investors to Saudi Arabia because of the isolation he faced when Turkey revealed his role in it. This isolation made the crown prince enormously grateful for Imran Khan's willingness to pursue close relations with Riyadh, and resulted in two aid and investment packages for Pakistan. One, in fall of 2018, came to $6 billion in grants and loans for oil imports. The second, in winter of 2019, involved $20 billion in investments in Pakistan, including $10 billion for a new oil refinery at Gwadar. Jockeying for influence and friends in the wake of the Qatar blockade and the faltering of Bin Salman may also have determined Mohammed Bin Zayed of the UAE to pledge billions in aid, petroleum import loans, and investments in Pakistan.

If CPEC does nothing more than vastly increase Pakistan's electricity supply, it could be a game-changer for that country. Inadequate energy had constituted a brake on industrialization, which in turn slowed urbanization. Less than twenty percent of the workforce is in industry. Pakistan was still some 61 percent rural in 2016, and rural populations have high population growth rates, since children serve a free labor on farms and provide social security to parents in their old age. Pakistan's annual economic progress often has not been much more than its population increase, causing per capita income to stagnate. If adequate electricity impels significant migration to cities in search of the new jobs that will open up, it could lead to a fall in the birth rate, making it easier for the country to increase per capita income. Pipeline tolls are another potential source of new wealth. New roads and rail lines will serve as economic multipliers. Such economic progress, especially in neglected provinces such as Balochistan and Khyber-Pukhtunkhwa, could in turn contribute to a decline of radicalism. Provincial critics are, however, correct that these positive developments depend on a willingness to share the wealth by the dominate Punjabi majority.

As for the investors, whether they will make much money from their Pakistan investments is a matter of speculation. The hope appears to be that Chinese and Gulf investment in the country could do for it what Cold War American investment in and aid to South Korea and Japan did for those economies in the 1950s and 1960s. Even if the return on investment is low, however, the investors at the moment are flush with cash and have other money-making opportunities. For China, CPEC seems to be an attempt to calm down its volatile northwest and its troubled South Asian neighbor through an economic "big bang." For the arid Gulf states, friendship with Pakistan has in part to do with the security umbrella it potentially offers them and the resources, including critical food supplies, they can draw from it. Cooperation with China allows them to diversify both economically and with regard to security, and forms part of the internal faction-fighting between the Quartet countries and Qatar. In addition, it allows them to avoid a sole dependence on the United States while retaining the North American superpower as their primary patron.