

The Politics of China-Pakistan Economic Corridor

by

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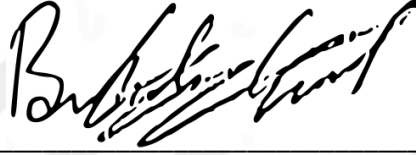
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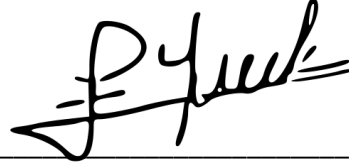
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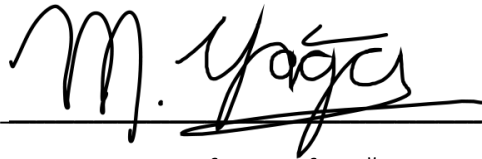
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ABSTRACT

China's presence in the Global South has increased dramatically in a span of a decade. The discourse of mutual benefit and nonintervention has found huge attraction in the developing world that is now facing the consequences of Western interventions. However, to what extent does Chinese engagement in the developing world stays true to these principles needs to be evaluated in terms of its effects on the political economic structures of the host nations. To this end, I propose a framework to understand the implications of China-Pakistan Economic Corridor on the political economic structure of Pakistan. This thesis begins with an investigation of the history and dynamics of China's development and internationalization, the political economic structure of Pakistan (specifically in the areas of industrialization and infrastructure development), and different forms of foreign assistance that Pakistan has received over the years. This thesis then analyzes how China and CPEC interacts with the political economic realities of Pakistan. Firstly, the study Pakistan's history of regionalism shows that over the years, developmental mission of the central state has created deep-seated regionalism in Pakistan. My study shows that CPEC is deepening such cleavages. The regionalist forces have opposed the project in two broad ways: through demanding greater share in the project or through completely rejecting the interventions. Secondly, I analyze the lop-sided civil-military relations in Pakistan and conclude that Chinese engagement in Pakistan is leading to a tighter control of military over civilian and economic matters relating to CPEC. Lastly, based on the case study of Sahiwal Power Project, and my historical analysis of state-labor relations in Pakistan and China's industrialization model, I conclude that CPEC means little for the working class of Pakistan. The informalized and unskilled labor workforce of Pakistan has found its place only in the construction stages of the CPEC projects.

Keywords: China, Pakistan, China-Pakistan Economic Corridor, One Belt One Road (OBOR) Initiative, South-South Cooperation, Infrastructure, Military, Regionalism, Labor.

ÖZET

Çin'in Küresel Güney'de varlığı on yıl boyunca önemli ölçüde arttı. Batı müdahalelerinin sonuçları ile yüzleşen gelişen dünyada ortak yarar ve karışmama politikası söylemi büyük ilgi buldu. Fakat Çin'in gelişmekte olan dünyadaki angajmanının bu prensiplere ne ölçüde uyduğuna, ev sahibi ülkelerin politik ekonomik yapıları üzerindeki etkileri açısından değerlendirilmesi gerekmektedir. Bu amaçla, bu çalışma Çin-Pakistan Ekonomik Koridoru'nun (CPEC) Pakistan'ın politik ekonomik yapısı üzerinde yansımalarını anlamak için bir çerçeve öneriyorum. Bu tez, Çin'in gelişimi ve uluslararasılaşmasının tarihini ve dinamiklerini, Pakistan'ın siyasal ekonomik yapısını (özellikle sanayileşme ve altyapı geliştirme alanlarında) ve Pakistan'ın yıllar boyunca aldığı çeşitli dış yardım çeşitlerini incelemekle başlıyor. Sonra ise, Çin ve CPEC'in Pakistan'ın politik ekonomik gerçekleriyle nasıl etkileşime girdiğini analiz ediyor. Öncelikle, Pakistan'ın bölgecilik tarihi üzerine yıllar boyunca yapılan araştırma, merkez devletin gelişimsel misyonu Pakistan'da kökleşmiş bölgecilik anlayışını oluşturmuştur. Bu araştırma, Çin-Pakistan Ekonomik Koridoru'nun bu bölünmeyi daha da derinleştirdiğini gösteriyor. Bölgeci güçler projeyi, projede daha büyük pay talep ederek veya müdahaleleri tamamen reddederek karşı çıkmışlardır. İkincisi, Pakistan'daki kesintisiz sivil-asker ilişkileri bu tezde analiz edildi ve Çin'in Pakistan'a katılımının, CPEC ile ilgili sivil ve ekonomik konularda askeri kontrolünü artırdığına sonucuna varıldı. Son olarak, Sahiwal Güç Projesi'nin vaka incelemesine ve Pakistan'daki devlet-emek ilişkileri ile Çin'in sanayileşme modeline dayanan tarihsel analizime dayanarak, CPEC'in Pakistan işçi sınıfı için az önemi olduğu sonucuna vardım. Pakistan'ın gayri resmi ve vasıfsız işgücü, yerini yalnızca CPEC projelerinin inşaat aşamasında bulmuştur.

Anahtar Sözcükler: Çin, Pakistan, Çin-Pakistan Ekonomik Koridoru, Bir Kuşak Bir Yol Projesi, İpek yolu Ekonomik Kuşağı, (OBOR) Girişimi, Güney-Güney İş birliği, Altyapı, Askeri, bölgecilik, İşgücü.

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SECTION I

Introduction

In the outskirts of Sahiwal, every day, hundreds of workers from the nearby villages line-up outside the well-secured, barricaded premises of Sahiwal Coal Power Project in the hope to find work. The military personnel check their identification documents, the contractors on site arrive with the good news of their diurnal employment and the workers immediately get work. They work amiably alongside with their Chinese colleagues who get higher rewards for the same work. They respect their Chinese bosses and report to them dutifully. At the end of the week, they queue up and happily receive their wages from the contractors. They have no problem working here. They have only one wish – that they can find permanent employment at the power plant once operations start. They are hopeful.

Mr. Cheng works as a human resource manager of China Huaneng Group in Pakistan – a state-owned company that develops, constructs, operates, and manages power sources. For him his work is much more than just a capital venture – he believes that he's playing his part in building the Pakistani economy. CPEC for him is an excellent initiative of both Chinese and Pakistani governments to attain mutual economic gains. Leaving his family and comfortable lifestyle back in China, his stay in Pakistan has not been easy. But he's in Pakistan for a purpose. He is working for the sake of the two countries' friendship.

Mr. Xiang, the Chief Shift Engineer at Sahiwal Coal Power Project, shares Mr. Cheng's spirit about CPEC. He lives on the site of the power plant – an isolated place; a

world of its own. Moving around is a tedious process for him – permission needs to be sought and security personnel need to accompany him. Summers in the heart of Punjab are not easy. He finds solace in his work. “The project is a political mission for us”, he claims. For him Sahiwal Coal Power Project does not mean higher profits for his company. It carries with it the promise of a stronger friendship between the two nations.

Such hopes are not individual delusions – such is the pull of China and Chinese capital in the developing world. The growing presence of the People’s Republic of China [PRC] in the Global South has begun to question the status quo of the global political economy. It has been marked by a growing emphasis on South-South cooperation. “One Belt One Road” initiative is the latest manifestation of this engagement. The project aims to reshape the economic and political order in Central Asia and the Asian Pacific region. China-Pakistan Economic Order is a part of this initiative.

China’s global rise has been presented in strike contrast to the Western global order. The discourse of mutual benefit and noninterference has been maintained by not just China but also the countries that it engages with. A similar discourse has been deployed in Pakistan. However, discrepancies to these promises and hopes have not been hard to spot. In order to fully understand the implications of Chinese presence in the third world, particularly in Pakistan, I propose development of a framework that captures the effects of Chinese engagement on the political economic structure of the society.

This study aims at building a framework with which to understand the ‘game-changer’ mega-project China-Pakistan Economic Corridor. My analysis will constitute a

historical study of Chinese and Pakistani development path, their foreign relations, and a primary research study (constituting ethnography, study of news and official documents) and a literature review of CPEC. In the first section, I provide the preliminary background information about CPEC and then proceed on to my research methodology. The second section constitutes three chapters that provide a historical framework for my analysis. In the first chapter I study the history and dynamics of China's development and internationalization. In the next chapter I analyze the political economic structure of Pakistan specifically in the context of industrialization and infrastructure development. In the last chapter of this section, I complete the historical analysis by studying the different forms of foreign assistance that Pakistan has received over the years. After having constructed a broad historical framework, I move on to the second section where I analyze how CPEC is interacting with the political economic realities of Pakistan. In the first chapter I analyze Pakistan's history of regionalism and how the regionalist elements are responding to the centralizing mission of CPEC. Next, I study how Chinese engagement in Pakistan is affecting the imbalances of civil-military relations in Pakistan. In the last section I conclude with underlining the significance of the framework developed throughout the study to analyze CPEC. I argue that in order to actually make the project beneficial for both China and Pakistan, we need to be able to fully understand the effects CPEC is having on regionalism, militarization, and labor in Pakistan.

The China-Pakistan Economic Corridor

China-Pakistan Economic Corridor is an infrastructure investment project. Launched in 2013, it is expected to continue until 2030. CPEC is a Chinese initiative

involving investment of around \$46 billion (now pushed to \$62 billion), double the amount of foreign direct investment Pakistan has received between 2008 and 2015, into Pakistan through both state and non-state actors in China (Qureshi, 2015, p. 777-778; Khan, 2015; Siddiqui, 2017). \$33 billion of the investment is meant to go into electricity projects and the remaining will go into communication and infrastructure projects constituting waterways, road networks, and industrial parks (Qureshi, 2015; Butt and Khan, 2015). Throughout the short history of CPEC, two conditions have remained constant: development of Gwadar Port situated on the Arabian Sea and construction of surface transport networks between Gwadar and Kashgar in Xinjiang (Bengali, 2015, p. 1).

The project is a critical part of the Chinese-led initiative – ‘One Belt, One Road’ – that is meant to connect Asia with Europe, the Middle East, and Africa (Wolf, 2016). Hence, certain expectations and regional and geopolitical interests are heavily attached to the CPEC. The official statement by the Ministry of Planning, Development and Reform (the focal ministry for CPEC) succinctly relates this aspect of the CPEC:

China-Pakistan Economic Corridor is a framework of regional connectivity. CPEC will not only benefit China and Pakistan but will have positive impact on Iran, Afghanistan, India, Central Asia, and the region. The enhancement of geographical linkages having improved road, rail and air transportation system with frequent and free exchanges of growth and people to people contact, enhancing understanding through academic, cultural and regional knowledge and culture, activity of higher volume of flow of trade and businesses, producing and moving energy to have more optimal businesses and

enhancement of co-operation by win-win model will result in well connected, integrated region of shared destiny, harmony and development (cpec.gov.pk).

Similarly, in one of his statements, Mr. Xu Shaoshi - Chairman of National Development and Reform Commission (PRC) – emphasized that CPEC is intended to enhance the region’s infrastructure, expand and deepen trade and investment facilitation, “establish a network of free trade areas that meet high standards, and maintain closer economic ties” (cpec.gov.pk).

Hence, regional connectivity or integration of trade networks is an important aspect of CPEC. Judging from the official statements, press releases, political analysts’ and economists’ analysis, the discourse seems to gravitate towards the potentialities and the long-term vision of the project. While the ideological aspect of CPEC is important for analysis, it is also important to uncover what the project means in material terms. For, no matter the discourse, the agreement is that China will invest \$46 billion¹ in Pakistan primarily for infrastructural projects. The pledged money is to be injected into the Pakistani economy in the form of direct investment through Chinese companies that will set-up and operate projects on commercial basis (Ghouri, 2015, p. 3). As per the agreement, the Chinese companies will get loans from the Chinese government and state-owned commercial banks to invest in infrastructure projects in Pakistan. The Silk Road Fund Company [henceforth SRFC] was established to foster investments under the Silk Road Economic Belt [Henceforth SREB] in December 2014 with investment from various state entities like China Exim Bank and China Development Bank (Ghouri, 2015, p. 3; silkroadfund.com.cn). The \$46 billion injected through SRFC will be invested in

¹ This was the initially agreed upon investment. However, the figures keep going up. It currently stands at 62 billion (Siddiqui, 2017)

various projects like coal power plants, solar parks, motorways, port and port facilities (Ministry of Planning, Development and Reform, 2015).

This kind of commitment is a huge promise for the Pakistani economy not only in terms of alleviating the chronic energy crisis that affects every level of the economy and society but also in kick-starting a phase of economic growth. For China, the strategic importance of the route provides the opportunity for strengthening its hold as a regional and global power, securing the energy supply routes, and gaining access to markets and cheap labor.

Given the size and the potential effects of the project, it is not surprising then that the entire nation, from policy analysts to industrialists, is fixated on the project. Commentaries range from complete endorsement and enthusiasm to more sober analysis pointing to the economic, political, inter-regional and social effects that CPEC will have. Objections are also being raised concerning the geographical spread, unequal benefits to the provinces, transparency and its effect on civil-military relations.

However, what is being said is mostly based on predictions and historical analysis because not much has been achieved on ground yet despite the ambitious plans. According to the Ministry of Planning, Development and Reforms' official website of CPEC, out of the twenty four 'Actively Promoted Energy Projects' only three of them are more than 50% complete (cpec.gov.pk). Construction work on six projects has started. For the rest of the projects, relevant authorities are either engaged in paperwork, legal or political issues or are waiting for investors (cpec.gov.pk). Out of the four planned infrastructure projects, work has commenced on only two. For the rest, the authorities are still looking for Chinese financing. Among the eight 'Gwadar Port Related Projects',

work on 'Infrastructure for free zone and EPZs port related industries' has commenced. The rest are in the initial stages of planning and negotiations. Lastly, considerable progress has been achieved on the 'Cross Border Optical Fiber Cable'. Works on other projects such as railways, mass transit and special economic zones are allegedly underway but not much information is available on that front (cpec.gov.pk).

The attention that CPEC has attracted locally is not solely because of the nature and promise of corridor itself. Partially, it is also historically grounded in the nature of political economy of Pakistan, the state-space relations built over the years and the experience of previous aid regimes. The next two sections of this thesis will explore the history of infrastructure and history of foreign assistance in Pakistan.

Notes on Methodology

For this study I have relied upon primary and secondary resources. A literature review of China and Pakistan's development, their foreign relations, and issues surrounding the CPEC constitute my secondary research. For my primary research, I have relied on sources such as news reports from the leading English-language newspapers of Pakistan (Dawn News, Daily Times, The Express Tribune, and Pakistan Today), Memorandum of Understandings between the Pakistani and Chinese governments, press reports of political parties and civil society groups, and interviews. My fieldwork, stretched over a period of one year, constituted interviews with government officials, civil society member, lawyers, land commissioners, Chinese investors, industrialists, engineers and workers. The research includes an ethnographic study of the Sahiwal Coal Power Project, one of the early-harvest projects of CPEC. The scope of my research was limited by the issues of security, censorship, and lack of transparency surrounding the

CPEC. Given these conditions, a lot of time was spent just to navigate through the administrative structure of CPEC. The next hurdle was to get the CPEC actors to talk to me. Interviews were hard to come by. Those that did were limited in their scope due to the respondent's lack of access to knowledge about decisions being made in the higher circles of CPEC authorities and because of the fear of the consequence of saying something against the state and/or CPEC. Nonetheless, my fieldwork was crucial in building my analysis of CPEC. Not only did it help me tap into the most sensitive issues surrounding the project but it also helped me see how the mega-project unfolds in everyday practices. Through the fieldwork I was able to achieve a greater depth to my analysis and uncover the nuances of Chinese engagement in Pakistan. The nuances that remain elusive in the official narrative, media reports, and to some extent, the minimal existing literature.

SECTION II

China's Economic Development and Internationalization

To analyze China's engagement in Pakistan will not be a straightforward task given the issues of transparency and the fact that CPEC is still in its rudimentary stages. A good starting point will be to understand the history and dynamics of China's development and internationalization. A literature review of the nature of Chinese developmental path and its bilateral and multilateral relations will help me identify patterns that can make a deeper analysis possible. In the later chapters, the study of China's developmental path will help me identify why Pakistan could not attain similar growth levels or why the Pakistani state could not launch a sustainable developmental path. Furthermore, the study of China's internationalization or 'going out' policy will be used to locate how the discourse of "mutual benefit", "non-intervention", and "South-South solidarity" plays out in the context of Chinese engagement in Pakistan.

The Period of Reformation

The story of long-awaited 'opening up' of Chinese economic borders begins in 1978. However, this apparently revolutionary conjuncture cannot be separated from the process that had started much earlier. The policy to make China a prominent player in the world economy was a contingency of the process of 'capitalist-industrialist take-off' that began with Communist Party of China's socialist transformation campaign in 1953 and accelerated with Mao's Great Leap Forward campaign. The contemporary reforms were made possible through the state capital accumulated during the Mao era (Hung, 2015: p. 43). The Chinese Communist regime embarked on the path of rapid industrialization in the 1950s. Through rural collectivization, the developmental state

was able to first centralize the scattered rural surplus and then to redirect it to the urban centers to feed its industrial sector. The agriculture-to-industry surplus transfer helped the state to attain impressive industrial growth: the industrial share of GDP rose from 20.9 percent in 1952 to 47.9 percent in 1978 (despite the economic fluctuations and political upheaval during this time). The labor productivity experienced a growth of 236.7 percent between 1950 and 1970. The People's Commune system acted as a jugular of China's economic growth process. Apart from providing capital for the industrialization process, the People's Commune system also acted as a shock-absorber. By absorbing the unemployed labor created in the periodic crises of overproduction, the countryside moderated the downturns to certain extent. Apart from leaving a legacy of a solid industrial base, the Maoist era also rendered China with "a huge reserve army of rural labor" (Hung, 2015: p. 48). As a compensation for appropriation of rural surplus and restraint on migration, the state invested heavily in agricultural infrastructure, health care, and education in the Communes to improve the lives of the rural population. The success of this intervention created a reserve army of a healthy and literate labor force that the reformists would later release to make China an important player in the global economy (Hung, 2015).

In the wake of Mao's death and the ensuing years of economic stagnation, the Chinese state under the leadership of Deng Xiaoping announced economic reforms (Harvey, 2005). The economy was liberalized through transformations in class relations, land regime, and institutional arrangements (Harvey, 2005). Although, the Chinese central government maintained a firm and consistent control over the transition process, it allowed for the development of private sector that played a crucial role in the subsequent economic development of China (Vicente, 2011, p. 402). The state also

tolerated a certain degree of decentralization (Vicente, 2011). This process, often termed as 'privatization with Chinese characteristics', resulted in development of a state-manipulated market-economy that delivered high economic growth levels for the next two decades (Harvey, 2005). Although the policy of liberalization of business environment led to drastic decline in employment and production in state-owned enterprises, the state did not withdraw from sponsoring development (Arrighi, 2007, p. 356). "On the contrary, it poured huge sums of money in the development of new industries, in the establishment of new Export Processing Zones (EPZs), in expanding and modernizing higher education, and in major infrastructure projects, to an extent without precedent in any country at comparable levels of per capita Income" (Arrighi, 2007, p. 356).

Simultaneously, China was opened up to foreign trade and investment (Harvey, 2005). The motivation behind this 'opening up' was to enable technological transfers and to "gain enough foreign reserves to buy the necessary means to support a stronger internal dynamic of economic growth" (Harvey, 2005, p. 121). Furthermore, the Chinese policy makers were driven by the belief that Chinese firms needed to open up to global competition, in both domestic and international arena, to become better equipped to spearhead China's economic revival (Vicente, 2011, p. 402). The process accelerated after 1995 when the Chinese government opened the economic borders to any kind of foreign investment (Harvey, 2005). By 2002, foreign direct investment accounted for 40 percent of China's GDP. In the developing world, China had become the largest recipient of foreign direct investment (Harvey, 2005).

Although, initially, the Chinese economy was self-sustaining in terms of its energy and raw materials requirements, as it moved up the value-added ladder of production, it became more and more dependent on foreign sources to feed the industrial needs. Imports of resources like coal, steel, oil, metals, and timber rose phenomenally. The extraordinary growth rates and successful integration in the global market economy translated into China becoming a regional hegemon in East and South-East Asia. However, the growth rates slowed down following 2004. David Harvey argues that the downturn was the inevitable outcome of successful capital accumulation process (Harvey, 2005). China at this point found itself with excess surplus that required external outlets (Lee, 2014). After three decades of sustained economic growth, China is now facing the limitations of capitalist accumulation (Lee, 2014). The problems of over accumulated capital, bottlenecks, falling profit rates, shrinking demand in the traditional export markets, scarcity of resources, and growing energy needs has pushed Chinese state and capital to invest overseas (Lee, 2014). One of the paths taken to avoid plunging deeper into the slowdown was to fund US debt and “thereby keep the market for Chinese products buoyant while keeping the yuan conveniently pegged to the value of the dollar” (Harvey, 2005, p. 140). Meanwhile, the Chinese companies kept their overseas investments afloat (Harvey, 2005). China was able to quickly recover from the crisis reviving its growth rates towards 8 or even 10 percent (Harvey, 2010).

Although the economic path China took post 80s made it the fastest growing economy, it also created a lot of economic problems and social disruption. By the mid to late 1990s, the effects of the very triumph of reformation began to appear: an unprecedented increase in income inequality and the growing discontent challenging the process and consequences of the reforms revealed the limits of the reformist agenda

(Arrighi, 2007). The state policy of breaking up national monopolies and liberalizing the market also resulted in over-accumulation of capital, put a downward pressure on profit rates, sacrificed the security of employment (reversing the achievements of Maoist era), and led to over-exploitation of urban workers (Arrighi, 2007). The switch to market economy in China also led to huge increases in income inequality between rural and urban areas, provinces, and classes. As long as these imbalances could be legitimately presented as an outcome of a process that simultaneously created opportunities of advancement for the masses, challenges to the rising inequality were limited and could be easily managed by the state.

As state took more and more entrepreneurial positions in the economic sphere and engaged in 'accumulation by dispossession' the legitimacy of the state derived from the revolutionary traditions became vulnerable. The waning appeal of the state policies manifested itself in form of nationwide social unrest. Officially reported cases of social struggles rose from 10,000 in 1993 to 87,000 in 2005 (Arrighi, 2007: p. 377). However, these figures might be misleading. Although, the Ministry of Public Security stated that in 2005 there were about 87,000 incidences of "disturbances of public order", in the same year, director of the Central Rural Work Leading Group, announced that the number of "mass incidents" nationwide were about 23,000 (www.globalsecurity.org). The China Academy of Social Sciences estimated the "mass incidences" in the year 2007 to be "over 90,000 and claimed that they had further increased in 2007 and 2008" (Freeman, 2010). The protests, riots, strikes, and other forms of social struggles occur over issues like environmental degradation, expropriation of land to allow industrial, real estate, and infrastructural development, taxes, and lay-offs.

The growing presence and the disruptive capabilities of the social struggles forced the CCP to reconsider its policies – it has prompted a change in the direction of a more balanced approach towards development. The discourse and policies have steered in the direction of decreasing inequalities among geographical regions and classes and expanding workers' rights (Arrighi, 2007). As a result of massive strikes at major industrial spaces such as those of Toyota, Honda and FoxConn in 2010, there was 20-30 percent wage increase. Investments by the state in health care and social services were also increased. China also upgraded its environmental technologies to counter the environmental degradation that came with the rapid economic growth. With the result that China has now become a global leader in such technologies. However, these changes increased the costs of doing business in China which meant that Chinese capital now found its place in lower-wage locations like Bangladesh, Cambodia and other parts of SouthEast Asia (Harvey, 2010).

Another important, more recent development of the process of 'Opening Up' of China to the outside world was spreading out economic activities abroad. This period, or the early 2000s, marked the second stage of proactive economic internationalization when Beijing launched its 'Going out' policy (Vicente, 2011, p. 402). It comprises of development aid and concessional loans to developing countries, gaining access to natural resources, expanding export markets, and outward foreign direct investment (Dannenberg et al, 2013). The policy of 'Going Out' strategy, or encouraging Chinese firms to invest abroad, is a part of this process (Vicente, 2011). It became an official mandate with its inclusion in the tenth five-year plan drafted in 2001. The implementation of the ongoing process began in 2006. Through this strategy the Chinese government not only encourages big businesses to invest overseas in a wide spectrum of

sectors, it also uses bilateral and multilateral platform to facilitate the internationalization of Chinese firms (Vicente, 2011).

In order to look further into the dynamics of economic internationalization of China it will be helpful to turn to China-Africa relations which is possibly the most well-documented case of this process. With the objective of uncovering the nuances of the generic term 'Chinese investment', Deborah Brautigam, studied the financial structure of Chinese engagement in Africa. Using the standardized OECD definition of official development aid [henceforth ODA], she deploys the term as "concessional funding given to developing countries (those with a per capita income below a regularly adjusted threshold) and to multilateral institutions primarily for the purpose of promoting welfare and economic development in the recipient country" (Brautigam 2011, p. 203-204). Concessional in this context entails that the loans must have at least 25 percent grant element using a 10 percent discount rate. Furthermore, foreign funding structure also includes funds to firms given by donor country in order to secure the private investment, export credits, and military aid. The latter category of funds is not concessional in character and are primarily geared towards facilitating exports. Although Chinese investment in African economy consists of both these categories, the latter is much more significant, making China a modest donor compared to other donor giants in the global economy (Brautigam, 2011). For analytic purposes, it is safe to conclude that China's economic bilateral relations constitutes provisions of aid and loans by policy banks and investments by state-owned businesses at the center and provinces, private companies, and small, family-owned firms (Lee 2014, p. 34).

Having traced the history of China's economic transformation and its global rise, I can now move on to review how different theorists have categorized the nature of these developments. By approaching these theories critically, I will argue that the Chinese developments are too multifaceted to be captured in a neatly-packaged theory.

The Two Opposing Theoretical Trends in Conceptualizing Chinese Transformation

Early literature conceptualizing China's ongoing transformation can be said to be divided into two broad categories. On the hand is the idea that Chinese developments are neoliberal in nature, albeit with heavy presence of state in the economy (Harvey, 2005; So, 2010: p. 132). The second camp views China's regional and global emergence as a counterweight to neoliberalism and militarized capitalism led by the US (So, 2010: p. 132). However, this trend of binary understanding of China's rise has recently begun to change. Instead of trying to fit the complexities of Chinese development into solid theoretical frameworks, various political geographers, anthropologists and critical theorists have begun to identify the nuances of Chinese development, especially in the international context.

The maxim "let some get rich first, so others can get rich later" (Deng cited in Kwong, 2006), uttered by Deng at the inaugural speech of his reforms, is used often by theorists on China who view the global rise of China as the embodiment of neoliberalism. The Communist Party, it is argued, was deeply influenced by Milton Friedman's ideas favoring opening up of markets and withdrawal of state from the economy (Kwong, 2006). The story of neoliberal China often begins with the Chinese version of the English "enclosure" process. Through abolishing people's communes and displacing 150 million rural inhabitants, the Chinese economic reforms created masses

of rural migrants that were forced to sell their labor in the open market in order to survive. The state, instead of protecting the huge working class population, was more interested in protecting employers. This lopsided presence of state in the production relations resulted in persistent labor and safety violations. Simultaneously, China witnessed rising income inequalities with a wealthy upper middle class and the super-rich strata. Corruption or expropriation of national wealth by top government officials partly explain this rise. Environmental degradation also came with the package of economic transformation. All these issues combined led to rising demonstrations of discontent. Eventually, the state responded with violent repression (Kwong, 2006).

In more sober analysis of China's neoliberal developments, instead of looking at the consequences, the focus is on the process of development. For example, Alvin So argues that China's move towards neoliberal capitalist model is characterized by process of "decollectivization and proletarianization, marketization, fiscal decentralization, opening up and spatial differentiation, privatization and corporatization of state enterprises, commodification of human services, and the deepening of liberalization" (So, 2007: p. 64).

Furthermore, neoliberal theorists also tolerate exceptions to neoliberalism (for example, Ong 2006). Writing in the context of role of state in the era of neoliberalism, David Harvey contends that "significant divergences from the template of neoliberal theory" (apart from the internal contradictions of the system) occur in practice (Harvey, 2005: p. 70). Secondly, he recognizes that the evolutionary nature of neoliberalism makes adaptations, that vary geographically and temporally, possible. Hence, he concludes that "[a]ny attempt to extract some composite picture of a typical neoliberal

state from this unstable and volatile historical geography would seem to be a fool's errand" (Harvey, 2005: p. 70). We can see a reflection of this awareness in the chapter, "Neoliberalism with Chinese Characteristics" where he observes how the Chinese government had to finally adopt a Keynesian policy of addressing issues such as social inequalities, labor rights, and environmental degradation (Harvey, 2010).

Alvin So also contends that although initially, Chinese case seemed to move in the classic neoliberal direction, inconsistencies to the neoliberal blueprint began to surface in the mid-1990s (So, 2007). Firstly, as opposed to the notion of weakening of state in a neoliberal environment, Chinese state expanded its managerial and fiscal capacity since 1990s. Through certain institutional reforms, state strengthened its hold over local leaders or lower-level agents. Reforms in 1994 were also introduced to tighten the center's control over budgetary revenue, shifting fiscal power from the provinces to the center.

Furthermore, instead of relegating its role in the economy, Chinese state has become increasingly prominent. Heavy investments in mega-projects and physical infrastructures have been made by the state. Chinese state has also invested heavily in modernizing the education system and upgrading its science and research capabilities making possible China to move up the value-ladder of production. Additionally, although restoration or expansion of the power of the capitalist class is seen as the necessary outcome of neoliberalism, Chinese case seem to disprove this thesis. The capitalist class has remained weak in face of a very strong state and continues to depend on the state for its economic survival. The state and private economy continue to be closely linked, often blurring the boundaries of property relations. State also remains strong in face of

international capital. “[I]n China the barriers erected to foreign portfolio investment effectively limit the powers of international finance capital over the Chinese state” (So, 2007: p. 65-68).

At the other end of the Leftist spectrum of interpreting China’s recent transformation stands Giovanni Arrighi. Viewing the Chinese case of economic growth and global rise as ‘accumulation without dispossession’, he contests the inference that the Chinese developments beginning in the 1980s followed a neoliberal path (Arrighi, 2007, p. 354). Such a thought, he argues, is not limited to the academia – institutional promoters of the neoliberal policies such the World Bank and IMF have also boasted that China was able to attain such high levels of economic growth through following the prescriptions of Washington Consensus. Such claims, he observes, have no basis in reality as the actual experiences of the countries that followed these prescriptions show the complete opposite outcomes. Sub-Saharan Africa, Latin America and the former USSR faced a series of economic disasters once they embraced neoliberal policy reforms.

Instead of internalizing principles of rapid, neo-liberal reformation, China embarked on a unique path to kick-start economic growth. The path, Arrighi contends, was that of gradualism and the will of state to not completely submit to international norms and rules. He concurs to Galbriath’s claim that the success of Chinese growth can be attributed to the policy position of gradualism – the realization that social stability cannot be sustained if restructuring does not come with job creation and through ensuring the division of resources in such a manner as to intensify competition.

Another important aspect of this dynamic was a selective approach towards norms and rules of Western capital. Although China was open to World Bank’s

assistance and advice throughout the reformation period, it did so only if it did not go against its national interests. Serving 'national interest' remained the priority. Same was the case with welcoming foreign direct investment – it was accepted only if it was perceived to benefit the national economy. For instance, it accepted presence of and collaboration with industrial giants like Toshiba only if such a deal made technological transfers possible.

At a more general level, deregulation and privatization in China was a far more gradual and selective process than what occurred in other countries that embraced the neoliberal agenda. In the unique transformation that unfolded in China, instead of intensive privatization programme, what was crucial to the process was the exposure of state-owned enterprises to competition with one another, to foreign businesses, and smaller, community-owned units.

Policy of liberalizing economy, Arrighi recognizes, led to over-accumulation of capital and declining profit rates – the eventual victims of which were the laboring classes. However he argues that they need to be read in the context of 'workers' welfare' policy of the state. The objective of safeguarding welfare of workers was strongly embedded in developmental efforts of the state. The industrialization path taken has been highly labor-intensive. Modernization and expansion of the educational system at highly impressive pace upgraded the social division of labor "towards knowledge-intensive production and innovations" (Arrighi, 2007, p. 367). Furthermore, the highly successful programmes such as creation of Township and Village Enterprises where the rural population was encouraged to put more labor into rural economy

created a huge pool of employment opportunities. All these policies have combined in creating labor shortages and arguably, making super-exploitation of migrant less likely.

Arrighi goes onto to argue that such practices of the Chinese government emerged out of pragmatic needs influenced by Chinese traditions. Not only did the historical ideas influence the state, they also empowered the subaltern classes. Wang Hui traces these traditions in Chinese revolution, social values, and Mao Zedong thought that seemed to have stayed with the Chinese Communist Party. To a certain extent, the socialist thought acted as an internal constraint on state reforms. The state, it seemed, was in a constant dialogue with this tradition. Furthermore, “the socialist tradition gave workers, peasants and other social collectives some legitimate means to contest and negotiate the state’s corrupt or inegalitarian marketization procedures” (Hui cited in Arrighi, 2007, p. 368).

Apart from the ideological support acquired from the past, part of the success of economic reformation was also attributable to the Chinese Revolution. The greatest advances in per capita income and adult literacy, and improvement of welfare indicators of low-income groups were attained before 1980. However, it is important here not to undermine the successes of CCP in maintaining (if not expanding) the welfare character of the state given how the systemic requirements of capitalism presupposes state to relinquish this role. Arrighi terms the peculiar path that China took for economic uplift as “accumulation without dispossession” as opposed the classical Marxist idea of “primitive accumulation” (often violent and exploitative) necessary for embarking on the capitalist route. Instead of dispossessing the rural classes, the state uplifted them through investing in educational development and providing employment opportunities.

Maintaining and promoting labor-intensive methods in industries and investing in decreasing social division of labor promoted economic growth without creating a large pool of unemployed or unemployable population.

However, by the 1990s, the adverse effects of reformation began to surface. Income inequalities, uneven geographical development, and the expropriation of national wealth by the state did not go unnoticed by the Chinese population that was promised equal share in the development in return for its sacrifices. Overtime, as the state actions came to be seen in direct confrontation with the revolutionary traditions of economic progress as a process including and benefiting both the party-state and the subaltern strata, social stability began to crumble. The resulting social and political disruptions forced CCP to adopt a more balanced approach towards development and to address the issues that were beginning to paralyze the economy and putting into question CCP's legitimacy.

Despite the recent disruptions, Arrighi concludes that several features of China's developmental path goes on to prove that the development did not occur at the expense of certain classes or with violent dispossession classes as is generally the case with capitalist accumulation. The gradualism of China's reform was aimed at "expanding and upgrading the social division of labor", prioritizing national interests over capitalist interests, and improvement of living conditions in rural areas (Arrighi, 2007: p. 361).

Although Arrighi's analysis of Chinese transformation captures the nuances and handles the apparent inconsistencies much better than the neoliberal framework, to conclude that the Chinese path offers a much more inclusive and egalitarian alternative to the US dominated capitalist system might not be prudent given the constantly

evolving nature of China's development. While the neoliberal framework of analysis falls in the trap of over emphasizing the effects of Chinese developments rather than the process, the latter, by focusing too much on categorizing the process, loses sight of the actual developments at times. In other words, in claiming that state remains a major actor in leading and mediating economic relations, it not only misses the centrality of capital but also how corporatized state activities have become. Furthermore, by emphasizing the nature of property regime, the analysis misses the how it unfolds in reality.

One of the central focus of Arrighi in concluding Chinese development as accumulation without dispossession is that of preservation and even extension of traditional, collective rural land-use rights (Christiansen, 115). Although, there is no land-market or private land-ownership in rural China, the land-use rights are long-term and are linked with extensive "policy-incentives, obligation and limitations of use".

Furthermore, the current wave of expropriation of farm-land for urban expansion shows how dispossession can occur without a formal private property regime (Christiansen, 2010). Mike Davis work on Bangkok-based Charoen Pokphand Company (CP), narrates how the poultry-producer giant uses contract farming to fulfill their capitalist ambitions of accumulation (Dunn, 2010). Through contract farming the large companies control the entire production process:

they lend money to farmers, they sell them chicks, feed and medicine, and they have the right to buy the whole production. But usually the company is not committed to buy the chickens if the demand is low. Contract farmers bear all the risks related to production

and become extremely dependent on demand from the world market. They become factory workers in their own field (Davis 2005 cited in Dunn, 2010, p. 48).

Although one case of interaction of a large, capitalist firm with a particular production does not go very far in proving the nature of production process underway in China, it does point towards a need for a closer and deeper inspection of how the process unfolds in terms of relations of production.

Internationalization of Chinese Economy

Another important dimension of China's global rise that is either missing or incomplete in the analysis mentioned above is the internationalization of Chinese economy. China's economic engagement with the world, in particular, the global south goes a long way in revealing the nuances and evolutionary nature of Chinese state and capital. After three decades of sustained economic growth, China is now facing the limitations of capitalist accumulation (Lee, 2014). The problems of over accumulated capital, bottlenecks, falling profit rates, shrinking demand in the traditional export markets, scarcity of resources, and growing energy needs has pushed Chinese state and capital to invest overseas (Lee, 2014). The ambitious scope of this going out policy can be estimated by the fact that "in 2000, only five countries counted China as their largest trading partner; today, more than 100 countries do, from Australia to the United States" (Larmer, 2017: p. 3). Investment in physical infrastructure in developing countries to facilitate trade is one of the most prominent feature of this juncture. China keeps announcing new projects throughout Asia, Africa and the Middle East: high-speed railway through Nigeria, a canal across Nicaragua, and the latest "One Belt, One Road" initiative (Larmer, 2017). An understanding of the production and diplomatic relations

underway through these bilateral interventions can help us access a deeper understanding of the nature of Chinese state and its developmental path. However, before studying the nuances this process, it is important to look at the state's motivations behind the 'Going Out' policy and its official guidelines.

China has been providing overseas aid since the 1950s (Shambaugh, 2013). Some of its contributions to developing countries are worth noting: China has helped these economies in the areas of medicine, public health, tertiary and vocational education, agriculture, and infrastructure. However, Chinese foreign assistance has been criticized by various international organization on the basis of China's "no political strings attached" policy and that Chinese foreign assistance does not follow the internationally recognized understanding of official development aid (Shambaugh, 2013; Kobayashi and Shimomura, 2013). Since, no official data until recently has been available and China is not a member of OECD's Development Assistance Committee (DAC), data on China's foreign assistance has been difficult to obtain (Kobayashi and Shimomura, 2013). However, with the recently released official document, "China's White Paper on Foreign Aid", and estimates made through certain studies (Brautigam, 2009; OECD, 1991; Kobayashi and Shimomura, 2013), fair estimates can be made about China's foreign assistance.

Starting from the 1950s, foreign assistance has been an important diplomatic tool for China in securing friendly relations with countries and in turn, gaining global support for its internal problems (Kobayashi and Shimomura, 2013). However, aid became a fiscal burden on China between 1971 and 1975. Hence, in 1975, China introduced an upper limit to the aid it provides to other countries. At that time, China's

net Official Development Assistance (ODA) stood at \$749 million (bigger than that of Italy and Belgium and only slightly smaller than that of Australia) (Kobayashi and Shimomura, 2013, p. 53-54). However, after the introduction of upper limit, China's decreased to \$342 million by the end of the 1970s (Kobayashi and Shimomura, 2013, p. 54).

During the reformist era, China became net recipient of assistance in order to finance its modernization project. However, the outflows of aid continued during the 1980s and 1990s but with declining volumes. Moreover, the shift also occurred in the nature of assistance to create benefits for both China and the recipients. Instead of providing grants, China started to diversify into projects like joint ventures and cooperative production (Kobayashi and Shimomura, 2013). The change is reflected in statistics: China's ODA declined to one-fifth of previous levels (Kobayashi and Shimomura, 2013, p. 55).

China's foreign assistance has dramatically risen over the past decade, making China the largest developing country to provide aid outside of Development Assistance Committee (DAC) – the Organization for Economic Cooperation and Development's (OECD) forum of major donor countries (Weston et al., 2011; Zhang, 2016). Announcement of Grand Plan of Trade and Economic Cooperation in 1994 marked the turning point of this latest phase of Chinese foreign assistance policy (Kobayashi and Shimomura, 2013). With this plan "Minister of Foreign Trade and Economic Cooperation... proposed the integration of foreign aid and various economic cooperation tools, including direct investment, overseas contracted projects and labour services. In

other words, it was an attempt to link aid, investment, and trade for global economic operation” (Kobayashi and Shimomura, 2013, p. 23).

Hence, in the present conjuncture of China’s overseas ‘aid’, China’s implicit goal in providing foreign assistance has been fulfillment of its strategic interests and economic needs (Weston et al., 2011). Investments in infrastructure such as ports and extractive industries such as oil and gas have fulfilled China’s growing energy needs. Furthermore, investments in developing countries have also gained China access to new markets (Weston et al., 2011).

According to China’s White Paper on foreign aid, the assistance comes in form of “complete projects, goods and materials, technical cooperation, human resource development, Chinese medical team working abroad, emergency humanitarian aid, overseas volunteer programs, debt relief” (Shambaugh, 2013, p. 162).

The data, recently made available through China’s White Paper on Foreign Aid in April 2011 shows that Chinese overseas assistance does not fit too well in the carefully designed criteria of foreign aid since Chinese overseas economic engagement constitutes not just aid but also overseas investments by state-owned and private companies. Chinese foreign aid financing, according to the official source, is divided into three categories: grants, interest-free loans and concessional loans (Shambaugh, 2013, p. 162). A major part of Chinese loan portfolio is directed towards giving loans to Chinese companies for their foreign investments and delivery of aid-related goods and service (Shambaugh, 2013).

China’s foreign assistance policy follows the same principle of “non-intervention” that its foreign policy in general does. Unlike Western aid, that comes attached with

conditions of governmental or economic reforms and human rights protection, Chinese aid is often seen as “no strings attached” (Weston et al., 2011). Even though it is true that China does not follow this norm of global aid, it does demand fulfillment of certain diplomatic actions from beneficiaries of its aid. These demands again, reflect China’s national interests, for example, demand for diplomatic loyalty on the issue of China’s regional and separatist elements (Weston et al., 2011).

China’s rapid expansion in building economic and political ties with other developing countries has not gone unnoticed. It has aroused deep anxieties, suspicion and concerns. Three main trends have emerged from the discussion of China’s state-sponsored economic diplomacy: extractive resource diplomacy, political ambitions of gaining soft power, and to safeguard commercial opportunities for the national firms (Brautigam, 2012). Media and developmental organizations like the World Bank suspect Chinese engagement in developing countries as a strategy for resource security. Creation of zones and laying down of huge infrastructural projects is seen as a means to ensure steady supply of resources from the host countries. The state-sponsored presence abroad can also be seen as a purely political strategy to build alliances and boost soft power (Brautigam, 2012).

A part of the engagement is to do with the deep-seated problem of secessionist movements in China. Karatasali and Kumral view China’s growing bilateral and multilateral relations as “skillful use of international diplomacy against the forces of secessionist nationalism” (2017). In the 1978, when Chinese government repudiated the policies of Cultural Revolution and launched a series of economic reforms, two development occurred. At the same time when China was rapidly acquiring global-

economic prominence, the secessionist movements began to resurge (after being silent during the repressive years of Cultural Revolution). The disputed regions under question contain important natural resources that China needs for sustaining its economy. Tibet and Xinjiang are home to major gold, copper, coal and oil reserves. The internal vulnerability of China is further complicated by the state-seeking activities in the neighboring regions/countries of China. The upheavals, the authors argue, can also affect the movements within China. As a part of the strategy to contain these rising wave of state-seeking movements, the Chinese government is building inter-state coalitions, including South-South relations, in order to establish cooperation and fight terrorism. Furthermore, China uses international diplomacy to contain the power of secessionist movements. For example, through bilateral trade agreements, the Chinese government started to put pressure on the international powers sympathetic to the Tibetan movement (mainly United States and India) or to the Uyghur movement (like Turkey) (Karatasli and Kumral, 2017 and Vadel et al, 2014). Similarly, Vadel, Ramos, and Neves argue that one of the objective of China in its economic and political engagement with Latin America and Africa has been to isolate Taiwan (2014).

Lastly, scholarship on the rising global engagement of China sees it as a strategic use of foreign economic policy to further its commercial ambitions (Brautigam, 2012). The closely entwined commercial and state interests, have found a fulfilling ground in other developing countries. For example, the countries in which Chinese firms (state-owned or private) invest and where the state provides aid, are potential markets for Chinese products (Vadel et al, 2014). The need for finding new export markets emerged when after the 2008 economic crisis, the United States and European Union ceased to be reliable markets for Chinese exports (Vadel et al, 2014).

It is safe here to say that the Chinese 'going out' policy was motivated by a mixture of the aforementioned factors. I will now move on to the principles guiding China's foreign policy. More specifically, I will look into the Chinese principles of peaceful coexistence and China's disposition for political stability.

The Five Principles of Peaceful Coexistence succinctly summarize the Chinese foreign policy in the recent decades. The principles, first announced in 1955 by Zhou Enlai at the Afro-Asian People's Solidarity Conference in Bandung, Indonesia are as follows: mutual respect for territorial integrity and sovereignty, nonaggression, noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence (Shambaugh, 2013). Although these principles continue to guide the Chinese foreign policy today, the guiding principles kept evolving. Deng's foreign policy in the initial years of reformation were based on three components: building ties with the US, containing secessionism in Taiwan, and attracting foreign direct investment to support the economic revival (Alden 2007 cited in Vadel et al, 2014). With the crackdown on protestors in Tiananmen Square in June 1989, CCP was forced to re-evaluate its foreign policy. Although relationship with the developed world became strained, the period marked the beginning of closer relations with the developing world (Vadel et al, 2014). The period coincided with the growing raw material needs of China that also encouraged this development.

David Shambaugh argues that although Chinese foreign policy has not been consistent, the one thing that has remained unchanged is the adherence to the five principles of peaceful coexistence (2013). Furthermore, the core purpose of the National Security Commission of China is to engage in dialogue and negotiations on an equal

footing to overcome disputes and make peace possible. China envisions a “fair and reasonable new international order” to guarantee peace and security (Shambaugh, 2013, p. 79). Overtime, due to certain geopolitical events and circumstances, China has become less passive and more proactive globally – it has stepped-up participation in regional organizations, established many bilateral relations, and has become more engaged in multilateral organizations (although still reluctant to exercise coercion to make a regime submit to international norms and rules on issues such as climate change, military transparency, human rights, and to a certain extent, counterterrorism).

China’s interest in security, political stability, and reluctance to engage in contentious politics abroad are partly attributable to China’s long history of internal and external insecurity and paranoia (Shambaugh, 2013). The persistent internal threats of secessionist movements have pushed China to enter into coalitions of anti-secessionist movements, the consequences of which transcend the national boundaries (Karatasli and Kumral, 2017). These anti-secessionist sentiments and external security threats combined with the economic interests of China, “seem to push China to preserve the global status quo in a very consistent manner” (Karatasli and Kumral, 2017, p. 22). Among several others, Karatasli and Kumral cite the example of issues surrounding South Sudan and Chinese role amidst the direct actions of international powers and multilateral organizations. As secessionist movement in South Sudan gained power, China’s tensions grew. South Sudan was becoming an important site for serving Chinese economic interests. By 2011, South Sudan attracted international prominence – secession and human rights problems found strong Western coalition support. Till the very end, China tried to keep Sudan united playing the role of a mediator. When in 2011, South Sudan gained independence, China put efforts into building trade relationships

with South Sudan as well (Karatasli and Kumral, 2017, p. 22-23). However, exemplified by the case of Namibia, there have been exceptions of China's policy of non-intervention and lack of support for movements for independence. Beijing extended its support to the Black Nationalist liberation movement against apartheid and white domination of South Africa (Larmer, 2017). China became one its first allies when in early 1990 Namibia claimed independence. This move on Beijing's part needs to be contextualized in China's need to look for allies after its diplomatic isolation following the crackdown of Chinese government on the Tiananmen Square protestors in 1989 (Larmer, 2017, p. 4).

From this discussion, it is safe to conclude that China is intent on preserving political stability in its bilateral relations. This inclination is reflected by no-strings-attached aid policies, reluctance to meddle in the internal issues, and respect for territorial sovereignty. However, China remains highly ambivalent, nontransparent, and flexible in its bilateral and multilateral relations (Shambaugh, 2017). However, as we have seen, the dynamics of these relationships are very closely linked with China's national interest. Hence, in order to understand the dynamics of China-Pakistan relations, national interests of China can be taken as an anchor. For no matter the rhetoric, agreements (and their ambivalence), international rules and norms, national interests will guide China's engagement with Pakistan as they have in other parts of the world.

However, such reflections on China's transnational activities presume a highly hierarchical, authoritarian, and static view of the Chinese state (Vicente, 2011). From the succeeding analysis, I will show how the process of internationalization is transforming

the Chinese state and how the different actors involved make the process much more flexible than is often presumed.

The internationalization process of China is 'decentered' through three main drivers: central planning, varied strategies adopted by state-owned and state-linked companies, and contextual contingencies (Vicente, 2011). The three drivers interact to produce political and economic conditions that generates 'uneven spatial distribution of power' to the diverse actors of Chinese state in its overseas interventions. More specifically, the state power gets divided among different levels of governance, conflicting interests emerge among the different actors, nature of international engagement become a site of contestation, the boundaries between state and society blur, and the state experiences ideological shifts as it comes in contact with new (local or international) economic and political rationales. All these conditions combine to create a constantly evolving process of internationalization.

The process of decentralization and corporatization of state-owned businesses emanated from the center. The process began in the late 1990s when China's State Council's strategy of 'restructuring and floating' transformed the state owned businesses from ministries to listed companies to increase competitiveness (Vicente, 2011). As Zhang claims, the restructuring of state-owned companies was aimed at establishing the modern enterprise system which is "officially described as a model based on limited liability, property rights, concrete rights and responsibilities, separate politics and enterprises and scientific management, while based on a public ownership system that is the foundation of the socialist market" (Zhang, 2004 cited in Vicente, 2011: p. 405). Furthermore, the drive to internationalize led the branches of the Chinese state to

internalize the international standards and business models. However, this should not mislead us into concluding that the role of state in the economy is slowly diminishing – it is merely decentering and evolving. The central government exercises strict control over China’s private sector globalization. For example, the government oversees large investments abroad through exercising control over currency exchange. Through these processes of encouragement and control, the state becomes entangled with the private sector in a complex manner. Although, the objective of profitability and international expansion overlap, as the private sector encounters foreign cultures and pressures (more pronounced in cases of joint-ventures or acquisitions) the interests diverge. This is how the state, despite being an active promoter and a supervisor of the private sector, decenters its power (Vicente, 2011).

The marketization of state-owned companies also problematizes the concept of the Chinese state and the notion of China’s international policy. “These state-owned companies have become very powerful interest groups. They even hijacked China’s foreign policy in Sudan. That’s truly worrisome to me... [they] now stand for economic considerations” claims Zhai Kun of the China Institute of Contemporary International Relations in Beijing (Zweig 2008: p. 9) As these firms find themselves embedded in the corporate cultures, they begin to develop independent interests that might or might not be the same as the interests of the center (Vicente, 2011). For example, when Shougang, a state-owned steel making firm, started its operations in Peru, it became progressively autonomous from governmental guidelines. This phenomenon climaxed when some congressman pushed for detailed investigations of Shougang’s alleged corrupt practices. Acting contrary of the Chinese principle of respect for local processes and non-intervention, Shougang threatened to halt some important investment projects.

Furthermore, as the state-owned firms become more and more autonomous, it becomes difficult for the center to govern these bodies. Profitability becomes the foremost objective of these firms in order to serve its shareholders. Despite these discrepancies, state continues to exercise formal control over the internationalized state-owned firms. The state-owned firms still need administrative approval from State-Assets Supervision and Administrative Commission – the approval is granted as long as the operations are not perceived to be a threat to the national interests.

Lastly, as the internationalized Chinese entities come in contact with relational and spatial contingencies, they introduce flexibility to the state. In the international context, the behavior of corporate entities is affected by local and transnational rule and regulations, local social realities and local cultures. For example, adoption of corporate social responsibility principles by many state-owned enterprises shows how these entities are open to adapting themselves according to their environs (Vicente, 2011).

Conclusion

In conclusion, I argue that although China's transformation and internationalization is led by Chinese state in various ways and is guided by and kept in check by a set of principles and national interests, it is also important to be aware of the divergences that can occur in everyday practices of the internationalized Chinese actors. In exploring the probable outcomes of Chinese engagement in Pakistan, these nuances will prove to be fruitful.

Pakistan's Economic and Infrastructural Development

Pakistan – the Post-colonial State

The political economic structure of Pakistan, Hamza Alavi argues, by virtue of being a post-colonial state is more complex than the capitalist state as imagined by Marx (1972). In the colonial context, the metropolitan bourgeoisie creates a state apparatus through which it can exercise dominion over all the indigenous social classes in the colony. Capitalist relations in the case of India were embedded in the society through colonial interventions. Consequently, the superstructure is over-developed in relation to the structure. The post-colonial state thus inherits a strong military-bureaucratic elite and weak indigenous bourgeoisie vis-à-vis the state. Indirect presence of metropolitan bourgeoisie (now joined by the other neo-colonialist bourgeoisie) continues even after independence. The interests of the burgeoning indigenous bourgeoisie clash with the interests of the metropolitan bourgeoisie. The post-colonial state finds itself responsible for mediating between the various elites - the indigenous bourgeoisie, the metropolitan bourgeoisie and the landed class. Simultaneously, it is appointed the task of safeguarding their collective interest; that of preserving the social order, or the capitalist relations of production (Alavi 1972). The presence of various powerful classes with vying interests puts serious limitations to the power of state and its ability to achieve sustained developmental goals. In this chapter through tracing the history of rural, industrial and infrastructural development in Pakistan, I will discuss how the power of different classes inhibited the state from implementing a complete and consistent developmental programme.

Pakistan's Rural Structure

Before we begin to delve into the industrial policy of the state (which remained the major focus of its policies) it is important to establish the dynamics of state's relation with the rural society in order to understand the limitations of the state in attaining sustained economic growth.

As most contemporary historians have noted, the rural society in Mughal India "was not an undifferentiated mass of pauperized peasants" (Raychaudhuri 2008: p. 176). It was a spectrum of not only powerful chiefs but also of various but sometimes overlapping institutions of revenue extraction (Raychaudhuri 2008: p. 176). At the opening of their rule, Mughals encountered large areas under the control of Hindu Chiefs, who were sovereigns in their own right (Moreland, 8). The administrative matters of these lands were left with the Chiefs who in turn paid tributes to the King. The chief's tenure depended on his loyalty to the king and the payment of tribute, in the absence of either, he risked losing his title (Moreland 8-9). Overtime, these powerful notables came to be collectively designated as zimindars (Moreland). These zimindars took over de facto possession of land when the Mughal rule declined (Zaidi, 2005).

An important turning point in the rural social and economic structure that the British rule imposed was the new system of landownership. With the 'Permanent Settlement' in Bengal (of land revenue obligations) of 1793, the colonizers entrenched the institution of private property. Backed by the relevant legal system and 'efficient' governance structures, this change was completed. This imposition dispossessed the peasant. The land now became the property of zimindars – the agent on whom the British government could rely on for stability and revenue generation (Zaidi, 2005).

Apart from guaranteeing rights of ownership, alienation, and succession to the preferred classes of the British raj, the British were also responsible for monetizing agriculture. Introduction of monetary tax meant that producers were required to sell their crop in the market to successfully pay the taxes. This change sacrificed the self-sufficiency of the villages and integrated them into the Indian subcontinent and the economy of imperial Britain.

However, the increasing commercialization of agriculture, jeopardized the power of the landed aristocracy (zimindars and jagirdars). With the increased tax burden, the land-owners, unable to meet the imperial requirements were forced to sell off their land. The British, realizing the counterproductive reaction of their strategy, passed several laws to protect the rights of the landed aristocracy. These changes, together with the introduction of an elaborate canal system, increased agricultural production and land concentration.

The effects of these agrarian changes continued to be felt throughout Pakistan's history. More and more farms are producing for the market; sharecropping has declined and replaced by wage labor, and the size of landholdings has gone down. The share of marketable surplus produced by agricultural units rose from 12 percent in early 1950s to 80 percent in 2005 (Zaidi, 2005: p. 21).

Although the nascent industrializing state was heavily biased against agriculture, towards the end of 1950s, the ruling elite realized the importance of agriculture (Zaidi, 2005). Commonly known as the Green Revolution, the subsequent periods were marked by phenomenal growth in the agricultural sector thanks to the increase in irrigation facilities supplemented by technology package of high yielding variety seeds, fertilizers,

and pesticides. However, the 'revolution' was largely an elite farmer strategy and as Hamza Alavi argues, was geared towards the interests of large landowners and the class allies of the powerful bureaucracy, creating political disruptions, geographical and class inequalities (Zaidi, 2005).

The issue of landed elites is worth delving into further as it provides insights into inefficiencies of the agriculture sector and the state's incapacity to centralize agricultural surplus. The political power of landed elites was inherited from the colonial rule that continued well into the history of Pakistan (Nasr, 1996). The Pakistan movement was led by the privileged classes, once independence was achieved, had little popularity among the masses. To consolidate power in the provinces, it turned to the landed elite to exert social control. Although the landed class did help the state in establishing authority, in return, they also strengthened their political and economic position. In effect, the state bestowed a local role to the landed elites in the organizational structure of the state – sowing the seeds for further weakening of state in the future. Throughout the 1950s, the state was unable to exert any power over the agricultural production. It was unable to extract agricultural surplus, control the price, or to even guarantee the food supply to the cities. Meanwhile, the landed elites increased their profits. The growth of economic power was accompanied with rising political power as they came to effectively take over the ruling party by mid-1950s. The pattern of relations continue to this day – the state lends its support to the landed elites in return for social stability in the rural areas. The state-landed elite nexus has a deep impact on the political economy of Pakistan:

The consequence has been that Pakistan is yet to experience meaningful land reform, the state is yet to penetrate the rural areas, and the agricultural sector, the largest

component of the GNP (53.3% in 1949-50 and 23.8% in 1987-88) has been largely exempt from taxation, and the landed elite control the flow of national and provincial politics (Nasr, 1996: p. 251).

Hence, the ability of the landed elites to prevent the state from levying higher taxes on agricultural produce is responsible for the limited power of the state to extract surplus from the rural economy (Javid, 2015). Taking the case study of Punjab's rural political economy, Hassan Javid traces how the landed lobby has effectively prevented moves by the state to institute a new taxation regime through their alliance with the state (democratic or military) and also by virtue of acquiring important positions in the parliament. The power of landed elites can also be estimated by the fact that when in the 1990s, the dictates of IMF instructed the imposition of agricultural income tax as a conditionality for the provision of loans, the state passed a taxation legislation (Agricultural Income Tax Act of 1997) which on ground still safeguarded the interests of the landed elites. However, the Punjabi landlords still agitated throughout the province forcing the state to introduce amendments to the law that diluted it further (Javid, 2015).

Hence, the power of the landed elites in the rural areas undermined the power of the state to effectively penetrate the rural society and centralize the rural surplus and invest in the industrialization process. Ho-fung Hung in tracing the origins of China's boom, comes to the conclusion that the success of China's economic growth lies in the Maoist state's ability to centralize rural surplus and to direct it towards its industrialization programme (Hung, 2015). Similarly, Burak Gurel contends that Indian state's inability to mobilize rural financial resources to a comparable extent led to the

economic divergence of India and China post-1950s (2015). The influence of rural elites, class and caste divisions, and India's political structure, combined to hamper state's penetration in the rural society. This gap manifested itself in terms of low agricultural taxes: compared to China, where, till the early 1980s, the rural collectives transferred 5 percent of their net income to the state, in India income tax on agriculture remained below 1 percent during most of this period (Gurel, 2015: 240). The case of Pakistan is similar if not worse. Incomes from agricultural activities have remained outside the income tax net (World Bank, 1999; p. 1). Accounting for other direct taxes, the tax ratio to agricultural output comes out to be 0.5 percent (World Bank, 1999; p. 1). Till today, the cumulative collection of agriculture tax remains below 1% (Khan, 2016). Given that agriculture remains a major contributor to the GDP (21%) (Khan, 2016), almost negligible revenue generation from this sector puts serious limitations on the fiscal ability of the state.

The Military-Bureaucratic Elite and Economic Development

In the first decade after independence, the military-bureaucratic elite, taking advantage of political instability in the nascent state, gradually consolidated state power (Jalal, 1990 cited in Akhter, 2015, p. 70). The political economy of Pakistan during this time was marked by an effective pro-industrial trade policy and resistance from the provinces against the centralizing tendencies of the ruling elites (Akhter, 2013, p. 70). The actively promoted global Keynesianism of U.S.A was extended to Pakistan in form of technocratic developmental reconstruction programme (Anwar, 2015, p. 8). The "industrial leviathan" was to build the foundations of the nation and economic progress. The development was to have full-fledged state backing and planning that would facilitate agriculture and industry, and implement an extensive programme of public

works with an emphasis on electricity generation and supply. This vision materialized already by the early 1950s through the establishment of public electric utilities. Within the first decade of independence, the installed power capacity had increased threefold and a similar rate of progress had been achieved in connecting villages to the national grid (Anwar, 2015). Hence, through international assistance, Pakistan was temporarily able to bypass the limitations the fiscal apparatus of the state faced due to the landed elite's resistance to surplus extraction from the rural economy (Nasr, 1996).

The rhetoric of progress in the early years was also geared heavily towards development of manufacturing industries and acceleration of Gross National Product to make the nascent nation economically viable and to make it as autonomous as possible (Anwar, 2005). Manufacturing sector in the West Pakistan grew at 19.1 percent in the first decade. Industrialization accelerated further in the sixties during the military regime of Ayub Khan (Anwar, 2005). However, Pakistan could not sustain the high level of economic growth for long: the growth began to slow down by the late sixties (Khan, 1999).

The limited power of the state – fiscal and political – explain the limited success of industrialization. To kick-start economic growth, the Pakistani state designed a policy where the public sector absorbed the risks associated with capitalist industrialization by setting up new enterprises that were later sold off to the enterprising individuals at attractive prices (Khan, 1999). The policy was supplemented by providing subsidies for investments (Khan, 1999). However, this policy was to prove unsustainable given the limited capacity of the state to generate revenue through taxes.

Secondly, the narrowly defined growth policy of the state failed to include important sections of society that proved to be powerful enough to create major political disruptions. A far-reaching effect of the early industrial-infrastructure transformation programme was the inequalities it created. The advisor from Ford Foundation pushed the doctrine of 'functional inequality', "implying that resources were diverted to a small base of industrialists rather than spread broadly" (Anwar 2015, p. 54). In 1950 there were 3,000 individual firms in Pakistan, but the concentration of wealth was so high that only seven individuals, families, or foreign corporations constituted 25 per cent of all private industrial assets in united Pakistan. Twenty-four units constituted nearly 50 per cent of all private industrial assets (Ziadi 2005, p. 96). These inequalities began to be challenged increasingly by the mid-sixties by the social groups left out by Ayub's exclusionary industrializing policies (Khan, 1999).

This resistance was soon joined by mobilization in East Pakistan against the skewed nature of economic growth. Industry and economic wealth was concentrated mostly in West Pakistan (Zaidi, 2005). Industry in West Pakistan developed at the expense of East Pakistan: it was built through transfer of resources from the eastern wing, which received little in return. This process of highly unequal development eventually led to the secession of East Pakistan (Zaidi 2005, p. 96). As a result of these disruptions, the priorities of the state underwent drastic changes. Instead of allocating resources to serve the economic interests of the nation, the state invested its limited resources in political stability (Khan, 1999). Large allocations were made to the capitalists with political connections and the power to contain unrest (Khan, 1999).

Apart from facing resistance from the excluded subjects of state's developmental programme, the Pakistani state was also fractured due to resistance from the peripheral elites that opposed the centralizing project of the state. Majed Akhter argues that nation-building, economic reconstruction efforts and provision of large dams and other river infrastructures are closely tied together in the case of Pakistan (Akhter, 2015). The water treaty of 1960 divided the control over Indus River and its tributaries amongst India and Pakistan. The Indus Basin Development Agreement signed on the same day secured Pakistan \$895 million as development grants from rich capitalist states for the construction of dams and other waterways. Apart from redirecting the use of water, the projects were also "imagined as parts of an integrated network that accorded the state masterful control over the flow and direction of Indus waters... In this way the projects contributed directly to the infrastructural production of state space" (Akhter, 2015). The projects increased the strength and spatial extent of the Pakistani state through the integrated water network and the massive amount of development funds available to the state. However, this project simultaneously deepened fractures within the state apparatus as regional intellectual elites came to oppose nation-building stemming from the center. The provincial politicians, who enjoyed important power positions in the bureaucracy, by virtue of the colonial legacy of 'over-developed' state, remained unconvinced that the central state's nation-building process was an inclusive one. Such resistances found their dramatic realization in form of entrenched regionalism in Pakistan's state space. The case of secession of East Pakistan in 1971 revealed the strength of these forces (Akhter, 2015).

The seeds of fractured state space due to the presence of powerful rural and provincial elites and geographically uneven development had already been sown. In

what followed was state's experiment with nationalization and later liberalization. With the onset of the nationalization programme of Zulfikar Ali Bhutto in 1972, infrastructure investments became inconsistent (Anwar 2015, p. 57). The relation between the state and industrialists was ruptured as state began its programme of decreasing wealth concentration. Efforts were also made to encourage small and medium scale industries sector (Anwar, 2015). Following the Economic Reform Order in 1972, the state took over ten major industries, development financial institutions, commercial banks, and insurance companies (Kim and Khan, 1999). In 1975 there was another round of nationalization and the state also accelerated direct investments in new industries (Kim and Khan, 1999). Although some efforts were made in the 1980s to liberalize the foreign investment regime, the highly regulated nature of national economy proved to be a deterrent to FDI inflows. These barriers began to be relaxed only towards the end of 1980s. A Board of Investment was set up to attract and facilitate foreign investments. Throughout the 1990s, enactment of investor-friendly policies and regulations, liberalization of foreign exchange regime, provision of investment incentives, and setting up of Special Economic Zones was geared towards attracting foreign investment (Kim and Khan, 1999).

This period, led by the military regime of General Zia (1978-1988) and subsequent civilian regimes in the 1990s, also reflected a major shift in the political economy of Pakistan (Anwar, 2015). From here on began the circle of structural adjustment programs, debt-crisis, energy crisis, rising inequality and infrastructural failures. Management of infrastructure was gradually shifted to the private producers and foreign investors. Economists had begun to take note of this crisis: "From 'shortfalls,' 'deficits' and 'loadshedding' to 'bottlenecks' and 'demand–supply' gaps and

'breakdowns,' a new pragmatic know-how about infrastructure had emerged to contextualize its imminent failure" (Anwar, 2015, p. 63). These concerns were emerging simultaneously as the development of a debate in the World Bank on the contentious link between infrastructure investment and productivity. World Bank's stance on Pakistan demanded retention of state presence in areas of public goods such as roads and energy but rolling back of state from 'monolithic infrastructure sectors'. This shift entailed measures to attract foreign investors that heralded the failure of Pakistan's promised goal of national sovereignty and self-sufficiency. This shift is part of the shift across the global south where infrastructure has been opened up to competition and state-owned entities are increasingly being privatized. However, this process is not as straightforward in Pakistan: although electricity generation has been privatized, transmission and distribution is still under state's authority and other important infrastructures such as roads remain under state ownership (Anwar, 2015, p. 63-66).

The Crisis of Infrastructure

Following the fiscal crises, structural adjustment programs, privatization and liberalization, infrastructural landscape of Pakistan has witnessed extensive breakdowns (Anwar, 2015, p. 69). Today, infrastructure is in a state of decay: power breakdowns are normal, electricity is expensive, railway system has collapsed, port services are negligible, roads are poorly maintained, and state is perceived as absent in industrial relations (Anwar, 2015). Infrastructure in Pakistan is facing issues that can be categorized as issues of delivery, efficiency, and financing (Ahmed, Abbas, & Ahmed, 2013).

World Bank (2007) reported that the country faces severe inadequacies in water resource management, power shortage, and breakdowns in the transport sector. The current water sector requires heavy maintenance costing over \$7 billion. The power sector faces a 5000 megawatts shortage. Furthermore, the gap in provisions of transport services is putting a dent in the GDP by 4% (World Bank, 2007). While the state with the help of foreign development partners has tried to fill this gap, the execution has remained problematic (Ahmed, Abbas, & Ahmed, 2013). According to World Bank's Logistics Performance Index global ranking 2016, Pakistan's infrastructure stands at a mere 2.70 as compared to India (3.34), China (4.10), and the United States (4.15) (<http://lpi.worldbank.org>).

Water and sanitation management stands at all-time low in Pakistan (Abbas, & Ahmed, 2013). Despite the power accrued to them following the 18th Amendment, local governments lack the capacity to maintain and upgrade infrastructure. In the absence of proper maintenance, assets tend to depreciate much earlier than their life (Abbas, & Ahmed, 2013). The fact that only 1.9 percent of the Public Sector Development Programme was allocated to the sector in the federal budget 2016-17 (Government of Pakistan, 2016) goes to show how neglected the sector has been. Furthermore, underground sources of water supply are fast depleting due to heavy consumption and pollution of the surface water by municipal discharge (Abbas, & Ahmed, 2013).

Pakistan also faces serious power shortages and transmission issues. Following the stable 6% GDP growth per annum between 2002 and 2007, demand for electricity rose exceptionally (Pervez et al. 2015). Lack of proper planning in the power sector led to an electricity shortfall of 7000 MW (Pervez et al. 2015). The problem of power crisis

does not stop at limited production capacity; the poor electricity infrastructure contributes to transmission and distribution inefficiencies as well (Shaikh, Ji, and Fan, 2015). Power losses in distribution and transmission amount up to 20% resulting in significant revenue loss, which severely undermines the financial capacity of the transmission and distribution companies to upgrade the infrastructure (Shaikh, Ji, and Fan, 2015).

Roads are the main medium of transportation in Pakistan, serving 96% of the freight traffic (Ahmed, Abbas, & Ahmed, 2013). There is a strong bias on the federal level in financing roads. This bias in federal policy developed mainly due to engagement of international development institutions and their advisors, which prioritized roads over inherited railway. The result was investment in roads leaving little funds for other infrastructure developments (Imran, 2009). The road lengths have been increased by 13% since 1996 – a major part constituting paved roads. Unpaved roads have either been left neglected or have been paved by the National Highway Authority (NHA). However, despite the heavy investments by NHA, the financing gap for maintenance of the highway network was estimated to be \$45 million and \$85 million for roads (World Bank, 2009). The toll revenues and the budget allocation for the end were insufficient. Furthermore, the 2004-2005 survey of pavement condition on the federal network reported that 47 percent of the road network was in poor or very poor condition (World Bank, 2009). Corruption is a very prominent feature of transport development in Pakistan (Abbas, & Ahmed, 2013). In order to sustain the patron-client relations, the state allows low quality material to be used in road building so the contracts can be given to the same investors over and over again (Abbas, & Ahmed, 2013).

The railway sector has declined since the 1970s due to the priority road transport was accorded. Not only has railway lost its historic popularity among passengers but the length of track and number of locomotives has shrunk over time (Abbas, & Ahmed, 2013). The market share of freight and passenger traffic has come down from 73 and 41 percent in the 1960s to 9 and 4 percent respectively. Long delays in passenger and freight service are quite common (World Bank, 2009). The railways department has been unable to service its debt, make pension payments and renew its stock. Government has subsidized Pakistan Railways but not at a sufficient level. The worn out technology has neither been replaced nor maintained resulting in decreased capacity, slow service, and safety hazards (World Bank, 2009).

Condition of ports also remains below optimal. Measures have been taken to improve the ports in Pakistan, however, the high costs and poor performance continues to be a problem. Port activity indicators such as container handling charges, port productivity, and time spent by containers in the port are poor compared to the regional benchmarks (World Bank, 2009).

It was in the backdrop of these challenges that the government of Pakistan prioritized infrastructure development and the World Bank lent its support for of National Trade Corridor Improvement Program (NTCIP) in 2005. The government showed its commitment to the end by prioritizing infrastructure development in the 2003-06 Poverty Reduction Strategy Paper (PRSP-I) and 2009-11 PRSP-II (World Bank, 2009). Part of the Government's strategy to this end was to remove infrastructure bottlenecks through public-private partnership. The strategy was to be materialized through continuation of implementation of the National Trade Corridor Improvement

Program (NTCIP) adopted in 2005 (World Bank, 2009). NTCIP was a medium term master plan for infrastructure development and upgrading of trade logistics services to be achieved through public-private investments (World Bank, 2007). The project was also intended to create greater connectivity between rural, provincial and federal transport network (Shah et al., 2015). The project is a continuation of the National Trade Corridor that is an essential part of the Central Asia Regional Economic Cooperation Corridor (ADB, 2017). Internally, the corridor connects the port city of Karachi to industrial centers in Punjab, Islamabad and Peshawar (ADB, 2017). Externally, it links Pakistan to Afghanistan and other Central Asian countries. The NTC improvement plan provides the basis for donor engagement in the sector. The major donor partners for the project were to be the Asian Development Bank, Japan International Cooperation Agency, and World Bank (World Bank, 2017).

However, the NTCIP was only partially implemented by the government and is now “dormant” (Shah, Shah, and Akhtar, 2015). In 2015, World Bank reported that the Government performance over the project was “highly unsatisfactory” (2015). The lack of political commitment, frequent management changes in the implementing agency, and lack of coordination among departments caused the objectives of the project to remain unachieved and the indicators to be unsatisfactory (World Bank, 2015).

Road Sector Development Program (RSDP) was a similar attempt to improve the transport infrastructure in Pakistan. The project was aimed at supporting road sector policy, institutional reforms at the national level, and rehabilitation of Sindh highways and rural access road networks in the province (ADB, 2013). The project was to be funded by loans from ADB totaling \$200 million. However, at the end of 2013, ADB

reported that based on relevance, effectiveness, efficiency, and sustainability, the project was “less than successful” (2013, p. 11). The report concluded that the implementation of the programme was sacrificed due to government of Pakistan’s balance of payment and budget concerns. The loans were used to alleviate an anticipated foreign exchange constraint – hence, compromising the intent of the programme (ADB, 2013).

The fate of NTCIP and RSDP is illustrative of countless other attempts to pump capital into infrastructure development with foreign support resulting in failure due to lack of government’s capacity to implement these programmes. Poor planning and management, lack of suitable human resources, and corruption compound to cause time and cost overruns. Corruption in infrastructure projects has been estimated to account up to 10-15 percent of the project value (Ahmed, Abbas, and Ahmed, 2013).

Despite these setbacks and allegations of corruption, Nausheen Anwar argues, the state has, to a certain level, been able to salvage legitimacy through its project of highly visible infrastructure development (2014). State, together with the assistance of World Bank and Asian Development Bank has been actively engaged in several highway projects (Anwar, 2014). Whether or not the recent transport development has accrued any power to the state or not is debatable but in absolute terms, physical infrastructure, albeit still inadequate, has increased. National Highway Authority completed seven highway projects in 2016 (“NHA completes seven highway projects in 2016”). Nine projects were completed between 2012 and 2014 (National Highway Authority, 2015). The total road network of Pakistan now adds up to 261,596 kilometers (National Highway Authority, 2015).

Such incidences of successful interventions by the state reveal serious limitations to the corruption discourse. Apart from the fiscal limitations of the state due to its inability to penetrate society and the well-entrenched interests of various classes limiting the power of state, the adoption of the International Monetary Fund (IMF) and the World Bank's 'shock-therapy' policies was a major contributing factor to the crisis of Pakistan's developmental state. In 1970s the oil boom led to the excess of petrodollars being offered to governments in developing countries with low interest rates (Hung, 2015). When the global interest rates on the dollar rose above 20 percent in the early 1980s, many developing countries were left severely indebted. The consequence of which, for the developing countries, was loss of decades of development. The countries that relied on the IMF and the World Bank to rescue them from the debt crisis lost their sovereignty to the United States (Hung, 2015). The policy prescriptions, commonly known as the structural adjustments programmes, demanded retrenchment of government expenditure and restraining aggregate demand through measures such as letting real wages fall and freezing employment (Anwar, 1996). Notwithstanding the social effects of such policies, the policies had adverse effects on the macroeconomic indicators as well. For example, an important study showed that since the start of the structural adjustment programmes, the Indian economy experienced stagnation in industrial production and an acceleration of inflation (Deshpande and Sarkar, 1995). Furthermore, despite devaluation, the balance of payments remained unchanged since 1980 (Deshpande and Sarkar, 1995). This is one of the factors, Ho-Fung Hung argues, that enabled China to sustain its economic boom over a long period of time (2015). China's low indebtedness allowed it to remain unaffected by the debt crisis of the 1970s. This in turn meant that China, as a sovereign nation, could experiment with its gradual

market reforms instead of adopting shock therapy style reforms advocated by the IMF and World Bank (Hung, 2015). For Pakistan, implementation of the structural adjustment programme in the form of decreasing budget deficit and increase in indirect taxes, led to unemployment, income inequality and inflation (Khan et al, 2011).

Such crisis coupled with disruptions and breakdowns in the state-led infrastructural landscape pose serious challenges to state's legitimacy. These challenges have been accompanied by the gradual disintegration of the 'normative infrastructural ideal' (Anwar, 2015): the monolithic, state-led network of infrastructural development is slowly being handed over in pieces to the private sector.

Infrastructure and Private Sector

The engagement of private sector in infrastructural development is an emerging phenomenon in Pakistan. State is gradually shifting the responsibility of execution and financing of infrastructural projects to the private sector and foreign partners or developers. However, the state retains its role as a planner and facilitator. An infrastructure report published by the infrastructure taskforce of State Bank of Pakistan, explains the rationale and structure of this new conjuncture:

Historically infrastructure projects have been mainly in the government domain. Governments have managed, financed, owned and operated these projects. However given the budgetary pressures on the governments, and an inability to manage these projects efficiently, governments are now encouraging the private sector to play a greater role in building and managing infrastructure projects... In order to fill the investment gap for infrastructure development, the best available option is public private partnership (PPP). PPP is a contractual arrangement under which a private party

agrees to finance, construct and operate a facility for an agreed period of time and transfer the facility to a government or other concerned public agency on expiry of the stipulated period (State Bank of Pakistan).

The process started in the late 1980s (Kingebeil and Ruster, 2000) and subsequently, institutions such as “Private Sector Energy Development Fund” and “Infrastructure Project Development Facility”, dedicated to creating public-private partnership market in Pakistan, were created. From 1990 to 2015, 88 PPP project have reached financial closure accounting for a total investment of \$36,635 million (ppi.worldbank.org). The infrastructure sectors involved were airports, electricity, natural gas, and ports (ppi.worldbank.org). Pakistan has been most successful in attracting private investment in the power sector (State Bank of Pakistan). Up until 2005, \$6,536 million had been invested in the sector and a total of \$12,847 million investment has been planned for 50 upcoming projects.

The process of move towards larger private sector involvement in infrastructure development has been supported by ADB (2016) as in other Asian developing economies (ADB, 2009). Initially, the support was limited to developing corporate objective to promote private-public sector development in the provision of infrastructure (ADB, 2009). However, this recently changed as ADB developed its Long-Term Strategic Framework 2008-2020 – a business plan to “translate these corporate objectives into actual support for PPPs” (ADB, 2009, p. ii). In Pakistan, ADB has been involved in policy dialogues and in financing PPP project development facilities. Support for establishing the regulatory framework for IPPs in hydropower, government PPP policy for highways,

ports and railways is ongoing. A national water policy conducive to private investment has been adopted by the state with the support ADB.

However, despite the support, ADB's role in promoting PPP sector in Asia has been limited so far. The long-term prospects of ongoing PPP are threatened due to the waning political commitment and lack of stakeholder support. In Pakistan the continuing weaknesses in the enabling environment and ambiguity regarding the government's commitment has reduced further PPP development (ADB, 2016). In South Asian region, Pakistan ranks second among the top five countries in promoting PPP development (World Bank, 2015). However, the PPP sector in Pakistan is much smaller than India's (the economy with the largest PPP sector share): while India has 84% of the share of public-private partnership projects in the region, only 9% are attributable to Pakistan (World Bank, 2015).

The relationship between private sector and state reflects a continuing relationship, albeit with some new characteristics. Strong patron-client relations between the state and capitalist firms are embedded in the political economy of Pakistan. This relationship has a significant role in defining the repair, reconstruction and redeployment of infrastructure (Anwar, 2015). Furthermore, Nausheen Anwar, through her ethnographic evidence from Faisalabad and Sialkot – two of the major industrial cities of Pakistan – argues that despite the material failure of infrastructure in Pakistan as a state-run enterprise, many influential industrialists have been able to turn these crisis to their favor by investing in infrastructural technologies according to their “desires and dream” (Anwar, 2015). However, this relationship is problematized by the creation

of growing space for foreign capital, reflected by enactment of policies, regulation and institutional practices for developing a public-private sector.

The question that arises here is that: does this define a new conjuncture in the history of state and infrastructure in Pakistan? Although foreign capital and industrialists have had a strong presence in defining the state-run infrastructural landscape of the country, adoption of infrastructure development strategies that take a step away from the traditionally centralized planning and accrue more power to the private sector is fairly new. How can CPEC be expected to interact with this trend?

The issue of importance here is the financial structure of CPEC as it sheds light on the driving interests of CPEC's actors. One of the most important feature of the CPEC to appear in the official discourse is that the pledged money will not be injected in the economy as a loan, but will instead be in the form of investment from Chinese companies (Bhutta, 2014). The Chinese government and state-owned banks will provide loans to the companies investing in Pakistan, hence, the burden of debt will not fall on Pakistan (Bhutta, 2014). However, my ethnographic research revealed the nuances of this official discourse. Sabeeh Faruqi, energy specialist of CPEC at the Ministry of Planning, Development and Reform, Pakistan, shared that the projects are divided into three categories according to their financial structures. Energy projects will operate in IPP mode, i.e., as private entities (personal communication). All CPEC-Energy Priority Projects fall in this category. Infrastructure projects will be funded through Chinese soft loans. The projects that had already secured funding were listed as follows: KKH Phase II (Railkot – Islamabad Section), Peshawar-Karachi Motorway (Multan-Sukkur Section). The rest, mostly 'social projects', were to be financed through grants from China (for

example, Gwadar Airport, hospital, Technical and Vocational institute) (Farouqi, personal communication). Asad Ali Shah, Assistant Chief – International Trade and Finance Section in Planning and Development Division at Ministry of Planning, Development and Reform, confirmed this information (personal communication). A senior manager working for the China Huaneng Group in Pakistan, shared that the finances for energy projects were to be handled according to export buyer credit model known as Sinasure. According to this model, the developer is directly handed out the loan to develop the project (personal communication). Masood Riaz, a leading industrialist in Pakistan, while singing praises of CPEC also claimed that the project is based on direct investment model (personal communication).

However, my ethnography revealed some opposing accounts too. The Advocate General Punjab, Shakeel-ur-Rahman, claimed that the Orange Line, an early-harvest urban transport project of CPEC, is a state project, funded by Exim bank of China (a state-owned bank). Yasir, relationship manager at the China Huaneng Project, Pakistan, in vociferously opposing CPEC, shared his concerns about the impact on the economy in future due to the loans that the government is receiving for CPEC (personal communication). Fazal-ur-Rahman and Khurram Afzal two of the senior level workers at the Punjab Board of Investment and Trade, the nodal authority for dealing with investors, shared similar concerns about the project. “The idea that the project will be loan-free and a purely free-market venture, is a pure imagination. The projects that have started so far are based on loans”, claimed Mr. Afzal (Afzal and Khurram, Personal communication).

Hence, despite the discourse of private investment the trend seems to be leaning towards heavy involvement of state at least at the level of financing stages of CPEC. This makes it difficult to make any certain claims on whether CPEC will strengthen or reverse the trend of privatization of infrastructure in Pakistan at this point. However, future research in this direction can reveal important information regarding the nature of Chinese investments and by extension South-South cooperation.

Conclusion

In this chapter I studied the political economic structure of Pakistan with specific attention to different classes that constitute the political landscape of the country. This study, in the later chapters will help me raise important limitations of CPEC. Secondly, I analyzed the history of infrastructural development. The latest, post-infrastructural crisis conjunction that Pakistan finds itself in portends a move towards a heavy involvement of private sector in infrastructure development. The last section of the chapter analyzed whether CPEC signals a continuation of this trend. The incomplete answer in this regard points to need for future research in this direction.

China, the 'Non-Conditional' Friend of Pakistan?

US-Pakistan Relations

Since its foundation, Pakistan has been highly dependent on foreign aid. One of its biggest donors throughout the history of the nation has been the United States. However, US-Pakistan relations have been far from consistent: the relations, throughout the history, have lacked continuity and a shared vision beyond the narrowly defined immediate goals (Hussain, 2005). The periods of engagement lasted so long as US reached its goals in Pakistan. Periods of estrangement marked with 'benign' neglect and

punitive sanctions followed (Hussain, 2005). Over the years, relations between the two countries have deteriorated immensely due to the way American interests, tied closely to the aid packages, have come in clash with the national interests of Pakistan and the interests of Pakistan's security establishment. Anti-American sentiment among civilians is rampant. Simultaneously, America's interest in Pakistan has gradually diminished as well. The result has been cutting back of both military and economic aid.

As mentioned earlier, the flow of aid started as a part of the economic reconstruction effort. Later, the ideological alignment and military ties with the US during the Cold War accelerated the flow of aid (Zaidi 2001, p. 104). The aid played a crucial role in the high growth rates achieved in the 1960s – it gave impetus to industrialization and helped combat food insecurity (Zaidi 2001, p. 104). The inflow of foreign aid during this period also lent support to public investment in infrastructure (mostly in power and irrigation sectors), and social services (Khan and Ahmed 2007, p. 220).

The aid accelerated during the Soviet occupation of Afghanistan. US lent its financial and military support to Pakistan to fight the Afghan War. Realizing the US interests, Zia-ul-Haq – the then president of Pakistan – took Soviet occupation of Afghanistan as an opportunity to win back US's confidence in Pakistan that had crumbled following Zia's nuclear program (Cooley, 2001). Zia's interest in rebuilding relations with the US overlapped with his desire to "turn Pakistan into the leader of the Muslim world and foster an Islamic opposition in Central Asia" (Rashid, 2000). Pakistan's help in fighting the communist threat was so critical that US quickly dispensed any concerns it had about Pakistan's democratic process and its program of nuclear

proliferation (Hussain, 2005). As Soviet presence accelerated in Pakistan's neighboring country, anxieties in United States began to soar. To counter the threat of communism in the region, the US and Saudi Arabia coalition decided to invest heavily in Islamism and training of *jihadis* in Pakistan and Afghanistan (Cooley, 2001).

This conflation of interests also led to a massive build-up of Pakistani army. Since, the funds and training were not to be provided directly through the Central Intelligence Agency, but through Pakistan and its army, the security establishment accumulated immense power during this period (Cooley, 2001). Beginning in 1982, the US provided \$7.4 billion economic and military assistance to modernize Pakistan's military (Hilali, 2002: p. 294). By 1985, Pakistan had become the fourth largest recipient of US bilateral military aid. During 1980-88, United States Agency for International Development provided Pakistan \$954.2 million as development aid and another \$205 million for the development of energy, irrigation and water management projects. Although aid during this period assisted Pakistan in upgrading its defense forces and military technology, it did so at the cost of rising terrorism, sectarianism, refugee crisis, rising debt-servicing expenses, and falling GDP (Hilali, 2002).

To make matters worse, by 1990, relationship with this reliable donor state became strained as US put sanctions on Pakistan for its covert nuclear program (Zaidi, 2001). From 1990 to 1998, US aid was almost negligible. In this period, Japan emerged as the prime bilateral donor, making up for the missing flows of aid (Anwar and Michaelowa, 2006).

Friendly relations with the US restarted in 2001 following United States' War on Terror. Three years after September 11, Pakistan received \$1 billion in grants and

another billion of debt from the US (Hussain, 2005, p. 6). In 2003, US announced a \$3 billion assistance package that was to be divided equally among economic aid and security assistance (Hussain, 2005). However, still most of the aid was directed towards building Pakistan's military power. Figures show that during the period 2002-08, only 10 percent of the aid was directed towards development projects, while "75 percent of the money was explicitly for military purposes" (Ibrahim, 2009 cited in Zaidi, 2001, p. 105). In 2009, US launched its program bringing the Taliban in Afghanistan to the negotiation table to allow for a smooth withdrawal of US forces in Afghanistan (Qazi, 2012). Simultaneously, Pakistan was expected to fight the Taliban strongholds in North Waziristan. Pakistan's security establishment, which has consistently provided refuge to the Taliban due its strategic interests, refused to comply with the US demands. Pakistan's refusal to comply upset the US policy makers who then went ahead with the negotiations without Pakistan's knowledge.

However, relations are much more cooperative when it comes to the issue of al-Qaeda. Both parties have collaborated in fighting the al-Qaeda in its Pakistani strongholds. Pakistan has proved its commitment and capability to this front by attacking and arresting members of the organization. However, this cooperation does raise a contentious issue – that of drone warfare. CIA's drone campaign inside Pakistan started in 2004. Although, the strikes target the al-Qaeda operatives, civilian deaths have been too colossal to go unnoticed. Both Pakistani and US public have criticized and opposed the drone strikes, seriously undermining the popularity of US-Pakistan relations. Although the military and civilian governments of Pakistan have openly condemned the strikes, they have supported the strikes behind the scenes. However, given the growing unpopularity, the government has recently tried to push for greater

role in decision-making over the strikes (Qazi, 2012). Yet, despite growing criticism against drone warfare, it remains a vital component of US' war against terrorism (Williams, 2017). By October 2015, number of drone strikes sanctioned by the Obama administration had risen up to 353 (compared to 48 drone strikes under President Bush) (Williams, 2017).

Apart from US aid's political and social impacts, another major issue contributing to the contentious relations is the nature of the aid packages. As the analysis above shows, a major part of the 'aid' package has been conditioned to serve America's war on terror instead of Pakistan's development (Qazi, 2012). Although the percentage of development-related aid has risen in the recent years, it still remains less than half of the total aid (Zaidi, 2009). To make matters worse, US aid to Pakistan has become increasingly chaotic with payments either delayed or cancelled (Qazi, 2012). In 2015, US announced its plans of slashing one third of the promised \$1 billion aid based on unimpressive performance of Pakistan in fighting the terrorists (Naviwala, 2015).

The result is that aid is widely perceived as ineffective and disastrous by Pakistani civilians (Qazi, 2012). Although the humanitarian efforts of the US were decisive in building a good image of US in Pakistan, that positive image was quickly overshadowed by the devastating effects US drone warfare had in the frontier regions. This increasingly tarnished image of US in Pakistan has been juxtaposed with a gradual economic withdrawal of the US from Pakistan (Zaidi 2009).

The Turning Point: Pak-China Friendship

Following the US raid that killed Osama bin Laden in 2011, Pakistan faced intense international condemnation regarding its role in fighting extremism within its

boundaries. During such times the country that openly voiced support for Pakistan was China (Pant, 2012). China expressed its interest in becoming an “all-weather strategic partner” of Pakistan. The iconic statement by Pakistan’s ambassador to Beijing describing the bilateral relationship as “higher than the mountains, deeper than the oceans, stronger than steel, dearer than eyesight, sweeter than honey, and so on” summarizes the discourse of China-Pakistan relations in the recent years (Pant, 2012, p. 83).

The story of ties between China and Pakistan dates as far back as 1955 when at the Bandung Conference, the two parties underscored their commitment to safeguarding each other’s security interests (Pant, 2012). Due to certain geopolitical events, Pak-China relations had been strained from time to time until the 1970s (Ramay, 2016). From then on, the relations strengthened in various sectors: military, nuclear program, trade, energy, transport, and commerce (Ramay, 2016; Ghouri, 2015). The friendship climaxed with the conception of China-Pakistan Economic Corridor (Ramay, 2016). The starting point of the project is often stated as the signing of Preferential Trade Agreement (PTA) in 2003. In April 2005, efforts were made to build a working framework of China-Pakistan Free Trade Agreement (FTA) (Ghouri, 2015). The agreement took effect in July 2007. In July 2013, the two countries signed the memorandum of understanding [henceforth MoU] on CPEC (Ghouri, 2015).

Given the strained relations with the US and the dilapidated state of infrastructure in the country it is little surprise that the nation is enthralled by the CPEC – the project that represents the promise of a new, mutually beneficial regime of foreign capital, infrastructure development and connectivity in the country. CPEC has taken local

media by storm – politicians, analysts, industrialists, and other stakeholders talk about how CPEC will be a ‘game-changer’ in the region bringing prosperity to the nation. Dr. Ahmad Rashid Malik, a Senior Research Fellow at the Institute of Strategic Studies, Islamabad, lauds CPEC by claiming that it will bring progress to the economy through setting up of industrial zones, educational institutes, modernization of agriculture, bilateral trade, and technological transfers (Malik, 2016). Kaiser Bengali, a leading economist of Pakistan, despite his concerns about the implementation and the route of the project, claims that the project “has the potential to change the economic geography of Pakistan. It is a real game-changer” (Masood, 2016). The chairperson of Awami National Party-Wali (one of the main opposition parties) had similar hopes about CPEC when she claimed that it could change the destiny of the nation, especially of Pakhtuns who have previously benefited little from the development projects emerging from the center (Tareen, 2016). Convinced about the benefits of the project, different regions, like Gilgit-Baltistan, Khyber Pakhtunkhwa, and Balouchistan, are demanding greater share in CPEC (Muhammad, 2016; Tareen, 2016; Bengali, 2015). The locals have also shown to embrace the project: “[w]e can double our sales, earn more profits if we can sell our commodities to China where cherries are very popular”, said Afzal, a local businessman in Gilgit-Baltistan region (Daily Times, 2016)

However, the nation’s reaction is much more complicated than a wholehearted welcome of the project. At the other extreme lies the view that with CPEC, Pakistan is looking into another era of colonialism (Raza, 2016). Senator Tahir Mashhadi, chairman of the Senate Standing Committee on Planning and Development, expressed his concerns by remarking, “[a]nother East India Company is in the offing; national interests are not being protected” (Raza 2016). Furthermore, important questions are being

raised about the effect CPEC will have on the already unhealthy civil-military relations (Wolf 2016). One of the major challenges for Pakistan regarding CPEC is to provide a secure and stable environment for the Chinese investors and projects. Following attacks on CPEC sites and workers, the military, disappointed by the performance of the federal government, got increasingly involved in decision-making and implementation of the project. This gave Pakistani military the space to exercise “legally tremendous executive and judicial powers”, limiting severely the power of civilians (Wolf, 2016). Similarly, local communities and non-governmental bodies have voiced concerns over the environmental standards being applied and about the displacement of local communities resulting from execution of the CPEC projects (Boone and Baloch, 2016; Raza, 2016). For example, thousands of people in Mauza Budh have been opposing construction of a coal-fired plants there due to rising pollution levels from the Muzaffargarh Thermal Power Plant, putting the government has been put under pressure to shift the plant elsewhere (Raza 2016).

However, before we begin to understand the possible implications of Chinese engagement in Pakistan, personified by CPEC, it is important to understand what the project means for both the states. An understanding of the strategic importance of the project and how the project interacts with the interests of both nations will better equip us to analyze CPEC in terms of its political and social impacts.

Pakistan Muslim League (N) assumed office in 2013 after its sweeping victory in the parliamentary elections. The regime, led by two main protagonists – the Sharif brothers – was all about the economy: the Sharif’s had sold its vote bank the dream of a prosperous economy backed by a strong infrastructure network (Small, 2015). All the

ambitious plans of motorways, industrial zones, and fixing energy crisis could not be financed locally and the Sharif government knew where to look for investments. However, convincing China to invest in Pakistan would not be an easy task. Many of Chinese initiatives had languished in the past due to the incumbent regime's lack of political will (Small, 2015). However, Sharif government's commitment was to ease these qualms for China.

The time period coincides with China's ambitious search for a consensus over building South Asian infrastructure (Small, 2015). This piece of the regional puzzle would connect China's interior to the ports of Indian Ocean. The infrastructural investments had become prerequisite for maintaining high growth rates in the newly growing provinces of Yunnan and Xinjiang. Shortly after the latest episode of incursions on the unsettled border between China and India, Li Keqiang – the Chinese Prime Minister – arrived in India with the message that the unresolved disputes between the countries need not to impede collaboration on global issues and economic matters. India, however, had serious concerns regarding the consequences of development of Chinese infrastructure around its borders, i.e., widening of the bilateral trade deficit gap with China, an influx of cheap Chinese goods, and the military advantage that China could achieve through this mammoth project of regional connectivity. India's interest lay with Japan instead – soon after Li Keqiang's departure, India brokered a deal with Japan to acquire nuclear equipment and technology and to speed-up the planning of Japanese-backed industrial corridors.

Li's next stop was Pakistan where the civil and military leadership welcomed him with grand gestures. From here on, the Xinjiang-Gwadar connection idea picked up pace.

China was also willing to help Pakistan alleviate its energy crisis through building hydro-electric dams, coal-fired power stations, and nuclear power plants. However, not everyone in the country was happy with these talks. China would soon have to reconsider its plans in Pakistan following terrorist attacks either targeting Chinese engineers or the proposed regions for CPEC projects. Chinese suspicions were received with promises of commitment by the Sharif government to make the execution of the corridor smooth and safe. China decided to tread carefully – starting with smaller projects.

Pakistan was to soon prove central to Beijing's concerns – dispensing all qualms China had about investing in Pakistan. A bomb attack in Tiananmen Square on 28th October 2013, for which the Turkistan Islamist Party claimed responsibility, was a wake-up call for China. This attack was followed by knife and bomb attack in Kunming and Urumqi railway stations indicating the spread of terrorism from the country's remote northwest to its urban centers (Small, 2015). If the 2009 riots between Han Chinese and the Muslim Uighurs in Xinjiang were not enough, this series of incidents shook up Beijing to pay closer attention to Pakistan and Afghanistan (Pant, 2012). Stability in these countries was to be of great concern to China lest the Islamist extremism spread in the Western region of China (Pant, 2012). Hence, Pakistan is crucial to China's economic interests and its desire to expand its influence in the region. Although it did not change anything for the major economic projects in the pipeline (in fact, Li's next visit and the near-final plans of the major projects were to show that they had become even more critical for Chinese interests), China began to put pressure on the security establishment in Pakistan for a crackdown on the Uighur militants in North Waziristan (Small, 2015). Pakistani army, under the leadership of Raheel Sharif, was quick to oblige.

Although Pakistan is immensely important for China due to China's security concerns and Pakistan's volatile political landscape, China's interest in Pakistan lies beyond these immediate security concerns. If China is to attain a more important position in the global political economy, it needs to build alliances and overseas military installations. Pakistan is among the few countries that China can call a friend. The friendship is a welcome change for the Pakistani political elites and various institutions of the state (Small, 2015). Public support for Pak-China relations in Pakistan is also striking (Chandra, 2016). According to the PEW survey of public opinion about China in Pakistan, 84 percent of the respondents held a positive view about China, compared to 16 percent for the US. If the survey is a fair representation of reality, then Pakistan might be the most pro-China country in the world (Chandra, 2016).

The long-standing rivalry of both China and Pakistan with India is another factor pushing for closer ties between the two nations. With the growing power of India in the global power structures and the US' attempts to consolidate strong relations with India, China's need to strengthen its strategic alliance with Pakistan is only going to grow (Pant, 2012). The signs are already emerging. For example, China responded to the US-India nuclear deal by announcing plans to supply nuclear reactors to Pakistan (Pant, 2012).

Hence, China's interest in Pakistan emerges from a combination of diplomatic, economic, and security concerns. Whether or not these interests will be fulfilled through China's friendship with Pakistan is yet to be seen. It will depend on Pakistani state's commitment to the goals set through this alliance, Pakistani population's response to Chinese presence, and how the international powers react to this alliance. How these different actors and interests interact with each other will provide important insights

into how different (if at all) South-South cooperation is from the previous regime of development cooperation led by the West. As we navigate through these complex interactions, we need to pay particular attention to the specific interests of these emerging powers and how these interests interact with the discourse of “mutual benefit”, “non-intervention”, and “sustainable development”.

Conclusion

In this chapter I analyzed the different regimes of foreign assistance that Pakistan has experienced. In particular, I studied the dynamic of conditional support extended by the United States in kick-starting industrialization, developing military prowess, and development aid. Second, I examined the nature of Pakistan’s ‘all-weather, non-conditional’ friend – China. Here, I pointed out the vested interests of China in Pakistan. These interests, I argue, are important to note in order to temper our expectations regarding CPEC.

SECTION III

CPEC as State Space

One of the most prominent features of CPEC is the highly visible presence of state. Pakistani state, specifically the Sharif government, is at pains to claim ownership of the project despite the fact that allegedly most of the projects will be private ventures. The signing of MoUs (Memorandum of Understanding), financial agreements, inauguration ceremonies, and press releases are heavily advertised through media. On project sites, along with a billboard of President Xi Jinping's picture, Prime Minister Nawaz Sharif's picture is carefully placed. Quick results of CPEC will bode well for PML-N in the next elections, but the relationship between the state and infrastructure is much deeper than interests of one regime. State and infrastructure are closely entwined together in the exercise of nation-building. In this chapter, I will briefly go through the literature on infrastructure and its relationship with state and the history of state making and provision of infrastructure in Pakistan. I will then deploy the theoretical and historical knowledge to see what impact CPEC has had on the existing relationship. In the second section, I will deconstruct Pakistani state by introducing an important state actor – the military. The aim of this analysis will be to see how CPEC is interacting with uneven civilian-military complex of Pakistani state.

Infrastructure

Infrastructures are matter that enable the movement of other matter (Larkin, 2013, p. 328).

Very broadly, infrastructure is a physical and institutional structure that facilitates the flow of people, commodities, ideas and information (Guldi, 2012; Larkin,

2013). Although infrastructure in various forms have existed for millennia, the intersection of economic requirements, technical expertise and political incentives to create standardized structures for the purpose of consolidating state power and integrating nation is a modern phenomenon (Knox and Harvey, 2012, p. 523). In other words, infrastructure is increasingly understood as a means to gain legitimacy; to create an 'integrated' national space and ideology (Anwar, 2015; Goswami, 2004; Akhter, 2015; Knox and Harvey, 2012, 2015).

Infrastructure as State-Space

In his study of production of colonial space in India, Manu Goswami analyses the colonial legacy of British capital and developmental works (Goswami, 2004). He argues that infrastructural developments - expansion of networks of communication, transport, railways and canals – not only became reflective of colonial authority and its so-called “civilizing mission” but also entrenched capitalist relations in the economy (Goswami, 2004, p. 46). Apart from being the symbolic representation of socioeconomic progress giving legitimacy to the colonial state, infrastructure also became the center of initiating new forms of subjectivity (Anwar, 2015, p. 31). Infrastructure would discipline and civilize the populace. Infrastructure also became a locus of patron-client relationship; of distributing out benefits to the loyal supporters (Anwar 2015, p. 31).

In a similar vein, in their study of the materiality of roads in northern Peru, Penny Harvey and Hannah Knox argue that, “[i]n contemporary Peru, roads hold a central place in the imagination of state space. For almost a century, roads have been an important means through which a modernist vision of improvement has been enacted by regimes of quite diverse political persuasion” (Knox and Harvey 2012, p. 522). Apart from being

the emblem of modernist vision of the state, roads are also closely tied to local population's desire of fast connection to urban centers – the locus of economic prosperity (Knox and Harvey 2015). The idea is that roads are the physical support system of a regional economy that initiate a process of economic advancement through closer integration with the state and global trade system (Knox and Harvey, 2015, p.39). However, based on their ethnographic research, Knox and Harvey conclude that even though state tries to penetrate peripheries in order to create an integrated national space, the state presence is not as straightforward as it is believed to be. The process of construction of roads revealed how little was state's influence in peripheral regions where economically more powerful entrepreneurs exercise de facto control (Knox and Harvey, 2015).

Hence, infrastructure is a material manifestation of the processes of state making and nation-building which may not always produce the desired results. Another important connection here is that of capital. Marx in reflecting on the link between provision of infrastructure (what he termed as public works) and capital accumulation, argued that only in the most advanced stage of capitalism can capital itself provide the 'the general condition of production' (1939). Until then, the capital appoints the task of providing infrastructure to the state. Alternately, the state still enjoys the authority and drive to make the society pay for infrastructure (Marx, 1939). As Majed Akhter argues, in order to understand the politics of infrastructure in its historical context it is imperative to first recognize the connection between the state, capital, and space (Akhter, 2015, p. 852). Akhter puts Henri Lefebvre's theory of production of state space in conversation with Antonio Gramsci's reflections on hegemony and nationalism which helps to him see

how infrastructures initiate a simultaneous process of homogenization and differentiation.

Henri Lefebvre refined the Marxist understanding of the connection between capitalist state and infrastructure by theorizing relationship between state and space (Lefebvre, 2009, p. 223; Akhter, 2015, p. 852). For him, “homogenized, hierarchized, and fragmented spaces” are produced through capital but also crucially through the spatial strategies (including institutional and material innovations and scientific knowledge) (Lefebvre, 2009). He characterized certain ‘moments’ through which state establishes this relationship to space. First being the ‘the production of a space’ or ‘the national territory’ which includes transforming and mapping physical space through networks and flows including roads, airways, canals, etc. Then comes the ‘production of social space’, which involves building structures of hierarchy through institutions, laws, and national values. Finally, state attains this relationship with space through occupying a ‘mental space’. This space includes the representation of state that people construct (Lefebvre, 2009, p. 225).

This is an important point in relation to infrastructure and is worth delving into further. Nation-building exercises and infrastructure development are two closely tied projects of the state. In 1950s emerged a distinct discourse in the global economic development circles focusing on development as infrastructure (Anwar, 2015, p. 8). This shift was crucial for the then Third World not only in concrete economic terms – in formulating financing arrangements and defining the trajectory of international aid – but also in how it affected state’s role as a central planning authority. Infrastructure was placed at the center for the economic reconstruction of postcolonial societies like

Pakistan. Pakistan was to develop using foreign financing and expertise from the World Bank and Ford Foundation. Foreign advisors and economists developed ideas that aided development of the new discourse locally. “Their writings particularly signaled the intensely metonymic relationship between infrastructure and the state” (Anwar, 2015, p. 6). To overcome its backwardness, the nation not only had to have a disciplined, enterprising and productive population but it also needed national electricity grid, industries, automobiles, roads, and airports. Furthermore, infrastructure was also imagined as a binding force between the geographically odd East and West Pakistan (Anwar, 2015, p. 35-37).

Similarly, writing about a cross-border highway in Albania and Greece, Dimitris Dalakoglou, analyses how infrastructures reflects the fetishistic desires of planning authorities to precipitate conceptual and visual pattern of modernity as imagined by advanced nations (Dalakoglou, 2010). Morten Alex Pederson makes a similar point about Russian investment into infrastructure as a precondition to socialist modernity (Larkin, 2013, p. 333). Infrastructure development was viewed not only as serving economic purposes but it was imagined as “investing in a new being, a new humanity, a new cosmos” (Pederson, 2011, p. 45 cited in Larkin 2013, p. 333).

However, as is the case with any lived reality, this process of state engendering social relations with space is not straightforward and Lefebvre realizes this. He argues that space, including state space, is simultaneously homogenous and fractured (Lefebvre 2009, p. 233; Akhter 2015, p. 852). While space, as imagined and constructed by the state, is homogenous in that within that space, all is exchangeable, equivalent and interchangeable, it is simultaneously fractured because it is divided into lots and parcels

and exchanged in the market. So, private property, for Lefebvre, is the moment of homogenization-differentiation dialectic (Akhter 2015, p. 852). “Furthermore, Lefebvre understood the production of state space to occur in a historical scenario in which the state “clashes with the preexisting economic space that it encounters”, an economic space marked by “commercialized fragments of space that are sold in ‘lots’” (Lefebvre, 2009, p. 225 cited in Akhter 2015, p. 233).

However, taking post-colonial societies as a case in point, Majed Akhter argues that in such societies property that could be exchanged in lots and parcel with exclusive and alienable property rights did not exist prior to the colonial state’s involvement in defining its relationship to space (2015, p. 852). In 1793, through the Permanent Settlement Act in Bengal, the colonial state began the process of initiating a private property regime of land by (Washbrook, 1981). Through expropriating the traditional land use rights from the users, the British parceled out permanent ownership of land to the indigenous elites. The law defined and protected private rights of the owners against everyone else (Washbrook, 1981). Similarly, water infrastructure projects helped the emergence of private property in the Indus Basin (Akhter 2009, p. 853). Hence, Akhter concludes, “private property did not constitute the interruption to the production of state space in the way Lefebvre theorized in the European context... Instead, I understand the main driver of the homogenization-differentiation dialectic to lie primarily in the contradiction between the production of state space and the articulation of a hegemonic nationalism” (Akhter 2009, p. 853).

Here he turns to Gramsci to understand the relation between nation-building and state power – the final node that helps him theorize the state-space nexus in

postcolonial context. Apart from attaining a dominant position the state elites also need to capture the ideological imagination of the populace. Here, Gramsci's concept of "hegemony" becomes important (Akhter, 2009, p. 853). The term as conceptualized by Gramsci means political leadership grounded in the consent of the subordinate classes. The consent is attained through 'diffusion and popularization' of the ruling class ideology (Bates, 1975, p. 352). Using the concept of nation to achieve hegemony is a key strategy.

Any social group that aspires to be in a hegemonic position requires "organic intellectuals" that not only safeguard the economic interests of the ruling class but also articulate a worldview in which other social groups can participate (Akhter 2009). Gramsci distinguished organic intellectuals from the "traditional intellectuals" – the intellectuals already found in existence in state apparatus in groups such as the bureaucracy, military, and clergy. However, no matter how much they might try to appear apolitical and independent from the power struggles of society, they are not ideologically divorced from the politics of hegemony.

This line of thought is important to understand Gramsci's understanding of state bureaucracy as internally differentiated. They are fractured due to "uneven economic development at urban, national, regional and international scales". Hence, no matter how homogenous the state might be imagined as, it is internally differentiated due to uneven economic development manifested in space (Akhter, 2009, p. 852-855).

Here we reach an important juncture in the understanding of state. Through Lefebvre and Gramsci we find that state is internally differentiated because of its ideological component/mental space and its relation to space/uneven economic growth (Akhter, 2009). And this, Akhter argues, is exactly what happened in the case of central

Pakistani state's attempts at creating an integrated space through infrastructural projects. The centralizing tendencies of state were met with alternative conceptions of nationhood of various regional elites.

Sindh and Hydraulic Regionalism

Majed Akhter, in his analysis of the politics of Indus River infrastructure development, also notes a similar pattern of incomplete hegemonic project of state. He argues that nation-building, economic reconstruction efforts and provision of large dams and other river infrastructures have been closely tied together in the case of Pakistan (Akhter, 2015). Indus Water Treaty, signed on September 19, 1960, divided the control over Indus River and its tributaries among India and Pakistan. The Indus Basin Development Agreement signed on the same day secured Pakistan \$895 million as development grants from rich capitalist states for the construction of dams and other waterways. Apart from redirecting the use of water the projects also contributed to "the infrastructural production of state space" (Akhter, 2015, p. 861). Availability of large development funds and creation of an integrated water network expanded the strength and spatial reach of the state. However, the central state's project of integrating national space was met with resistance from the regional intellectual elites (Akhter 2015, p. 860-861). The provincial politicians, who enjoyed important power positions in the bureaucracy remained unconvinced that the central state's nation-building process was an inclusive one. Such resistances intensified overtime, developing into regionalist ambitions. The case of secession of East Pakistan in 1971 revealed the strength of these forces (Akhter, 2015).

Although, most of the tension between the provinces emerged from the disproportionate Punjabi presence in the bureaucratic and military structure of state, friction between Punjab and Sindh is also rooted in the technological appropriation of Indus river waters (Akhter, 2013). The fact that Punjab is upstream and Sindh is downstream creates a political geographic dynamic. This dynamic led to creation of friction between the two provinces once the colonial state began its project of planned river control system, or as Akhter calls it, “the infrastructure of the river” (Akhter, 2013, p. 151). As more water began to be held by Punjab through various infrastructure technologies, Sindh’s water rights got stifled. These tensions continued into independence. The Punjabi military-bureaucratic elite helped Punjab appropriate a greater share of Indus waters than was its due (Akhter, 2013). Such injustices created grievances in the province of Sindh and the provincial elites began to challenge the center’s activities. Overtime, the friction led to development of regionalist sentiments.

Despite being declared as one nation (in 1947) on the basis of “Muslim-identity”, Pakistan had “strong regional identities based in language, culture, and the provincial administrative boundaries drawn by the British state” (Akhter, 2015, p. 855). However, these various identities never found representation in the state apparatus. Initially, Punjabis and Muslim migrants from different parts of India assumed control of the central state. However, from 1950s onwards Punjabis dominated the central state apparatus completely (Akhter, 2015).

Three important events led to the culmination of this friction leading to the development of regionalist ambitions. First, uneven economic development during Ayub Khan’s regime, as discussed in chapter 2.2, mobilized various regions against the

centralist developmental ideology of the state. This episode ended with violent secession of East Pakistan in 1971. Secondly, the “One Unit” administrative reform (1955-1970), an attempt towards centralization and authoritarianism by the Punjabi dominated military-bureaucratic oligarchy, greatly stimulated regionalist ambitions (Akhter, 2015). One Unit scheme unified West Pakistan under an administrative structure, designed in a way to deter effective mobilization of political parties. Apart from the central and Punjabi elites the program enjoyed no support. The regional elites of the eastern wing and smaller provinces of the western wing, for whom the scheme meant tightening of central and Punjabi elites’ hold on political and economic power, vehemently opposed the project and challenged the plan throughout the 1960s. Finally, the hydraulic projects of the central state also gave impetus to regionalist politics. Tarbela dam, one of the most important dams in the country, became a very contentious site as the provinces vied for rights over the water stored in the dam. “Punjabi administrators insisted that Punjab needed water from Tarbela to compensate it for the loss to India of the three Eastern Rivers. Sindhi bureaucrats, on the other hand, argued that Punjab should rely on storages from Mangla dam on the Jhelum river, the flow of the Chenab tributary, and groundwater for its ‘replacement’ water” (Akhter, 2015, p. 864). Consequently, by trying to define a homogenous state space through its large-scale infrastructure projects, the central state gave birth to regionalist consciousness.

Balouchistan: Nationalist Politics of Underdevelopment and Development

Apart from Sindh, another province that has consistently opposed the central state’s hegemonic project is Balouchistan. The history of nationalist sentiments among Balouchi elites can be traced as far back as the late colonial period. Creation of Pakistan

was a heavy blow to the regional elites (particularly Balouch and Pashtun) hoping to create autonomous states based on their ethnicities (Titus and Swidler, 2000). At the time of independence, the tribal leaders and municipal authorities in British Balouchistan, were given the authority to choose between declaring Balouchistan an independent state or to join Pakistan. Although, these elites opted to join Pakistan, there were committed groups of activists that opposed the manner in which this decision was imposed. Actions against the project ranged from peaceful political organizing to sabotage. The nascent state, dominated by the Punjabi military-bureaucratic elite, responded with arrests and its own sabotage campaigns (Titus and Swidler, 2000). A focal point of early Balouch nationalism was the region of Kalat (Atoradi, 2011). Soon after the creation of Pakistan, independence of Kalat was declared. However, the central state refused to accept the declaration and through military action, Kalat was forced to assimilate into Pakistan on 27 March 1948. From that day on, Balouch nationalism intensified overtime. Friction between the central state and Balouch activists continued throughout the history of Pakistan, gaining momentum during periods of insurgencies and military action in 1948, 1958, 1962, 1973, and 2004 (which marks the latest wave of insurgency). After the first military crackdown in 1948, the province was put under Governor-General control. Balouchistan did not get any electoral representation in the state until 1972, when National Awami Party [Henceforth NAP] (the progressive political party that eventually led the movement for independent East Pakistan) gained sweeping victory in Balouchistan. The newly elected representatives began to demand for state rights, pointing to the relative underdevelopment of the state. However, with the discovery of natural gas, the province had become very important to Pakistani state hence, Bhutto refused to grant

NAP its demands of greater autonomy. Bhutto dissolved the Balouchistan assembly and restored Governor's rule. This led to the prolonged series of military confrontations (Atarodi, 2011). By the time the fighting subsided in 1977, grievances had deepened to large degree, and intense separatist feelings had penetrated widely (Harrison, 1981).

Although one of the major historical reasons contributing to Balouch insurgency has been the relative underdevelopment of the province, the recent wave of insurgency is mobilized around the very opposite issue (Aslam, 2011; Grare, 2006). The recent wave of Balouch nationalist movement has been fueled by the massive development projects that the central government is undertaking in the province (Grare, 2006). Government of Pakistan, from the very beginning, has exploited the province by extracting the province's resources without giving the Balouch their due share. Not only have the royalties for these resources been low, but the province has also benefited the least from these interventions. Hence, the Balouch nationalists and militants, extremely skeptical of these interventions of central state, have mainly targeted Pakistani and foreign involvement in 'development' projects in Balouchistan. The military operation carried out in 2005 appeared to be a result of Balouchistan Liberation Army's (BLA) rocket attack carried out a few hours before General Musharraf's visit there (Atarodi, 2011).

The huge landmass of the province, its reasonable endowment of natural deposits like gas and minerals, and its highly strategic coast means that it is a prized target of central state's extractive ambitions (Akhtar, 2007). Given the long history of exploitation of the province, the nationalist elements have responded to state-led infrastructure projects with suspicions and outright rejection. Exploitation of gas

reserves and acquisition of Gwadar port are the classic manifestation of state-led infrastructure projects being a site of resistance in Balouchistan (Akhtar, 2007).

Despite being a major producer of gas, Balouchistan not only receives much less share of gas than other provinces do, it also receives only 12.4% royalties of the gas produced in the province (Grare, 2006). This trend of exploitation has been fairly consistent over the years, building up grievances among the Balouch population. The results being that the Balouch nationalists are now violently opposing the exploitation of the recently discovered gas reserves by central government (Grare, 2006). According to South Asia Terrorism Portal, from 2005 to 2011, there have been 165 incidents of attacks on gas pipelines in Balouchistan (Mohanty, 2011).

Development of Gwadar Port is another locus of tension. In collaboration with China, the government of Pakistan started developing a deep sea port and ancillary infrastructure and industries at the coastal town of Gwadar on the Arabian Sea (Aslam, 2011). The Balouch nationalists assert that the agreement between the federal government and the Chinese company related to the development project is another proof of the exploitation of Balouch wealth. They claim that Pakistani state and the Chinese company are taking most of the profit from these projects, leaving little to Balouchistan itself. To make matters worse, all construction contracts are given to non-Balouch firms (Aslam, 2011).

Furthermore, as Frédéric Grare points out, most of the people involved in the projects are from outside of Balouchistan (Grare, 2006). There is a growing fear among the Balouch youth nationalists that Gwadar is likely to continue to precipitate an influx of non-Balouchs seeking employment (Akhtar, 2007). The fears are grounded in reality:

out of six hundred people employed in the first phase of construction of Gwadar port, only one hundred were Balouch (Grare, 2006).

CPEC and Politics of Regionalism

Political and militant presence of nationalist forces, Islamic extremists (now including Islamic State), makes Balouchistan a very contentious and dangerous space for CPEC. Although Balouchistan has proved to be most difficult for the Pakistani and Chinese actors involved in CPEC, the regional problem of CPEC extends the boundaries of Balouchistan. Planning of CPEC has been highly centralist and provincial governments have not responded well to these tendencies. Chinese engagement (through CPEC projects) has so far only deepened these regional cleavages. The regionalist forces have opposed the project in two broad ways: through demanding greater share in the project or through completely rejecting the interventions.

The center-province friction has manifested itself through the CPEC route controversy. Provincial governments have objected to the change in route of the roads and railways projects. The government of Pakistan announced that the original route, or Western alignment, will start after the completion of eastern alignment. According to the original plan, the corridor – constituting highways and railways - was to connect Gwadar to Kashgar, passing through various southern and eastern districts of Balouchistan, some parts of South Punjab, and Islamabad (beyond which there is no difference between the Eastern and Western route) (Abid and Ashfaq, 2015). However, fears (backed by statistical data) among the regional elites have started emerging that central political elite is giving priority to the eastern route (Mengal, 2016). The Eastern Route completely cuts through Balouchistan, connects Gwadar to Karachi through

bypassing major districts in Balouchistan, and mostly passes through the relatively well-developed provinces of Punjab and Sindh (Mengal, 2016). The government has made different claims since this controversy emerged (Bengali, 2015). Although the maps have not been disclosed and statements have been kept vague and confusing, what does emerge from the press releases is that the route has been changed to pass mostly through Central Punjab instead (Bengali, 2015).

Even though a parliamentary committee has been established, not enough consultation has been made with the provinces in Pakistan (Qureshi, 2015). Provincial Assembly of Khyber Pakhtunkhwa [Henceforth KPK] rejected prioritization of Eastern route and passed resolution opposing any route change, since the original route holds the promise of benefitting the underdeveloped areas of KPK (Mengal, 2016; Ahmad and Hong, 2017). Gilgit-Baltistan has also been demanding greater share in CPEC through protests and strikes (Ali, 2015). The central government responded by threats. Ministry of Planning, Development and Reforms announced that those protesting against CPEC would be charged under anti-terrorism laws (Business Standard, 2016). However, the government has also responded to the objections raised by the provinces by repeatedly assuring that CPEC will benefit the provinces equally and through announcing projects in these provinces. Whether the central government will go through with these promises is uncertain and the lack of transparency is only going to stimulate these fears and oppositions even further.

The trend in Balouchistan has been the opposite. They have opposed CPEC on the grounds that it will further strengthen the circle of exploitation emerging from the center – this time in collaboration with a foreign state (Ahmad and Mi, 2017; Mengal,

2016). The Balouch separatists and militants have shown their opposition to CPEC by carrying out various acts of sabotage such as, target killing and abduction of Chinese workers and blasts targeting CPEC project sites or infrastructure.

Consequently, despite the promises of connectivity, integration, and development of entire nation, CPEC has mobilized a new wave of regional politics. The route controversy reveals the centralizing – not inclusive – mission of state. Provinces have not only been kept in dark regarding the planning process, but state has also responded inadequately to the fears of provinces and in some cases has even threatened repression. Assuaging nationalist sentiments in Balouchistan through CPEC has remained an elusive project of Pakistani state. Hence, not much can be expected from CPEC in terms of nation-building unless it is backed by a strong material and ideological project of uniting the provinces. Central state, which is bent to pursue its own interests, has not shown much commitment to this end. Given its policy of non-intervention, Chinese state cannot also be expected to mediate either. Hopes can be attached to pressure emerging from multilateral agencies since China has recently shown commitment to multilateral cooperation. Furthermore, some of the regional actors have also appealed to the international agencies to resolve these internal issues (Ahmad and Mi, 2017).

CPEC and Security

Over the years, Pakistani military's penetration into politics, society and economy has accrued the military establishment an important position in the state apparatus. Real and imagined security threats besetting Pakistani state, role of foreign powers and the ever-growing financial autonomy of the defense establishment have led to

germination of a crisis-ridden, 'garrison' state of Pakistan. To make matters worse, an increasingly powerful role has been assumed by Pakistani military during the lifespan of CPEC. The army has pushed for a formal role in the execution of the projects. Pressure from Pakistani army and Beijing's disappointment over the performance of federal government in securing a stable environment for CPEC development has meant that army has made important headways in acquiring an important role in CPEC. The rhetoric of security has also been used to justify lack of transparency, censorship, and arbitrary actions of the state, making the process of planning and execution of CPEC highly undemocratic.

On the eve of independence, Pakistan inherited an elaborate military structure. The colonial rule in India was mediated through a garrison state. British powers were fully aware of the effective role that force and coercion played in ruling India (Ahmed, 2013). Writing about the militaristic nature of Punjab, Tan Tai Yong remarks that the colonial legacy of militarization of Punjab can be crucial in explaining the post-colonial state of Pakistan (Ahmed, 2013, p. 13). He argues that the rise of military bureaucratic oligarchy heavily dominated by Punjabis that was powerful enough to dominate and control the state apparatus of Pakistan is to be partially explained by the developments in colonial Punjab in the early twentieth century (Ahmed, 2013).

The colonizers through their recruitment policy created the myth of 'martial race' of Punjabis (Siddiqi, 2007). After the mutiny of Bengal Army in 1857, British rulers were faced with the need to restructure the armed forces. At this juncture, the colonizers found that Punjabis were more willing to enlist in the British army in return for employment opportunities and material rewards. As a result, the number of Punjabis in the British army grew disproportionately (Siddiqi, 2007).

The myth of Punjabis and Pathans (from North-West Frontier Province) as 'martial race' continued even after independence. This acted as a cohesive force for retaining ethnic composition and maintaining the inherently elitist fabric of military (Siddiq, 2007). Furthermore, the colonial bias against Bengalis, Sindhis, and Balouchis in recruitment processes continued. This discriminatory policy created tension between the center and provinces. Consequences have been dire: Balouch leaders uphold grievances against the military who view it not as a national military but a Punjabi force that exploits them (Siddiq, 2007: p. 60).

Even a cursory look at history of Pakistan reveals the centrality of military in the post-colonial state. Owing to the deep sense of insecurity that ensued independence, the army attained a central role as a protective authority (Ahmed, 2013). The ideology on which Pakistan's nationalist struggle was based upon had a huge role to play in creating these threats. The independence struggle was pitched as a struggle for separate homeland for Muslims. The much celebrated "Two Nation Theory," for once and for all, discarded all commonalities between Muslims and Hindus of India. The Two-Nation Theory was an ideological tool used to mobilize Muslims for the Pakistan Movement positing that religion is the primary identity of South Asian Muslims and rather than language or ethnicity, their Islamic identity is the unifying denominator. Implicitly and extremely effectively, the ideology projected Hindus and Muslims of South Asia as being so different that they could not live together in one nation, even though the history of South Asia is precisely that of co-existence of Hindus and Muslims. The defining of Hindus and Sikhs as the 'other', riots between the communities during the partition and exaggerated belief that India was intent upon leading Pakistan to ruin so that it has to eventually become a part of the Indian nation set the stage for national obsession with

security (Ahmed, 2013). The perception of threats gained strength through the actual events that followed. Pakistan has been embroiled with multiple conflicts with India over the issue of Kashmir since partition of the two states (Siddiqi 2007: p. 63). The conflict holds immense priority among policy makers and military establishment, who perceive Indian threat as the primary threat to nation. Even internal threats such as Balouch insurgency and other ethnic and religious tensions are perceived as an extension of this external threat (Siddiqi, 2007).

The fear paralleled by the ruling elites' ability to solicit support of foreign powers, which helped strengthen the economic and military power, the discourse of underdevelopment was successfully shifted to discourse of security (Ahmed, 2013). The bipolar rivalry between the United States and former Soviet Union gave the ruling elites a very effective strategic advantage to solicit alliance with the US (Ahmed, 2013). The civil and military rulers of Pakistan, by marketing Pakistan as a frontline state against the rise of communism and communist powers with the motive that the Western giant would help the state to build up its military prowess to counterbalance the Indian superiority owing to its size and resources. When the alliance with the US to contain the spread of communism became more or less dormant in the 1960s, Pakistan sought alliance with China. Later, Pakistan further diversified this web of dependence by seeking support of Saudi Arabia. The Pakistan-US alliance refurbished with the Soviet occupation of Afghanistan and Iranian Revolution. China also had similar concerns against the Soviet occupation. Saudi Arabia felt threatened by the rising power of Iranian strand of Islam. All these powers could realize their objectives through Pakistan. The Pakistani ruling elite exploited this unique strategic position of Pakistan to serve their interests (Ahmed, 2013).

Given the vested interests of foreign and local powers in militarizing the state, it is no surprise that over the 67 years of independence, the military establishment acquired enough power to rule the country four times. Even during times of civilian rule, army has maintained considerable power by negotiating authority (Siddiqa, 2007). Five armed conflicts with India, several operations in Balouchistan to suppress the organized demands for greater autonomy, and the most recent 'war against terrorism' not only indicates the level of militarization of state but is also a symptom of formidable power in the hands of Pakistan army (Siddiqa, 2007).

However, an analysis of Pakistani military as a political elite is bound to remain an incomplete one. The members of the military at the same time also constitute an economic class. Shahrukh Rafi Khan and Aasim Sajjad Akhtar investigate army's economic power in their book titled *The Military and Denied Development in the Pakistani Punjab* (2014). In this empirically grounded work, they set out to argue that the source of military establishment's formidable power is partially the financial autonomy that it enjoys owing to its ability to build a huge commercial base (Khan and Akhtar, 2014). "[Their] premise is that the more economic autonomy the military gains, the less answerable it is to civilian oversight, a key prerequisite to sustainable democracy in Pakistan. Furthermore, the more economic power it gains, the larger the threat democratic oversight represents since the stakes are higher" (Khan and Akhtar, 2014, p. 1). Similarly, Ayesha Siddiqa in her groundbreaking work, "Military Inc.", reveals information about the army's huge internal economic base. She argues that Pakistan's military co-opts its political power for social mobility of its own personnel (Siddiqa, 2007). The military elite facilitates capital formation through pursuing policies to acquire

opportunities and assets. This persistent policy of capital accumulation raises the members of the armed forces to the status of ruling elite (Siddiqa, 2007).

Although it is not possible to put a definitive value to the army's internal economic activity and capital due to lack of transparency, it is estimated to be worth in billions of dollars (Siddiqa, 2007, p. 2). Furthermore, the military's two big enterprises – Fauji Foundation and Army Welfare Trust – are among the largest businesses in the country. Shaheen foundation and Bahria foundation are other two corporate giants of the army. The business activity of these foundations are diverse; ranging from small to big ventures covering education, food, fertilizers, cement, insurance, and other sectors (Siddiqa, 2007, p. 18). Furthermore, the army and its members have also penetrated deep into private landscape and civilian production of the country maintaining key roles in areas like real-estate and agrarian sector (Siddiqa, 2007; Khan and Akhtar, 2014).

Land grabbing is an important phenomenon that has allowed the army to build and sustain its economic dominance (Khan and Akhtar, 2014). Land grants are given to officers in order to ensure a comfortable retirement for them and to secure the economic future of their progeny. High-ranking military personnel are allocated prime land. They are also allowed to use the irrigation facilities and exploit state resources to develop their lands (Khan and Akhtar, 2014).

There is also strong evidence that the military continually exploits the state apparatus to fulfil its economic interests. A prominent English-language daily newspaper featured a report on the corporate nature of the military citing a report by the Parliament Public Accounts Committee which revealed that the corporations run by the military annually drew PKR 200 billion subsidy. To make sense of the figure, it was half

the Public Sector Development Program budget for the fiscal year 2009-2010 (Khan and Akhtar, 2014, p. 18).

Pakistani Military and CPEC

An increasingly powerful role has been assumed by the military during the lifespan of CPEC. Army has pushed for a formal role in the execution of the projects and proposed incorporation of CPEC in the National Action Plan (Pakistan's counter-terrorism policy adopted in 2014) (Rana, 2016). The latter proposal was rejected by the civilian setup and the civilian government has been overall reluctant in sharing control over CPEC (Ghumman, 2016). However, army's power to meddle with civilian politics combined with Beijing's disappointment over the performance of federal government in securing a stable environment for CPEC development (Ghumman, 2016) has meant that army has made important headways in acquiring an important role in CPEC. New armed forces have been formed in Balouchistan and Sindh by the army, dedicated solely to protect the CPEC projects (Wolf, 2016).

The rhetoric of security has also been used to justify transparency, censorship, and arbitrary actions of the state. By labeling CPEC as a matter of state security, the state, to a certain extent, has been able to keep the CPEC developments secretive. Furthermore, several journalists have reported how there is an increasing state-sponsored censorship underway on the topic of CPEC (Ali, 2017). Lastly, Kaiser Bengali argues that the change in CPEC route of roads and railways has been justified under the pretext of security: the government has argued that the plan had to be changed due to insecurity and lawlessness in areas that were previously supposed to be a major part of the CPEC route (Bengali, 2015).

The pretext of security and Pakistan's history increasingly uneven civil-military relations is helping the military establishment to gain more power with CPEC. However, this development needs to be evaluated considering not just the politics of Pakistani state and society but also the nature of investment regime, the Chinese state, and international actors.

The official rhetoric of Chinese investment policy in Africa is that of 'noninterference' (Hansen, 2008). However, the foreign policy seems to be evolving as China realizes the limitations of noninterference and the need to protect its economic interests (Mohan and Power 2010). For example, the policy of blocking UN Security Council resolutions authorizing peacekeepers for Darfur has been lifted and China has put modest pressure on Khartoum to allow UN peacekeeping deployment (Hansen, 2008). The changes in foreign policy are driven by the need to secure business interests and concerns about "a backlash and the potential damage to its strategic and economic relationships with the United States and Europe" (Ahlbrandt and Small, 2008). However, this emerging shift is to be understood cautiously as China has not experienced a fundamental change in values. Economic interests remain the top priority and despite its increasing involvement with the US, China does not share their rhetoric of human rights and democracy (Ahlbrandt and Small, 2008).

Furthermore, China's Africa policy has remained focused on bilateral trade (Power and Mohan, 2008). However, it has recently showed its commitment to multilateral trade through, for example, signing the 2005 Paris Declaration on Aid Effectiveness, which seeks harmonization among donors and between donors and recipients. China has also recently strengthened ties with African Union and NEPAD in

order to formulate an inclusive, more transparent developmental strategy that abides by certain labor and environmental codes. However, the efficacy of this multilateralist cooperation is threatened by the African countries' desires to attract Chinese investment even if it comes at the expense of forgoing certain standards of justice (Power and Mohan, 2008).

The comparative historical analysis shows that even though China's foreign policy has shown flexibility, it is important to note that certain national and economic interests drive Chinese presence in Global South. China has shown willingness to forgo its non-interference stance so long as these interests necessitate it. In Pakistan, China showed this flexibility by pushing for the security establishment's takeover of the security issue of CPEC. Historically as well, China has been more comfortable in negotiating with Pakistani military elite than its turbulent civilian counterpart (Small, 2015). Hence, Pakistani military elite's power can only be expected to strengthen with this project unless there's a serious international or local resistance to this trend.

The Labor Question

Introduction

Another issue logically expected to emerge from CPEC is concerning labor. Although the labor question has not yet emerged as a contentious issue in the public debates and policy-making circles, the history of state-labor relations in Pakistan point to the importance that the issue might acquire in future. Based on the case study of Sahiwal Coal Power Project, and my historical analysis of state-labor relations in Pakistan, and China's industrialization model, I conclude that CPEC means little for the working class of Pakistan. Firstly, CPEC seems to be utilizing the informalized workforce of Pakistan. Informalization

translates into disempowerment; workers have little power to negotiate with their Chinese bosses. Secondly, most of the workforce in Pakistan is unskilled. Chinese capital has benefited from the educated workforce that the Chinese state has created over the years. Hence, Pakistani workforce has little place in the Chinese model of industrialization. It is no surprise then that so far Chinese capital has been accompanied with Chinese labor. The unskilled workforce of Pakistan has found its place in CPEC only in the construction stages of the projects. Once that stage is over, it is easy for the Chinese investors to dispense these informal employees.

The early industrialization process of Pakistan was accompanied by labor movements that demanded benefits and protection for employees (Anwar, 2015). The outcome was that the workers gained concessions and pro-labor legislation. However, brief episodes of success were accompanied by a long history of repression and de-politicization of labor movement. In the past few decades, due to economic liberalization, there have been considerable transformations in state-labor relations, seriously undermining labor power. In this section, after tracing the history of labor movement in Pakistan, I will analyze how we can expect CPEC to interact with the circumstances that Pakistani labor finds in itself today. Based on the case study of Sahiwal Power Project, the nature of workforce in Pakistan, China's industrial and foreign policy, and Pakistan's history with international standards of human and labor rights, I conclude that CPEC holds little promise for the working class of Pakistan.

History of Organized Labor in Pakistan

The state of Pakistan, throughout its history, has announced six labor policies in 1955, 1959, 1969, 1972, 2002 and 2010 (Government of Pakistan, 2010). The major goals of the labor policies have been as following: laying down the limitations of trade unions, providing some protection to the workers, industrial dispute settlement, and

arbitration (Government of Pakistan, 2010). Labor policies in Pakistan have been highly responsive to the social, economic and political environment in which it appeared. For example, the Emigration Ordinance of 1979 was formulated in the period when Pakistan was experiencing a growth of 'remittance economy' (Zaidi, 2008, p. 3). Benefitting from the Gulf boom, a lot of Pakistani workers had migrated to various Gulf countries to make a living (Zaidi, 2008). The state at this point intervened to regulate the remittances economy by strictly supervising the activities of overseas workers, overseas employment promoters and agencies (PILdAT, 2008). Similarly, Industrial Relations Ordinance, 1969, developed in the backdrop of the successful episode of labor action to overthrow the infamous government of Ayub Khan (Zafar, 1975). Such examples point to the fact that labor policy in Pakistan developed in a very ad hoc manner. Although some attempts were made to develop a comprehensive labor policy, most of them ended in failure. The regulations and policies were usually adopted as a reaction to external pressures. In this section, I will trace the major contours in the history of state-labor relations and labor policies in Pakistan.

In order to understand the limitations of organized labor in Pakistan, an important starting point is the colonial labor law since both India and Pakistan inherited it (with minor amendments) on the eve of their independence (Candland, 2007a). Throughout the colonial history, labor collectives in India had been fairly active in pushing for labor demands and rights. A precursor to union formation in the colonial era was coordinated action, mostly in form of strike committee. Well before the legalization of trade unions by the Raj in 1926, mobilization of labor was quite widespread. However, they were organized around a particular event or grievance, and would disperse when demands were met or dismissed. More organized forms of labor action began to emerge

in the late 19th century when philanthropists and social reformers began to establish unions to contest the inhumane working conditions.

In the succeeding years, industrial and political action became more and more intertwined. The British were quick to realize this connection and started taking action against the organizers. Till the World War I, the colonial government's attitude towards organized action was extremely hostile and often quite violent. However, labor unions continued to struggle and become powerful. The union action led to workers gaining some favorable legislative changes. Some of the unions were also able to gain concessions such as the right to organize grievance committee in factories. In later years, individual cases of organized efforts were able to consolidate into a worker's movement.

Although the colonial state gave recognition to workers – an unusual development given the history of former colonies – the state still retained control over labor action. Through these developments, the colonial state acquired a central position in mediating industrial relations. The colonial labor legislation reflected two important concerns for the British. First, they were concerned that labor militancy in the subcontinent might harness into a communist movement. Secondly, they could not leave labor exploitation unchecked lest the Indian industries, benefiting from extraction of high surplus value from cutting labor costs, began to pose a threat to the British industries (Candland, 2007a, p.20).

The colonial labor policy was a reflection of these concerns. It comprised of three major acts. The Factories Act of 1934, framed in the wake of a major wave of industrial action, advocated improvement of working conditions of Indian workers. The Trade Union Act of 1926 changed the status of labor organization from “illegal conspiracies” to

a legal right of workers to associate. The Industrial Disputes Act of 1947 laid down an elaborate administrative structure for addressing labor disputes.

The colonial empire's highly developed administrative and legislative structure of state-labor relations needs to be studied in the context of labor movement's power in British India. Labor politics, as seen earlier, had been an active force throughout the history of colonial rule. However, the trend accelerated with World War I. Labor unrest in British India was rampant during First World War and reached unprecedented levels in 1919-20 (Candland, 2007a). Indian industries, particularly textiles and military ordnance, faced a great increase in demand due to the war. The factory owners transferred the pressure of meeting production targets to the labor. Through extending working hours and operating round the clock, the employers profited greatly from the stimulation of demand. Labor actions against the harsh working conditions were soon to follow (Candland, 2007a). Amidst the growing tensions surrounding industrial relations and a growing strike movement in India, the colonial government appointed the Royal Commission in 1929 to provide a new framework for future labor policies (Zafar, 1975). This process was accompanied by provisions of concessions on certain labor demands and arrests and trials of radical leaders of the increasingly powerful militant labor movement. This period was followed by reformation of labor policies to contain such incidences of labor militancy.

The subsequent labor policy embodied in the Trade Unions Act of 1926, the Factories Act of 1947 and the Industrial Disputes Act of 1947, permitted growth of trade unions and allowed space for a system of collective bargaining within certain limits (Zafar, 1975). The legislative action was backed by administrative changes; Industrial

Disputes Board was established to settle disputes before strikes were announced (Candland, 2007). Furthermore, changes were introduced into the Indian Penal code to promote workplace discipline (Candland, 2007). The British labor policy reflected International Labor Organization (of which British India was one of the founding members) Convention number 87 and 98 that safeguard the right to organize and freedom of association (Zafar, 1975).

However, through institutionalizing labor action, the state managed to contain and control the nature of labor action. The state maintained an active role in mediating industrial relation through retaining roles like registration of unions, courts of enquiry on industrial disputes, and provision of conciliation services. By the time the colonial government left India, it had a very strong labor policy (Zafar, 1975).

While they maintained a strict control over activities of organized labor, the colonial masters also encouraged political representation of labor. Labor representatives were nominated in the Central and Provincial legislative assemblies. However, state reserved the authority to appoint labor representatives and the areas that later became part of Pakistan were completely excluded while selecting these representatives. Hence, seeds of authoritarianism in Pakistan were sown well before independence. A comparative regional analysis shows, “[j]ust as the seeds of a social democratic India were sown by British rule, so too the roots of authoritarianism in areas that were to become Pakistan were strengthened by British rule” (Candland, 2007: p. 21).

With this legacy of repression of organized labor and setting institutional limitations to labor action, Pakistani labor gained independence from the colonial rule in 1947. Unlike India, Pakistan’s struggle for independence did not incorporate organized

labor. Even after independence, the ruling elites showed complete disregard to labor politics (Candland, 2007). Similarly, unlike its Indian counterpart, the organized labor politics was not represented through political parties. The military and civilian regimes sought to either prohibit organized labor action or to decentralize its structure and avoided incorporation of organized labor into politics. Nevertheless, soon after Independence, just like the colonial state, the Pakistani state and political parties successfully exerted control over labor movement. The subsequent history of Pakistan, with the exception of the “socialist” government of Zulfikar Ali Bhutto, was marked by an absence of labor representation or association within party organization. Even under Bhutto, the state kept a strict check on the activities of organized labor. Police and paramilitary forces often attacked striking workers (Candland, 2007a).

Pakistan was to inherit this highly developed structure of containing industrial relations without a large industrial base (Zafar, 1975). The area that constituted Pakistan after the partition had only 9% of the industrial infrastructure developed during colonial rule. With no indigenous entrepreneurial class, the state had to kick-start industrialization through creating incentives and supporting the construction of an infrastructural base. Although the form of industrialization that the state initiated had its share of negative repercussions, the state insisted that it was in the long-term interests of the nation, including the workers. As part of the effort to legitimize the developmental role that the state assumed, it promoted the formation of labor organizations. However, the purpose behind these initiatives was not the welfare of workers, instead the goal was to avoid labor unrest getting in the way of economic development. The result was that the limited number of progressive labor leaders and organizations (that Pakistan inherited from the colonial era) were isolated or neutralized

and replaced with the depoliticized unions. Simultaneously, the state also cracked down on the left-leaning labor organizations. For example, the Communist Party and the Pakistan Trade Union Federation were suppressed through legal bans, police harassments, arrests and imprisonment of its leaders. This eventually broke down the strength of the organized left in Pakistan. However, internal dissension also contributed heavily to the downfall of the left.

However, despite the state's success in controlling the organized labor movement through institutionalized concessions and state repression, industrial disputes continued to rise. The trend of government intervention in industrial relations heightened during the 'Decade of Development' or when the state embarked on the Third World capitalism model. In this period, through various methods like establishing permanent Industrial Courts and allowing strikes only after tedious bureaucratic procedures had been met, the government successfully subjugated collective bargaining to the legal sophistry. Although, the control of state did assuage militant actions of the labor movement during 1963-64, the labor movement reemerged in 1968 as part of the mass movement against Ayub Khan and the economic consequences of the "Decade of Development" under his leadership.

In this new conjuncture of labor movement, the traditional union leaders who had tried to stay within the state-directed parameters of labor action were left behind and young, radical activists began to take the center stage. Students aligned themselves with interests of the workers and collaborated with unions and labor organizations. The new forces were able to fight for the working class rights from outside the legal borders

assigned by the state. However, they were unable to effectively organize, unify and consolidate into a long-term power (Zafar, 1975).

In response to the growing power of organized labor, the state – under the interim government of General Yahya Khan – broke the labor movement and strengthened its control over it by imposing enterprise unionism on organized labor (Candland, 2007). The military regime that took power after the overthrow of Ayub Khan's rule, was beset by the daunting task of containing an unprecedented degree of working class militancy (Zafar, 1975). The first task the leadership assumed was to win back the confidence of labor movement's leadership. The succeeding interactions between the two parties gave the impression that the state was, for the first time, giving serious consideration to the labor issue. In the Industrial Relations Ordinance, 1969, the government criticized the instrumentalization of trade unions by employers and highlighted the importance of trade unions as an institution to bring a peaceful, mutually beneficial resolution to industrial conflicts (Zafar, 1975).

However, the changes made by Yahya Khan's regime did little to address the problems working class faced. Instead, it had the effect of displacing labor movement. Industrial Relations Ordinance promulgated in 1969 had a strong influence on the structure of trade unions: due to introduction of factory level unions, the number of unions grew rapidly, however, union membership density fell (Candland, 2007). In the succeeding decade, although trade unions proliferated, the state repressed the labor movement by imprisoning union leaders and deploying security forces in the factories. In 1976, amendments to the Industrial Relations Ordinance were introduced that

intensified the trend of enterprise unionism. In the long-term this trend had the effect of crushing labor militancy (Candland, 2007a).

Furthermore, through the Industrial Relations Ordinance of 1969, strikes and lockouts were made even more difficult to materialize (Zafar, 1975). The bureaucratic and legal controls over strikes were further tightened. Consequently, the apparently 'liberal' labor policy did little to resolve the tension between employers and workers that had sparked worker's unrest. It only had the short-term effect of minimizing unrest. The interim government was neither equipped nor motivated to institute a fundamental change in the labor policy (Zafar, 1975).

Zulfiqar Ali Bhutto assumed power in 1971 after a successful election campaign of attracting the poor masses that had been either ignored or exploited by all the preceding governments (Zafar, 2008). Once he assumed power, the workers mobilized by the campaign wanted concrete results. Strikes and lockouts accelerated, almost crippling the industry. The so-called "socialist" government followed the classic "carrot and stick" policy. By providing some concessions to the demands, like reinstatement of all the workers retrenched during the previous military regime, the government feigned commitment to the labor cause. Furthermore, it also spoke about developing a 'comprehensive labor policy'. On the other hand, it warned the workers of the consequences of their subversive activities and threatened if the unrest does not stop the state will repress it.

The government, eventually giving in to the pressures of labor militancy, announced a new labor policy. Instead of providing concessions to the workers, the amendments introduced to the Industrial Relations Ordinance further tightened the

control over industrial bargaining. The workers refused to accept the idea that legislative measures can serve their interests. Failing to assuage the movement, the state, once again, responded with repression. The strikers were met with police action. Radicals were put under arrest.

The pattern up until 1972 was fairly straightforward: unable to absorb worker demands in the labor laws and institutional framework of the state, the state deployed its repressive apparatus on the organized labor. Labor legislation has been very responsive to the changes in the labor action and politicization of workers. However, the 'concessions' accrued to workers through these packages have been disproportionate to the workers' demands leading to heightened labor unrest. The episode culminated in the state unleashing its repressive apparatus on the workers movement; effectively silencing it through arrests and trials (Zafar, 1975).

Since 1980, there have been several attempts by the government of Pakistan to formulate a labor policy, all of which resulted in failures (Candland, 2007). Under military dictatorship of Zia ul-Haq, two labor boards were formed constituting prominent industrialists, management lawyers, and trade union federation heads. However, Zia rejected the proposals made by these boards and labor policy remained an unrealized agenda through the rest of his rule (Candland, 2007).

Zia's era was arguably the darkest period for the working class (Munir et al. 2015). Zia banned all trade unions and denied workers their basic rights through abridgement and non-implementation of labor laws. The authoritarian leader imprisoned union leaders and further crushed labor politics by suppressing union members (Candland, 2007).

From 1990s onwards, the economic policy of Pakistan was driven a neoliberal agenda and structural adjustment programme (Samad and Ali, 2000). The conditionalities included trade liberalization, privatization, financial deregulation, and a tight fiscal and monetary policy (Munir et al., 2015). Economic growth and financial stability were to be expected if the changes were implemented in time. These macro changes were expected to eventually trickle down and improve living standards of the general population (Munir et al., 2015). By the mid-2000s, 'beneficial' effects of the neoliberal policies had begun to be advertised: economic growth rates were claimed to be above 5 percent, exports were rising, inflation was falling, and the stock market was soaring (Munir et al., 2015).

However, the victims of these disastrous policy shifts were completely ignored while citing these successes. Workers suffered greatly due to these processes (Munir et al., 2015). Firstly, the privatization process in Pakistan was highly abrupt and rapid (Candland, 2001). Instead of disinvesting shares, the government chose wholesale privatization of public sector (Candland, 2001). The result was major, sudden lay-offs. Employment in the public sector was halved between 1991 and 1998 (Munir et al., 2015). During the process, workers were also fired from their high-paying, relatively secure jobs and were rehired later by privatized firms with lower wages and on less secure terms. According to a study, a typical, large factory employs as much as 85% of the workers through up to twenty different subcontractors. The overall effect of this trend has been informalization of the labor market; since subcontractors typically hire less than ten workers, they are not subject to formal labor law (Munir et al., 2015). Secondly, real wages that were generally increasing prior to the liberalization reforms, began to either stagnate or decline. Furthermore, most of the jobs created in this period

were in the informal sector (Munir et al., 2015). The period was also marked by a move towards subcontracting culture (Samad and Ali, 2000).

Resistance to this process in form of strikes, public demonstrations and court challenges followed soon after the process began. However, unlike in India, the labor movement was not able to stop or reverse government privatization. What the movement did achieve was “plant level union-government agreement on industrial restructuring” (Candland, 2001: p. 79). The trade unions agreed on terms with the government that smoothed the process of privatization. The trade unionists formed the All Pakistan State Enterprises Workers’ Action Committee (APSEWAC) that negotiated agreements over rights of the employees of the privatizing firms. Some of the achievements include retention of jobs for at least one year after privatization and the right to collectively purchase the enterprise with retirement funds and bank loans.

Trade unions in Pakistan have been quite persistent and aggressive in pushing for workers’ shopfloor demands. As opposed to the earlier trends of presence of various, rival trade unions engaging in factory-level politics, new trade union trends emerged in the 1990s. “Inter-federation cooperation, trade union-community alliances, support for workers’ ownership and management schemes, and a renewed emphasis on workers’ education” became the new goals of the trade unions (Candland, 2001, p. 90). One of the most visible manifestations of this trend was the formation of the Pakistan Workers’ Confederation (PWC). The confederation was responsible for coordinating nationwide protests against wage compression amidst rising prices, unemployment, informalization, industrial shutdowns and underutilization of capacity. One of the major objectives of PWC was to gain greater share in economic policy decision-making process. This period

was always marked by growing alliances of unions and labor federations with the local and international non-governmental organizations, especially the ones working for environmental protection (Candland, 2001).

However, despite these important episodes, labor movement in Pakistan has been systematically weakened. Labor market deregulation has only increased over the years (Munir et al., 2015). Some of the important events in this process were the announcement of Industrial Relations Ordinance (IRO) of 2002 and 2008, Labor Inspection Policy 2006, and the Eighteenth Amendment to the Pakistani constitution. IRO 2002 greatly mitigated the penalties for labor law violations and revoked the right of reinstatement of worker wrongfully terminated. Similarly, 2008 Ordinance had the effect of excluding 80% of the workforce from the protection of labor law (Munir et al., 2015). The Labor Inspection Policy, promulgated in 2006, weakened the role of state institutions in overseeing working conditions in the factories and also relaxed restriction on work hours. Lastly, the effect of the 18th constitutional amendment on labor policy was huge – it devolved the responsibility of industrial relations to the provinces. The provincial bureaucracies are ill-equipped to enforce existing labor legislatives, let alone formulating new policies (Munir et al., 2015). Hence, no meaningful change in state-labor relations has been brought since the devolution.

Apart from provincial and central governments, another force that has gained significance in the landscape of labor politics is that of international labor standards. As explained earlier, in the backdrop of economic liberalization and the bid to attract foreign capital, Pakistan's manufacturing sector, connected to the global supply chains, has witnessed a retrenchment of state from the politics of production. This process has

been also accompanied with informalization of labor (Anwar, 2015). Simultaneously, there has been a wide-ranging deployment of globally driven private regulation on labor standards. However, despite the popularity of private regulation and social audits in Pakistan, the issue remains that the global brands and in turn its local counterparts operate solely by profit motive. This means that although efforts are made to protect their reputation through improving working conditions, employers transfer the pressure of meeting deadlines, fulfilling the sourcing requirements, and maintaining low prices onto the workers (Anwar, 2015).

CPEC and Labor Relations

The effect that the CPEC will have on labor regime is uncertain accounting to the vagueness and lack of transparency of CPEC agreements. Furthermore, media, policy analysts, and government officials are mostly silent on this issue. In one of my interviews at the Board of Investment, following the discussion of environment issues, I asked if similar issues have been raised surrounding labor rights or if any agreements have been reached regarding labor laws and regulations (Rahman and Afzal, personal communication). Fazal-ur-Rahman and Khuram Afzal said nothing has been said or discussed regarding this issue because no dispute has emerged so far since no project has really started. The issues being raised surrounding the project are spontaneous in the sense that only once an issue arises in the process, is it discussed or contested. Issues are not being raised a priori (Rahman and Afzal, personal communication). This is a testimony to the fact that labor relations cannot be predicted before some of the projects actually start. However, one thing that does emerge from the ethnography of Sahiwal Coal Power Project is the continuation of the informalization of labor.

Najeeb-ul-Haq, an advisor to the project manager of Sahiwal Coal Power Project, shared that all of the construction and electrical labor at the site is informal (personal communication). The Pakistani blue collar workers that I had a chance to interview at the site were all temporary workers. They were lining up on site every morning, hoping to find work (mostly successfully), getting paid on hourly basis, hoping to enter into permanent contracts once the operations on the plant starts. Despite their hopes, the possibility of such a future remains bleak. Haq, responding to these hopes, told me that there is little future for the workers on the plant; as the construction work ends, these unskilled laborers will be made redundant (personal communication). The process had already started. Initially, there were 7,000 laborers working at the plant. The number had begun to shrink. In three or four months, he said, the hiring process will stop as there will be no need for unskilled laborers. A maximum of 400 workers will be employed on site for maintenance and other menial tasks (personal communication).

The fate of local engineers and managerial level workers seemed much better. Sohaib Zahoor, and operation engineer at the Sahiwal Coal Power Project, was one of the 120 local engineers hired by the Chinese firm on the plant on contractual basis (personal communication). The engineers had to go through an extensive training, first in Lahore then in China, spread over a period of one and half year. Although Zahoor did not share the details of his contracts with me, he did say that the terms of employment on the plant are much better than what he could've found with other local firms (personal communication).

These anecdotal evidences point to an important issue: the 'game-changer' project will do little to change the fate of the most underprivileged sections of society.

The promise of 70,000 jobs² under CPEC means little if most of the jobs that will be created for the locals will be on temporary basis (Pakistan Today, 2016). It will do little to offset the imbalances of Pakistani labor market where 72.6 percent of the non-agricultural labor force is employed in the informal sector (Government of Pakistan 2016). According to a survey conducted in 2005, “the vast majority of workers in the informal sector... and significant proportion of workers in the formal sector in local registered factories, global retailers' factories, and shops and establishments” do not enter into formal terms and conditions of employment by signing a contract (Hisam, 2007, p. 28). The growing trend of hiring on the basis of verbal contracts on short-term basis is prevalent in the wide-ranging manufacturing sector of Pakistan: from multinational firms like Coca-Cola to small industrial units (Hisam, 2007).

This trend is further reinforced and problematized by the culture of subcontracting. Big companies often hire subcontractors to hire labor informally. The factory owner pays a fixed price per worker in return for his services. This mechanism of employment absolves the company of its legal responsibilities to the labor since technically, the labor that works for them is not their employee, but the employee of the subcontractor. The intermediaries are better placed to avoid consequences of non-compliance by virtue of their connections with the regulatory authorities. Furthermore, even if the company might pay the legal minimum wage, the workers receive less since the subcontractors take their cut before handing out the salaries to the workers. Furthermore, since the workers do not have formal contracts or job security, they are not eligible to the fundamental rights secured by the law. Although supreme courts have

² The director of Applied Economics Research Centre (AERC) estimated that the China-Pakistan Economic Corridor CPEC will create over 700,000 direct jobs between 2015 and 2030.

taken notice of this legal subterfuge over the years, it means little for the laborers who do not have access to legal representation. The courts have ruled that whoever profits from their labor, is responsible for the welfare of the workers. However, the vaguely defined service contracts, lack of knowledge, limited resources of the workers to acquire and hire legal representation, makes it almost impossible for the workers to benefit from this development (PILER, 2014).

On my visits to the Sahiwal Coal Power Project, I witnessed how entrenched the subcontracting culture has become in Pakistan. All the workers that I had interviewed during my visits had told me that they were hired in the company throughout the subcontractors who advertised the jobs in their villages. The subcontractors varied from individuals from the nearby areas to human resource companies. Najeeb-ul-haq, who himself worked for one of the subcontracting firms, said:

Everyone has become a contractor here. There is a certain commission that the contractor gets from the salaries of the hired labor so it's a lucrative business. The supervisor (company employees) hands out the pay to the contractors who, after taking their cut, hand out the money to the workers. Because it is not feasible for the company to go out and do the hiring individually, contractors are allowed to do the hiring. The company doesn't object to the presence of an unemployed intermediary on the project site because they just want to get work done (personal communication).

Hence, here again, Chinese investors or state has shown little interest in altering the structure of the labor market in Pakistan. Instead, as it is to be expected from any profit-making entity, they have grabbed the opportunity to benefit from the existing system.

Furthermore, unlike their Chinese counterpart, Pakistani labor is mostly unskilled and will benefit very little from CPEC. Chinese reforms, as discussed earlier, were aimed at expanding industrial capacity within China (Power and Mohan, 2008). Once the domestic industrial base expanded, China was able to move onto the stage of export-led development. Benefiting from its large pool of cheap labor, technological advancements, and a relatively well-educated labor force, China secured an important position in the global economy. Due to these reasons China was able to gain much more from the influx of foreign direct investment later on (Power and Mohan, 2008). Although, foreign direct investment in China was not a major part of China's economy in quantitative terms, it played a crucial role in driving China's labor-intensive industrial growth (Hung, 2015).

In Pakistan, however, a large pool of the labor is unskilled. According to Pakistan Bureau of Statistic's labor force survey, 53.55 percent of the workers were employed in 'elementary occupations' in the fiscal year 2013-2014 (Government of Pakistan, 2014). According to International Labor Organization, "[e]lementary occupations consist of simple and routine tasks which mainly require the use of hand-held tools and often some physical effort" (ilo.org). As the case study of Sahiwal Coal Power Project reveals, the use of unskilled labor for the Chinese investors is limited only to the initial, construction stages of the project. Hence, the majority of Pakistani workforce will benefit little from CPEC.

The government of Pakistan has shown some interest in bridging these gaps. It has stepped up to train Pakistani labor for CPEC and CPEC-related projects (Lodhi, 2017). Training programmes for at least 38 CPEC-specific trades have been initiated by National Vocational and Technical Commission, in over 197 institutes (Lodhi, 2017). Chinese

(Mandarin) language is now taught in various institutes – the government has gone as far as making Chinese language as part of the curriculum in public schools (Abdul, 2017). Furthermore, Pakistani universities are collaborating with Chinese universities to facilitate the training process (Lodhi, 2017). However, training opportunities at this point are limited only to a select number of occupational opportunities like, engineers and translators. Again, so far, the masses have been neglected by the state in its bid to provide a supporting human capital for CPEC.

Another critical issue that CPEC has raised is the disproportionate share of Chinese workers in the projects. One of the biggest criticisms the current trajectory of CPEC has received is the lack of participation of Pakistani workers in CPEC. It is true that the project is not very inclusive; China is bringing a lot of its own labor and has not shown much interest in tapping into the local pool of labor (Kugelman, 2017). Although the exact number of Chinese workers in Pakistan on CPEC projects is not available, one can estimate the number by the fact that between 2012 and 2017, 62,578 visas have been issued to Chinese nationals for their visit to Pakistan (Ahmadani, 2017).

Furthermore, according to a statement issued during a Pakistan National Assembly session, 15,175 Chinese professionals were working in Pakistan in September 2016 (Deshpande, 2016). A walk around the Sahiwal Coal Power Project gives a fair estimate of the disproportionate number of Chinese workers on site. Although a lot of local manual laborers could be seen on site, their Chinese counterparts were of similar proportion. In my focus group interviews with the workers, I found out that most of the Chinese workers were in higher positions of the occupational hierarchy, mostly working as supervisors. As I walked through the offices' building, I saw more Chinese names on

the doors than I did of Pakistani workers. These observations seemed to confirm the nation's suspicions that the Chinese are benefiting disproportionately from CPEC.

This division among the workforce can have deep impact on the industrial relations once CPEC moves further. First, it can be logically predicted that the Pakistani workers will have little power over the production process. Here, two factors are important. First, since most of the workers are (and can be expected to be) employed in unskilled jobs and on temporary basis, the workers will have little chance to organize and formulate demands given the nature of labor market and the current status of labor movement in Pakistan. Given that most of the workers employed in CPEC are unskilled, they are easily replaceable. In such a scenario, competition among the reserve pool of labor can be expected to be very high which can discourage them from any sort of collective action. At the same time, individual action can be expected to remain minimal because the unskilled workers are easily replaceable given the lack of any regulatory framework deterring such actions. Najeeb-ul-Haq, explained this phenomenon at play at the Sahiwal Coal Power Project. He claimed that despite the unequal treatment of the Pakistani and Chinese workers, the wage differentials, and no allowance for holidays, the workers are not able to press for their rights. This is because the Pakistani labor force is not empowered, he said. Since there is a dire lack of opportunities in the country, the workers are not ready to sacrifice it by being "disobedient". Furthermore, since laying off of a worker becomes an opportunity for the other, the structural competition deters any form of collective action (personal communication).

The condition of workers becomes even more dismal in the backdrop of highly weakened labor movement and trade union power. As discussed earlier, with the onset

of economic liberalization, the little power that the labor movement had in Pakistan quickly vanished. One of the reasons for its fall was the trade union leadership's inability to evolve according to the changing demands and emerging challenges (PILER, 2014). The leadership did not respond to the growing informalization of labor and failed to include informal labor into its cadre. Trade union federations have become dysfunctional. The 2014 International Trade Union Confederation reported in its Global Rights Index that Pakistan ranked near the bottom 4 on a scale of 1 to 5 in for the "World's Worst Countries for Workers". However, not all is lost. As formation and registration of trade unions became restricted under the Industrial Relations Act, workers in the informal economy began to form organizations through registering under the Voluntary Social Welfare Agencies Ordinance 1961. Workers from varied sectors come together under these organizations to pursue collective interests. However, this has not morphed into a unified labor movement yet since the trade unions so far have not merged with the informal sector struggles (PILER, 2014).

Next, Chinese state and companies will also affect the kind of labor regime that unfolds with this new package of foreign direct investment. Earlier, I established that Chinese industrial development has been highly labor intensive. Absorption of the excess labor in this industrial process can be logically expected. However, the Chinese developmental model was also designed to minimize the social divisions of labor (Arrighi, 2007). Pakistan does not have the human capital framework to support this path of industrialization since most of its labor is unskilled. Benefits can be reaped only if a supporting structure of human capital is built through investment in education and vocational training. Governments of Pakistan and China have shown no serious commitment to this end so far. Among the multiple CPEC projects, there is only one

project termed as the “Transfer of Knowledge in Different Sectors” (cpec.gov.pk). The project details are listed as follows: “[e]xperts from Industrial zones, rural and urban development, job creation & SMEs, water resources management & treatment and agriculture” (cpec.gov.pk). No other details have been provided, neither have the financial costs of the project mentioned. Another similar project is that of “Technical and Vocational Institute at Gwadar”, estimated to cost around \$10 million – a small amount compared to the over-all cost of the CPEC. Gwadar is the port city that makes the last point of the corridor. The development of the port is a crucial project for Chinese commercial interests (cpec.gov.pk). Given the strategic interests of the Chinese investors in this area and the fact that Balouchistan has generally put up a strong opposition against CPEC, it is no surprise that the authorities are announcing such projects to gain legitimacy in the region. Responding to pressures from the Chinese state, Pakistani state has recently announced infrastructural investments to provide subsidiary infrastructure for CPEC. For the fiscal year 2016-17, Government of Pakistan has allocated PKR 129858.895 million for “CPEC and Related Projects” under the Public Sector Development Program budget (cpec.gov.pk). Out of this budget, PKR 250 million has been dedicated to the “Pak-China Technical & Vocational Institute at Gwadar”. There is no other project mentioned in the official document of this budget regarding training and education (“PSDP 2016-17 CPEC& Related Projects”). Furthermore, as mentioned earlier, some efforts are being made by the Government of Pakistan to set up training programs throughout the country but the budget or the scope of such projects have not been made public yet. Hence, unless the situation changes in the future, Pakistani workforce’s capacity to benefit for CPEC seems bleak.

As for the labor conditions that CPEC will generate is still unclear. Given the non-conditionality approach of the Chinese foreign aid and investment policy, the future does not seem too bright. It is possible that the Chinese investors, interested in safeguarding their national and economic interests and building an alliance with the Pakistani government, will turn a blind eye to the violations of labor rights.

However, with China's commitment to abiding by international laws and the international attention that CPEC has attracted, things might bode well for the Pakistani workers. Lessons can be learnt from China in other regions. Although, initially China's policy focused on Africa was on purely non-conditional, non-intervention basis, China has recently shown interest in changing this (Power and Mohan, 2008). As mentioned earlier, China is slowly expanding its international presence by entering into multilateral agreements. If we look at Chinese policy in Africa, we see that although recently, China has entered into multilateral coordination agreements like the Paris Declaration on Aid and Effectiveness, it has paid mere lip service to such initiatives (Power and Mohan, 2008). However, China's relations with the African Union and New Partnership for Africa's Development (NEPAD) have shown China's commitment to solving Africa's development problems. Although Chinese investors are comparatively negligent about issues of transparency, accountability and sustainability of investments, NEPAD has been taking actions to reverse this trend. Efforts include making African countries set standards to vet and monitor investments. However, these initiatives have been met with resistance from the countries that are rushing to attract investments by relaxing the rules (Power and Mohan, 2008). Hence, even though China's commitment to multilateral initiatives can be beneficial for Pakistan, the eventual efficacy of international pressures depends not just on the Chinese state but also on Pakistani state. If we look at the

history of Pakistani state's ability to respond to such pressures, we see little hope there as well. For example, in 2013, Pakistan was granted the GSP (Generalized System of Preferences) plus status by the European Union, that allowed Pakistani products a duty-free access to the European Market (dawn.com). However, this access was made conditional to implementation of international labor rights and international instruments (PILER, 2014). However, state showed no real commitment to this end. There were attempts by civil society and labor resource organizations to mobilize various stakeholders to strategize the existing mechanisms. However, given the weakened state of trade union federations, such initiatives remained largely ineffective and labor rights violations remained rampant (PILER, 2014). Hence, if Pakistani population is to benefit from the international pressures, it needs to be backed with a strong commitment of Pakistani state and strength of the civil society and labor organizations.

Conclusion

Conclusively, nothing certain can be said about the effect that CPEC will have on the industrial relations. There are factors like the international interest in CPEC and an emerging shift of Chinese foreign policy away from the non-intervention principle that might lead to a positive change in the circumstances that the Pakistani workforce finds itself in today but there are various counter forces as well. The fact that most of the Pakistani labor is unskilled means that most of this labor cannot be absorbed into the Chinese industrial development model. Furthermore, since the employment of Pakistani labor workforce has so far been minimal or on temporary basis, organized labor will have little power to put up resistance against the employers. Lastly, with no strong backing from the state or trade unions, the workers will be effectively disempowered vis-à-vis the Chinese investors. However, since the mammoth project of Chinese

investment in Pakistan is still in its rudimentary stages, and no new industries per se have been set up so far, it is still too early to make any certain claims about how Chinese investments will interact with the labor situation of Pakistan. In the future, an analysis of these individual factors might offer helpful insights into the effectiveness of foreign direct investment, South-South cooperation, and multilateral efforts.



SECTION IV

Conclusion

This study set off to develop a framework with which to analyze China's latest episode of engagement in Pakistan – the China-Pakistan Economic Corridor. The first section of the analyses emphasized the need for an historical analysis of both Chinese and Pakistani state and the dynamics of China-Pakistan friendship. The second section discussed the role four different political actors will play in defining the politics of CPEC in Pakistan. More specifically, it discussed how the central and provincial governments, Pakistani military elite, and Pakistani labor will affect and be affected by CPEC.

The study began with an analysis of the Chinese economic development and internationalization during and after the reform period. From this historical analysis several points relevant for my study emerged. First, the success of Chinese developments in the post-reform (post-1978) period had its roots the success of the state during the Mao era in centralizing rural surplus and redirecting it to urban centers in order to finance the project of industrialization. Furthermore, the state during this period also invested heavily in education and health, creating a reserve army of healthy and literate labor that the reformists would later release to make China an important player in the global economy.

Benefitting from the above-mentioned successes of the Mao era, in the reform era, the central government began to liberalize the economy while retaining a major role in the market-economy. The state facilitated the development of private sector and market-economy in general through building the supporting infrastructure. This process, often termed as 'privatization with Chinese characteristics', resulted in state-

manipulated market-economy that delivered high economic growth levels for the next two decades. The next step was to open up China's borders to foreign trade and investment, soon becoming a major player in the global economy. Although, initially, the Chinese economy was self-sustaining in terms of its energy and raw materials requirements, as it moved up the value-added ladder of production, it became more and more dependent on foreign sources to feed the industrial needs. Such needs further intensified China's integration in the global market economy. However, growth rates began to slow down in 2004 as China found itself with excess surplus that required external outlets. China overcame this crisis by furthering its investments overseas and was quickly able to recover to revive the growth rates.

However, soon the limitations of capitalist accumulation began to appear and China launched its 'Going Out' policy. Apart from outward foreign direct investment, it comprises of development aid and concessional loans to developing countries.

I then explored the two opposing theoretical trends in conceptualizing the Chinese transformation. On the one hand is the idea that Chinese developments are neoliberal in nature, albeit with heavy presence of the state in the economy. The second camp views China's regional and global emergence as a counterweight to neoliberalism and militarized capitalism led by the US. It is my contention that China's economic engagement with the world, in particular, the global south goes a long way in revealing the nuances and evolutionary nature of Chinese state and capital.

The history of China's 'going out' has shown that even though the activities of various Chinese actors overseas is driven by the principles of 'non-intervention', 'mutual-respect', and 'peaceful coexistence', the practices of these actors are highly variegated.

Driven by national and economic interests, these actors have shown situational flexibility vis-à-vis the power of different environments that they find themselves in. More concretely, in order to secure their national and economic interests, Chinese state and private investors have shown willingness to adapt to the demands of multilateral organizations, bilateral authorities, and local members of civil society of the host countries.

The next chapter outlines the contours of the political economic structure of Pakistan. A brief study of the colonial administrative infrastructure helped me to identify the continuities of colonial realities well into the history of post-colonial Pakistan. The post-colonial state inherited a strong military-bureaucratic elite and a powerful landed class. The presence of these powerful classes with vying interests put serious limitations to the power of the state and its ability to achieve sustained economic development.

The Pakistani state was limited in its ability to penetrate into the countryside. The effective control of the landed elites over the rural economy prevented the state from centralizing agricultural surplus and redirecting it to the industry. The political power of landed elites was inherited from the colonial rule that continued well into the history of Pakistan. At the time of independence, the state in order to consolidate authority in the province had to rely on the landed elite to exert social control in the peripheries.

Although the landed class did help state in establishing authority, in return, they also strengthened their political and economic position. In effect, the central government bestowed a local role to the landed elites in the organizational structure of the state – sowing the seeds for its further weakening in the future. Throughout the 1950s, the state was unable to exert any power over the agricultural production. It was unable to

extract agricultural surplus, control the price, or to even guarantee the supply of food to the cities. This pattern of center-local relations continues to this day. The consequence has been that Pakistan has still not experienced any serious land reform, the state has still not been able to penetrate the rural areas, and agricultural has been effectively left untaxed.

Secondly, the state of Pakistan inherited a strong, Punjabi-dominated, military-bureaucratic class. In the first decade after independence, the military-bureaucratic elite, taking advantage of political instability in the nascent state, gradually consolidated state power. The political economy of Pakistan during this time was marked by an effective pro-industrial trade policy and resistance from the provinces against the centralizing tendencies of the ruling elites.

The industrialization policy, although showing significant results in the first decade, was unable to sustain itself. The limited fiscal and political power of the state explains the limited success of industrialization. The heavily subsidized industrial model proved unsustainable given the limited capacity of the state to generate revenue through taxes. Secondly, the narrowly defined growth policy of the state failed to include important sections of society that proved to be powerful enough to create major political disruptions. Apart from facing resistance from the excluded subjects of state's developmental programme, the Pakistani state was also fractured due to resistance from the peripheral elites that opposed the centralizing project of the state. Such resistances found their dramatic realization in the form of entrenched regionalism in Pakistan's state space. The secession of East Pakistan in 1971 revealed the significant power of these forces.

The seeds of fractured state space due to the presence of powerful rural and provincial elites and geographically uneven development had already been sown. In what followed was state's experiment with nationalization and later, liberalization. The process of nationalization was interrupted by a coup d'état, after which the economy was liberalized. From here on began the circle of structural adjustment programs, debt-crisis, energy crisis, rising inequality and infrastructural failures.

The next chapter of the study discussed the politics of foreign assistance that Pakistan has received over the years. Foreign assistance was important to Pakistan to kick-start industrialization and later to build military prowess. However, the unsustainable nature of foreign aid and its conditional nature meant that it created long-term problems for Pakistan.

Since its foundation, Pakistan has been highly dependent on foreign aid. One of its biggest donors throughout the history of the nation has been the United States. However, US-Pakistan relations have been far from consistent: the relations, throughout the history, have lacked continuity and a shared vision beyond the narrowly defined immediate goals. The periods of engagement lasted so long as US reached its goals in Pakistan. Periods of estrangement marked with 'benign' neglect and punitive sanctions followed. Over the years, relations between the two countries have deteriorated immensely due to the way American interests, tied closely to the aid packages, have come in clash with the national interests of Pakistan and the interests of Pakistan's security establishment. Militarization of state and society, the damaging effects of structural adjustment programme, drone warfare, and terrorism are some of the consequences of US-Pakistan relations. Anti-American sentiment among civilians is

rampant. Simultaneously, America's interest in Pakistan has gradually diminished as well. The result has been cutting back of both military and economic aid.

During such times the country that openly voiced support for Pakistan was China. China expressed its interest in becoming an "all-weather strategic partner" of Pakistan. The interest was materialized through the conception and agreement over China-Pakistan Economic Corridor. Given the strained relations with the US and the dilapidated state of infrastructure in the country it is little surprise that the nation is enthralled by CPEC – the project that represents the promise of a new, mutually beneficial regime of foreign capital, infrastructure development and connectivity in the country.

However, in order to temper such hopes and expectations, the study showed that it is important to uncover Chinese interests in this project or in Pakistan in general. First and foremost, CPEC is a part of China's economic and political needs to connect China's interior to the ports of Indian Ocean. In return for road access from Kashgar to Gwadar, China is willing to help Pakistan alleviate its energy crisis through building hydro-electric dams, coal-fired power stations, and nuclear power plants. Furthermore, Pakistan is among the few countries that China can call a friend – especially a friend that can help China in its rivalry against India. Additionally, China has interests in Pakistan due its internal security concerns. China has been forced to pay closer attention to Pakistan and Afghanistan lest the plague of Islamist extremism in these countries reached the Western region of China. These concerns have been amplified by various attacks in China's urban centers, allegedly by the Turkistan Islamist Party. In light of these interests, the study suggests that in the long-term China might not be as 'non-conditional' a friend of Pakistan as it might appear to be.

I then proceed on to argue that CPEC, despite its promises of connectivity and integration, will only further deepen regionalism in Pakistan. After briefly outlining the literature on infrastructure as state-space, I argue that since the very start, the project of infrastructure development has been deeply connected with the nation-building process of the Pakistani state. In its attempt to create a homogenous space, the Punjabi-dominated central state, ended up creating fractured spaces, which housed regionalist ambitions. I present the cases of Sindh and Balouchistan as examples of this phenomenon.

The case of Sindhi nationalism has its roots in the politics of Indus River infrastructure development. Nation-building, economic reconstruction efforts and provision of large dams and other river infrastructures have been closely tied together in the case of Pakistan. Indus Water Treaty, signed on September 19, 1960, divided the control over Indus River and its tributaries between India and Pakistan. The Indus Basin Development Agreement signed on the same day secured Pakistan \$895 million as development grants from rich capitalist states for the construction of dams and other waterways. The projects of planned river control system redirected the use of water. Due to the technological interventions by the central state, more water began to be held by Punjab, stifling the water rights of Sindh. Such injustices created grievances in the province of Sindh and the provincial elites began to challenge the activities of central state. Overtime, the friction led to the development of regionalist sentiments.

Apart from Sindh, another province that has consistently opposed the central state's hegemonic project is Balouchistan. Nationalist sentiments in Balouchistan emerged as soon as Pakistan came into being. The friction between the central state

and Balouch nationalists continued throughout the history of Pakistan, gaining momentum during periods of insurgencies and military action in 1948, 1958, 1962, 1973, and 2004 (which marks the latest wave of insurgency). Although one of the major historical reasons contributing to Balouch insurgency has been the relative underdevelopment of the province, the recent wave of insurgency is mobilized around the very opposite issue. The recent wave of Balouch nationalist movement has been fueled by the massive development projects that the central government is undertaking in the province. Government of Pakistan, from the very beginning, has exploited the province by extracting the provincial resources without giving the Balouch their due share. Not only have the royalties for these resources been low, but the province has also benefited the least from them. Hence, the Balouch nationalists and militants, extremely skeptical of these interventions of central state, have mainly targeted Pakistani and foreign involvement in 'development' projects in Balouchistan.

In light of this history of regionalist politics in Pakistan, I argue that not much can be expected from CPEC in terms of nation-building unless it is backed by a strong material and ideological project of uniting the provinces. So far, the planning process of CPEC has revealed no such commitment.

The route controversy reveals the centralizing mission of the state. Route of the corridor has been changed under the pretext of security and efficiency. The original route was supposed to pass through various districts of Balouchistan and Sindh. However, the route has been changed to pass mostly through the relatively well-developed provinces of Punjab. Provincial politicians and activists are beginning to challenge this drastic change that was effected without any consultation from the

provinces. The government has also responded to the objections raised by the provinces by repeatedly assuring that CPEC will benefit the provinces equally and through announcing projects in these provinces. Whether the central government will go through with these promises is uncertain and the lack of transparency is only going to stimulate these fears and opposition even further. The trend in Balouchistan, due to history of exploitation in the province, has been the opposite. They have opposed CPEC, often through violent means, on the grounds that it will further strengthen the circle of exploitation emerging from the center.

Conclusively, I argue that despite the promises of connectivity, integration, and development of entire nation, CPEC has mobilized a new wave of regionalist politics. And that so far, no serious attempts have been made by the state to assuage these sentiments. Furthermore, Chinese state cannot also be expected to mediate given its policy of non-intervention. Hopes can be attached to pressure emerging from multilateral agencies since China has recently shown commitment to multilateral cooperation.

The next missing point in understanding the politics of CPEC is the imbalances of civil-military nexus in Pakistan. Over the years, Pakistani military's penetration into politics, society and economy has accrued the military establishment an important position in the state apparatus. Real and imagined security threats besetting Pakistani state, role of foreign powers and the ever-growing financial autonomy of the defense establishment have led to a the development of a crisis-ridden, 'garrison' state of Pakistan.

To make matters worse, an increasingly powerful role has been assumed by the military during the lifespan of CPEC. Army has pushed for a formal role in the execution of the projects. Pressure from the Pakistani army and Beijing's disappointment over the performance of federal government in securing a stable environment for CPEC development has meant that army has made important headways in acquiring an important role in CPEC. The rhetoric of security has also been used to justify transparency, censorship, and arbitrary actions of the state, making the process of planning and execution of CPEC highly undemocratic. Hence, I conclude that unless there is a serious international or local challenge to this trend, CPEC will only lead to an increase in the power of Pakistani military.

Finally, I analyzed the history of state-capital-labor relations in Pakistan to see what CPEC means for the working class population of Pakistan. Based on the case study of Sahiwal Power Project, the nature of workforce in Pakistan, China's industrial and foreign policy, and Pakistan's history with international standards of human and labor rights, I conclude that CPEC holds little promise for the working class of Pakistan. The state of Pakistan, throughout its history, has depoliticized labor movement through institutionalizing and bureaucratizing industrial relations and through violently repressing labor movements.

Due to certain policies of the state and the kind of industrialization that Pakistan has experienced, Pakistani labor is mostly unskilled and informalized. My ethnography of Sahiwal Coal Power Project showed that the Chinese investors are utilizing this trend of informalization as well. Furthermore, I claim that unskilled labor is of little use to the Chinese investors except during the construction. China is bringing its own labor to work

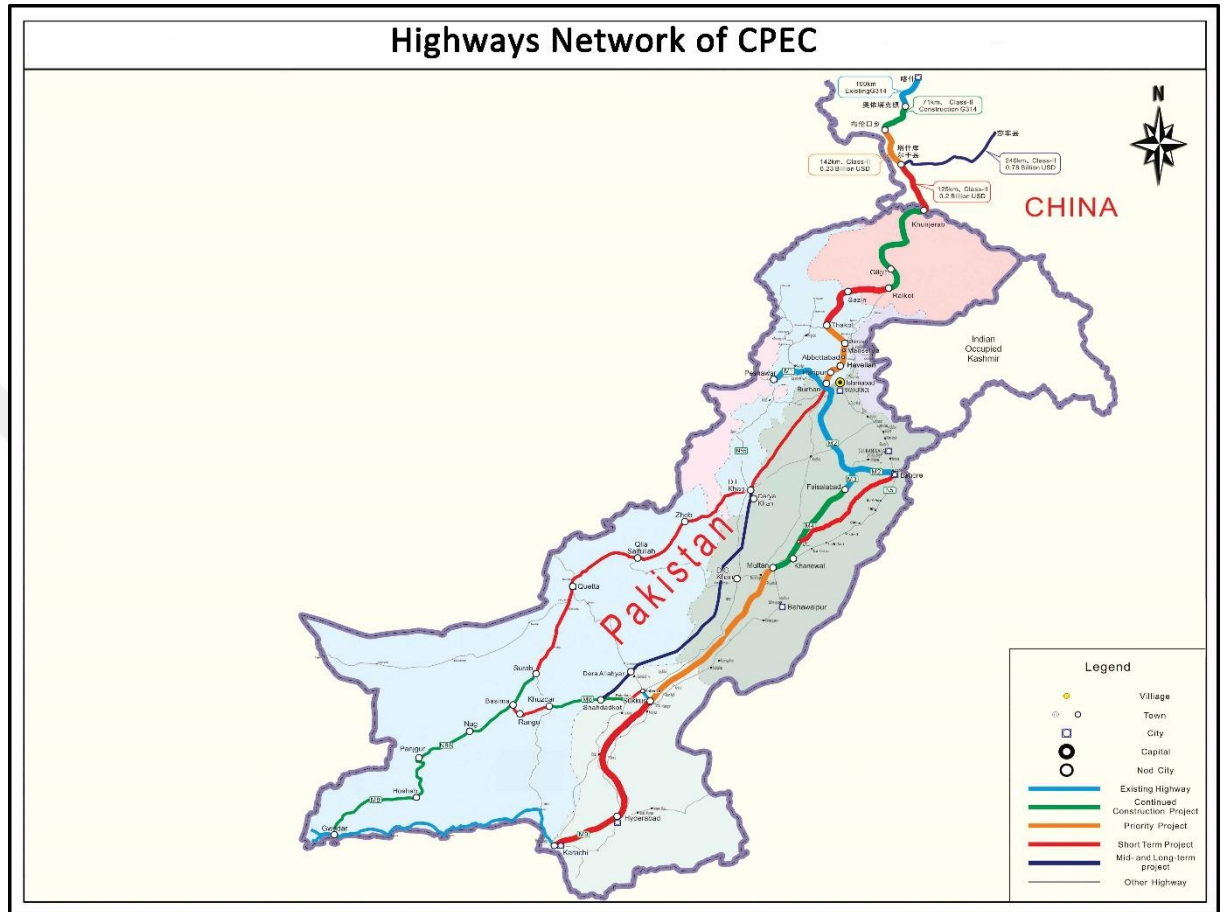
in these projects. Hence, CPEC does not open many long-term, employment opportunities for Pakistani working class.

Furthermore, I contend that this mix of factors will also have deep impact on the industrial relations once CPEC moves further. It can be logically predicted that the Pakistani workers will have little power over the production process. Here, two factors are important. First, since most of the workers are (and can be expected to be) employed in unskilled jobs and on temporary basis, the workers will have little chance to organize and formulate demands given the nature of labor market and the current status of labor movement in Pakistan. Given that most of the workers employed in CPEC are unskilled, they are easily replaceable. In such a scenario, competition among the reserve pool of labor can be expected to be very high which can discourage them from any sort of collective action. The situation may become even more dismal in the backdrop of highly weakened labor movement and trade union power. Second, Chinese state and companies will also affect the kind of labor regime that unfolds with this new package of foreign direct investment. I claimed that the Chinese industrial development model is highly-labor intensive. Absorption of labor in the industrial process was made possible by state's project of minimizing social division of labor by creating a large pool of educated labor. Pakistan does not have the human capital framework to support this path of industrialization since most of its labor is unskilled. Benefits can be reaped only if a supporting structure of human capital is built through investment in education and vocational training. The study showed that the governments of Pakistan and China have shown no serious commitment to this end so far.

This study was aimed at building a framework to understand the ‘game-changer’ mega-project - China-Pakistan Economic Corridor. Although a lot has been said and written about CPEC, most of these analyses are founded upon predictions. These forecasts are based on either the official discourse surrounding CPEC or fears and suspicions about the project arising from past experiences with international powers. A careful analysis of the historical and geopolitical conditions in which CPEC has emerged is either missing or incomplete. The purpose of this study was to highlight the importance of such an analysis. This has been done through building a framework with which to analyze mega-projects like CPEC. Once more studies are directed to this end, we, as civil society members, can begin to formulate demands and take action in order to ensure that the project becomes actually ‘mutually beneficial.’

APPENDIX A – MAPS OF CPEC

Map 1: Highway network of CPEC expected to complete by 2030 issued by Ministry of Planning, Development and Reform (cpec.gov.pk).



Map 2: A map of different CPEC projects published by the Wall Street Journal (Chin et al., 2015)



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