The Dragon from the Mountains

The CPEC from Kashgar to Gwadar

Matthew McCartney

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China has agreed to invest more than $60 billion in Pakistan, in roads, rail, energy and a deep-water port at Gwadar. This is unprecedented relative to decades of minimal foreign direct investment (FDI) entering Pakistan. This is the China–Pakistan Economic Corridor (CPEC). Support for the CPEC in Pakistan is widespread and encompasses much of academia, the military, the mainstream political leadership and civil society. Supporters argue that the CPEC offers the potential to transform Pakistan and support rapid, equitable and sustainable economic growth. Detractors of the CPEC argue that it will more likely tip Pakistan into a dependent debt-relationship with China and that it will facilitate more Chinese imports into Pakistan, posing a threat to Pakistan's industrial base. *The Dragon from the Mountains* utilises an in-depth understanding of economic change in contemporary China and Pakistan, and economic theory and studies of big infrastructure projects from the contemporary and historical world to evaluate these contrasting views about the CPEC.

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To Ayesha and Ali,

Thanks for the stomach-filling Lahori food and the pen-inspiring research insights

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Preface

There is excitement in Pakistan, the academic and political equivalent of winning the cricket world cup. After years of failing to meet short-term International Monetary Fund (IMF) programmes, Pakistan has been promised a well-financed, long-term developmental partnership. This is the China–Pakistan Economic Corridor, or the CPEC. Between 1970 and 2001, a desultory $7 billion of FDI dribbled into Pakistan. China has promised to invest more than $60 billion in roads, railways, energy, industrial parks and other projects between 2015 and 2030. China promises this will not be driven by IMF-style conditionalities but that the CPEC will be tailored to Pakistan's domestic political and economic agenda. The Government of Pakistan has proclaimed in a succession of government plans that upgrading infrastructure is a priority to promote rapid and sustainable economic growth. Practical efforts to follow these goals through in practice continually failed in response to economic crisis, IMF-motivated budget cuts or the lack of sustained political will. Here is the political will. The Dragon from the Mountains. China has more than 40 years' experience of fuelling its own rapid industrial and export-led growth, supported by massive investment in infrastructure. China is committed to the long-term. The US was ever fickle and committed less to Pakistan than to wider geopolitics in Afghanistan, Soviet Russia or Iran, in which Pakistan occasionally and accidentally proved useful. The CPEC can be told as part of a wider story, that of the end of the US-led world order and the creation of a new Eurasian supercontinent headed by China (Macaes 2018a, 2018b). What part will Pakistan play in this story?

Some CPEC supporters have daydreamed that the CPEC can help spur Pakistan into emulating the rapid economic growth of the Tiger or Dragon economies of the 1960s and 1970s and becoming, perhaps, a 'Falcon Economy'. The detractors are equally adamant. They variously claim that the CPEC is an economic fig-leaf to cover the real geopolitical intentions of China, to access oil directly from the Middle East and to gain control of the deep-sea port at Gwadar in southwest Pakistan and near to the Gulf. Some have labelled the CPEC as 'predatory lending', intending to push Pakistan into a debt trap to increase Chinese leverage over Pakistan's domestic and foreign policy. Remember, say the detractors, the Suez Canal that tipped Egypt into a nineteenth-century debt crisis, and eventual colonisation by Britain. The problem with the economic debate is that so much of it is driven by aspiration, hope and excited proclamation rather than rigorous analysis. Commentators have tended to present the economy of Pakistan as either a disaster that needs to be rescued by the Chinese and the CPEC or else as an economy of wonderful potential that will be liberated by the opportunities of the CPEC. While the excitement is perhaps understandable, there is need for economics, theory and evidence to feed into the policy discussion in Pakistan. This is especially timely as a new government was elected in Pakistan in 2018 which some commentators think has been interested in renegotiating aspects of the CPEC.

One aspect of the careful thinking in this book comes from looking more closely at China, not just as a source of financing and FDI, but at the economic changes that are happening in Western China, that part of China to which Pakistan will be tethered by the CPEC infrastructure. New roads do not just make it easier for firms in Pakistan to export, they also make it easier for Chinese firms to export to Pakistan. It makes a big difference, for example, if industrial enterprises are opening in Western China and are readying themselves to export high-quality and low-cost production to Pakistan. What hope then for Pakistani industry? This book looks in some detail at economic development in the western Chinese province of Xinjiang and thinks carefully about the implications for Pakistan.

A deeper sense of history may give us some perspective and also highlight the real potential of big infrastructure to promote long-run sustainable economic development. There is another crucial body of evidence we can use to help our thinking about the CPEC. There are huge numbers of very detailed and rigorous economic studies of big infrastructure projects, dating from the nineteenth century to the contemporary world. Almost none of these has yet been drawn upon in discussions of the CPEC. That is something this book will undertake for the first time. This will help take thinking about the CPEC away from rhetorical political flourish and into more rigorous discussion rooted in economic theory and economic evidence. The Government of China promises that the CPEC will be a win–win partnership. The Government of Pakistan promises that the CPEC will help integrate even the most backward areas of Pakistan into economic growth and development. The historical and contemporary literature looking at big infrastructure demonstrates that such optimism is naive. Big infrastructure always generates both winners and losers. Whether the losers can be compensated or whether they can migrate to areas of new CPEC-induced opportunities will have a crucial bearing on the long-term political viability of the CPEC. This book examines the important lessons for the case of contemporary Pakistan.

One of the promises of the CPEC are the nine industrial parks or special economic zones (SEZs) planned as part of the project and spread evenly across Pakistan, to ensure, argues the Government of Pakistan, that every corner of the country enjoys the benefits of the CPEC. There is a tendency among CPEC commentators to list the resource endowments in the locality of each planned SEZ and to assume that this will be enough to attract industrial enterprises to process and export those endowments. If there is fruit near a planned SEZ then there must be fruit-processing FDI waiting to pounce. Such writings usually forget to note that there are thousands of such SEZs globally and do not make the case for why invest in Pakistan, which comes near the bottom of many international league tables for investment security. Pakistan itself has decades of trying and largely failing to stimulate industrialisation through SEZs; why are they suddenly going to work now? This book draws on an extensive literature that has analysed in detail the functioning of SEZs across various countries in Africa; the China–Africa engagement is well into its second decade and offers important lessons for Pakistan. The outcome of these efforts have hitherto been ignored in the CPEC scholarship.

This book is a study of the CPEC but ranges far beyond the Pakistan-centric literature that is commonly used in related studies. This book delves into the history and contemporary experience of big infrastructure, thinks carefully about the economic development of Western China, draws from the long-established Chinese investment projects across Africa, and grounds this in a careful political economy understanding of contemporary Pakistan. Will the CPEC turn Pakistan into a Falcon Economy or tip Pakistan into debt-induced dependency on China?

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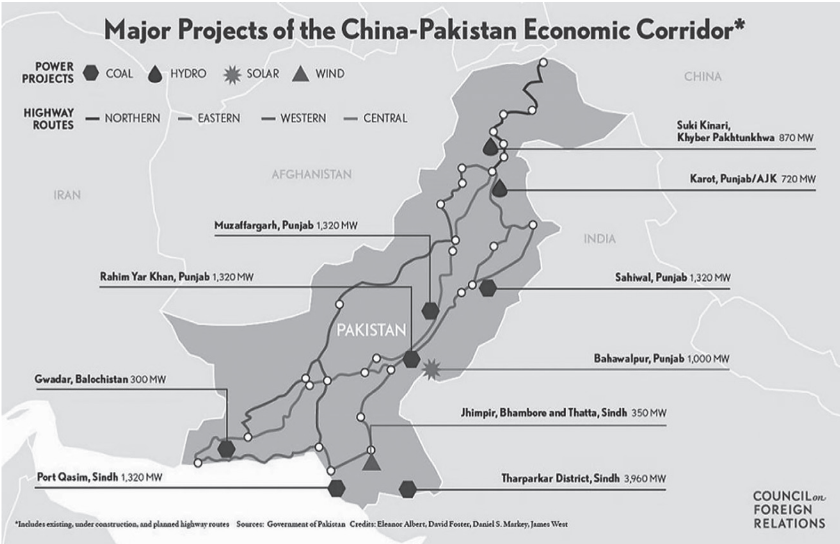
1

Introduction

The introduction first introduces and explains the China–Pakistan Economic Corridor (CPEC), what it is, how much it will cost and what its geographical contours and timewise evolution are. The introduction then places the CPEC into five important background contexts that will be referenced throughout the rest of this book. These are (*a*) the economic optimism the CPEC has generated in Pakistan; (*b*) the long friendship between China and Pakistan; (*c*) the economic development of Pakistan since 1947; (*d*) the evolution of China's political economy since the death of Mao in 1976; and (*e*) the global history of big infrastructure projects. Finally, the introduction summarises some of the key questions and findings of the chapters of the book.

WHAT IS THE CPEC?

The CPEC refers to a massive package of investment that has been promised to Pakistan. The investments are inspired by a bigger Eurasia-wide Chinese vision, that of the New Silk Road. This vision has subsequently become known as the Belt and Road Initiative (BRI). China has promised to provide much of the funding to Pakistan upfront, though controversy remains about whether, how and on what terms that funding will be repaid. The investments are concentrated in energy, transport infrastructure and the construction of special economic zones (SEZs) to promote industry. Map 1.1 shows some of the main projects of the CPEC. The nearly 3,000 kilometres (1,800 miles) of roads and rail from Kashgar in China to Gwadar in southern Pakistan can be clearly visualised. The CPEC includes oil and gas pipelines, railways, highways, SEZs and fibre-optic networks (Sial 2014).



Map 1.1 The Major Projects of the CPEC

Source: Council on Foreign Relations and Government of Pakistan.
Note: Map not to scale and does not represent authentic international boundaries.

The CPEC was initially projected to cost $46 billion, of which 71 per cent ($32 billion) was to be invested in energy, 8 per cent in rail, 13 per cent in road links and 4 per cent in the Gwadar port (Boyce 2017: 12). By 2017, this total had been raised to $62 billion. These numbers give a false impression of precision about the CPEC. As with the entire BRI project, it is difficult to pin the CPEC down, as Shafqat and Shahid argue, 'Identifying and explaining the various components of the CPEC is a tedious and complex task because the information is not readily available, is scattered across sources or changes frequently' (2018: 24). Even within the same sources there are overlapping and ambiguous lists, project lists are unstable and frequently updated and existing projects are often repackaged as CPEC projects (Shafqat and Shahid 2018: 25).

The CPEC has been characterised by the Government of Pakistan in baffling spatial terms. The Government of Pakistan's (2017: 4) Long Term Plan on the CPEC describes the spatial geography of the CPEC as 'one belt, three axes and several passages with a core zone and adjoining radiation zones'. The core zone represents the belt and includes from China, 'Kashgar, Tunshuq city Atushi city and also Akto county in the Kizilsu Korghiz autonomous region of Xinjiang and in Pakistan Islamabad, parts of Punjab, Sindh, KPK, Azad Kashmir, and Gilgit Baltistan'. Various node cities are also included. There are also three axes that are horizontal links between Peshawar and Lahore, Quetta and Sukkur, Karachi and Gwadar. Space is closely linked to resources. The northwest and west of Pakistan are scheduled for the extraction of minerals including gold, diamonds and marble; the central zone across Punjab and Sindh for textiles, cement and household electronics; the southern zone, including the coastal area around Gwadar up to Karachi, is to include petrochemicals, harbour industry and iron and steel (Shafqat and Shahid 2018). The CPEC has also and somewhat less confusingly been characterised over time. The CPEC projects have been divided up into short-term plans due to be completed by 2020, medium-term (by 2025) and long-term (by 2030). The CPEC included a list of 'early harvest' projects due for completion within the first few years after the programme was launched in 2015. The list of mainly energy projects already underway by 2018 is impressive. These include the 2,660 megawatt (MW) coal-fired power stations at Port Qasim in Karachi, finished 67 days ahead of schedule; the 2,660 MW coal-fired power plants at Sahiwal, Punjab, completed in October 2017, less than two years after financial closure; and the Karot hydropower station, which is expected to be operational by the end of 2021, almost four years after financial closure (Government of Pakistan 2018). The CPEC can also be considered by sector. It is difficult to think of an economic sector in Pakistan that has not been subsumed by the CPEC label. The CPEC includes demonstration projects in agriculture whereby Chinese companies are supposed to set up best practice farms using modern irrigation, technology and livestock and thereby provide learning opportunities for Pakistani farmers. Beyond lessons, Chinese investment in agriculture is planned to encompass the entire supply chain of agriculture, from seeds, fertiliser and growing to post-harvest storage and transportation. Chinese companies will be given incentives to invest in the newly opening SEZs including in telecommunications, mining and minerals as well as consumer durables including home electronics and cell phones. The roads and railways are the most manifest forms of transport but the promise of CPEC 'spillovers' can be interpreted much more widely. Also planned are a fibre-optic network, internet connectivity and cultural links such as the promotion of Chinese television to provide a better understanding of Chinese social life. Other projects include Baltistan University, the China–Pakistan Joint Research Centre in Earth Sciences and the establishment of research collaboration between Chinese and Pakistani medical institutions. A Safe City Project has been started in Peshawar, which is structured around monitoring and surveillance of urban areas with the use of explosive detectors and scanners. The project is scheduled to be extended to other cities (Shafqat and Shahid 2018: 34–7).

CPEC CONTEXT I: ECONOMIC OPTIMISM AND THE LAUNCH OF A FALCON ECONOMY?

The first story about the CPEC is that of a sense of economic optimism looking forward. The most enthusiastic supporters suggest that the CPEC can help turn Pakistan into a new Asian miracle economy and so replicate the earlier economic success of South Korea, Taiwan, Hong Kong, China or Vietnam. We have had the Asian 'Tiger' economies, the Asian 'Dragons' and some have even started discussing African 'Leopards'. Even the Chinese government dangled the prospect of the CPEC helping Pakistan to become an 'Asian Tiger' (Government of China 2015b: 5). Will we soon be discussing the Pakistani 'Falcon' economy?

Shafqat and Shahid (2018: 16) have conducted a domestic accounting exercise and divided domestic Pakistan politics up into 'CPEC Enthusiasts', 'CPEC Opponents' and 'CPEC Reformers'. The 'CPEC Enthusiasts' seem the most numerous and vocal and are catalogued to include political leaders from both the current (Pakistan Tehreek-e-Insaf) and previous two governments (Pakistan Muslim League [Nawaz] and Pakistan Peoples Party), all of whom have been in power to negotiate crucial components of the CPEC, government officials and many journalists. The Enthusiasts are often heard to repeat the mantra that the 'CPEC is a game-changer' and that the CPEC will bring about economic transformation and that this in turn will bring peace to Pakistan. The Government of Pakistan has described the CPEC in terms of its anticipated positive outcomes. The CPEC is 'a growth axis and development belt featuring complementary advantage, collaboration, mutual benefits and common prosperity' (Government of Pakistan 2017: 4). Such optimism is supported by many scholars. The CPEC 'will be a harbinger of economic prosperity and well-being for Pakistan, China and the neighbouring states' (Hali, Shukui and Iqbal 2015: 160). The politics of these claims have sometimes been steeped in nationalism and Enthusiasts have been known to equate criticism or concerns about the CPEC with conspiracy against Pakistan and its friendship with China. There *is* clear and widespread support for the CPEC in Pakistan which was sustained through the change of government in Pakistan in the 2014 and 2018 national elections. The military have also gone public on their strong backing (Sial 2014).

There *are* good and objective reasons for this optimism. The total value of the CPEC (first estimated at $46 billion and now projected at more than $60 billion) is a massive multiple of the cumulative $7 billion Pakistan received in foreign direct investment (FDI) between 1970 and 2001 (Atique, Khan and Azhar 2004: 709). The promised long-term commitment from China to Pakistan dwarves any other foreign relationship for Pakistan since independence. At the same time, there is no clear case to be made that the CPEC is nothing but an externally imposed agenda. The CPEC builds on the long-standing domestic government policy in Pakistan towards infrastructure investment, especially in energy. There is good evidence that the quality of infrastructure in Pakistan is poor relative to other large developing countries and has become a significant constraint on economic growth (Loayza and Wada 2012). The energy projects plan to add over 10,000 MW to capacity. This has already made an immediate impact on reducing the chronic energy shortages Pakistan faced over the preceding decade. This shortage necessitated that firms install high-cost diesel generators which undermined firm competitiveness, led to power outages of 10–12 hours a day by 2012–13 and added significantly to Pakistan's oil import bill. One estimate has that these shortages cost Pakistan 2 per cent of gross domestic product (GDP) annually (Husain 2017). A report from the International Monetary Fund (IMF) estimated that energy shortages had been reduced between 2012–13 and 2015–16, from around 10–12 to 2 hours per day in industrial areas and around 6 hours per day in residential areas (Shafqat and Shahid 2018). The CPEC has focused on increasing the supply of energy and while there is evidence of reduced shortages there are significant institutional-organisational problems with electricity supply that the CPEC is not scheduled to tackle. These include inaccurate forecasts of demand, water shortages, volatile fuel prices, persistently high transmission and distribution losses, and a lack of political commitment by the government to deal with these issues (Siddiqui et al. 2011). The electricity supply system is strangled by an enduring and pervasive problem of circular debt. There are massive payment arrears at every stage of the generation, transmission and distribution system. This has 'jammed the flow of funds through the power supply chain and deprived fuel suppliers and independent power producers of revenue' (Alahdad 2011: 231). Consumer tariffs are insufficient to pay for the operation and functioning of the electricity system. This in turn increases arrears, and suppliers of fuels and independent power producers go unpaid. This has undermined the viability of firms at every stage and their ability to continue functioning in the market. Payment arrears were estimated at almost $5 billion by 2011 (Alahdad 2011).

There is grumbling about the CPEC but this appears to be very much a minority exercise. The 'CPEC Opponents' noted by Shafqat and Shahid (2018) include those who argue that the CPEC will lead to an exclusive focus on exploiting Pakistan's natural resources and to an inevitable cultural, social and political subjugation of Pakistan to China. A common theme here is that Pakistan will struggle to repay CPEC loans and become locked into a new cycle of debt dependency. In the extreme, the CPEC has been caricatured as a 'new East India Company'. Scholars and government officials from India and the United States (US) have been consistently more sceptical about the CPEC than their counterparts in Pakistan and China (*Livemint* 2019). 'CPEC Opponents' have been drawn from among leftist activists and regional politicians, particularly those with a base in Balochistan or Gilgit-Baltistan. One emotive summary of the CPEC is that it represents the 'imperialist aims of China and Pakistan to usurp Gilgit Baltistan under the garb of the China Pakistan Economic Corridor' (Choudhury 2017: 1). Shafqat and Shahid (2018: 19) label themselves as 'CPEC Reformers' and argue that the CPEC is credible and has been designed by China in a way that can contribute to economic, human and social development in Pakistan. The 'Reform' label comes from their view that reforms are necessary, particularly to ensure the greater involvement of local communities in the process of project development, which they believe will help the CPEC maximise its potential benefits. Reformers are noted by their frequent calls for more transparency in the data regarding CPEC investments and related project funding.

This book for the first time has utilised the large and rigorous economic literature on the impact of big infrastructure projects on economic outcomes to think about the likely economic impact of the CPEC. It also pays much more attention to China. Economic studies of the CPEC do devote much space to discussing Chinese policy. How much money, what terms and conditions, what sectors are China planning to invest in and other such questions. What these studies forget about is what is happening across the border in Western China. It makes a big difference, for example, if industrial enterprises are opening in Western China and are readying themselves to export high-quality and low-cost production to Pakistan. What hope then for Pakistani industry? This book looks in some detail at economic development in the western Chinese province of Xinjiang and thinks carefully about the implications for Pakistan.

CPEC CONTEXT II: THE CULMINATION OF A LONG FRIENDSHIP?

The second story about the CPEC is that of a long-established history of economic links between China and Pakistan. We can then be optimistic because the CPEC is the culmination of a long history of successful and peaceful cooperation. Pakistan was among the very first non-communist countries to recognise communist China in 1950, this when China and the US were on the verge of direct conflict in the Korean War. The 1950s saw close military and political links between Pakistan and the US which delayed the deepening of Pakistan's relations with China. In January 1963 a long-term trade agreement was signed which established bilateral trade and commercial ties. In November 2006 China and Pakistan signed a comprehensive free-trade agreement (FTA) (Sial 2014). These trade policy agreements have consistently been supported by an emphasis on improving infrastructure. Again, other than the scale, the CPEC is not particularly new for Pakistan. The Chinese constructed the 1,300-kilometre Karakoram Highway in the 1960s to connect Hasan Abdal in the Pakistan Punjab to the Khunjerab Pass in Gilgit-Baltistan where it crosses into China. The CPEC followed the same pattern. The FTA in 2006 was accompanied by discussions to construct trade-supporting infrastructure. The construction of the CPEC infrastructure links from Kashgar in Western China to the deep-sea port of Gwadar in southern Pakistan was discussed during the visit to Pakistan of Chinese Premier Li Keqiang in 2013. The numbers were added together in April 2015 when President Xi visited Pakistan and signed 51 agreements worth $46 billion. This was the public launch of the CPEC vision.

The origins of the CPEC run from Chinese-led efforts in the planning of the CPEC and then rapid and widespread acceptance of the plans in Pakistan. The detailed initial planning for the CPEC came entirely from China. The long-term plan began in November 2013 when the National Development and Reform Commission (NDRC), the central planning organisation of

China, asked the China Development Bank (CDB) to compile a detailed plan to guide China's economic engagement with Pakistan up to the year 2030. The CDB also called on assistance from the ministries of Transport, the National Energy Administration and China Tourism Planning Institute. Details of this process came from the Pakistani media. The report was first 'transmitted to the Government of Pakistan in 2015'. Pakistan's immediate response was inactivity and the report 'gathered dust for a few months'. Only '[u]nder prodding from the Chinese government, a team from Pakistan met their Chinese counterparts in Beijing on November 12th 2015', and the plan was finalised by December of that same year (*Dawn* 2017a). Throughout these initial years there was no wide input or discussion from academia, think tanks or civil society in Pakistan. The long-term CPEC plan had to be leaked to the media to come to public attention. The newspaper *Dawn* declared in June 2017 that it had 'acquired exclusive access to the original document, and for the first time its details are being publicly disclosed here' and further that '[t]he plan lays out in detail what Chinese intentions and priorities are in Pakistan for the next decade and a half, details that have not been discussed in public thus far' (*Dawn* 2017a).

China and Pakistan both maintain a perception of the other as being a reliable and enduring friend. China's partnership with other countries—both the geopolitically dominant US and the former Union of Soviet Socialist Republics (USSR), and the smaller Albania, Vietnam, Algeria and North Korea—have been close but have since cooled; with Pakistan the friendship and practical cooperation has been remarkably resilient (Jan and Granger 2016). Despite the absence of cultural similarities and common values between the Islamic and communist nations, this alliance has remained close (Small 2015). Some have seen the explicit long-term commitment of China to the CPEC as a refreshing alternative to the recurring short-term stabilisation and adjustment packages offered by the IMF and to the alternating tendency of the US to embrace and reject Pakistan in accordance with fluctuating US foreign policy interests (McCartney 2011a).

Some scholars have argued that Chinese friendship and the CPEC is a smile that hides the real motivations of China, which they suggest are about international relations and geopolitics and not economic development. In international relations much of this debate is conducted between 'Liberal' and 'Realist' theorists. The Liberals argue that Beijing is seeking to create a positive-sum game in which China and its South Asian neighbours mutually benefit through better transport links, leading to more trade, investment and production (Chen 2014). The Realists argue that Beijing is utilising the CPEC and the BRI to strengthen regional dominance, challenge the current US-led global–regional order and create opportunities to construct military–naval bases throughout the Indian Ocean (D. P. Nicolas 2015). In the most extreme version of this argument, some scholars argue that the ultimate aim of Chinese foreign policy is to 'push the United States out of the Asia-Pacific region' (Mearsheimer 2010: 389). It is true that Sino-Pakistan relations have closely involved the military. China supplied much of the expertise for Pakistan's nuclear and ballistic missile programme in the 1980s and 1990s (Chaziza 2016). The dependence runs both ways. Pakistan is now China's biggest overseas arms buyer, accounting for more than 40 per cent of Chinese arms exports. These exports included in 2015 the $5 billion purchase of eight submarines which was then the biggest defence deal in China's history. The CPEC may also help provide China with a reliable long-term naval base at Gwadar, strategically located in the Indian Ocean close to the Persian Gulf and so transforming China into a two-ocean naval power (Chaziza 2016). A Chinese presence in the Indian Ocean would provide a hedge against Indian ambitions to do the same (Garlick 2018). For some scholars Gwadar represents one among a 'String of Pearls' or strategic naval bases across the Indian Ocean, including Chittagong (Bangladesh), Hambantota (Sri Lanka) and Woody Islands (Paracel Islands), among others. Other research has noted that almost none of these ports has even the minimal facilities necessary to support combat (D. P. Nicolas 2015: 35). Boni (2016) examines the motivations of the civilian and military elite in Pakistan, arguing that they are seeking to create a secure environment for Chinese investment in order to benefit from Chinese military and diplomatic support for Pakistan's wider geo-strategic interests.

China clearly does hope to leverage its close relationship with Pakistan as a gateway to influence other Islamic countries in Central Asia and the Middle East. This has helped China supress separatist groups such as the East Turkestan Islamic Movement formed among Uighur militants in Xinjiang. This group had links outside China and so combating them requires inter-regional cooperation. While Uighur separatists have received training and support inside Pakistan, the Government of Pakistan has also suppressed these militants under pressure from Beijing (Jan and Granger 2016). The crackdown on militants holed up in the Islamabad Red Mosque in 2007 is one such example. Pakistan also supported China and used its influence in the Islamic world to head off any criticism of China's handling of the 2009 Uighur ethnic riots in Xinjiang that left 200 people dead and 1,600 injured (Jan and Granger 2016: 292). Pakistan is also supporting China in helping to ensure there is no spillover of radical Islam from Afghanistan into Xinjiang, particularly since the US decision to pull troops out of the region (Chaziza 2016). Trade and transport links with Pakistan are also seen through the prism of China's own problems with terrorism and unrest in Western China (Small 2015: ch. 4). Wolf (2019) explores the (potentially negative) impact of the CPEC on religious extremism in both Pakistan and China.

CPEC CONTEXT III: ECONOMIC DEVELOPMENT IN PAKISTAN SINCE 1947

A third story of the CPEC is looking back at Pakistan's own economic history. Here too often in the CPEC literature, the Pakistan economy is presented as either a disaster that needs to be rescued by the Chinese and the CPEC or else as an economy of wonderful potential that will be liberated by the opportunities presented by the CPEC. We need to better understand the actual numbers for Pakistan and think about them in relation to other developing countries. Contrary to both these imagined Pakistan perspectives emanating from the CPEC literature, the characteristic feature of Pakistan's economy since independence has been that of 'resilience', not 'failure'.

Despite recurrent weather shocks (droughts and floods), intermittent surges in the global oil price, policy shocks, civil wars and international wars, Pakistan has experienced an annual average of 5 per cent GDP growth from the 1950s to 2015 (McCartney 2011b). While not quite up to the rates experienced by South Korea, Japan or Taiwan in the 1960s, Malaysia or Thailand in the 1980s or China or Vietnam in the 1990s, this is almost exactly the same long-term growth story as that experienced by the now-lauded India. Pakistan has avoided long decades of negative economic growth as experienced by much of sub-Saharan Africa, or a lost decade of economic stagnation as much of South America did in the 1980s. In the period after 1990 (as shown by Table 1.1) Pakistan's economic growth, even though slowing down slightly from its own long-term average, is comparable to other successful Asian growth stories such as Indonesia, Thailand, Hong Kong and South Korea.