

China to unveil \$46bn investment in Pakistan during visit by Xi Jinping

Chinese president's rare visit and huge investment is part of plan to expand Beijing's trade and transport footprint across Central and South Asia

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The Chinese president, Xi Jinping, was due to make a rare visit to Pakistan on Monday where he is to unveil a \$46bn investment plan which it is hoped will end the country's chronic energy crisis and "transform" it into a regional economic hub.

With the plan, known as the China Pakistan Economic Corridor (Cpec), Beijing hopes to ramp up investments in Pakistan as part of its ambitions to expand its trade and transport footprint across Central and South Asia, while countering US and Indian influence.

Pakistan, a Muslim majority country of 200m that has been battling an Islamist insurgency for more than a decade, hopes the investments will spur its long under-performing economy, which the IMF projects is set to grow 4.3% this year.

The two allies have enjoyed close diplomatic and military relations for decades, although economic ties have grown only more recently. Bilateral trade crossed \$12bn last year, compared with only \$2bn a decade earlier.

"The real opportunity of this China Pakistan Economic Corridor is that it changes the scope of the relationship from geopolitics to geoeconomics," Ahsan Iqbal, the minister overseeing the projects, said.

The two countries are set to cooperate in natural gas, coal, and solar energy projects that will provide 16,400 megawatts of electricity - roughly equivalent to the country's entire current capacity, Iqbal said.

Pakistan has wrestled with chronic power shortages in recent years that have scrubbed several points off GDP growth and inflicted misery on its citizens' lives.

"These are very substantial and tangible projects which will have a significant transformative effect on Pakistan's economy," Iqbal said.

The project also foresees the creation of road, rail and pipeline links that will cut several thousand kilometres off the route to transport oil from the Middle East to China, while bypassing their mutual rival, India.

The upgrade stretches 3,000km from the Pakistani port of Gwadar on the Arabia Sea to China's western city of Kashgar.

Pakistan transferred control of the port to a Chinese public company in 2013. Iqbal said \$11bn has been set aside for the purpose.

The projected investments, \$28bn of which are ready to sign during Xi's visit, dwarf a US assistance package to Pakistan of \$5bn that was begun in 2010, but has not had as great an impact as hoped.

Referring to the US aid, signed under the Kerry-Lugar-Berman Act (KLB), Iqbal said: "KLB was \$1.5bn per year, out of which only \$600 to \$700m went to government. Most of it went to non-government sectors and the bulk went to American companies.

"That is a problem with assistance that comes through the aid mode."

Iqbal was more optimistic when it came to China's investment: "The roads and rail links will help us integrate the three engines of growth in Asia: South Asia, Central Asia and China. Pakistan will become the economic hub of the region."

Some analysts, however, have cautioned that the eye-watering figures being trumpeted look too good to be true and the government will have its work cut out turning the infrastructure projects into reality, particularly in the restive Baluchistan province, where a separatist insurgency has raged since 2004.

"I just hope that Beijing's big-ticket projects are matched by Islamabad's clear commitment and action on the ground," said Sherry Rehman, an opposition politician and the director of the Jinnah Institute thinktank.

"Executive stalemate in Islamabad can kill off the best projects from an ally like Beijing. So basically the economic corridor needs to be paved with more than good intentions from Islamabad," she said.

Beyond economic matters, questions of regional security will be high on the list during discussions between the two leaders.

China is wary of the infiltration of militant Islamists from Pakistan to its western Xinjiang province which is frequently hit by unrest, and may be looking for greater assurances from Islamabad on the matter.

In February, China expressed its willingness to support the Afghan government in reconciling with the Taliban, another issue that could be discussed during the visit.

Xi's two-day trip, the first by a Chinese president in nine years, was initially scheduled for September but was later postponed because of anti-government protests in the capital aimed at toppling the government of the prime minister, Nawaz Sharif.

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