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THE CHINA-PAKISTAN ECONOMIC CORRIDOR: A CRITICAL ANALYSIS OF GULF-CRISIS

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Abstract:

The Chino-Pakistan Economic Corridor (CPEC), initialed in 2013, is among China's most significant foreign policy and investment commitments. It links China's Xinjiang Province with the Arabian Sea overland through Pakistan through three significant new transportation corridors, supplemented by new power plants fueled by both renewables and coal and establishing new industrial parks and trade zones. The project could transform Pakistan, but it also has clear implications for the Gulf States. After the outbreak of the Qatar crisis in 2017, CPEC became an arena of competition for the Gulf States. The China-Pakistan Economic Corridor (CPEC) is part of a strategic geopolitical move that promises not only to augment the strategic position of Pakistan but also to unleash the socio-economic potentials of Qatar and China. The research is an effort to highlight the interest of China and Pakistan regarding CPEC. Keeping in view the geo-strategic location of Gwadar port, it also provides an insight into the challenges regarding CPEC. It also endorses why Qatar is keenly interested in joining the CPEC and how its involvement boosts its economy. The proposed research is based on descriptive and analytical research methods where the researcher consults primary and secondary sources to support their argument. So, in this way, the results suggest that, strategically, CPEC would provide a supported system to Qatar to transform its move into a truly interconnected world. This project could strengthen macroeconomic cooperation, connectivity, peace, and growth among countries through trade and business opportunities, further generating revenues for Qatar.

Keywords: CPEC, Regional Connectivity, Oil Trade Supremacy, Qatar, Gulf States, Gwadar

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INTRODUCTION

Historical narrations revealed that on July 5, 2013, the then-elected Pakistani Prime Minister, Nawaz Sharif, paid a diplomatic visit to Beijing, China, and Pakistan signed a Memorandum of Empathetic on the China-Pakistan Economic Corridor (CPEC). Sharif, a steel industrialist, was particularly interested in growing the Pakistani economy and was persuasive to a wary Beijing. In the aftermath, Pakistan planned to build three corridors, a western, central, and eastern alignment, linking China's Xinjiang Province with the Arabian Sea overland through Pakistan. New power plants would supplement the corridors fueled by renewables, coal, and new industrial parks and trade zones. The project has clear implications for the Gulf states. With the advent of the blockade of Qatar in 2017 by



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Saudi Arabia, Bahrain, the UAE, and Egypt, the CPEC project became an arena of competition for the Gulf states. At the same time, in the cold light of day, that much of the billions in Chinese investment would come as loans or with strings attached gave some critics in Pakistan pause. Voices in the United States warned of an imperialist Chinese "debt trap." Inviting Gulf investment was one way for Islamabad to allay these fears since third-party investors would involve greater transparency.

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

On the other hand, critics wonder if China will ever recover even a fraction of its investment in Pakistan as an economic matter and consider the entire project a form of influence-peddling or, in other words, strategic rent for diplomatic gain.

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

METHODS

This research used semi-structured interviewers sequentially by conducting some in-depth interviews. The participants in this study are women from rural areas, are a significant population in the context of CPEC, and are under-researched, particularly from the perspective of women.

RESULT AND DISCUSSION

CPEC and One Belt, One Road. The CPEC plan was cemented in April 2015 when Chinese President Xi Jinping made a state visit to Pakistan full of pomp and circumstance. At that time, xi pledged \$46 billion in investments in the country, dwarfing the US Congress's \$7.5 bn. Program initiated in 2008. Whereas some 70 percent of US aid was military, China's proposed investment was divided between \$11 bn. in infrastructure and \$35 bn. in energy. During the visit, President Xi underscored that Pakistan had been his country's friend in the 1960s when China was isolated on the world stage and called Pakistan China's "Iron Brother." In the 1960s, India and China had a brief border dispute, and Pakistan and India had a long-term set of struggles over Kashmir. Hence, Pakistan and China allied, in

part, against India. China and Pakistan have been closed for decades, and the Pakistani officer corps regularly consulted with Beijing on security issues.

The focus of CPEC is regional development for China and stabilization for Pakistan. The northwestern Xinjiang Province (pop. 22 m.) has faced sidelining and a slight separatist movement by the Uyghur Muslim minority, which China sees as stirred up by the US Central Intelligence Agency. Some Uyghurs went to Afghanistan to join the Taliban. Beijing has dealt with that separatism by settling Han Chinese there in large numbers and part by crackdowns. However, the Communist Party seemed to hope that new forms of economic advance would bring prosperity and tranquility. Xi said, "Our cooperation in the security and economic fields reinforce each other, and they must be advanced simultaneously." China has decided to develop, perhaps quietly, its northwest by turning Pakistan into a Hong Kong West. Hong Kong played an essential role as a gateway for certain kinds of foreign investment into China.

In the same way, Pakistan can be a window on the world and a conduit for oil, trade, and prosperity into northwestern cities such as Urumqi and the smaller Kashgar (pop. one mn.), which is only about 2000 km. from Gwadar. CPEC is likely to stabilize Pakistan and grow the economy of Xinjiang, thus helping to stabilize it as well. Then, as some observers have speculated, it is a means of getting energy to China's distant east coast. On the east coast, in any case, the CPC has ambitious plans for promoting electric vehicles powered by wind and solar and so envisages declining petroleum needs over the next few decades. CPEC is part of President Xi Jinping's "One Belt, One Road" initiative, sometimes called "the New Silk Road," which has an overland and a maritime component. To the extent that Chinese firms will be investing in factories and other facilities in Pakistan, the initiative also accords with another Xi project, "Go Out!" -- an imperative to Chinese industry to begin relocating to countries with cheap labor and inexpensive overhead, as urban China itself becomes middle income. Growing Pakistan's economy and founding Chinese factories there will help fulfill the goals of "Go Out!" Again, CPEC may not be envisaged as having a significant impact on the Beijing megalopolis but may be intended to share the wealth regionally.

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

The project motivated new optimism about Pakistan's ramshackle infrastructure, adequate economic growth, and substantial opposition. The opposition came initially from three quarters: radical separatists or Muslim fundamentalist forces in Balochistan and Khyber-Pukhtunkhwa, regional political figures and parties fearful that the Punjab-oriented central government of Muslim League (N) leader Nawaz Sharif (2013-2018) would slight them in the planning of the corridors. Rival India saw the plan as a direct security challenge because some new routes and investments would be made in Pakistan-controlled Kashmir. Imran Khan, prime minister from August 2018, doubled down on the project and began involving the Gulf states as a "third party."

Since partition in 1947, India and Pakistan have been at loggerheads over Muslim-majority Kashmir, and they have fought three wars and a police action over it. The bulk of this former princely



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state of British India forms the Indian state of Kashmir. Pakistan has about a third of Kashmir, which it terms "free" (Azad Kashmir), and its elites decided to use the CPEC to develop this disputed territory and to bind it more closely to Pakistan. After the project was announced, Indian External Affairs Minister Sushma Swaraj announced that Indian Prime Minister Narendra Modi, a Hindu nationalist, "very strongly" remonstrated with Beijing on a visit there in the spring of 2015 and branded the plan "unacceptable." In June 2015, Pakistan's The News reported that at an all-parties conference, Foreign Office spokesperson Qazi Khalilullah observed Pakistan is "well aware of India's alleged plans to sabotage the China- Pakistan Economic Corridor project and its campaign against the corridor."

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

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

According to prominent and well-connected columnist Najam Sethi, China's investment in Pakistan was premised on a significant change in Pakistani military strategy, whereby they turned against using private terrorist groups such as the Haqqani group as proxies in Afghanistan. In an April 2015 interview on the Geo satellite news channel, "Sethi said China realized that Pakistan's military establishment had made a 'paradigm shift' in its stance of using non-state actors in Afghanistan and the

Indian-administered Kashmir, and it was now going to cooperate with Afghanistan taking it as an independent country, and that was why, it pledged that amount."

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

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

Local suspicions abounded, especially in Balochistan. Akhtar Maingal, a Baloch political leader and former chief minister of the province, staged a news conference in Quetta in which he charged that the central government had not "taken Baloch in confidence on Gwadar port." He asked the government to give Baloch their "due rights" and to deal with their reservations. He appears to have been speaking on behalf of locals who feared that the rise of the port would marginalize Baloch in their province rather than benefit them. In January 2016, Maingal convened a multi-party summit in Quetta at which Baloch politicians expressed reservations over the CPEC. Dawn (Karachi) said they "asked the prime minister to 'fulfill promises' as well as ensure timely completion of projects." In response, Islamabad denied having discriminated against any province. Distressed by this center-province conflict, the Chinese embassy urged Pakistan's political parties to "create favorable conditions" to complete the CPEC. This reprimand of Baloch politicians like Maingal constituted another level of Chinese involvement in provincial politics.

While some politicians in Balochistan, which has only 5 percent of Pakistan's population and is generally less developed, wanted to ensure that the pipeline tolls and the benefits of new transportation routes did not pass their province by, separatist forces in the province appear to have feared that the CPEC would bind it more closely to Pakistan. Officials in Beijing warned that terrorist attacks by Baloch insurgents could thwart the project. There were also fears that external powers might fund Baloch separatists to disrupt the Gwadar to Quetta eastern alignment, on which work had already begun in 2015. At a meeting in June 2015 with the Chinese Vice Minister of the Ministry of State Security, Dong Haizhou, at the General Headquarters in Rawalpindi, Army Chief of Staff Gen. Raheel Sharif attempted

to reassure China that there would be no security hurdles to the completion of the corridor. In February 2016, the Pakistani army announced the formation of a 10,000-strong division intended to safeguard Chinese citizens and facilities along the corridors. By 2016, some 14,000 Chinese engineers and other professionals in Pakistan were working on over 200 projects, which rose to 20,000 by early 2019. By 2019, China was building an enormous gated district in Gwadar, scheduled for completion in 2022, where 500,000 Chinese were expected to live while they worked in the financial zone Beijing is establishing at the port. It will be the largest Chinese city in South Asia.

The proposition that the CPEC will create new jobs in Baluchistan became a mantra in Islamabad. On a visit to Quetta in the fall of 2015, Pakistani ceremonial president Mamnoon Hussain emphasized that in 2016, Pakistan hoped to add 3,000 megawatts of electricity to the national grid and 7,000 megawatts by the end of 2017. "He said the Dasu and Basha dams would generate 4,500MW each, and the latter would also conserve water." Hussain expressed the hope that with this additional power, Pakistan could avoid the brown-outs (termed "load shedding" in South Asian English) that plagued the country until that point. (Indeed, in the summer of 2015, Karachi and parts of Sindh and Baluchistan experienced a complete electricity blackout). Although Hussain did not say so, it should be underlined that more electricity is a substantial drag on industrial development since factories can only be profitable if they keep losing power or if they have to pay extra for kerosene-fueled backup generators, which are polluting and expensive. Hussain also underlined the importance of the Hazara Motorway, on which Chinese engineers had already begun work. He observed, "Chinese engineers have told me that they will build more motorways, which will be connected with the economic corridor." The president offered to arrange meetings between Baloch notables and the Chinese ambassador to allay any apprehensions.

The president was as good as his word. In early November, Chinese ambassador to Pakistan Sun Weidong came out to Quetta to meet with "tribal elites, investors and people belonging to various walks of life at a local hotel in the provincial capital." Ambassador Sun said Baluchistan would be a significant beneficiary of the CPEC, bringing "an end to unemployment" there. He said that annual Pakistan-China trade had increased to \$14 bn., which was expected to grow substantially. He observed that China's annual GDP, at \$10 trillion, was second only to that of the United States, and he said he expected it to double over the next decade. Still, he admitted, some 70 million Chinese remained below the poverty line, a problem the government intended to address "tirelessly." Chinese Consul General based in Karachi, Ma Yaou, also attended. Remarkably, Chinese diplomacy in Pakistan now reaches the capital, the central government, and the provinces, addressing private individuals there. The Chinese diplomatic corps has begun behaving more like the American, wherein ambassadors often reach out to civil society. Nor did the ambassador neglect the center. In mid-November, he staged a press conference in Islamabad in which he promised that the CPEC would create an "economic revolution" in Pakistan.

In March 2016, the chief minister of Baluchistan, Sanaullah Zehri, on a visit to the 15th Textile Asia Exhibit in Karachi, expressed optimism that the CPEC would change the destiny of Balochistan, as well. He said the province was setting up tax-free economic zones to attract investors. He revealed that construction work on the eastern and western routes out of Gwadar port had already commenced. He is said to have proclaimed, "We are striving for the elimination of terrorism from Balochistan, and we have been successful in this project with 80 percent peace." Zehri was elected chief minister from the

Balochistan legislature in late 2015 and so was the first of a new class of provincial elected officials committed to the CPEC and placing hope in the project for their political future.

Zehri's prediction has proved accurate since terrorism attacks and related deaths have declined steeply from the 3,318 killed in 2009 by Muslim radicals. Deaths from terrorist attacks fell 27 percent in 2018 over 2017, to about 600, following a similar statistical decline in 2016. The 2018 rate was only about 18 percent of that a decade earlier. Khyber-Pakhtunkhwa continued to see attacks by radical groups such as the Tehrik-i Taliban Pakistan (TTP). ISIL gained a small foothold in Balochistan and Khyber-Pukhtunkhwa and was responsible for 38 percent of the attacks. Some 96 persons were killed in 2018 by Baloch and Sindhi separatist groups.

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

The plan was likely, *The Nation* said, to provide some rural employment for unskilled youth at the proposed coal power plants in central and southern Punjab, Sindh, and Baluchistan. However, power plants to be constructed over the next 15 years would benefit the provinces of Sindh and Punjab. All of this employment and activity in the coal sector, it said, would only have happened with the Chinese interest. It also praised the plans to "tap into renewable energy sources."

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

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

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

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

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

Saudi Arabia, the UAE, Egypt, and Bahrain formed a Quartet against Qatar, imposed an economic blockade on the small gas-producing state, and even put their airspace off-limits to Qatar Air. Qatar needs to import food for its 2.3 million residents, nearly 90 percent of whom are expatriate workers attracted by the jobs generated by Qatar's natural gas industry and all the economic enterprises it spurred. It used to truck the food overland from countries such as Jordan through Saudi Arabia, but the Saudis, Qatar's only direct neighbor, closed the border.

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

The blockade raised immediate dilemmas for Pakistan, which under then prime minister Nawaz Sharif had signed a 15-year gas supply agreement with Qatar, entailing an annual import of 3.75 million tons of liquified natural gas, adding 2 gigawatts of power to the country's electricity supply and cutting the country's electricity shortfall in half. Reducing Pakistan's chronic electricity shortage was a key goal of CPEC, and any boycott of Qatar would endanger that goal. There were also plans for a Qatari-built

natural gas pipeline from Gwadar to Lahore. Pakistan has a close tie to Riyadh but has yet to be seen to do its bidding unreflectively, and sometimes the relationship has turned prickly. The Sharif government had also established close ties with Turkey, the leading regional geopolitical rival to Saudi Arabia – another consideration against Pakistan's acquiescence in the blockade. One danger observed in Islamabad in the summer of 2017 was that China might be drawn into the dispute, backing Qatar because Washington supported Saudi Arabia. As it happened, Washington soon moderated its stance, and Beijing's doctrine of harmonious development and its dependence on oil imports from Saudi Arabia forestalled any such taking of sides on its part. Pakistan thus attempted to maintain good relations with both sides in the GCC conflict.

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

Qatar began importing more food by air and sea, including, as we will see, from Pakistan, to avoid shortages. Qataris began farming and gardening and even imported some milk cows, depending on the country's desalinization plant for water. While some food items became more expensive, especially for guest workers, the economy has proven resilient since gas exports were unaffected by the crisis. Qatar was among the first major gas producers to go to liquefied natural gas (LNG), which allows the gas to be stored in containers and shipped. Qatar could keep exports steady since the Quartet has not dared impose a sea blockade (which would have been an act of war in international law).

Pakistan's continued economic dealings with Qatar and its food exports helped the tiny gas giant weather the blockade, and so did Pakistan's ally, China. As Qatar replaced goods from the Quartet and their supporters with goods from other markets, China's trade with Qatar rose 36 percent in 2017 alone. Qatar's exports to China also spiked by 60 percent that year. China replaced the United States as the top origin of Qatar's imports, at nearly 15 percent. One feature of the blockade was that it became more expensive for Qatar to fly goods and people west, around the Quartet states. In contrast, air routes due east were unhampered, partly because of the cooperation in breaking the blockade of Iran's air traffic controllers in Shiraz.

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



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

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

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

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

Saudi boycotting strategies. At the same time, the intervention in favor of regional multipolarity by Turkey, Iran, Pakistan, and China blunted the Saudi initiative.

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

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

China had developed close economic relations with Saudi Arabia during the previous two decades, as the East Asian giant emerged as one of the world's biggest petroleum importers and Riyadh faced an often-hostile political atmosphere in Washington, DC, after the September 11 attacks. Saudi Arabia distrusted George W. Bush's focus on democratization and was deeply opposed to Obama's insouciance toward the Arab Spring revolutions and his opening to Iran. By 2018, China imported \$46 billion a year in goods (mainly petroleum) from Saudi Arabia and was the kingdom's most important trading partner. Chinese arms have become essential to the Saudi military, including drones. China also sought billions in investments in Saudi Arabia as part of Crown Prince Mohammed Bin Salman's "Vision 2030" economic plan. China also has close relations with the United Arab Emirates and other Gulf Cooperation Council states, impelled by oil imports and sales of manufactured goods, including arms. Indeed, significant consultations had been carried out concerning incorporating Gulf Cooperation Council states into the One Belt, One Road Initiative. Therefore, as China and Pakistan sought a third partner for CPEC, it was natural that they turned to the cash-laden GCC states. The post-2017 rivalry between the Saudi-UAE-Bahrain bloc and Qatar also led the Gulf states to be more expansive in their search for influence abroad.



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

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

Imran Khan himself visited Doha in January 2019. He discussed with Emir Tamim bin Hamad Al-Thani "ways to promote bilateral relations in various fields, especially in investment, energy, food security and military cooperation." Qatar's emir told Khan he would end a ban on importing Pakistani rice and bring in another 100,000 laborers from his country, adding to the 150,000 Pakistanis already working there. This addition would bring Pakistanis to about ten percent of the Qatar resident population. In a follow-up joint Pakistan- Qatar Trade and Investment Conference in March 2019, Pakistan proposed 32 investment projects, some of the CPEC-related, to Doha, valued at \$10 billion were they to be realized. Among the projects bruited was a food storage facility at Gwadar, which would be helpful to the Gulf states dependent on food imports and the import by Pakistan of Qatari Liquefied Natural Gas. One Qatari thinker suggested that the relationship between Doha and Islamabad had become necessary if Qatar was to avoid being isolated. He put forward x bases for it: 1) Civil Islam (i.e., a civil state based on pragmatic law that makes a place for Muslim political activism as opposed to a fundamentalist shariah state like Iran or a purely secular state such as the old Kamalist Turkey); 2) military partnership; 3) agriculture and food security; 4) CPEC and its transportation links to Central Asia; 5) Gwadar Port as a deep water container port.

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



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During a state visit on February 17, 2019, PM Imran Khan picked up Saudi Crown Prince Mohammed bin Salman from Islamabad airport. The crown prince had just come from visits to Delhi and Beijing, in what one Chinese Middle East expert dubbed a "Look East" tour aimed at a more balanced foreign policy less tied directly to Washington, DC. Bin Salman was diplomatically isolated after he was accused of ordering the murder, on October 2, 2018, of dissident Saudi journalist and Washington Post columnist Jamal Khashoggi, with the US Congress denouncing him and countries such as Tunisia and Morocco giving him a cold shoulder. Imran Khan was among the few prominent world leaders willing to meet and do business with him. The Khashoggi scandal had endangered the crown prince's plans to attract foreign investment in Saudi Arabia and to find investment vehicles abroad for Riyadh.

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

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

CONCLUSION



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

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

The second crisis was the Qatar blockade, which sent Qatar and its enemies scurrying to find allies. Like a country entirely of skilled people, Pakistan was showered with competing gifts by its rivals. Qatar needed food imports, better shipping arrangements, and a friend and perhaps a potential mediator with the blockading parties. Pakistan has long been a rent-seeking state, accepting billions from Washington and Riyadh in the 1980s to fight the Soviets in Afghanistan and then, in the 2000s, joining the US to the tune of billions more in the "War on Terror." The GCC crisis gave the wealthy Gulf hydrocarbon states an impetus to woo Pakistan, with its professional army and nuclear arsenal, opening the possibility for Riyadh of substantial inflows of strategic rent that could then be used to avoid the CPEC debt trap. This approach tells us about Saudi Arabia's attempt to emerge as a regional hegemon. Saudi Arabia cannot function as a hegemon because its primary basis for power is its wealth and because it is a small country of 22 million with limited military or coercive potential.

Further, the Saudi attempt at the polarization of the region between its coalition and Iran faltered in the face of opposition by China, Pakistan, and Turkey, all of whom prefer a multipolar Greater Middle East for reasons of trade and diplomacy. At most, Saudi Arabia is an influence-peddler in the region. Pakistan and China have taken advantage of this contradiction, seeking increased investments from both sides in the GCC conflict.

The third crisis was the Khashoggi murder, which threatened Mohammed bin Salman's plans to find non-oil investments and attract investors to Saudi Arabia because of his isolation when Turkey revealed his role. This isolation made the crown prince enormously grateful for Imran Khan's willingness to pursue close relations with Riyadh, resulting in two aid and investment packages for Pakistan. In the fall of 2018, one came to \$6 billion in grants and loans for oil imports. In the winter of 2019, the second involved \$20 billion in investments in Pakistan, including \$10 billion for a new oil refinery at Gwadar. Jockeying for influence and friends in the wake of the Qatar blockade and the

faltering of Bin Salman may also have determined Mohammed Bin Zayed of the UAE to pledge billions in aid, petroleum import loans, and investments in Pakistan.

If CPEC does nothing more than vastly increase Pakistan's electricity supply, it could be a game-changer for that country. Inadequate energy had constituted a brake on industrialization, slowing urbanization. Less than twenty percent of the workforce is in industry. Pakistan was still 61 percent rural in 2016, and rural populations have high population growth rates since children serve free labor on farms and provide social security to parents in their old age. Pakistan's annual economic progress has often been similar to its population increase, causing per capita income to stagnate. If adequate electricity impels significant migration to cities in search of new jobs that will open up, it could lead to a fall in the birth rate, making it easier for the country to increase per capita income. Pipeline tolls are another potential source of new wealth. New roads and rail lines will serve as economic multipliers. Economic progress, especially in neglected provinces such as Baluchistan and Khyber-Pakhtunkhwa, could contribute to radicalism's decline. However, Provincial critics are correct that these positive developments depend on a willingness to share the wealth of the dominant Punjabi majority.

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

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