

THE CHINA PAKISTAN ECONOMIC CORRIDOR'S EXTENSION INTO CENTRAL ASIA: CHALLENGES AND OPPORTUNITIES

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Abstract

There has been considerable scholarly and analytical debate on whether projects under Belt and Road can benefit states with a history of war and domestic upheaval. The same debate applies to regional connectivity projects such as the flagship China Pakistan Economic Corridor given its close geographical proximity to restive Afghanistan. This research article examines the potential of the \$62 billion CPEC project extending into Central Asia and contributing to Afghanistan's stability. Also analyzed are the challenges in 2022 such as a fragile security situation domestically after the US withdrawal in 2021, global economic deprivation due to the Russian war on Ukraine and several projects of the corridor still being a work in progress. The research design is a mixed-method analytical approach. This article affirms that the aforementioned challenges must be overcome holistically, practically and through shrewd policy making before it can extend into the Central Asian states and Afghanistan.

Keywords: CPEC, Central Asia, Afghanistan, Regional Connectivity, Pakistan

Literature Review

Since its inception, much has been written by scholars and economists about the economic effects of CPEC and its potential linkage to Central Asia. The \$62 billion CPEC project is considered by optimists to have great potential in stimulating regional as well as global connectivity while also addressing Pakistan's economic problems.

Scholars and analysts on CPEC's potential extension into Central Asia hail from two schools of thought. Optimists contend that CPEC can usher in regional prosperity in light of its inherent potential and regional dynamics while skeptics believe that CPEC confronts several challenges to

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its completion and its potential to extend into regions such as Central Asia is severely compromised.

For optimists, regional projects such as CASA 1000 can be sped up if corridors such as CPEC are completed.¹ The corridor's completion can also directly benefit CARS with shorter land routes to export oil and gas reserves and simultaneously enable access to warmwaters.² There is also a high degree of receptivity to CPEC in Central Asian states since the corridor's inception in 2015. Countries such as Turkmenistan consider it to be a 'crown jewel,' providing access to the Indian Ocean while Kazakhstan and Kyrgyzstan have expressed interest in exploiting its potential to stimulate economic growth through combined economic programs and economic interdependence with Pakistan.³

Optimists also contend that CPEC's extension into CARS is a win-win instead of a zero-sum arrangement. Logistical issues and a landlocked geography for CARS for example, have historically impeded the smooth progression of trade connectivity and CPEC provides a promising route in this regard. Former Ambassador of Tajikistan to Pakistan, Sherali S Jononov said that Central Asian states support CPEC as it enables them to narrow their distance to export gas reserves through potential road and railway linkages.⁴ Additionally, Pakistan's economic downturn in 2022 which can be partly attributed to its flailing energy sector gives Islamabad an alternate supply route and enables it to tap into Central Asian energy markets through a robust regional infrastructural project. On the security front, the securitization of Chinese investments in CARS is a vision shared by Central Asia given that regional connectivity projects in China's western region is linked to declining extremism and an improvement in the regional security situation.⁵

Despite optimism hinging on the aforementioned factors, scholars, academics and officials have also expressed skepticism over the future of the project as well as its potential extension into the region.

They draw from comments made by senior US government officials dealing with the South Asian region, who considered it unviable

¹ Muhammad Azhar and Muhammad Ayaz, "South Asia- Central Asia Inter-Regional Connectivity: The Future Perspective," *Central Asia Journal* no. 77 (Winter 2015): 39.

² Sabahat Jaleel, Naureen Talha, and Zahir Shah, "CPEC and Regional Integration," *Global Regional Review*, no. 4 (2019): 19-28.

³ A.Z. Hilali, "China-Pakistan Economic Corridor and Dynamics of Regional Connectivity: Prospects and Challenges," *Strategic Studies Journal* 39, no. 4 (2019): 2-16.

⁴ Khalid Manzoor Butt and Anam Butt, "Impact of CPEC on Regional and Extra-Regional Actors," *Journal of Political Science*, no. 33 (2015): 2-22.

⁵ Bhavna Dave and Yuka Kobayashi, "China's Silk Road Economic Belt Initiative in Central Asia: Economic and Security Implications," *Asia Europe Journal* no. 16 (2018): 267-281.

given its lack of transparency and potential contribution to Pakistan's sovereign debt.⁶ These claims are endorsed by professors at the Pakistan Institute of Development Economics who consider CPEC related borrowing and Chinese loans to be disruptive and amounting to USD 3.9 billion and USD 4 billion between 2016-2018 respectively, which has a negative impact on debt sustainability, increases fiscal deficits and the national debt to GDP ratio.⁷ Alongside debt sustainability is criticism centered on the inclusiveness of the project and transparency over its deliverables.⁸

The project is also considered to be insufficient in dealing with the needs of the local Baloch population with several development officials and politicians in the province voicing concern over its ability to provide employment opportunities to the local population.⁹ The corridor also confronts security challenges in Balochistan with an inclination of Baloch militants to attack Chinese professionals manifesting itself in the form of the Karachi University attack in 2022.¹⁰ Lack of political stability which is a prerequisite for economic development and swift completion of economic projects is also a hindrance to CPEC's development as issues such as bureaucratic red tapism, civil military tensions and unequal distribution of its expected deliverables pose challenges to the its completion and extension.

Despite pessimism in many quarters over the status of the project, the project is viewed positively in Central Asian states. Scholars however, remain divided over the project's completion with some considering the potential economic advantages such as power generation, construction of industrial plants, development of infrastructure, trade and recreational activities to outweigh concerns such as sovereign debt, security and lack of inclusivity.¹¹ By exploring the four dimensions of the project which is categorized into political, economic and social dimensions, studies contend that if negative factors are eliminated, CPEC can result in an improvement in investor environments with promised socioeconomic dividends which address the scourge of terrorism.

⁶ Syed Baqir Sajjad, "FO Defends CPEC after Alice Wells' Criticism," *Dawn*, May 23, 2020.

⁷ Talat Anwar, "CPEC and Pakistan's Debt Burden," *Pakistan Institute of Development Economics*, January 16, 2020.

⁸ Madiha Afzal, "At All Costs: How Pakistan and China Control the Narrative on the China Pakistan Economic Corridor," *Brookings Institute*, (2020): 2-11.

⁹ Akbar Durrani, interview by author, Quetta, June 02, 2022.

¹⁰ Sophia Saifi, Saleem Mehsud and Azaz Syed, "Female Suicide Bomber behind Karachi Attack That Killed 3 Chinese Citizens: Police," *CNN*, April 27, 2022, <https://edition.cnn.com/2022/04/27/asia>.

¹¹ Muhammad Kashan Surahio et al., "China-Pakistan Economic Corridor: Macro Environmental Factors and Challenges," *Sage Publications*, (2022): 1-18.

When viewed within the context of CARS and their potential integration into the corridor however, it is imperative to examine external, geographical and regional challenges prior to forming definitive conclusions. This paper would hence, attempts to expand on the observations and analysis of the aforementioned authors and address the following gaps:

1. Understanding factors that will either contribute to or impede CPEC's potential expansion to CARS in 2022.
2. What is the status of CPEC in 2022, the completion of its projects and its potential to extend into the region?
3. Will variables such as the security situation in Afghanistan have a negative or positive impact on CPEC's extension into Central Asia?

Methodology

To address the gaps in the literature, this study employs a mixed-method analysis of inquiry, which includes a descriptive research design that highlights the characteristics of CPEC in 2022. It explores enabling factors which can promote the corridor's extension into Central Asia. Conceptually, the descriptive research design obtains information and describes a phenomenon, concept or case study. The subject of inquiry for this research will be the progress of the corridor while external variables includes the geopolitical climate in 2022, factors stalling CPEC's progress and security challenges in the region, particularly from Afghanistan. The research objective is to provide a comprehensive analysis of whether there are prospects for the corridor's extension into Central Asia, which economists, policy makers and sovereign governments must consider in 2022.

Introduction

China's infrastructure projects were historically aimed at promoting regional connectivity which dates back to the second century BCE.¹² The historical Silk Road had a significant role in connecting the Eurasian region where ties between states such as Japan, India, Europe, Middle East and East Asia were built upon foundations of political harmony and economic connectivity through the route.¹³ The influence of the Ottoman Empire however, jeopardized connectivity on its route, yet

¹² Tim Williams, "The Silk Roads: an ICOMOS Thematic Study," *UNESCO and World Heritage Center*, (2014): 6-16.

¹³ Jerry Bentley, "Old World Encounters: Cross-Cultural Contacts and Exchanges in Pre-Modern Times," *Oxford University Press*, (1993): 32.

the concept survived in the year 2022 based on the network's historical influence in reshaping societies.¹⁴

The term '*New Silk Route*' has been used widely in the 21st century to refer to infrastructural projects seeking to expand transportation while simultaneously developing local economies along its route.¹⁵ A prime example of initiatives falling under the New Silk Route is the Eurasian Land Bridge as a transcontinental rail transport route aimed at moving passengers and freight between seaports in China, Russia, and Europe.¹⁶ The BRI as President Xi Jinping's project was formally announced during a visit to Kazakhstan with an aim of creating a network of roads and rail transportation routes through Central Asia while also connecting with Europe and East Asia.¹⁷ Alongside construction of ports, bridges, grid stations, airports and dams, the BRI also aims at connecting sea ports in Asia and also the regions of Middle East and Africa.

An integral component of the BRI is CPEC. CPEC commenced in 2013 with the goal of financing Pakistani investments through joint ventures constituting 80% of its profile while a further 20% is for debt financing.¹⁸ The project is still developing in the year 2022 with the port of Gwadar operational in May 2021.¹⁹ CPEC as a multidimensional initiative and an integral component of China Pakistan relations as it seeks to alleviate Pakistan's economic quagmire, energy shortfalls, infrastructural shortcomings and low GDP growth rates. Along with investments in Pakistan, China prioritizes the development of Central Asian economies which includes Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan under the BRI strategy.

Most CARs are globally behind in terms of economic growth, GDP per capita and employment.²⁰ The other corridor of the BRI is CPEC which

¹⁴ Sheriff G.I. and Akeje K, "Developmental Historiography of the Ancient Silk Road," *African Journal of Culture, History, Religion and Traditions* 4(1), (2021): 69-80.

¹⁵ Lily Kuo and Niko Kommenda, "What Is China's Belt and Road Initiative," *The Guardian*, September 5, 2018, <https://www.theguardian.com/cities/ng-interactive/2018/jul/30>.

¹⁶ Richard Pomfret, "The Eurasian Land Bridge the Role of Service Providers in Linking the Regional Value Chains in East Asia and the European Union," *European Research Institute for ASEAN and East Asia, Discussion Paper Series*, (2018): 2-20.

¹⁷ Rafis Abazov, "Kazakhstan's Revival of the Silk Road Initiative: The Challenges Ahead," *The Central Asia Caucasus Analyst, Analytical Articles*, October 8, 2015, <https://www.cacianalyst.org/publications/analytical-articles.html>.

¹⁸ Khaleeq Kiani, "CPEC: Govt Seeks More Joint Ventures," *Dawn*, January 14, 2019.

¹⁹ Dunya News Staff, "Gwadar Port Fully Operational: Asim Saleem Bajwa," *Dunya News*, May 31, 2021.

²⁰ OECD "The Belt and Road Initiative in the Global Trade, Investment and Finance Landscape," *OECD Business and Finance Outlook*, 2018, <https://doi.org/10.1787/>

is an ongoing economic project in close proximity to Central Asia. There has been plenty of positive coverage regarding the corridor's ability to promote greater regional connectivity through its route with an array of railway and road networks connecting to Central Asia. This research paper attempts to discern these opportunities while providing an overview of the challenges and opportunities confronting CPEC extending into Central Asian States in the year 2022.

Status of the CPEC in 2022

CPEC endeavors at promoting greater infrastructural growth in Pakistan. 20% of the corridor is debt financed while the rest are joint ventures (JV) between China and Pakistan.²¹ A total of eleven energy related projects out of twenty- one became operational in 2022.²² The latest such energy project is the 720 MW Karot Hydropower Project in Azad Jammu Kashmir and Punjab. As far as the infrastructural aspect of the corridor which includes the Peshawar- Karachi Motorway and the Karachi Circular Railway is concerned, six out of twenty-four projects have been completed in 2022.²³ Similarly, special economic zones (SEZs) witnessed nearly fifty percent of projects completed in 2022.²⁴

²¹ Khaleeq Kiani, "CPEC: Govt Seeks More Joint Ventures," *Dawn*, January 14, 2019.

²² Ministry of Planning Development and Special Initiatives, "Energy Projects Under CPEC," *CPEC Authority*, 2021, <https://cpec.gov.pk/energy>.

²³ Ministry of Planning Development and Special Initiatives, "Transport Infrastructure Projects Under CPEC," *CPEC Authority*, 2021, <https://cpec.gov.pk/infrastructure>.

²⁴ Ministry of Planning Development and Special Initiatives, "Industrial Cooperation/ Special Economic Zones (SEZs)," *CPEC Authority*, 2021, <https://cpec.gov.pk/special-economic-zones-projects>.

Table 1.1 Energy Ventures Completed in 2022

#	Ventures
1.	1320MW Sahiwal Coal-fired Power Plant
2.	1320MW Coal-fired Power Plant at Port Qasim Karachi
3.	1320MW China Hub Coal Power Project, Hub Balochistan
4.	660MW Engro Thar Coal Power Project
5.	1000MW Quaid-e-Azam Solar Park (Bahawalpur)
6.	50 MW Hydro China Dawood Wind Farm, Gharo, Thatta
7.	100MW UEP Wind Farm, Jhimpir, Thatta
8.	50MW Sachal Wind Farm, Jhimpir, Thatta
9.	100MW Three Gorges Second and Third Wind Power Project
10.	Matiari to Lahore \pm 660 KV HVDC Transmission Line Project
11.	720MW Karot Hydropower Project, AJK/Punjab

Source: CPEC Authority, Ministry of Planning, Development and Special Initiatives, (2022).

The project focuses on Pakistan's socio-economic development with investments not limited to developing transport infrastructure or energy generation, alone. Projects falling under human capital development include vocational, technical and educational capacity building initiatives alongside poverty alleviation training, which target segments of the Pakistani population. The completion status of socio-economic development projects in 2022 is only 19% with projects such as agricultural vocational training and a joint project on rural poverty reduction still a work in progress.²⁵ On the subject of the development of Gwadar port, four of them including the Smart Port City, the Eastbay Expressway and Technical and Vocational Training Institutes in the city

²⁵ Ministry of Planning Development and Special Initiatives, "Social and Economic Development Under CPEC," CPEC Authority, 2021, <https://cpec.gov.pk/social-sector-development-projects>.

have been completed.²⁶ These projects however, constitute only 29% of the total projects dedicated to the development of the port city. Construction of the Airport in Gwadar for example, will finish till the end of October 2023.

Table 1.2 Ventures of the Port City in 2022

#	Ventures
Finished Ventures	
1.	Development of Port and Free Zone
2.	Gwadar Smart Port City Master Plan
3.	Pak-China Technical and Vocational Institute at Gwadar
4.	Gwadar Eastbay Expressway
Ventures in Progress	
5.	New Gwadar International Airport
6.	Necessary facilities of fresh water treatment, water supply and distribution
7.	Pak-China Friendship Hospital
8.	300MW Coal-Fired Power Project at Gwadar
9.	1.2 MGD Desalination Plant
#	Project Name
10.	5 MGD Water Desalination Plant Gwadar
Futuristic Ventures	
11.	Construction of Breakwaters
12.	Dredging of berthing areas & channels
13.	Fish Landing Jetty and Fishermen Boat Making Industry on West bay
14.	Gwadar Smart Environment Sanitation System and Landfill Project

CPEC has been in a transitory phase in 2022 with the Annual Plan of 2022- 2023 emphasizing on agricultural modernization, establishment of IT and High Technology Zones as well as socio-economic development.²⁷ It is critical for Pakistan to capitalize on the first phase of investment (2015-20) which enables a conducive environment for investments through infrastructural development and energy generation, to take place. At the 10th Joint Cooperation Council (JCC) held in September 2021, several projects have been identified by stakeholders for completion. These include the following:

- Zhob-Quetta and Zhob-DI Khan section for finalization and completion in the fiscal year 2022-23.
- Proposal to realign the Thakot-Raikot Section during 2022-23.

²⁶ Mehtab Haider, "Projects under CPEC Second Phase," *The News*, June 11, 2022.

²⁷ Ministry of Planning Development and Special Initiatives Planning Commission, "From Stabilisation to Sustainable Growth: Annual Plan 2022-23," *Planning Commission*, June 2022, <https://www.pc.gov.pk/>

- Finalization of concessional financing for the ML-1 project from Karachi to Peshawar in the second quarter of 2022-23.
- Inclusion of expressways and energy projects such as the Swat Expressway Phase II and the 330 MW Thar Energy Ltd.

A significant chunk of the CPEC project however is yet to be completed in 2022 which includes infrastructural projects, energy corridors, societal development schemes and special economic zones. Alongside the status of the corridor in 2022, internal and external factors will also have a bearing on its completion. As the horrendous terrorist attack at Karachi University clearly demonstrates, security challenges can easily stymie the progress of Chinese investments. CPEC's potential expansion into Central Asia is also hostage to geography as the landlocked CARs can only access trading routes in Pakistan through Afghanistan. It is hence critical to understand the security landscape of Pakistan, Afghanistan and the region as this directly impacts the completion of the corridors in progress prior to coming up with conclusions over the corridor's extension into CARs.

CPEC's Potential Impact and Challenges in Central Asian States (CARs)

Central Asian states are landlocked countries with enormous natural resources at their disposal. The region of Central Asia stretches from the Caspian Sea and shares geographical contiguity with Afghanistan, Russia and China. Historically, a lack of infrastructure and a sound logistical base has impeded their GDP growth potential, alongside non-traditional security threats from neighbouring Afghanistan. Despite infrastructural shortcomings, CARs maintained average growth rates of 5-6% as per assessments in 2020.²⁸ Given the optimistic views expressed by the senior leaderships of CARs regarding CPEC's potential expansion into the region however, it is worthwhile to examine the opportunities the \$62 billion corridor presents for the region, impartially.

Reduction of Transport Costs and Tapping into Existing Resource Potential

Since the end of the Soviet Union, CARs have been slowly moving away from state dominated economic systems to free market principles with national aspirations to become some of the leading economies in Asia. However, much of the potential has not been realized despite the fact that in the first half of the new century, the republics benefited from a

²⁸ Khan Zahid, Guo Changgang, and Muhammad Afzaal, "China-Pakistan Economic Corridor at the Cross Intersection of China, Central Asia and South Asia: Opportunities for Regional Economic Growth," *The Chinese Economy*, 53, no. 2 (2020): 200-215.

commodities boom.²⁹ This indicates that countries of the region have untapped potential despite being largely impoverished. Kyrgyzstan for example is home to large gold deposits while Kazakhstan hosts the world's largest uranium reserves. This is precisely why corridors such as CPEC are significant and relevant, as they reduce the costs of transporting resources and products and allow for the export of gold deposits and uranium to the international market.

Additionally, all CARs barring Kazakhstan, which remains the dominant economic force in the region, require greater diversification of their market base beyond limited revenues from energy. A conduit for the transportation of goods and services to remain competitive in the international market is also needed. The instability within CARs however has been fueled by a lack of economic competitiveness, as the unrest in Kazakhstan in 2022 vividly illustrates. Lack of economic competitiveness has fed into instability within CARs as the 2022 Kazakhstan unrest clearly demonstrates. The increase in prices of liquefied gas for example resulted in protests against the regime of former President Nursultan Nazarbayev, which could have been avoided had market access mitigating economic hardship been secured.³⁰ Increased trade routes, more employment opportunities and greater inclusion of respective populations can be realized if CPEC is extended into the region, particularly in countries such as Kyrgyzstan and Turkmenistan who remain largely impoverished and are deprived of economic connectivity.

The OBOR's Central Route, Corporate Linkages and the Significance of Gwadar

The One Belt One Road Initiative from China includes the 'central route,' linking the port city of Shanghai to the Uzbek capital of Tashkent.³¹ Additionally, the province of Xinjiang in China which is marred by an insurgency known as the 'East Turkestan Islamic Movement' also shares close geographical proximity with CARs. Hence, the development of the Eastern region of China remains a significant component of the OBOR and the ability to curb security threats through infrastructural development extends into Central Asia as well through the 'central route' strategy. Furthermore, the adoption of the 'go west' strategy by Beijing links the

²⁹ Mukhitidinova, Nasiba khan, "Progress in Central Asia is being Hampered by the Low Level of Investment in Research and Development," *UNESCO Science Report: Towards 2030*, (2015): 364-387.

³⁰ Diana Kudaibergenova, and Marlene Laruelle, "Making Sense of the January 2022 Protests in Kazakhstan: Failing Legitimacy, Culture of Protests, and Elite Readjustments," *Post-Soviet Affairs* 38, no. 6 (2022): 441-459.

³¹ Filippo Costa Buranelli, "One Belt, One Road and Central Asia: Challenges and Opportunities," *The Belt & Road Initiative in the Global Arena: Chinese and European Perspectives* (2018): 207-230.

development of Xinjiang with the extension of corridors into CARs as well as treating the port of Gwadar as a pivotal cog in realizing economic potential. The Gwadar port connecting with Central Asia alongside the Middle East and South Asia and the development of linkages through the improvement of roads and the provision of energy corridors facilitates the higher volume of trade and provision of energy for greater economic regionalization.³²

Another obvious opportunity for CARs is increased corporate linkages between the region's South Asian States and China. Investment opportunities exist in areas such as textiles, the food industry, pharmaceuticals, agriculture, iron ore processing and small to medium enterprises which all form an integral part of the economic profiles of Central Asian states.³³ It is pertinent to note that CPEC provides a plethora of cooperation prospects which includes integrated information technology systems which has the potential to serve three billion people in the region, of which a significant proportion reside in CARs. CPEC's potential is further strengthened by amiable ties between CARs and Pakistan which the latter wishes to access the energy rich region to ward off its energy crisis. Strong diplomatic relations entail that irritants in the corridor's extension also be laid to rest.

Impediments Faced by CARs, Pakistan and Afghanistan

Despite optimism, significant obstacles need to be overcome for CPEC's potential to truly materialize in CARs. Firstly, the corridor is still in its nascent stages and requires swift completion in the absence of security threats and bureaucratic wrangling, to materialize. Secondly, cities which remain at the periphery of economic hubs such as Nur Sultan and Tashkent, should not be alienated but accommodated for maximum impact and a trickle-down effect on the local population.

Secondly, CPEC's trickle-down effect and win-win potential is subject to regional dynamics and amicable relations between all states. The Pakistan-India relationship since the rise of the Narendra Modi led BJP government has been strained with dialogues pertaining to joint economic prosperity suspended. The issue of Kashmir and India's abrogation of Article 370 of their constitution also acts as a barrier to connectivity potential as Pakistan would condition India's inclusion in CPEC on the reversal of India's illegal occupation. The BJP government however, remains adamant that such a prospect is a non-starter.

³² Umbreen Javaid, "Assessing CPEC: Potential Threats and Prospects," *Journal of the Research Society of Pakistan* 53, no. 2 (2016).

³³ Zahid Khan, Guo Changgang, and Muhammad Afzaal, "China-Pakistan Economic Corridor at the Cross Intersection of China, Central Asia and South Asia: Opportunities for Regional Economic Growth," *The Chinese Economy* 53, no. 2 (2020): 200-215.

Security challenges emanating from Afghanistan and Xinjiang also impede CPEC's potential extension into Central Asia. The presence of the Islamic State in the Khorasan Province (*ISKP*) and the East Turkestan Islamic Movement (*ETIM*), who are adamant about exporting their puritanical version of Islam and have a proclivity towards targeting Chinese investments, are a tangible threat that needs to be addressed through joint counter terrorism efforts between Pakistan, CARS and China.

As far as Russia is concerned, Moscow's influence on CPEC has been positive and acts as an 'enabler' for the project. Russia has expressed interest in projects which are non-western, state sponsored and infrastructure driven, as has been the case with its own 'PakStream Gas Pipeline Project,' with Moscow awarding Pakistan with a 74% stake in the project.³⁴ There is also strategic convergence between China's BRI and Russia's efforts to integrate the Eurasian Economic Union. Both visions aim at unifying the Eurasian region with overland trade and infrastructure, which benefits CARs, Afghanistan, Pakistan and China.³⁵

On the other hand, the sole skeptic of CPEC's ability to generate positive momentum is the United States. Any Chinese investment fits into the wider US-China rivalry quotient which is understood by Washington D.C. as detrimental to the interests of the Pakistani population. This explains negative coverage of CPEC in the United States despite the fact that Pakistan received \$19 billion in new infrastructure and 75,000 jobs have been created locally, in 2020.³⁶ This clearly indicates that despite US opposition, there is little influence of the United States on the CPEC project which is anchored in joint understandings between the Chinese and Pakistani governments.

Regional Rivalries between China and the United States as an Impediment to CPEC's Completion and Extension

CPEC's completion and extension into Central Asia must be viewed through a macropolitical framework. The rivalry between China and the United States, characterized by puncturing Beijing's international influence from Washington D.C. , will have a detrimental impact on CPEC. The United States, through its numerous statements, has questioned the viability of CPEC as an economic project and censured it for contributing

³⁴ Mifrah Haq, "Russia Warms to Pakistan after Three Decades of Cold Ties," *Nikkei Asia*, July 20, 2021, <https://asia.nikkei.com/Politics/International-relations/>

³⁵ Andrew Korybko, "Pakistan Is The "Zipper" Of Pan-Eurasian Integration," *Russian Institute for Strategic Studies*, September 15, 2015, <https://en.riss.ru/article/1018/>.

³⁶ Daniel Markey, "How the United States Should Deal with China in Pakistan," *Carnegie Endowment for International Peace*, April 8, 2020, <https://carnegieendowment.org/2020/04/08>.

to Pakistan's debt trap.³⁷ Increased economic clout for Beijing with greater return on investments would remain at the forefront of US policy making which will have a bearing on the project's completion. Washington D.C. has also significantly influenced the post-Soviet era Central Asia region. It is possible that an increased Chinese footprint could act as a justification to coerce the weaker governments of impoverished states such as Kyrgyzstan and Tajikistan to change course. Greater emphasis on expanding India's role in the region by the United States is also a roadblock to Pakistan's contribution to the extension and can jointly compromise regional connectivity prospects.

Importance of Economic Connectivity for CARS in 2022

Regardless of the impediments, countries constituting CARS such as Kyrgyzstan, Turkmenistan, Kazakhstan, Tajikistan and Uzbekistan have sought to develop their post-Cold War economies by emphasizing on greater trade, connectivity and export driven economies. Yet in terms of FDI's in the post-Soviet era, Kazakhstan leads the region given its investor friendly climate, relative political stability and attracting more than \$370 billion in foreign investments since the dissolution of the Soviet Union.³⁸ However, beyond Kazakhstan Central Asian countries continue to remain largely impoverished with lack of infrastructure and poor investor climates failing to attract foreign direct investment. Between 2007-2019, Central Asian countries benefited from \$378.2 billion worth of FDIs of Kazakhstan's share was close to 78%.³⁹ As a result, the landlocked region with enormous resources has witnessed uneven economic growth.

COVID-19, the Ukraine War, the Palestine Crisis of 2023 and Domestic Economies of CARS

From 2019-2022, the pernicious effects of the pandemic and the contemporary conflict in Ukraine has negative implications as far as global growth rates are concerned, with CARS being no exception. The year 2021 also witnessed slight improvements in Foreign Direct Investment net inflows in CARS with flows rising in Turkmenistan and Uzbekistan. The region also received the least amount of direct FDI inflows in Asia during

³⁷ Thomas Ameyaw-Brobbe, "The Belt and Road Initiative: Debt Trap and its Implication on International Security," *Asian Journal of Multidisciplinary Studies* 1, no. 2 (2018): 73-81.

³⁸ Assel Satbbaldina, "Kazakhstan Attracts Over US\$370 Billion in FDI Since Independence," *Astana Times*, December 6, 2021, <https://astanatimes.com/2021/12>.

³⁹ Aidana Yergaliyeva, "FDI to Central Asia Reached 378.2 Billion Over Past 13 Years," *The Astana Times*, December 9, 2020, <https://astanatimes.com/2020/12>.

the time period.⁴⁰ Furthermore, due to the Russian war in Ukraine, inflation has risen which has exacerbated inequality and, poverty and promoted a high level of food insecurity. European Union sanctions on Russia as a result of the Ukraine war and declining export earnings from Europe also have severely hampered CARS' GDP growth prospects. As per the World Bank's country forecasts for CARS from 2021-2022, economies in CARS are expected to shrink by more than 4.1%, impacting commodity and financial markets.⁴¹

Bleak economic growth prospects for CARS in light of external factors such as the global economic downturn due to Russia's war in Ukraine, heavy reliance on export revenues from Europe and Russia and economic challenges from the pandemic gives added relevance to economic corridors such as the CPEC as part of the BRI. China has been a leading investor in Central Asia and its status as a great power and a major regional economic power has given it renewed attention as an economy which provides numerous opportunities for regional countries. CARS are equally enthused about regional connectivity prospects with a high degree of receptivity to CPEC since the corridor's inception in 2013. Countries such as Turkmenistan for example, considered it to be a '*crown jewel*' which provides access to the Indian Ocean while Kazakhstan and Kyrgyzstan consider CPEC to carry potential to stimulate domestic growth through combined economic programs and economic interdependence.

The harrowing genocide conducted by the Israeli occupation forces in the Palestinian territories since October 2023 has had a ripple effect on oil prices and the world economy. It also had a major impact on CPEC's initial vision of connecting the Gwadar Port with the Gulf region. Operating maritime trade below initial expectations due to the regional economic downturn in the Middle East is a reality that both China and Pakistan may have to deal with if the Gaza war is not resolved. Similarly, unrest in the Middle East ensures that the completion of the corridor requires strategic imperatives to avert risks and potential setbacks which requires contingency planning from Pakistani and Chinese policymakers. According to the World Bank's October 2023 preliminary report, there is a persistent risk for disruptions in global oil and commodity markets and while this might not affect the progress of CPEC, it could impede its potential economic dividends.⁴²

⁴⁰ World Investment Report, "Foreign Investment in Developing Asia Hit a Record \$619 Billion in 2021," *UNCTAD*, June 9, 2022, <https://unctad.org/news/>.

⁴¹ World Bank Group, "War in the Region," World Bank Europe and Central Asia Economic Update," *World Bank* (2022): 3-45, <https://openknowledge.worldbank.org/handle/10986>.

⁴² Press Release, "Conflict in the Middle East Could Bring 'Dual Shock' to Global Commodity Markets," *The World Bank Preliminary Report*, October 30, 2023, <https://www.worldbank.org/en/research/commodity-markets>.

Positive Regional Connectivity Trajectory and Increased Chinese Investments in 2022

While the global economic climate has been largely negative in 2022, there are reasons as to why economic corridors such as CPEC can be extended to regions for regional connectivity. As per the Asian Development Bank, trends in 2021-2022 and the subsequent Ukraine war, after the regional integration trends in the Pacific and Asia have remained positive. The pandemic has also not affected intraregional trade linkages as well as regional value chains and can be attributed to the early recovery of the Chinese economy from the COVID - 19 has allowed regional connectivity prospects to continue unabated.⁴³ For example, 43,600 certificates were issued by the Chinese under (RCEP) in the months of January and May 2022.⁴⁴

Regional connectivity is a priority for CARS with strong trading relationships with China. Out of the total number of BRI projects which include six overland economic belts, two pass through CARS.⁴⁵ Due to the BRI, China will continue to be one of the biggest importers of Central Asian energy resources. At the OIC FM's meeting in Islamabad, Pakistan, Foreign Minister Wang Yi stated that a total of \$400 billion will be invested across the Muslim World of which a significant portion will be invested in CARS.⁴⁶ As a testament to expanding cooperation with CARS, at the C+C5 Forum (*China+ Central Asia*) in 2022, the following documents were adopted:

- Joint Statement provided at the congregation of Central Asia Foreign Ministers.
- The Virtual Summit held between China and Central Asian States provided the roadmap for operationalization of the agreements.
- The cooperation and connectivity have also been boosted by the venture of C plus C5 (A project of China and Central Asia Project).
- The collaboration among China and CARS is further strengthened through cooperation that has been made under the sphere of data security.

⁴³ Asian Development Bank, "Advancing Digital Services Trade in Asia and the Pacific," Asian Development Bank, 2022, <https://www.adb.org/news/events>.

⁴⁴ Global Times, "RCEP Agreement Helps Boost Foreign Trade among Member Economies," *Global Times*, June 29, 2022, <https://www.globaltimes.cn/page/202206/1269315.shtml>.

⁴⁵ Aamir Latif, and Islamuddin Sajid, "Beijing Investing over \$400B in 54 Muslim Countries, Says Top Chinese Diplomat," *Anadolu Agency*, March 22, 2022, <https://www.aa.com.tr/en/asia-pacific>.

⁴⁶ Chris Devonshire-Ellis, "The China Plus Central Asia C+C5 Forum: Statements and Analysis," *Silk Road Briefing*, June 23, 2022, <https://www.silkroadbriefing.com/news/2021/05/14/>.

Pakistan's Internal Security Challenges in 2022, the BLA as an Existential Threat

Pakistan has faced significant internal security challenges in 2022 which is also directed at Chinese investments. The BLA and the BLF targeted Chinese academics at the Karachi University in a suicide attack in April 2022 and the Baloch insurgency remains an existential threat to Pakistan's landscape. Neutralizing such groups is the key to ensuring that projects which fall under CPEC as well as the overall presence of the Chinese community in the country remains unharmed. Yearly casualties have only witnessed a marginal decline in 2022 which demonstrates that the security situation is improving but remains fragile.⁴⁷

Table 2.1 Number of Fatalities in Pakistan (2019-2022)

Year	Incidents of Killing	Security Forces
2019	136	137
2020	193	178
2021	267	226
2022	197	211

Source: South Asian Terrorism Portal (2022)

From January 2022 to May 2022, eleven terrorist attacks took place in Pakistan of which only one, the Karachi University attack specifically targeted Chinese academics. Hence addressing Baloch militancy organizations is the key to safeguarding CPEC's corridors as well as the overall security situation in the country. The abduction of Lieutenant Colonel Laiq by Balochistan militants on the 12th of July 2022 which resulted in Pakistan's security forces launching three major operations against the 17 militants from the BLA.⁴⁸

While terrorist organizations such as the TTP employ violence and target civilians, infrastructure and security personnel indiscriminately, the BLA can be singled out as the single biggest existential threat to Chinese investments given statements issued after attacks such as the Karachi University bombing.⁴⁹ However, an overall spike in terrorism-related incidents in 2022 has meant that an all-encompassing counter-terrorism strategy needs to be adopted to neutralize secessionist trends. It is

⁴⁷ Madiha Afzal, "Terrorism in Pakistan has Declined, but the Underlying Roots of Extremism Remain," *The Brookings Institute*, January 5, 2021, <https://www.brookings.edu/blog>.

⁴⁸ Ayaz Gul, "Baluch Insurgents Kidnap and Murder Pakistan Army Office," *Voice of America*, July 14, 2022, <https://www.voanews.com/a/6658455.html>.

⁴⁹ Ayaz Gul, "Bomb Blast in Southern Pakistan Kills 1, Wounds 13," *Voice of America*, May 12, 2022, <https://www.voanews.com/a/>.

worthwhile to explore Pakistan's current strategy for dealing with threats like the BLA.

The National Counter Terrorism Authority is the primary internal security organization responsible for both devising plans against terrorist groups and reviewing implementation. In 2014, the National Action Plan was a central component of NACTA's operations alongside countering the financing of terrorism as well as initiating criminal justice reforms. There have been concerted attempts by the organization to implement comprehensive counterterrorism policies which dates back to December 2021 with the first NCVEP 2021. It includes the following key objectives:

- Coordination at the federal level by various lead divisions and law enforcement agencies.
- Revisiting the learning environment of public and private institutions to counter violent extremism.
- Need to regulate mosques, prevent the abuse of certain religious clerics from dissemination of messages which are harmful for communal order.
- The need to adopt a uniform CVE law akin to the 1997 Anti-Terrorism Act.⁵⁰

At the kinetic level, the Pakistan military continues to tackle the scourge of terrorism from the BLA by conducting operations against militants who have employed violence against the Pakistani state and Chinese personnel. The Pakistan army has also dedicated a separate brigade in the aftermath of the Karachi University attack in 2022 which compliments the 34th Light Infantry Division that was established in September 2016. While the infrastructure to protect CPEC is in place, it is worthwhile for the Pakistani state, the judicial system, the law enforcement agencies and civil society to implement the revamped NAP policy of NCVEP 2021 to ensure that an all-encompassing strategy to dismantle Baloch militancy is in place. Only then can the security of CPEC and Chinese investments be ensured.

Economic and Security Situation of Afghanistan in 2022

CARs do not share a border with Pakistan with any potential extension of CPEC only possible through Afghanistan. Hence, it is imperative to assess Afghanistan's internal security scenario in 2022 and whether economic corridors can be extended through its landscape while formulating conclusions on CPEC's potential.

The US withdrawal from Afghanistan in 2021 has precipitated an economic and security crisis of immense proportion in the country.

⁵⁰ Iftikhar A. Khan, "NACTA Drafts First-Ever Policy to Counter Violent Extremism," *Dawn*, December 15, 2021.

Militants such as *ISKP* and widespread lawlessness have a negative impact on the national economy and internal security.⁵¹ According to one of the World Bank surveys, more citizens worked under Taliban rule.⁵² Yet on the security front, barring the rural areas, Afghanistan's internal landscape continues to be plagued by the rise of the Islamic State which had been described by the 14th Commander of the United States Central Command Kenneth Mckenzie to be exploiting vacuums due to a reduction in American counterterrorism operations.⁵³ Mckenzie's observations are correct. In 2022, a spate of terrorism incidents took place in Kabul which have been claimed by the ISKP, such as the April 29 2022 attack on a mosque in Kabul, which killed more than fifty people.⁵⁴

The presence of the ISKP casts a shadow over economic connectivity prospects, particularly as Afghanistan's economic situation since the Taliban takeover has been in a state of '*freefall*.' According to the World Bank in 2022, the Afghan economy will witness further contraction, with real GDP per capita falling between 2020 and 2022.⁵⁵ The fact that there has been no letup in America's decision to retain \$9.5 billion of reserves further dampens economic prospects.⁵⁶ The war in Ukraine with a global food crisis exaggerated by limited access to grain imports has also disproportionately affected the Afghan economy with household incomes shrinking in 2022.⁵⁷

With the Afghan economic and security situation being dire in 2022, CPEC does promise economic connectivity prospects particularly as the Taliban government is under US sanctions. China's top diplomat, Wang Yi on the fringes of the SCO summit of FMs conveyed China's strong endorsement of expanding CPEC into Afghanistan to his counterpart Amir

⁵¹ Debusmann Jr, Bernd and Chris Partridge, "Ayman Al-Zawahiri: How US Strike Could Kill al-Qaeda Leader- but Not His Family," *BBC News*, August 3, 2022. <https://www.bbc.com>.

⁵² Ghazala Mansuri, Cesar Cancho and Erwin Knippenberg, "Afghanistan Welfare Monitoring Survey," *World Bank Group*, (2022): 2-15.

⁵³ Statement of General Kenneth F. McKenzie, Jr., commander, CENTCOM before the Senate Armed Services Committee, *The US Central Command*, March 15, 2022, <https://www.centcom.mil/MEDIA/STATEMENTS/Statements-View/Article/2967180>.

⁵⁴ Pamela Constable, "Sufi Mosque Bombed in Afghanistan," *Washington Post*, April 30, 2022, <https://www.washingtonpost.com/world/2022>.

⁵⁵ Press Release, "Urgent Action Required to Stabilize Afghanistan's Economy," *World Bank*, April 13, 2022, <https://www.worldbank.org/en/news/press-release>.

⁵⁶ Saleha Mohsin, "U.S. Freezes Nearly \$9.5 Billion Afghanistan Central Bank Assets," *Bloomberg*, August 17, 2021, <https://www.bloomberg.com/news/articles/2021-08-17/>.

⁵⁷ "Outlook for Afghan Economy 'Dire' as Household Incomes Shrink-World Bank," *Reuters*, April 13, 2022, <https://www.reuters.com/world/asia-pacific/>

Khan Muttaqi.⁵⁸In September 2021, the Taliban government expressed an interest in joining CPEC which came nearly a month after their takeover of Afghanistan.

Given Afghanistan's economic difficulties in 2022, it is probable that the Taliban will press for closer engagement with China over CPEC if America refrains from unfreezing its assets. However, its potential extension to Central Asia depends on variables such as the country's security landscape, domestic situation, economy and route, given that Afghanistan borders all CARS except Kazakhstan. However, the optimism and joint will expressed by both the governments of China and Afghanistan can commence work on the extension provided that Pakistan finishes all outstanding projects on its route.

Conclusion

Based on an analysis of trends in the year 2022, CPEC's potential expansion into Central Asia is dependent on key variables such as geopolitical and security challenges posing a direct threat to regional connectivity, the trajectory of regional connectivity projects under the BRI in the pandemic and Ukraine war era as well as an increase in investments in the region by China. The success of the corridor's expansion is also dependent on the fragile security situation in Afghanistan which has worsened since 2021, the completion of CPEC's various deliverables and the resolution of internal security quagmires.

Policy Recommendations

1. In 2022, CPEC's deliverables are a work in progress and the CPEC authority/ Planning Commission in Pakistan should strive to ensure that the majority of the project which is pending is completed for its extension into Central Asia.
2. The situation in Afghanistan remains fragile in 2022 with the ISKP launching attacks on civilians which is harming the local economy. Additionally, the Ukraine crisis is having a negative impact on poverty levels and exacerbating a humanitarian crisis. The international community should take immediate steps to help release Afghan Central Bank assets and initiate effective counterterrorism efforts to eliminate terrorist groups such as ISKP to ensure regional connectivity.
3. To ensure the swift completion of CPEC despite obstacles such as security quagmires and geopolitical global rivalry between the United States and China, CARs, Pakistan, Afghanistan and China

⁵⁸ Riyaz ul Khaliq, "China Puts Weight behind Extending China Pakistan Economic Corridor to Afghanistan," *Anadolu Agency*, July 30, 2022, <https://www.aa.com.tr/en/asia-pacific>.

should institutionalize a legal and regulatory framework that monitors the progress of CPEC's deliverables and the extension of the corridor in the region. Measuring the trickle-down effect on the local population in terms of employment generation, rising income levels and corporate sector development should be given to technocrats for maximum impact.

4. Major takeaways from the C+C5 Forum in 2022 should be capitalized upon by China and CARS for increased BRI investments in Central Asia.
5. The swift implementation of non-kinetic counterterrorism policies such as the NCVEP must be complimented with kinetic operations to uproot internal security threats particularly the BLA which has targeted Chinese personnel and investments.

