**[Chinese investment](https://www.dawn.com/news/1844305/chinese-investment)**

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SINCE 2015, China has invested billions of dollars in Pakistan. Has that bolstered our economic development? Opinions vary. Most people feel that Chinese investments, led by CPEC, have contributed to improving the country’s road, electricity and port infrastructure. A smaller segment is sceptical, arguing that these investments have contributed to Pakistan’s debt trap. A dispassionate analysis is needed.

When President Xi Jinping visited Pakistan in April 2015 to launch CPEC, Pakistan was in the throes of transnational terrorism. Operation Zarb-i-Azb was underway in North Waziristan. In 2016, the US, India and Afghanistan commenced efforts to isolate Pakistan diplomatically. Natural­­ly, no country was ready to invest here at that time. Under these circumstances, the $46 billion worth of promised investments from China were a breath of fresh air.

An early CPEC harvest was the reduction in electricity shortage and load-shedding, which had made everyday life difficult and had choked industrial production. The other benefit was an improved road infrastructure. Work was also initiated on Gwadar port and allied projects, many of which have since been completed.

Under the grand design, once energy shortages had been met and infrastructure developed, Pakistan was supposed to move to the industrialisation phase, for which work had to start on establishing special economic zones. However, we failed to seamlessly transit to the second CPEC phase for two reasons. One, the development of SEZs was inordinately delayed. Consequently, Chinese industry shifted to other countries in the region. Two, from 2017 onwards, Pakistan entered into another round of political instability. Chinese confidence for investing in Pakistan was shaken gravely. The investments that were once expected to rise to $92bn tapered at around $26bn.

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The present government has decided to upgrade CPEC. During Prime Minister Shehbaz Sharif’s visit to China last month, the Chinese side agreed to help boost industrialisation in Pakistan, digitise the economy, and open new corridors for growth, livelihood, innovation, and the green economy. Decisions were taken to rehabilitate the Karakoram Highway, optimise the port at Gwadar, and train Pakistani experts in tech and agriculture.

This is a welcome agenda. However, there are big challenges to its implementation. First, evolving geopolitics, particularly the US-China competition, is making it difficult for Pakistan’s policymakers to strike a delicate balance in its ties with the US, which is a destination for large Pakistani exports, and China, whose investments and financial help are important. The US is doing all it can to check China’s economic rise through trade tariffs, investment curbs, and export controls, and is advising allies and friends to avoid Chinese investments.

The second challenge is the security of Chinese personnel working on China-assisted projects in Pakistan. Several attacks have been carried out against them, mostly by TTP and BLA. While China and Pakistan have decided to “enhance counterterrorism cooperation”, Pakistani authorities would be well advised to mobilise the support of local people by addressing their grievances and making them a partner in countering this menace.

In order to sustain China’s economic engagement with Pakistan, a number of steps would need to be taken. First, Pakistan must find a way to stabilise its politics. A politically unstable country, with weak institutions, is unlikely to attract foreign, or even local, investment.

Second, there should be a long-term development plan with all major po­­l­i­tical groups on bo­­ard so that continuity of the plan can be ensured across governments.

Third, given that CPEC is now open to third countries, we may explore the possibility of multinational joint ventures that include Chinese businesses. As is often said, no candle loses its light while lighting other candles. In a recent roundtable at a Lahore university, one Chinese expert mentioned that Chinese companies would be ready to work with transnational investors for projects in Pakistan.

Fourth, Pakistan would need to expedite the SEZs, without which major investment is unlikely to trickle in.

Fifth, Pakistan needs an early solution to the IPP conundrum. Our treasury is bleeding while heavy taxes are imposed on the people to make ‘capacity payments’ to IPP owners. Chinese investors, who had set up IPPs in Pakistan, are also complaining that their repatriation of $1.8bn is being held up.

Finally, all good ideas will remain on paper unless implemented in earnest. In this regard, government functionaries and regulators must recognise that facilitating foreign and local firms to do flourishing business in Pakistan is critical for our economic future.

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*Published in Dawn, July 7th, 2024*