

China Pakistan Economic Corridor (CPEC)- Governance Encounters and Current Advances

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The article identifies and categorizes the governance challenges and recent advancements in Pakistan Economic corridor (CPEC). China Pakistan Economic Corridor is an associated project of Belt and Road initiative by China. CPEC is a conglomeration of several projects including trade route for China through Gwadar seaport in Pakistan and sub-projects related to construction, energy and business, which contribute to the economic activity for both states. Existing literature on CPEC presents benefits for the two states, its impacts and viable plans and strategies for better execution of the project, however, the governance challenges are not summarized into themes for simple understanding to make policy decisions. Therefore, the article uses a qualitative and exploratory approach by performing a content analysis of news, articles and reports, using past ten years' data, to identify different themes related to governance challenges. It is found out that governance challenges related to security, politics, social development, religious and financial have been commonly reported and debated. The analysis also suggests that from the inception of the project, CPEC has been facing governance challenges related to these identified themes. Recent developments indicating success in resolving these governance challenges is also highlighted in the study. Lastly, the study gives a snapshot of the above-mentioned governance challenges and provides suggestions for the policy makers and governments. The article adds to the existing literature on the CPEC, providing an aid to policy makers for better decision making with regards to the identified governance challenges. Furthermore, provided suggestions can be used by practitioners to resolve conflicts relating to governance. This is expected to facilitate the implementation of this magnanimous project, regarded as a game-changer by Pakistan.

1. Introduction

China Pakistan Economic Corridor (CPEC) is deliberated as an essential part of China's Belt and Road Initiative (BRI). Apart from the economic significance of the project, its geopolitical and social significance is cherished. Pakistan and China have historically been good neighbors and steadfast friends (Hussain, 2023) but CPEC has given Sino-Pak relationships a new turn promising window of trade for mutual interests. Through Gwadar Deep Sea Port, China is hoping to connect to Arabian Sea and further its trade route (Johnston, 2019). On the other side, Pakistan is looking forward to its development and progress by shaking hands with China on the project (Akhtar et al., 2021). A project like this can further the relationship and brotherhood between the two countries which has been regarded as a game changer (Farooq, 2020).

Pakistan has an immense potential not only in terms of its population of 245mm (Pakistan Population, 2024) but also due to its geo-political situation which in recent years has been facing crises (Zaheer, 2023). Human Capital resource of the country is abundant by having nearly 50% of its population consist of youth under 25years of age (Pakistan Population, 2024). Also, the country has rich agriculture and natural resources (Abbas, 2023). Suitable development of the human resource with proper utilization of other available resources, Pakistan is expected to achieve phenomenal development under the sponsorship of CPEC. As far as geopolitical location is concerned, Pakistan provides an apex entry into the Arabian Sea and door of Persian Gulf. Moreover, Pakistan shares its borders with China, India, Iran and Afghanistan (Akhtar et al., 2021). However, Pakistan has faced a lot of challenges internally and externally which include poor governance, fiscal deficit, unemployment, balance of payments, low literacy rates, skill deficit, gender inequalities, external environment and others (Zaheer, 2023).

Multi-billion-dollar economic cooperation, CPEC, has not been able to complete projects within the stipulated time. News of delays in signing of frameworks and lessened hype of CPEC as a game changer from Pakistan government has been replaced by concerns about debt traps and other related issues (ANI, 2021). Recent report highlights challenges faced from Pakistan's side pointing towards weaknesses in governance and much-needed structural reforms to improve governance and structural reforms (Younus, 2021). CPEC has been historically related to security and governance issues from its inception (Hussain, 2018). One of the reasons highlighted for putting halt on CPEC projects by China is increased interference army establishment in the matters of civilian administration (Wani, 2020). This article particularly focuses on understanding the governance challenges faced by Pakistan in execution of CPEC mega-project.

2. Literature Review

China maintains friendly relationship and describes them as strategic, comprehensive and cooperative nature, whereas Chinese leaders consider relations with Pakistan even stronger by describing them as all-weather. This explains the uniqueness in the relationship between the two neighboring countries. Similarly, other words used by Chinese statesmen and officials such as "Iron Brother" also indicate the fact that the two countries have confidence and mutual comfort in their bilateral relationship. Recent investments, particularly in CPEC, have made the relationship

deeper than before (Hussain, 2023). Scholars have also discussed the character of Chinese Belt and Road Initiative during Pakistan's combat against the Covid-19 pandemic. When Pakistan was facing the challenge in its healthcare sector and economic sector, the cooperation with BRI project brings assistance against these two dilemmas. It is believed that BRI project positively assisted Pakistan's combat against the Covid-19 pandemic, both from health and economic perspectives (Zhang, 2023). With regards to CPEC, Pakistan should look to adopt suitable measures. This includes but is not limited to the growth of domestic industry, balance of trade payments, and withdrawal of optimum benefits (Rafeeq, 2021). Apart from these suggestions, there are other governance issues that have received very lesser attention, which the study aims to answer.

CPEC offers pros for both the countries. This infrastructural development, energy projects and Gwadar Seaport can trigger required development of economy and human resource. Moreover, Pakistan may establish their small and medium sized industry aligning it with the massive supply chain that has carved the basis for China's Industry (Ullah et al. 2021). On the contrary, China, through CPEC, is also benefiting by opening its western provinces to economic activity like never before and establishing a trade route which will connect them to Central Asia, Africa and Europe (Eastern). This makes China a world player with access to numerous countries and CPEC would serve as a catapult for its exports (Johnston, 2019). There have been issues highlighted by scholars as far as transparency and accountability of CPEC's execution is concerned. For such magnanimous and large-scale project, with critical value, the implementation status and its reporting are limited. CPEC website of the Pakistan Government is showing scarce information related to the project. There is no detailed information about performance measures, completion targets and percentages of disbursement. Later stages of 2018, starting projects related to energy sector worth US\$4.6 billion were completed and another 12 sub-projects of US\$16.7 billion are being constructed. Three infrastructure projects are being implemented which include Gwadar port project as well. Similarly, other projects relating with special economic zones, agriculture, and social development are under way (Spies, 2021).

According to reports, CPEC approximately 62% funding is made in the energy sector, 36% for railway and road network, and about only 2% for Gwadar Seaport. Most of the investments are being made on the eastern route neglecting the western and central alignment planned under CPEC. Also, there has been lesser investment made directly for alleviating poverty, reducing regional differences and improving sustainability. It can be said that socioeconomic and production sector have not been given their share of attention. Hence, absence of funds for poverty alleviation programs that could have generated income and job for Pakistani people have been left behind and receive no or low-priority (Abbasi, 2021).

Agriculture and commerce can, however, increase their potential significantly from CPEC. China's demand for food has always been on rise agricultural export to China is expected to rise by US \$1billion (Sunawar, 2023). Pakistan's agricultural exports are very little and declining. There is a clear gap and inconsistency which can be fulfilled by agriculture exports of Pakistan.

Although, CPEC is banking on the growth of the corridor connecting east and west amid Western China and Gwadar port, there seems to be opportunity of connecting north and south as well where connections with Afghanistan, Iran and Central Asia in north and India in south can be established (Johnston, 2019). Such an extension in China and Pakistan's regional connectivity can boost commerce and trade. Further, Pakistan may take advantage of commerce by coordinating with Eurasian Economic Union as well as Economic Cooperation organization. This requires a quick human resource development for better productivity with improved quality to compete on international front. Also, special economic zones may help local industry to blossom. Similarly, Sino-Pak cooperation in agriculture and industrial development can improve Pakistan's abilities in these fields. Completion of this project is associated with socioeconomic development of people of Pakistan and many consider China's experience can help them to get out of the poverty (Farooq, 2020).

Apart from Pakistan's realization of economic benefits resulting from CPEC many argue that the businesses would not be operated in the way before and there needs to be some structural changes in policy making, implementation and negotiations carried out in the nation's economic scenario. Industries in Pakistan, therefore, must be aware of these interventions and formulate their replies accordingly (Syed & Ying, 2020). Government Authority in Pakistan for China Pakistan Economic Corridor Authority of Pakistan, officially introduces CPEC on its website as, CPEC is a framework of connecting the region. It is predictable to have positive and significant effect on the neighboring countries such as Iran, Afghanistan, India, and the rest of the central Asia. It is expected to enhance the geographical linkages by improvement of roads, railways, and air transportation. Free and frequent exchanges of people would spur the growth of people and the countries as well. People contacts are expected to enhance through academic, cultural, trade and much more. This would ultimately impact the peace and harmony of the region and creates a win-win model for all the connected and integrated region. CPEC is a path towards economic regionalization, which is need of the hour for the globalized world. It is a hope for better future of the region for peace, growth and development for the economy (CPEC Authority, 2020).

From the above literature review, it can be observed that there are benefits for both the countries. For example, China uses Gwadar Port as a strategic access to Arabian sea. Similarly, enhanced economic growth and development can facilitate Pakistan's economy and create market for Chinese goods and services. Also, Pakistan's energy shortages are also addressed by CPEC and regional stability and influence of China in South Asia increases. Furthermore, technological advancements through industrial zones is crucial for Pakistan. Lastly geopolitical leverage for China through increased presence in Indian Ocean enhances its strategic reach. However, since the inception of the project, there have been several governance challenges that the project faces. The study aims to explore and categorize them for a better understanding and aid to policy decisions. The article also records the developments and initiatives that Pakistan has taken to resolve these issues. Therefore, the study asks the following research question.

Research Question: How have the governance challenges evolved and mitigated during the course of CPEC?

To answer this research question, following objectives are formulated.

1. To explore and categorize the governance challenges in CPEC faced by Pakistan.
2. To explore the counter-measures or advancements against these governance challenges.
3. To provide suggestions for policy makers and government for decision making with regards to identified challenges.

3. Methodology

To understand the exploratory research questions, most of the social scientists use qualitative research. This study uses content analysis as a technique to highlight the governance challenges in CPEC. Archival data from websites, reports and news is collected for past 10 years to understand the nature of the governance challenges since the start of the project. Common themes depending on the content are separated and discussed to conclude and suggest policy implications for the identified governance challenges.

Content analysis is a useful technique for exploring a phenomenon or a query in detail. The purpose of content analysis is to recognize the presence of definite words, themes/subjects, or concepts within qualitative records and to make inferences about the context, participants, and messages conveyed by the data. Content analysis is also referred to as a technique for reviewing documents and announcement relics, which may be texts of numerous formats, images, audio, or video. Social scientists use content analysis to enumerate patterns in statements in a replicable and methodical manner. It uses text, verbal and non-verbal data for identification and reduction of phenomenon or events into categories of common interest of the researcher's query (Harwood and Garry, 2003). The method is useful for qualitative, quantitative as well as mixed methods and is widely used in different disciplines (White et al., 2006). This research aims. This article uses qualitative archival data of official websites, news and related article from 2013-till date to reduce and structure governance challenges into categories.

4. Findings

4.1 Identified Governance Challenges

As far as support of Pakistan for CPEC is concerned it has been there before and after the change of government in national elections. Survey research shows that people of Pakistan believe in the project to generate economic activity alleviating poverty and generating more income opportunities (Saad et al., 2019). Similarly, China is intended to engage in this project given the route facility and economic impact it would generate (Syed & Ying, 2020). Thus, it is deemed that the project would go on towards its completion but still there seems to be some concerns for both sides that need to be addressed and resolved in order to achieve the desired mutual benefits. Several concerns include security, political and financial concerns (Syed, 2020). Religious concerns and development concerns are also significant concerned explained below.

4.2 Security concerns

Pakistan has been facing security concerns for nearly two decades. There are groups of people inside Pakistan that are against the betterment of the country and have hardcore beliefs which dwell on the propagation of extremism among the people to go against the writ of Government. In Khyber Pakhtoonkhwa province, there have been certain areas which have been involved in such activities with outside support. In Balochistan province, there exists a group that call themselves a Baloch Liberation Army, are Baloch nationalist militants working against the country's progress. Taliban and Tehrik-e Taliban also have been included in the extremist groups. All of the above mentioned have been involved in targeting security forces, government officials, minority ethnicities, energy and power resources to cause a substantial socio-economic damage to Pakistan (Shah, 2016).

There have been concerns raised regarding the security of Chinese engineers from these extremist groups. It has been reported that they can become targets for the extremist groups (Arifeen, 2017). Similar studies have highlighted this issue e.g. foremost challenge is the most broadminded Talibanisation of Pakistan, particularly in the FATA and western portions of the state. Pakistan provokes potential security intimidations from Tehreek-e-Taliban Pakistan (TTP) and diverse other combative groups in the clannish areas and Khyber Pakhtunkhwa, separatist insurgence in Baluchistan, spiritual and racial ferocity in Punjab and Karachi (Sindh). The militant groups and uncertainty will become grave threat for the China-Pakistan Economic Corridor (CPEC) (Ibrar et al., 2016).

Pakistan has tried and still trying to maintain a healthy environment for ensuring peace and security for success of the project for example the military organization like Balochistan liberation army and violent organizations in Sind have been controlled by deploying army. Any security concerns are being handled properly by Army and operation inside Pakistan's territory are being handled by army by launching different operations in problem areas. Earlier these operations were started to control the insurgency from Afghanistan but now being used to help the CPEC implementation as well. Pakistan military are keen to stop any security concerns and make clear way for successful completion of the project (Ibrar et al., 2016). Pakistan Army has launched subsequent operation of Zarb-e-Azab and Rad-ul-Fasad to get rid of Taliban and other related militant organizations in Pakistan. Special Security Divisions have been established for safeguarding the personnel and properties of CPEC (Khan, 2016).

There exists another challenge in terms of security and that is the Indian involvement. CPEC successful completion will help the economic situation of Pakistan and present the world and China with another route that would have benefits for trade for many countries. Rivalry of Indian has always prompted many attempts to sabotage Pakistan's stability. As, CPEC puts Pakistan in a favorable position along the Arabian Sea, India is thinking to disrupt this process through RAW, Indian Intelligence Agency, to lay hindrances in execution of the massive project (Ibrar et al., 2016).

Navy of Pakistan and China have joined hands to safeguard the maritime corridor. Since 2016, Pakistan Navy has formed a special task force for the above-mentioned remedial measures known as TF-88. China has also supposed to provide four ships for this security task force. Troops in huge numbers are also being deployed depending on the area where the CPEC works are being done. Local Police is made available for security of Chinese workers as well. Hence, the security is being attended as a top priority for example in 2015, around 8000 Pakistani security officers were appointed for safety of 8112 Chinese employees (Gishkori, 2015). Due to operations carried out at mass level across Pakistan already the security situation has vastly improved. This is noteworthy that public of Pakistan is going to bear all this burden of extra security measures.

After the national elections of Pakistan in 2018 when PTI formed the government, many were concerned about the way this government will work with CPEC's plan and execution. Chinese Vice President Wang Qishan visited Pakistan to meet then Prime Minister of Pakistan, Imran Khan, to discuss the security concerns and address the importance of the project. There has been a great deal of discussion on the projects in sensitive areas of Pakistan including the major road networks and Gwadar deep sea port. As per Pakistan media memorandums of agriculture and special economic zones were signed by both countries during the visit. It has been said that this meeting was to bolster the security concerns in the country after certain attacks by Balochistan Liberation Army. One of the attacks was on the bus in which Chinese workers were travelling and in another incident a hotel was attacked by a gunman. Balochistan Liberation Army taken the responsibility of the attacks and further looks to sabotage the Chinese interest in the region. An Assistant Professor of International relations concluded the visit by saying that this influential visit was to highlight the concerns of Beijing regarding the security as well as a reassurance to Pakistan about the dedication of China towards CPEC. Pakistan is under stress due to Baloch insurgency that can base attacks on Chinese benefits, even in safe zones. The meeting would also reassure Chinese regarding Pakistan's commitment towards ensuring safety and security for CPEC, despite its deals with the IMF. Pakistan also ensured that there would be special committee which is dedicated to ensure the safety of Chinese personnel working in Pakistan. While addressing a meeting of Pakistan China institute Wang said that whatever the situation may be and howsoever the landscape changes, China will always stand along Pakistan's interests. CPEC would enhance the economic and social growth in Pakistan as well as integrate the region for stability. Then Pakistan Military Spokesperson, General Asim Ghafoor told Chinese media that another division of armed force is being deployed to handle any insurgency in the area of CPEC (Zheng, 2019).

4.3 Political concerns

Former Chinese Foreign Minister Official, Victor Gao said that on Pakistani side there remains uncertainty regarding the leadership/ ownership of the CPEC and its constituting projects. Internal debates from inception of the project about the ownership of CPEC remained undecided to either military should handle it or the government. This kept holding the initial political decision making before the project could even start. Certainly, Pakistan Army is a dominant player in CPEC and some have argued that there exists a debate over the role of leadership between the civilian

government and the army. The ownership seems to be ambiguous and internal debates have started over this issue after the Chinese government urges Pakistan army to take lead because of the sluggish development of the project (Bokhari, Hornby, & Shepherd, 2016).

While the project was being finalized during the planning phases there had been issues reported among provinces of Pakistan with respect to the routes. There is a western route and an eastern route which is supposed to pass through different provinces for which internal politicking was observed. Later on another route was also proposed by experts known as central route keeping in view the factor of production, population density and related factors (Ramay, 2016).

Mass sit-ins in Pakistan's politics is a well-known phenomenon as it has been done by almost all the parties and other organizational entities e.g. religious, ethnic, social and others. Pakistan's political landscape is ever evolving and there are sit-ins at different point in time to fade away the writ of government and pressurize them for certain negotiations. In previous government of PML(N) Pakistan Muslim League Nawaz, President of China could not come to Pakistan due to Pakistan Tehreek-i-Insaf's (PTI) sit-ins, now governing party of Pakistan. Pakistan faces economic, terrorist and threats of sit-ins from the opposition for long time now. Any sit-ins from Pakistan ML (N) or Pakistan People Party (PPP) can cause tremendous problems for the implementation of CPEC while the government is facing pressures from the issues of disputed territory of Kashmir, Afghanistan insurgency, Indian involvement and western pressures for halting progress of the project. Not too long ago, Bilawal Bhutto, leader of PPP planned a march for political gains which are a serious political threat for the ongoing project. Another party leader Molana Fazal-ur-Rehman was also pressurized the government with his own sit-in labeling inflation trends in recent government of Imran Khan. The main agenda was to destabilize the political scene and demanded re-elections by blaming the elections of 2018 to be rigged. Apart from these internal political threats, Pakistan also faces external political concerns from west. The western pressure is applied in the form of FATF and IMF for halting the project of CPEC indirectly. In these circumstances, any strike or resentment would result in fatal results for the project and thus the region's future economic situation.

Furthermore, India's has found an extremist ideological leader in the form of Narendra Modi. Under his leadership India is trying to advertise Pakistan as a terrorist state on all fronts and further exploit the political situation of the state. There may be many hidden motives behind this disparage including the CPEC's importance for the region. Some say that this is to avoid other nations from the atrocities and calamities that are being done on the people of Jammu and Kashmir. Whatever the reason may be behind such defamation of Pakistan from Modi, Imran Khan is applied multiple strategies to deal with any internal conflict in the form of Sit-ins as well as showcasing the real face of Narendra Modi and his agenda of RSS i.e. Hindu extremism. Hence, Pakistan should be really careful about its internal political issues and external political issues for safeguarding the economic benefits of the region (Ali, 2020). In recent year, regime changes in Pakistan has allowed more and more complications. Recent elections have resulted in a mixed

government, however, PML (N) who initially signed the CPEC projects are in power and this can be seen as a positive sign for the CPEC.

4.4 Social Development concerns

Alice Wells, United States' senior diplomat repeatedly criticized China's ambitious Belt and Road Initiative and China Pakistan corridor especially. In response to the criticism, Pakistan's foreign office replied that CPEC is transparent and it would definitely contribute to the national development. Despite this assurance, ground facts of Gwadar where deep sea port is to be constructed in Balochistan presents altogether different picture. The people of Gwadar who used to render their lives along the port area through fishing make up 70% of the region's population. CPEC promised them a better livelihood and they were asked to move from the area for execution of the Gwadar deep seaport. These fishermen have been living there for centuries, they were relocated by Gwadar development authority in 2005 to the about 8 km away, north of Gwadar initially to a new area known as Noken Mulla Band. Nearly 50% of the people chose to stay in the same area. The dwellers depend on the seasonal rainfall and dams are filled with it for rest of the times. If the rains are higher than expected level, rain water and sewerage makes life miserable for people. Rainfall has declined considerably in the area and desalination projects of Gwadar Development Authority have not been of any use for the locals till now.

Although the map of Gwadar port shown tall buildings, towers and scenic infrastructure, on ground the basic amenities of life such as uninterrupted electricity, water even sewerage systems. Lately, locals have started protesting due to such issues like provision of drinkable, power and sanitation systems. Provincial government officials, knowing the situation have discussed the revised master plan that there would be no more relocation and the old society would be preserved to sustain the cultural heritage. Former Provincial Minister for Public Health and Engineering, Mir Naveed Baloch, tweeted after a conference with officials along with locals that water supply issue would be resolved by connecting Sawadd Dam with Gwadar and also sewerage system would be sorted out. However, recent budgetary cuts for Balochistan in Federal Budget (2020-2021), several social development projects promised and announced may not be completed.

China Pakistan Economic Corridor brought development structures which stir conflict such as expressway from Gwadar port to Makran Coastal Highway. This road blocked roughly 4.3 KMs of the coastline limited the existing vicinity's access of fishing vessels to the sea. This situation aroused local protests. They have given a list of demand to the local government entailing their issues such as entree to the sea, livelihood safeguard and other special regulations for them. Most important demands being underpass access points for fishing and a wide breakwater for safety of their boats at three main fishing spots. Gwadar Port Authority keeps saying that there has been no budget allocation for such project. Zahoor Buledi, provincial government finance minister, tweeted on June 8 that breakwater for fisherman has been approved by the CDWP meeting. Thousands of fishermen reached press club the next day to celebrate their protests spanning two years and for reminding the rest of their demands. Although this celebration was short-lived which ended with the tweet of Senator Kahuda Babar, which highlighted the grudges regarding the allocation of

limited funds to Eastbay Expressway. He further pointed it out as ill-treatment and accused PTI government planning to fail the said project. People of Gwadar have been categorically saying that for a while now that they are supportive of any sort of project that would not destroy their homes and livelihood and help them prosper in their lives rather than leaving them empty handed (Mariyam, 2020).

4.5 Religious concerns

Scholars have explored the (potentially adverse) effect of CPEC on religious radicalism in both countries i.e. Pakistan as well as China (Wolf, 2019). Similar views on insecurities relating to Islamic militancy and local insurgency have been reported to be a threat in construction of the CPEC corridor (Hassan, 2020).

Pakistan being a religiously oriented country has been known for banning Youtube and Indian content for posting blasphemous content. It also has a detailed electronic crime bill that any disagreement or dissent on Islam on media can be seen as a crime and thus doer could be convicted. Entry of Chinese people without visa, purchase of land on lease and construction of fiber optics to introduce Chinese culture to Pakistani people may not be welcomed if it a domination of a certain culture is the motive. Islamic Republic of Pakistan is backed by the religious lobby which will go beyond any extent to safeguard their religious values. If this explanation is proved valid for above-mentioned long-term plan objectives, then Pakistan would have to choose from economic stability and Islam. Such an arrangement can challenge the fundamentals of Islam around which the ideology, politics and culture revolves. If the Chinese are allowed a visa free entry, they would not leave their culture behind and are expected to bring their values which might be contrasting to Pakistani people ideology. This entry would create demographic shifts in Pakistan which would be huge as according to a study by Pew Study from 2008, 90% of Pakistani people think of religion as vital and extremely important. It is difficult to imagine how Chinese people with least concerns for religion would mix with Pakistani people who place religion as an important element of their lives (Tariq, 2017).

4.6 Financial concerns

Pakistan's financial situation has always been a part of discussion directly or indirectly with reference to CPEC. After the general election 2018, Pakistan was again facing a lot of financial issues in terms of unsustainable debt levels for which it required financial assistance from China, U.A.E and Saudi Arabia. Similarly, Pakistan also received a bail-out package from IMF. Economy of the country has declining and growth decelerated to 3.3% while inflation hit a five-year high and increased deficit. Although there is no direct linkage between CPEC but economic conditions of the country have provided financial challenges for the project indirectly. From the announced 122 projects, 32 projects were completed by 2019 and approximately \$20B of the total \$87B have been spent. This represents a substantial amount of movement in energy and transport sectors on one side but also highlights the gap between project announcement and the actual completion. However, In the 2019 year's Belt and Road Forum, Pakistan's PM appreciated the progress of CPEC(Hillman, McCalpin, & Brock, 2020).

It has been reported in the past that there is an element of secrecy in the financial information about the project. Transparency of these funds and how much is being awarded to different sectors e.g. construction, energy, agriculture and other lacks clarity. Private and private sector has been accusing corruptions in the endorsement for coal related power tariffs and plants related to the project although Pakistan is in an obligation under contract to obtain energy from these plants. There have been irregularities suspected in tariff approval of 300MV coal power-plant that was constructed in area of Pind Dadan Khan by Chinese company i.e. China Machinery Engineering Corporation (Khan, 2015).

Similarly, the inconsistency in the regulations of CPEC projects from China and Pakistan are supposed to affect the projects by monopoly and involving the interest of national assets e.g. oil refineries, storage-tanks and power-plants. It requires a close eye from the management and also regulation of these assets to safeguard any abuse of power or compromising national interest, especially in financial terms. The investors return on their investments is closely tied to the public subsidies of these sort of projects such as transportation. Thus, firm's ability to make profits and check loans is directly impacted. It has been reported that the companies should know that risk involved in projects of BRI. These companies should take in to account other funding resources apart from the financial sources from China. This highlights the consideration that growth markets along the BRI route present a variable capability to pay back the required loans they require from China (PwC, 2017). Furthermore, the infrastructure development is allocated to Frontier Works Organization (FWO) (Ashraf, 2017). These projects mainly are the road network. However other projects are being given to other companies through formal, transparent and open process. The selection criteria and contract grants may be made more robust and clearer to avoid any financial issues.

There is another financial concern is related to the trade imbalance between the two countries, which currently is in the favor of China. For example, in 2016-17 exports to China from Pakistan were estimated to be 15% of the imports from China. Previous figures of imports in 2013-14 were \$2.69 billion which shrank to \$1.62 billion in 2016-17. Imports, although, hiked from \$4.73 in 2012-13 to \$10.53 in 2016-17. In 2012-23 exports of Pakistan's exports to China are estimated to be 45% of the Chinese imports. There are reports stating that Chinese products are substituting the locally made products and dominating the domestic market at large (Iqbal, 2017). Similarly, there are other financial concerns that CPEC might swap exports of Pakistan by Chinese goods in the external market. There have been raised questions against the increasing burden of external debts and ability of the Pakistani government to pay them back. In 2017, it was estimated that Pakistan would have to pay \$90 billion to China over a span of 30 years. Average for yearly repayment was calculated to be around \$3-4 billion post fiscal year of 2020 (Siddiqui, 2017). However, increase in the domestic production and export resulting from improved infrastructure is expected to add another \$8 billion per year which is sufficient to repay the debts.

Previous budgets of Pakistan have been under critical microscope and finance issues are being emphasized. For example, Pakistan Public sector development program (PSDP) for year

2020-21 allocated a budget of PKR 21B for projects in CPEC. The budget did not show a considerable amount allocation for the project which was once seen as a game-changer. This budget also lacked budget allocation for special economic zones except the major rail road schemes and other projects. Renowned economist Dr. Kaiser Bengali allegedly said that America and IMF are directing CPEC by appointing their people in key positions for decision-making. He also added that the CPEC is placed in cold storage, speaking in a seminar organized by Pakistan Institute of Labour Education and Research. He also added that due to loans from IMF and aids from west Pakistan is reluctant to talk about CPEC (Chaudhury, 2020).

Similar financial concerns have been shared by Mehdi that decline in growth rate of Pakistan which can be seen in the national budget as well as the impact it has on the lives of ordinary people. Coronavirus also played its part and affecting the social, political and economic systems of the world. Pakistan is hoping to economically grow due to CPEC agreement with China. CPEC is regarded as a solution to the declining economic growth of Pakistan, since its inception. Economists are continuously viewing the national budget in terms of which projects are being given more attention and which ones are not. He points out that most of the money is kept by the federal budget as it is treated as a federal subject. The province's budget has nothing to do with the CPEC at all. He added that this leads to the disappointment for the provinces, as the project was supposed to be for the well-being of the people of Pakistan. Leader of opposition in the National Assembly showed the disappointment over the budgetary issues. He believed more money should be allocated to the CPEC in the budget and hopes for it in the coming years (Mehdi, 2020).

4.7 Developments on CPEC

Despite all the efforts from the leadership, there exists some kind of debate on CPEC and reservation being raised by opposition. Senator Sherry Rehman of PPP escalated the issue of dissolving the planning ministry authority under the CPEC Chairman. She further said that if these rumors are not refuted that there needs to be different reasons for doing so. Upon her concerns she was assured that there is nothing as such and the systems are being rationalized for a rapid response and better performance, strategic planning and good governance between 16 ministries involved in coordination (INP, 2020). As far as the importance of the project is concerned the Senator was of view that CPEC should be completed with the agreed pace and the citizens should reap the benefits of agreed contract between the two states.

Due to the pandemic situation of COVID-19, construction industry has seen problems at its start but ease in restrictions by the world has also offered the construction to start again. CPEC and China are also moving forward by ease of restrictions on its construction industry. China has been able to leave behind the peak of the epidemic. CPEC has never been thought of as a doomed project but was stalled due to the outbreak. The directions are again being cleared and second phase of the project is starting and constructions are resumed. There is heavy industrialization being started to support Pakistan's declining sectors. As other countries of the world, Pakistan has also faced the consequences of the pandemic and its economy being a developing country has been negatively affected. Chairman, CPEC Authority in 2019, Asim Saleem Bajwa said that 2nd phase

of CPEC, in which energy sector is being developed, a stream of jobs is expected to emerge. Next phase is scheduled to lift Pakistan's industrial sectors of agriculture, health and technology. Digital technology can facilitate online learning platforms for the schools and universities. Pakistan is demanding to drive the progress of New International Gwadar Airport where there as an expectation of millions of travelers once a year. Tourism is an industry which can help Pakistan to come out of the economic issues.

Construction has been already started on this \$230M project since March, 2019. China Overseas Port Holding Company (COPHC) Chairman, Zhang Baozhong recently said that "NGIA to be completed within 3 years and set to be the second largest airport in Pakistan will connect the fast-rising Gwadar port city to the rest of world" (CPIC, 2020). Same source reported that, Pakistan and CPEC both require energy and its generation is vital. This is understood by both countries and another project of \$2.4 billion and 1,124-megawatt hydropower project is agreed upon at Kohala on Jhelum River. Pakistan's then PM attended the signing off ceremony and stated that this was the biggest ever foreign investment that came to Pakistan. He emphasized on the clean energy creation and its positive impacts on the environment. Adding further to his speech, PM added that the country was progressing nicely by using hydropower but when it started to import fuel, foreign reserves went high. It also made the local industry non-competitive. Creation of electricity with coal contributes to the climate damage and clean environment remains a priority for the government and it welcomes this project. There were key federal ministers, CPEC Authority Chairman, and Chinese Ambassador along with officials of China's Three Gorges Company for signing off the agreement. The project is expected to bring jobs and expected to be completed by year 2026 (Chung, 2020).

Special Economic Zones (SEZs) are a major point of concern for Pakistani people development as discussed earlier. There are 9 SEZs in total to be built in Pakistan (CPEC, 2020). These projects in different cities of Pakistan are in their early stages but one of the SEZs' projects in Faisalabad has been started in 2020. Project name is Allama Iqbal Industrial City and its description as per official website explains that its is the largest among the special economic zones in terms of its area that is 3217 acres. It has an advantage of being in close proximity to M3-Industrial city. This city includes textile, pharmaceuticals, information technology, automotive chemicals, etc. The land has been acquired since 2019 and the completion of the project was expected in 2022. It was suggested to boost the foreign direct investments (CPEC, 2020). The projects' groundbreaking ceremony was held on 2020. Hence, the issues concerning lesser priority to SEZs are also started to be addressed by China now. This seems to be a nice move to plan and execute all the projects in a timely manner to stop the criticism for the sake of criticism on CPEC.

Recent Federal Minister for Planning, Development and Special Initiatives, Ahsan Iqbal, on 26 March, 2024, chaired a meeting on the progress of Gwadar Power plant with Chinese company in which a strict timeline of 30 months for completion of the project was set. This power plant is supposed to 300MW coal power at Gwadar. On 25th April, 2024, another review meeting addressed the progress of CPEC joint working groups and 13th Joint Cooperation Committee (JCC) was held.

On 26th April, 2024, Ahsan Iqbal again addressed a meeting in which the top priority was the M-1 Railway Line to boost the industries by reducing the cost of transportation. More recently on 30th April, another meeting was held between the Chinese entrepreneurs and Pakistani business houses to understand opportunities and aim at the bilateral cooperation. This would result in much more economic growth opportunities for Pakistan (CPEC, 2024).

4.8 Conclusion and Suggestions

There were three research objectives of the article. First, the governance challenges faced in CPEC were explored and categorized using content analysis. There are several governance challenges since the inception of the project. Security, political, growth and development, religious and financial themes were identified and explained in the article. Second objective was to see the current state of affairs and record instances where Pakistan has been able to mitigate these challenges during 2013 till date. Examples were given to show the counter-measures and advancements related to the above-mentioned governance challenges. Third objective was to provide suggestions regarding the governance challenges for the policy makers. These suggestions are also provided.

There exists no doubt that CPEC is a difficult project speaking of its scope and the challenges attached but it is a blessing that all the hurdles in the project have been and are being catered on an ongoing basis. CPEC is a game-changer for the region and brings with it a brighter future for the country. Pakistan expects this to be an excellent project for socioeconomic uplift of the country. Pakistani leaders keep applauding the friendship of China for carrying out the project despite various bottlenecks and cleared their intentions for completing the project for reaping the benefits for the citizens of the country.

As far as the security of the Chinese personnel is concerned there have been strict measures taken to ensure their safety. Army, Police and other security agencies are keen to provide security for CPEC. There have been a couple of incidents in Pakistan regarding CPEC which is a much lesser number given the security threats and issues from inside and outside actors against CPEC. Recent inauguration of projects under CPEC is followed by deployment of Army troops in Pakistan for safety of the employees.

Political situation seems to be favorable for CPEC as far as military and government leadership is concerned. Other issues must be addressed inside the country under the law of the state and government should try to minimize friction with opposition using diplomatic tactics. If mishandled the government may face issues for its own stability which may lead to structural changes in government ranks. This could again sabotage the CPEC activities.

Development of people of Gwadar should be prioritized as they are the dwellers of the place that would be used for transactions of billions by CPEC beneficiaries. So, a little help regarding their issues would make a win-win situation for local fishermen and the government. These fishermen are not looking forward to a big deal and need to get their livelihood out of this place. They have been dwelling here for centuries and it seem very inappropriate not to give them

what belonged to them for long. In my opinion they should be the first ones to get the benefits from an international venture rather than being relocated and then left alone without basic amenities of life. They might be recruited for earning bread for their families and their demand list may be given due diligence by the government authorities. Fake promises and long-awaited results might not work and some kind of resistance may originate.

Authors' believe that maintaining a distance and not interfering in others matters should be the policy considering religious issues. Chinese should not interfere with Islamic ideology and Pakistanis should not bother about the atheism of Chinese. Drawing workable boundaries seems to be a prudent solution rather than making things difficult for both parties considering the long term plan and its implications discussed above in the relevant section. Cultural supremacy may not be a solution for any nation as it instigates more violent behaviors. Historically it has been proven that suppression backfires and better solutions are the ones which are properly negotiated and planned by good governance.

Finances should be made more transparent and there should be not corruption allowed from any side by the government. Different governments vowed to diminish the corruption in their tenures, however, various news and reports are indicative of the fact that there are certain anomalies found in certain projects. Therefore, whatever party is in power must take a firm stance for responsibility and accountability of the financial matters of all the sub-projects under the umbrella of CPEC.

5. Conclusion

The article identifies and categorizes the governance challenges and recent advancements in Pakistan Economic corridor (CPEC). China Pakistan Economic Corridor is an associated project of Belt and Road initiative by China. CPEC is a conglomeration of several projects including trade route for China through Gwadar seaport in Pakistan and sub-projects related to construction, energy and business, which contribute to the economic activity for both states. Existing literature on CPEC presents benefits for the two states, its impacts and viable plans and strategies for better execution of the project, however, the governance challenges are not summarized into themes for simple understanding to make policy decisions. Therefore, the article uses a qualitative and exploratory approach by performing a content analysis of news, articles and reports, using past ten years' data, to identify different themes related to governance challenges. It is found out that governance challenges related to security, politics, social development, religious and financial have been commonly reported and debated. The analysis also suggests that from the inception of the project, CPEC has been facing governance challenges related to these identified themes. Recent developments indicating success in resolving these governance challenges is also highlighted in the study. Lastly, the study gives a snapshot of the above-mentioned governance challenges and provides suggestions for the policy makers and governments.

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