

BAKU DIALOGUES

POLICY PERSPECTIVES ON THE SILK ROAD REGION

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The China-Pakistan Economic Corridor

Cementing Silk Road Dreams

Ali Haider Saleem and Arhama Siddiqa

The term Silk Road is used by scholars to describe a network of trading posts and markets linking East Asia to the Mediterranean. In terms of geographical context, the editors of *Baku Dialogues* define the region as the “geographic space looking west past Anatolia to the warm seas beyond; north across the Caspian towards the Great Plain and the Great Steppe; east to the peaks of the Altai and the arid sands of the Taklamakan; and south towards the Hindu Kush and the Indus valley, looping down around in the direction of the Persian Gulf and across the Fertile Crescent.” States falling under this parasol include China, Pakistan, Iran, Turkey, the five Central Asian republics, Azerbaijan, and Russia.

China’s Belt and Road Initiative (BRI), which traverses several

continents, is a long-term, strategic investment plan with the objective of facilitating economic integration of countries in line with the historic Silk Road. In April 2015, China’s President, Xi Jinping announced the China-Pakistan Economic Corridor (CPEC), which amounts to BRI’s flagship project. This enterprise, which encompasses road, rail, and oil pipeline links, will help Beijing advance its influence across South and Central Asia.

Over the past six years, CPEC has helped Pakistan in overcoming many obstacles in the way of the country’s economic and social progress. These obstacles include tackling the energy shortage, scanty infrastructure, and limited capacity to support social welfare programs. As China and Pakistan look to

strengthen their economic relationship, many issues are being addressed through joint efforts. Pakistan is keen to learn from China’s experience in eradicating poverty and developing an industrial base. At the same time, China has a keen interest in various sectors of Pakistan’s economy, which can benefit the peoples of both countries.

Presently, CPEC is transitioning into its next phase. The primary focus of the initial stage was energy and infrastructure development. Pakistan’s economy was stagnant due to critical deficiencies but Chinese investments in various projects have reinvigorated the economy. More than 12,000 MW of energy has been added while the country’s GDP reached \$314 billion in 2018, as compared to \$244 billion in 2014. Moreover, what have been called the “Early Harvest” projects created 30,000 jobs for locals. Also, the prolonged energy crisis has largely been overcome much to the relief of local industries. Finally, development work on roads and ports has increased market access and provided avenues for more people across the country to integrate in the economy. The success of these and other projects

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has paved the way for further cooperation between the two countries and there is a growing interest in China’s business community to explore opportunities in Pakistan.

Pakistan’s vibrant agriculture sector and proposed Special Economic Zones (SEZs) under CPEC are the main target areas for Chinese investments in the coming years. A number of initiatives have been undertaken to modernize Pakistan’s agriculture sector with the help of Chinese support. In January 2021, for example, an online platform was launched to facilitate both agricultural and industrial cooperation. In reference to this, Chairman of the Pakistan Agricultural Research Council Muhammad Azeem Khan stated that such “cooperation will not only improve crop production and ensure food security, but it will also be a fate changer for the people of Pakistan.” Moreover, the Government of Pakistan is determined to promote equitable and inclusive growth; hence, it is pushing for cooperation in areas beyond financial incentives. Speaking at the second Belt and Road Forum held in April 2019, Prime Minister Imran Khan revealed that the next phase of CPEC

would focus on socio-economic uplift, poverty alleviation, agricultural cooperation, and industrial development. The development of the first Special Economic Zone within the CPEC framework is now underway, promising to create millions of jobs and boost output. In March 2021, the Chinese embassy in Islamabad hosted the China-Pakistan Seed Industry Cooperation and Exchange Forum with the aim of strengthening collaboration in seed production between the two countries. Boosting Pakistan's seed production capacity will save millions of dollars on imports.

Standard modernization theory casts development as a uniform evolutionary route that all societies follow, from agricultural, rural, and traditional societies to post-industrial, urban, and modern forms. It looks at the internal factors of a country while assuming that with assistance, "traditional" countries can be brought to the level of developed countries. Another definition of modernization, authored by sociologist Piotr Sztompka, reads thusly: "a society advancing in an intentional, premed-

itated, [and] planned way towards a recognized model of modernity, usually to the standard of an existing society regarded as modern." This theory is applicable since Pakistan aims to follow China's path towards development and modernity.

The tilt towards socio-economic development under the framework of CPEC shows that basic human needs and standard of living cannot be ignored at the expense of industrial and infrastructural development. During the most recent election campaign, the current Pakistan government promised to promote inclusive growth and had identified CPEC as a prospective contributor towards achieving this goal. By examining the state of social and economic indicators of

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Pakistan, this essay will explain the reasons that led to the inclusion of such projects under CPEC. Moreover, the Chinese side has also expressed its willingness to help raise the standard of living in Pakistan, which makes China more than a foreign investor in the country. All this suggests a new avenue of cooperation between

the two countries, and this essay will also explore the incentives for China in supporting socio-economic progress in Pakistan.

In short, the aim of this essay is to evaluate the prospects of the socio-economic projects that fall within the scope of CPEC as well as the wider implications of CPEC on socio-economic development for Pakistan. It will also give an overview of how BRI, and CPEC, can fit in with the plans of countries that make up the South Caucasus, with a sharp focus on Azerbaijan.

The Silk Road, BRI, and CPEC

As mentioned above, the Silk Road is the historical link between China and the West. It has been carrying goods and ideas from one place to another for a millennia and more. Places that came in between also benefited from the exchanges, increasing both their relevance and prosperity. For many years China had been dubbed as a sleeping giant, as Western countries become stronger economically and militarily in the 20th century. In recent decades, however, China has regained its influence in the Silk Road region (and beyond) on the back of sustained economic and social progress. China's rapid

industrialization has turned it into the largest manufacturing country in the world and is now called in some circles the world's factory. As before, the Chinese leadership considers trade and regional integration a cornerstone for sustainable economic prosperity. This approach also reinforces Chinese principles of peaceful coexistence, which it maintains forms the basis of its foreign policy.

BRI was launched in 2013. By some accounts, this grand project flows in two trajectories: an overland economic belt, which comprise six development corridors, and a maritime route. China's President, Xi Jinping, launched BRI to revive the ancient silk route and enhance economic cooperation with the region. The overland corridors include—in Chinese terminology—the China Pakistan Economic Corridor (CPEC); the China, Mongolia, Russia Economic Corridor; the New Eurasia Land Bridge Economic Corridor (NELB); the China-Central and West Asia Economic Corridor (CCWAEC); the China-Indochina Peninsula Economic Corridor (CICPEC); and the Bangladesh-China-India-Myanmar Economic Corridor. Out of these six corridors, CPEC is the only bilateral corridor and is considered as the flagship project of the Belt and Road Initiative.

Again, referring to Chinese terminology, BRI consists of the Silk Road Economic Belt and the 21st-century Maritime Silk Road, which, taken together, will make it more expansive than the ancient Silk Road. It will also include countries in Southeast Asia and Latin America but China will prioritize westward expansion from Xinjiang. In this regard, China's National Development and Reform Commission (NDRC) has underlined plans to make "good use of Xinjiang's geographical advantages and its role as an important window of westward opening up, making it a key transportation, trade, logistics, culture, science, and education center and a core area on the Silk Road Economic Belt.

The axiomatic point that derives from the above is that the countries of Central Asia and the South Caucasus will inevitably be vital parts of BRI-associated projects.

Undoubtedly, CPEC is one of the most ambitious components of the Belt and Road Initiative—a fact that can be evidenced in how this multibillion-dollar project has been

named, time and again, a "game changer" for Pakistan. BRI connects China's western province of Xinjiang with Pakistan's flagship Gwadar port. The aim is to stimulate bilateral trade as well as enhance connectivity with the broader region through this route.

China has invested heavily in Pakistan's energy sector and infrastructure development, and is also supporting the country's industrialization and its socio-economic development through this flagship endeavor. The projects being undertaken in Pakistan under the framework of CPEC indicate clearly that the Chinese leadership is committed to advancing the socio-economic progress of its partner countries. Moreover, both Pakistan and China have invited other countries to be a part of CPEC in the pursuit of regional development.

According to analyst Andrew Korybko, "CPEC is the spinal cord of the emerging multipolar world order because it provides China with reliable non-

Malacca access to the Indian Ocean, which in turn connects China with the Mideast, European, and African marketplaces without

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having to worry about any possible trade disruptions through the Malacca Strait." He opines that northern, western, and southern branch corridors can be developed "off of the original CPEC core to strengthen integration with the nations of Central Asia, West Asia (Mideast), and Africa." This idea has also been taken up by various Pakistani academics and policymakers at bilateral and multilateral forums alike.

Since its inception, CPEC has been the subject of much international scrutiny relative to any other BRI project. This comes as no surprise, since if it is completed as envisioned, CPEC will have a substantial impact on China's global geopolitical and economic interests.

Socio-economic Progress in China

Socio-economic development stakes into account public concerns in executing social and economic policy initiatives. The aim of these initiatives is to bring about sustained improvement to the living conditions of a society as well as provide better economic opportunities. In the past few decades, China has managed to achieve many of its development targets and its society is continuously progressing materially.

The economic transformation that has taken place in China is nothing short of miraculous. In the early decades of the People's Republic, poverty was widespread and economic opportunities were limited. A large portion of the population suffered from hunger and lived without basic necessities for life. Before the economic reforms initiated by Deng Xiaoping in 1978, 250 million people rural inhabitants of China lived below the poverty line. Literacy levels were low and entire regions of the country posed a serious burden on the national economy.

With Deng's economic reforms, the situation began rapidly to change for the better. Hundreds of millions were lifted out of poverty due to modernization, industrialization, and opening up. China recorded impressive GDP growth over a number of years. From less than \$150 billion in 1978, China's GDP crossed \$13 trillion in 2019.

Chinese workers came to be provided with adequate facilities and knowledge, which turned them into productive members of society. The Human Development Index (HDI) assesses three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living. It increased from 0.423 in 1980 to

0.752, which places China in the high human development category.

Socio-economic Projects Under CPEC

CPEC's original focus was twofold: improving Pakistan's infrastructure and resolving its energy crisis. While these two areas are critical for any emerging economy, issues related to malnutrition, illiteracy, and unemployment cannot be ignored.

As a key generator of achieving prosperity in Pakistan, CPEC has enabled the government to commit further on improving the social wellbeing of the populace. Honoring this commitment is particularly important for the prime minister, who is well-known for his social work. The fame Imran Khan earned as cricketer helped him to successfully carry out his philanthropic and humanitarian campaigns since retiring from his playing career. He had been mainly involved in education and healthcare, and his efforts in these fields contributed to his political rise. During both the 2013 and 2018 election campaigns, Khan drew attention to Pakistan's deteriorating living conditions. He expressed particular concern about the issue of stunted growth, where poor

hygiene and poor nutritional intake prevents the mental and physical growth of children.

Understanding the preferences of Pakistan's government and its leaders, the Chinese have opened up possibilities for bilateral cooperation in areas of social development. As a result, in April 2019, a Memorandum of Understanding was signed between China and Pakistan with respect to promoting technological advancement in the agricultural sector, improving healthcare facilities, and providing quality education and vocational training. China's then ambassador to Pakistan, Yao Jing, stated that "by meeting the Pakistani people's needs, China-Pakistan cooperation will bring more tangible benefits to Pakistanis."

This sentiment was also expressed by the Chinese side during the 9th Joint Coordination Committee (JCC) held in Islamabad in November 2019. The Chinese delegation, led by NDRC Vice-Chairman Ning Jizhe, made it clear the socio-economic projects will be given high consideration under CPEC.

In an interview with CNBC in 2020, Prime Minister Khan said that "Pakistan is grateful to China, as it helped us in difficult times by

making investments. [...] We were at rock bottom when the Chinese [government] came and rescued us." Moreover, he has repeatedly praised the Chinese development model and recently said that "if we can learn from any one country in the world, it is China. Their development model suits Pakistan the best."

Overcoming Pakistan's Development Constraints

To fully appreciate CPEC's transformative opportunity for Pakistan, it is necessary to examine in some detail the state of Pakistan's development situation. We can begin with the World Bank's poverty headcount ratio—a useful indicator to assess the state of progress in a society. This ratio consists of the percentage of the population of a given country living below its national poverty line. Pakistan's poverty headcount ratio in 2015 was 24.3 percent whereas China's poverty headcount ratio was only 5.7 percent. In 2019, Pakistan's Voluntary National Review of the implementation of the UN 2030 Agenda for Sustainable Development high-

lighted the role of CPEC in both alleviating poverty and helping the country achieve its target. In this context, Sania Nishtar, Prime Minister Khan's Special Assistant on Poverty Alleviation and Social Protection said that "not only is CPEC a remarkable demonstration of our time-tested friendship, but it is also an ideal milieu for socio-economic development which will contribute to uplifting people and graduating them out of poverty."

The Human Capital Index (HCI) measures the amount of human capital that a child born today can expect to attain by age 18, given the risks of poor healthcare and poor education that prevail in the country in which he or she lives. Pakistan is positioned in the bottom quartile, with a score of 0.39, whereas China finds itself in the second quartile, with a score of 0.67.

Pakistan's score indicates that opportunities are still lacking for the majority of children in Pakistan. According to

Pakistan's most recent *Human Development Report*, inequality in education stands at 46.2 percent. This goes to show that any progress made in Pakistan has not been inclusive.

To fully appreciate CPEC's transformative opportunity for Pakistan, it is necessary to examine in some detail the state of Pakistan's development situation.

A number of reasons help explain Pakistan's lack of progress in the socio-economic development sphere. The country has faced political instability virtually from the moment it gained independence, in 1947. It has been observed that in countries where the chances of a government collapsing are higher, the achievement of robust economic growth is correspondingly lower. In an unstable political environment, investment diminishes and development activity slows down. The trickle-down effects are borne by the entire society. Without serious policy continuity, achieving the desired results of public development projects becomes almost impossible.

Pakistan is the sixth most populated country in the world. Its population density is even greater than that of China. Limited resources and poor governance have made things worse. Many people across the country do not enjoy a decent standard of living, with inequality and non-inclusive policies hampering the country's socio-economic progress. Almost two-thirds of Pakistanis lives in rural areas (63 percent), which are mostly deprived of public goods and basic necessities. Moreover, poor education enrolment rates and a low rate of female participation in the labor force also contribute to poor living standards.

The policies adopted by successive Pakistani governments to address these issues have, for the most part, not succeeded due to poor implementation plans and corruption. There is a strong relationship between good governance and poverty reduction. Poor governance has been a key reason for Pakistan's unsatisfactory social and economic development.

Moreover, huge chunks of public sector development funds are re-directed to members of assemblies as "discretionary funding," who then invest them on politically motivated projects and schemes in their respective constituencies. Unfortunately, they are not held accountable for the detrimental outcome of such projects and are often re-elected.

Transparency International's *Corruption Perceptions Index 2020* gave Pakistan a score of 31 out of 100. This score reveals the perceived levels of public sector corruption according to experts and business-people on a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean. Pakistan's score was lower than the average score of 43. It can be concluded that the Pakistani society usually does not benefit from state institutions as much as could be expected.

A path-breaking recent book by Ishrat Husain, a former Governor of the State Bank of Pakistan and Prime Minister Khan's Adviser on Institutional Reforms and Austerity, provides an explanation of how the country's elitist model operates and damages the economy. Entitled *Pakistan: The Economy of an Elitist State* (2019), the book argues that elite state capture and market capture has resulted in the "creation of a vicious cycle of inefficiency and inequitable distribution of wealth." In *Why Nations Fail* (2012), Daron Acemoglu and James Robinson discuss how nations fall when the public institutions operate to serve the interests of the elite. According to them, extractive economic institutions and self-serving representatives impede economic growth and unleash poverty.

Cultural and religious issues have also kept the country from developing. The female literacy rate is much lower than male one. Similarly, a much fewer number of women are active in the workforce as compared to men. According to Sher Verick of the International Labor Organization, "female labor supply is both a driver and an outcome of development. Women's supply of labor increases household incomes, which helps families escape poverty and increase their consumption of goods

and services. At the same time, as countries develop, women's capabilities typically improve, while social constraints weaken, enabling women to engage in work outside the home." *However, the Global Gender Gap Index Report 2021*, published by the World Economic Forum, ranked Pakistan 153 out of 156 countries in terms of gender parity.

Illiteracy not only affects an individual's destiny; it also has an impact on society. High levels of illiteracy also hamper the functioning of democratic institutions, as it reduces the likelihood that voters can inform themselves properly about the issues at stake. It also limits their participation in various decisionmaking processes and increases the likelihood of their concerns being marginalized and even neglected.

External factors have also posed impediments to Pakistan's economic and social progress. Pakistan's relations with its neighbors, except for China, have not been smooth. It has gone to war with India on three occasions and has been involved in the war on terror for close to two decades. The state's security and defense engagements have been prioritized over the general wellbeing of the public.

Pakistan's reliance on aid and loans from Western institutions has also played its part. The conditions attached to their programs force the government to cut spending on development projects. The development projects they sponsor have made only a limited contribution towards social and economic advancement in Pakistan.

On the other hand, Pakistan-China economic cooperation in general and CPEC in particular focuses on key areas for Pakistan's development. Islamabad and Beijing have both demonstrated a strong commitment towards the timely completion of all agreed projects. The people of Pakistan have benefitted from the construction of energy projects and highways. Unlike the Western model, there is confidence at both the policymaking and popular level that the Chinese model will be able to help Pakistan achieve its development targets. With fewer conditions, Pakistan can bank on Chinese investment to attain its true economic potential.

In line with modernization theory, Pakistan has been able to achieve considerable economic and social progress thanks to Chinese assistance. Moreover, the leadership in Pakistan is keen to

emulate the success of Beijing in eradicating poverty. The inclusion of a socio-economic component within the framework of CPEC is also going to boost the progress of Pakistani society.

Action Against Climate Change

According to Germanwatch's 2020 *Global Climate Risk Index* report, Pakistan lost 9,989 lives, suffered economic losses worth \$3.8 billion, and witnessed 152 extreme weather events from 1999 to 2018. The same report also raised the alarm that Pakistan's vulnerability to climate change is increasing. Experts such as Boston University's Adil Najam concur, pointing the finger both at a legacy of negligence and lack of action.

The construction work and expansion of industrial activities under CPEC will further stress the environment. Given that the leadership of both countries strongly committed to fighting climate change, measures are now being taken to reduce the harmful effects on the environment of CPEC-related activities. Both sides are also working on sustainable projects, like building renewable energy plants and promoting greener agricultural practices in

Pakistan. Public transport infrastructure is also being expanded under CPEC, which will reduce pollution caused by vehicles.

During a December 2020 meeting held between Special Assistant to the Prime Minister on Climate Change Malik Amin Aslam and China's current ambassador to Pakistan, Nong Rong, it was agreed that efforts will be made to turn CPEC into a model green belt initiative. The senior Chinese diplomat stated that there is a huge scope and opportunities of working jointly to promote a common green vision for enhanced environmental sustainability and climate resilience against the adverse impacts of the climate change.

Growing cooperation between the two countries within the CPEC framework has also led to increasing collaboration between Pakistani and Chinese academic institutes as they look to address challenges faced by the society. To that end, the China-Pakistan Joint Research Centre on Earth Sciences has also been launched by the Chinese Academy of Sciences in collaboration with the Higher Education Commission of Pakistan. It has brought together Chinese and Pakistani scholars to conduct research on ecology, climate change, and sustainable development in Pakistan. It is also providing ca-

capacity-building opportunities for Pakistani scientists.

Lastly, the development of vocational training centers and technology transfers will also help Pakistani society to shift towards modern and eco-friendly economic practices.

Chinese Commitments

The Chinese do not ignore the fact that socio-economic conditions of Pakistan require serious attention. They have made firm commitments to provide support to the Pakistani government. The second phase of CPEC incorporates the government's agenda for inclusive and sustainable development, as discussed above. China has also supported Pakistan in combatting the COVID-19 pandemic by sending out medical teams and relevant equipment. In addition, China has sent millions of vaccine doses for free, which has helped Pakistan significantly in keeping the outbreak under control. Moreover, progress on CPEC projects did not slow down noticeably due to the pandemic.

In June 2019, it was announced that China would provide a \$1 billion grant for the socio-economic uplift of Pakistan. The funds are being allocated to the key sectors identified by

the Pakistani government. Projects include scholarships for Pakistani students to study in Chinese universities, the construction of a desalination plant in Gwadar, the establishment of hospital in Gwadar, solar powered lighting equipment for households in Baluchistan, and the upgrading of vocational training institutes. China will also assist Pakistan in modernizing its agricultural sector.

Chinese agricultural experts have visited the country since then and composed a short-list of projects in Pakistan after holding discussion with local experts. Chinese companies have also expressed interest in relocating to Pakistan and hiring Pakistani workers. Thousands

of Pakistani students have already availed themselves scholarships offered by the Chinese government, while many others have undergone specialized training in China in various fields and returned back to Pakistan to work on CPEC-related projects.

China realizes that the success of CPEC will ultimately pave the way for the successful implementation of the Belt and Road Initiative. By actively supporting

socio-economic projects in Pakistan, China aims to contribute concretely to the country's social and political stability. The Chinese have witnessed for themselves the importance of a stable political environment in ensuring economic prosperity and have demonstrated a welcome seriousness in passing on their experience to colleagues in Pakistan.

Pakistan also has a large youth population and accommodating the millions of new entrants into the labor force each year poses a huge challenge. The country's current economic growth rate is not sufficient to absorb this youth bulge. Everyone knows by now that

unemployment is a major driver of social and political instability. Such an environment becomes vulnerable to rival external forces.

The most underdeveloped province in Pakistan is Baluchistan. For a number of reasons, it probably has the most critical role to play in ensuring the success of CPEC. This flagship BRI project has given the government and people of Baluchistan a much-needed chance to turn things around for the better.

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At the same time, whoever seeks to disrupt CPEC's progress has set their sights on the province. The 2016 capture of Indian spy Kulbhushan Jadhav by the Pakistani authorities and the contents of his confession statement is a case in point. India has persistently raised objections against CPEC and is using all the considerable means at its disposal to halt its progress. India not only wants to instigate instability in Pakistan, but New Delhi is doing all it can to place obstacles in the way of China's expansion in the region and beyond.

Given the scale of both the geo-economic and geopolitical implications of BRI, regional and global powers have become alarmed. Countries such as the United States, Japan, and India have not endorsed Beijing's plans. They are fearful of Chinese expansion at their expense. Some of the suspicions regarding the viability of CPEC have been propagated by these countries.

China believes that there is a planned and sponsored propaganda against BRI and therefore continuously makes efforts to address concerns. Since CPEC is regarded as the flagship project of BRI, the outcome of Chinese investments in Pakistan will go a long way in determining the fate of the

BRI initiative. CPEC's success will pave way for more countries to fully endorse BRI and reject the negative claims of rival actors in the region.

To avoid foreign intervention, it is essential to engage the younger generations and provide them with adequate economic opportunities. Both China and Pakistan are working diligently to create jobs for locals people and address any doubts regarding the inclusivity of various CPEC projects. This will lead to peace and social stability in Pakistan, which also serves the interests of China.

With the United States and its allies aggressively executing their Indo-Pacific strategy to curtail China, Beijing has to maneuver its economic and diplomatic efforts tactfully. Pakistan's geographical location and its deep-rooted ties with China make it a critical theater in which Beijing is able to play its cards properly.

When an American official voiced her criticism of CPEC's financing mechanism as well as expressed concern regarding its harmful impact on the people of Pakistan, the Chinese were quick to refute her claims. They also made it clear that they will never put Pakistan under any financial stress. So far, they have kept their word.

Beijing is aware that Pakistani society is vulnerable to foreign intervention, which can turn into a security threat that could negatively affect not just their projects but the entire region as well. By focusing on the social and economic development of Pakistan, China can help avert security-related challenges. By establishing peace in Pakistan, China can extend its win-win strategy into the wider region more smoothly.

Azerbaijan and BRI

This is a good place to discuss Azerbaijan's place in the Belt and Road Initiative as well as briefly touch upon its bilateral relationship with both China and Pakistan. In the Fall 2020 edition of Baku Dialogues, Director-General of the Port of Baku Taleh Ziyadov wrote about Azerbaijan's unique connectivity potential: "The country's strategic location at the crossroads of major Eurasian land and air transport corridors is entrenching its status as a vital Silk Road region trade and logistics hub."

Both China and Azerbaijan regard BRI as a great development opportunity. As Tsinghua University's Yu Hongjun has written in these pages (also in the Fall 2020 edition, as it happens), Azerbaijan

is viewed as an integral part of the China-Central Asia-West Asia Economic Corridor (CCWAEC)—principally the Trans-Caucasus Transit Corridor (TCTC), which links China to Turkey and Europe. In the past few years, Azerbaijan has made several investments along the TCTC. Included in these is the new Port of Baku and upgrades to the Baku-Tbilisi-Kars railway.

Trade between China and Azerbaijan has also significantly increased in the past few years. The latter accounts for nearly \$1 billion of China's FDI. At present, the two countries cooperate in a number of projects in the petrochemical industry and are moving towards collaborating in avenues of transportation, communication, and tourism. China and Azerbaijan have also participated in several high-level forums related to BRI and have also signed various agreements in this regard. For Azerbaijan, taking full advantage of all that BRI has to offer is a high priority.

Similarly, China also views Azerbaijan as an important BRI partner. Following Azerbaijan's participation in the second Belt and Road Forum for International Cooperation in 2019, the two sides signed ten agreements related to energy, worth a total of \$821 million,

as well as a number of non-oil investment projects. These included a Strategic Partnership Agreement between the Azerbaijan Railways Company and the Chinese Continental Bridge International Logistics Company as well as a Strategic Memorandum of Cooperation on ICT infrastructure development between AzerTelecom and China Telecom. At present, Baku and Beijing are in the midst of negotiations on a bilateral preferential trade agreement.

Participation in BRI will help in boosting Azerbaijan's trade, drawing in foreign investment and amassing aggregate income. A recent World Bank study shows that in the long run, BRI could increase Azerbaijan's GDP by up to 21 percent. However, for such positive effects, it is important for complementary policies to be put in place so as to support the gamut of investment projects on offer. Right institutional reforms and policies will not only help deepen regional integration but also accelerate and substantiate the benefits arising from BRI.

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Bilateral Relations & Regional Integration

Pakistan-Azerbaijan ties are based on a mutuality of respect and trust, bounded by the profession of a common faith. Pakistan was amongst the first countries to recognize the independence of Azerbaijan and played an instrumental role at the UN Security Council with respect to the adoption of four resolutions pertaining to the Karabakh issue. Pakistan's support for Azerbaijan in the liberation of Karabakh was second only to Turkey—something that has also contributed to raising the bilateral relationship to a new level.

Another thing that brings both countries together is their desire for development and progress. CPEC can be a common development fulcrum for both countries since it represents in many ways an ideal integration platform. CPEC can turn Pakistan into a global pivot state. Similarly, Azerbaijan's cornerstone dedication to promoting and

deepening cooperation in the Silk Road region—both within the context of BRI and more broadly, including its formal support for establishing a 3+3 platform that would include all its neighboring countries—makes it an increasingly attractive hub for BRI projects. The expansion of BRI routes will invariably bring enormous socio-economic benefits in the region

During the January 2021 trilateral meeting between the foreign ministers of Pakistan, Azerbaijan, and Turkey in Islamabad, the feasibility of connecting the countries via CPEC’s westward expansion was discussed in detail. Another topic of discussion was Azerbaijan’s victory in the Second Karabakh War, which opens the way for the establishment of the Zengazur transportation corridor relinking mainland Azerbaijan with its Nakhchivan exclave. This project, which is an integral part of the trilateral agreement that ended the war, would strengthen both the foundations and the geoeconomic logic of the China-Central Asia-West Asia Economic Corridor

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(CCWAEC)—one of BRI’s six designated development corridors.

The main goal for both Pakistan and Azerbaijan should be to build upon this strategic partnership. Investors in Azerbaijan should explore opportunities of joint ventures within the Special Economic Zones (SEZs) that are being set up under CPEC, as this would help bolster bilateral business cooperation and accelerate economic development in both Pakistan and Azerbaijan.

Looking Ahead

The Chinese investments pouring into Pakistan under the CPEC framework have offered the country a lifeline. Prior to the April 2015 agreement, foreign countries were reluctant to undertake any largescale projects in Pakistan. Pakistan faced political instability and a destructive war on terror. Apart from foreign investment drying up in the country, the local economy was in a downturn. Many businesses were shutting down or relocating to other parts

of Asia. The energy crisis further intensified the stressful position of the economy.

CPEC did not go down well with some countries, as it had the potential to uplift the economic and social conditions in Pakistan. A struggling country becomes more vulnerable to foreign interventions and can be easily exploited to carry out the vested interests of external players. Although China and Pakistan have enjoyed strong military and diplomatic relations, economic cooperation was very restricted prior to CPEC. The multi-sector development work being undertaken under CPEC has certainly given Pakistan a greater sense of economic security. It is up to Pakistan’s leaders to get the most out of this alternate source of development assistance. So far it looks like things are moving in the right direction.

CPEC projects must not be initiated in isolation; rather, they should meet the requirements of the overall development strategy. The economic and social objectives of the government, as underlined by the Planning Commission of Pakistan, are to promote the

welfare of the people, raise the standard of living of the common man, prevent the concentration of wealth and means of production in a few hands, and secure social justice and equal opportunity for all.

The CPEC projects have the potential to deliver all those objectives. However, careful planning and implementation is necessary to minimize risks and maximize benefits. CPEC has kick-started a number of projects simultaneously, which makes planning and management quite strenuous. As Aristotle noted millennia ago, “well begun is half done.” Accurate planning, implementation, and sustainability should be emphasized over the pace of project completion. It must also be ensured that projects are primarily initiated to facilitate public rather than political interests.

Employment generation will be the key determinant of the success of CPEC. At present, the economy is not growing at a rate that can absorb the labor force. In the coming years, it will continue to be a daunting challenge for policymakers. The non-socio-economic projects of CPEC also have a vital

CPEC did not go down well with some countries, as it had the potential to uplift the economic and social conditions in Pakistan.

contribution to make. They have the capacity to provide jobs to millions of workers in Pakistan. There are high hopes that in the near future, the economy will pick up its pace on the back of CPEC, which in turn will generate even more economic opportunities. If CPEC falls short of this promise, then there could be dire social and economic consequences.

Youth unemployment is a recipe for social and political instability. The educational and training programs under CPEC must be extended. In Pakistan, there are limited linkages between industry and academia. University graduates do not acquire the necessary skills during the course of their studies to meet the demands of the job market. This gap needs to be filled through collaborations at various levels. A more able and skillful workforce can attract more foreign investment in the future.

Islamabad's policymakers should realize that the model adopted by China has to be adjusted to make it work for Pakistan. Undoubtedly, Pakistan can learn a great deal from Chinese expertise and benefit from their support, but a sustained increase in

Pakistan's standard of living can only be ensured if a well-designed, long-term development policy catering to public concerns and changing circumstances is put into practice.

The economy is burdened with external payment obligations due to the mismanagement of resources. The cycle of looking for aid each time there is a financial crisis needs to be broken. What Pakistan should learn from China is how to optimally mobilize domestic resources and provide for a robust governance system.

Challenges like climate change and COVID-19 require a collective approach. China has taken considerable steps to counter them and is in a position to support other countries. China has always supported Pakistan during testing times and Pakistan should continue to work closely with China to address these challenges.

The bottom line is simple: the smooth implementation of CPEC can lead to further possibilities of economic growth and prosperity in the Silk Road Region, benefiting not only China, obviously, and Pakistan but also Azerbaijan and a whole host of other countries. **BD**



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