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A critical review of China's approach to aid:

Case Study: China-Pakistan economic corridor (CPEC)

Research Question: *Has the China-Pakistan economic corridor (CPEC) helped to facilitate economic development in Pakistan between 2013-2018?*



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Abstract

The rising prominence of Chinese aid has aroused both enthusiasm and worry amongst those concerned with economic development. Some believe that China's approach to aid offers developing countries a better alternative than traditional methods of aid, that have arguably failed to stimulate economic development amongst emerging economies. Others believe that China threatens the international aid architecture, and its engagements in the developing world represent a "neo-colonial" relationship with recipient countries. Yet, despite these contesting debates, very little empirical research tests China's effectiveness in stimulating economic development in developing economies, specifically their engagements in South Asia. This research hopes to use the China-Pakistan economic corridor as a case-study to analyse China's engagements in Pakistan, a topic not currently discussed in mainstream international relations. Using Ezeala-Harrison's theory of economic definition to test China's developmental efforts in Pakistan, the findings of this study critique China's aid patterns in developing countries, and hope to reveal the deeper underlying motivations behind China's investments in Pakistan, and in extension, their engagements with the developing world.

Key Words: Economic development, Chinese aid patterns, CPEC, Sino-Pakistan relations, development assistance, foreign aid

1.0 Introduction

In international relations, foreign aid, also referred to some as development assistance, is known to be one the most common tools used by national governments to achieve foreign policy goals, especially during the ending of the Second World War and the start of the decolonization movement (Lengauer 2011, p. 35). The approach to aid can attain many forms- mostly it comprises of direct transfers of money, goods or even services from one country to another country. However, in the last decades, the world has seen the rise of new approaches to aid, with the primary goal of improving the recipient countries infrastructure in the hope to stimulate economic development. Considering this new approach, what has contributed to this shift in patterns of aid giving?

Over the last decades, the economic power shift occurring across the globe has shaken the world of development assistance (Lengauer 2011, p. 35). As the world slowly transitioned towards a multi polar world, were countries like India, China, UAE, Brazil, South Korea, and Saudi Arabia are all regional economic super-powers, we are seeing the sharp rise of emerging aid-donors who are looking to change the rules of aid giving that were earlier set by the western world (Lengauer 2011, p. 35). Since none of these emerging powers belong to the OECD, (The Organization of Economic Cooperation and Development), which largely comprises of economically developed countries from the western world, they can increase the volume of their aid on terms and conditions of their choosing. Considering this, The People's Republic of China seems to be the most prominent in the group of emerging aid donors.

China's new, and emerging approach to aid has caused the international community to feel threatened. This stems from the belief that China's approach to aid is an instrument for exploiting the recipient country, a thought expressed by critics of China's approach to aid, such as Naim, Pehnelt and Moyo. In this light, western donors are fearing Chinese foreign policy towards aid, that is gaining more traction as more developing countries choose to rely on Chinese aid as opposed to more traditional forms of aid giving (Lengauer 2011, p. 37). Moreover, as China grows economically, so does its structural power,¹ thereby allowing Beijing to spread its ideas of aid giving and developmentalism to emerging economies.

¹ The power to shape and determine the global political economy is known as structural power
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Considering this, China has led the world into a new era of developmental assistance, arguably replacing the west as a role model for economic development for many developing and emerging nations.

The rise of China's approach to aid has meant that there are currently two mainstream contrasting methods towards aid policy to the developing world. In an article written by Regilme and Hartman that looks at the differences between American and Chinese approaches to aid, one can clearly distinguish between the two. According to the article, western assistance to developing countries is generally conditional on the recipient state having policies based on economic liberalisation and good governance, which are essentially reflecting the American core idea that the global spread of democracy is the most valuable protection of national security (Regilme & Hartman 2018). In contrast, the Chinese approach to aid eschews western conditionality and prioritises trade, finance, and infrastructure building in its development projects and engagements (Wang, Ozanne & Hao 2014, p. 47).

Although China's approach to aid is gaining significance, research on China's foreign aid has failed to go deeper into analysing exactly how effective China's pattern of aid giving is. Existing research primarily focuses on China's increasing engagements with Africa, however neglects China's involvement in other parts of the world, such as Latin America, East and Central Asia, and especially China's growing presence in South Asia. Considering this, it is important to provide research on China's relationship with other areas of the developing world, in order that academics can truly understand the effectiveness of China's approach to aid in facilitating economic development amongst emerging economies. It is in this light, that this dissertation wishes to use the China-Pakistan Economic Corridor (CPEC) as a case study to analyse the effectiveness of the Chinese state in facilitating economic development in the developing world, which in this context would be the Pakistani political-economy. A successful analysis of China's engagement with this economic corridor can allow us to make some unique conclusions regarding the effectiveness of China's approach to aid, and whether this is viable alternative from western aid. In consideration of this, this thesis hopes to contribute to the existing international relations literature that is failing to scrutinize China's developmental efforts in Pakistan.

The China-Pakistan economic corridor, a flagship project of China's Belt and Road Initiative, is a collection of infrastructure projects currently under construction throughout

Pakistan. CPEC, announced in 2013, and operational by 2015, intends to rapidly modernize and develop the Pakistani economy through the construction of modern transportation networks, energy projects and special economic zones (Abid & Ashfaq 2015, p. 145). Initially, the Chinese government committed \$46 billion dollars to Pakistan, however as of 2017, the official figure had crossed \$62 billion.

Ever since its official announcement in 2013, political observers, foreign ministers and scholars have praised its potential for stimulating economic development in Pakistan. Several media articles published in China and Pakistan have branded CPEC as a “transformative developmental cooperation” that seeks to revitalize and intensify the Sino-Pakistan nexus. Furthermore, Pakistani scholars such as Abid and Ashfaq, in their article: ‘*CPEC: Challenges and opportunities for Pakistan*’ highlight some of the economic opportunities that can come occur due to CPEC. While Pakistan can link China to the rest of the world, CPEC can help to improve the existing links and bilateral trade that is happening between the two countries, ultimately stimulating economic development through trade in Pakistan (Abid & Ashfaq 2015, p. 146). Abid and Ashfaq go on to argue that CPEC would help to revitalize the commercial links between the two countries, helping to improve job creation, labour participation, GDP, and other socio-economic indicators within the country. Considering this potential, for scholars like Abid and Ashfaq, as well as Wang and Ozanne that are also mentioned in the literature review, China’s approach to aid in Pakistan represents a new model of Sino-Pakistan cooperation against the backdrop of a changing, complex, and multidimensional international setting (Abid & Ashfaq 2015, p. 146).

Despite several scholars supporting China’s efforts in Pakistan, this research seeks to challenge this positive perception, and in turn, support the claims of scholars such as Naim, Pehnelt and Moyo who are suspicious of China’s aid patterns. In doing so, this study aspires to make some conclusions towards the following research question:

Research Question: Has the China-Pakistan economic corridor (CPEC) helped to facilitate economic development in Pakistan between 2013-2018?

In answering the above research question, this thesis will bring forward certain arguments. Firstly, this dissertation argues that CPEC has failed to stimulate economic

development in Pakistan. This is because CPEC's primary goal is to facilitate the political and economic interests of China as opposed to stimulating economic development in Pakistan. Although this dissertation acknowledges that economic growth is occurring in Pakistan, economic development, is not. The statistics and data of three socio-economic indicators, namely: (1) Gross-Domestic Product (GDP), (2) Job creation, and (3) Improvement in infrastructure, illustrate how economic development is not occurring in Pakistan, despite the creation of CPEC. Secondly, apart from Chinese interests with CPEC, the political opposition and the security concerns in Pakistan prevent economic development from occurring. These security concerns arise from Pakistan's souring relationship with its neighbours, and the violence expressed by separatist movements occurring throughout the country. Finally, through CPEC, this study will highlight how China's approach to aid is not a suitable alternative from the western approach in facilitating economic development.

To examine China's approach to aid in Pakistan through CPEC, this thesis will assume Ezeala-Harrison's definition of economic development in its theory and methods section of this study. The reason for choosing this definition above other theories of economic development is because unlike other, more simplified definitions of economic development, the criteria approach used to distinguish underdeveloped and developed economies provides a more nuanced approach to our understanding of economic development. This is primarily because Harrison's definition goes beyond GDP and statistics to measure economic development, by giving importance to other qualitative socio-economic indicators. Harrison also states that the socio-economic indicators used to measure economic development would change depending on the context, which other studies do not stress upon. Considering this, this dissertation chooses to use: (1) GDP, (2) Job creation, and (3) Improvement in infrastructure as the indicators to conclude that economic development is not happening in Pakistan. These indicators are the focal point of the study because CPEC aims at boosting the economic growth of Pakistan, creating jobs for the Pakistani people, and improving the energy, road, and rail infrastructure to help create a healthy economic environment. Since the corridor is specifically targeting these areas, it is only logical to measure the changes in these specific indicators over time as a form of measurement.

To answer the above research question, and to assess the changes in these listed socio-economic indicators, this dissertation will use a variety of academic sources and

statistical data. These sources include academic and media articles from Pakistani, Chinese and western scholars, and political observers. The statistical data is collected from the World Bank, as well as from Pakistani and Chinese national databases that provide economic data on CPEC. By comparing the data over the years, this research will prove how the figures and qualitative data reflect the argument that no economic development is taking place in Pakistan.

Finally, examinations of the rise of China in mainstream literature is overwhelmingly within the context of China's relationship with the US through their 'trade war.' Alternatively, this research aims to highlight how China's involvement in South Asia, specifically Pakistan, which is a relationship not directly addressed and empirically examined in mainstream international relations literature. Although the Chinese 'Belt and Road Initiative (BRI)' has been assessed by academics, not enough scholars are making links between China's relationship with its regional partners, how these partnerships are the forefront of China's rise, and the relevance of these partnerships towards China's exponential ascension in the international system. Although China's relationship with Africa is a hot topic in international relations, to contribute to the understanding of China's rise, and to comprehend the effectiveness of Chinese backed infrastructural projects in stimulating economic development in emerging economies, this thesis seeks to explore China's relationship with Pakistan and challenge some perceived debates regarding the significance of this "emerging nexus," essentially highlighting the ineffectiveness of China's approach to aid in facilitating economic development in Pakistan.

2.0 Theory & Methods

2.1 Theory

This study seeks to use Ezeala-Harrison's theory of economic development to assess the effectiveness of the China-Pakistan economic corridor. Considering this, what is the need of having a concrete theoretical model on economic development? As Jacobs explains, the economy is a complex entity, and we need theory to allow the observer to analyse specific components of the economy, and its activity (Jacobs, Kalai, Kemien, Schwartz 1998, p. 63). In this light, economic theory is essential to isolate some limited aspects of a situation and focus

on them to the exclusion of all others (Jacobs, Kalai, Kemien, Schwartz 1998, p. 63). Since this research wishes to specifically examine economic development occurring in Pakistan through CPEC, Ezeala-Harrison's perception of economic development is the main theoretical model employed to understand and measure economic development in this research as it emphasises the need for selecting specific indicators. Before this dissertation gives the reasons for why it has centralised this theory specifically, and its indicators, it is imperative to position Harrison against a brief overview on what other scholars have said about economic development.

A brief history of Economic Development

The world first started to give importance to economic development in the post-war period, during the reconstruction of Europe by the United States. However, Robbins book called: "*Theory of Economic Development in the History of Economic Thought*," centralises Adam Smith's: *Wealth of Nations*, and the works of noted physiocrats of that era as the first scholars to look at economic development (Robbins 1968, p. 7). According to Robbins, physiocratic literature such as the works of Quesnay, saw the French economy burdened with a load of bureaucratic regulations that were hampering the productivity of the French economy, and their analysis suggested that a removal of these regulations will cause improved productivity and generate greater development (Robbins 1968, p. 7). Although Robbins goes on the critique Quesnay's study for its weak methods, from the historical context, this was the first period of history that saw the rise of literature regarding economic development theory.

The world has changed since the era of Adam Smith and French physiocrats, and so has our view of economic development. Contemporary writers such as Giugale, say that economic development, at its most basic level, is the process through which a community creates material wealth, and then uses that wealth to improve the well-being of its members (Giugale 2014, p. 1). While Giugale talks about well-being through an economic perspective, older writers such as Arndt talk about well-being from a philosophical perspective, and man's control and freedom over his environment (Arndt 1989, p. 3). In contrast, while some academics choose to clearly state a definition of what they believe theorizes economic development, Backhaus believes that it is important to focus on specific components of

economic development to assess if development is taking place (Backhaus 2002, p. 96). In this light, the definition of economic development could constitute a wide variety of components, and its definition is dependent upon the specific developmental area one is assessing (Backhaus 2002, p. 96). For example, Garrett, in his book: *“Encyclopaedia of transportation: Social Science and Policy,”* specifically addresses the benefits of how innovating the transport industry by helping to reduce their dependency on fossil fuels can help to facilitate economic development (Garrett 2014).

The difference between economic growth and development is an important distinction made by the father of development economics, Amartya Sen (Sen 1984, p. 748). This point is also stressed by noted academics such as Feldman, that extends Sen’s claims and distinguish economic growth as something easily quantified and measured, while economic development is more qualitative (Feldman, Hadjimichael, Lanahan & Kemeny 2016, p. 6).

Ezeala-Harrison’s perception of economic development:

Building on the works of Sen and Feldman, Ezeala-Harrison, in his article: *“Economic development: Theory and policy applications,”* defines economic development as a process through which a region achieves economic growth in addition a structural transformation of its economy (Ezeala-Harrison 1996, p. 10). Ezeala-Harrison then goes on to describe economic development as a process that refers to a series of interconnected, linked economic actions that affect each other towards a final state or developmental goal (Ezeala-Harrison 1996, p. 11). For the process of economic development to be successful and complete, Harrison iterates that there must be no interruption in the chain of events. Considering this theory, in the context of CPEC, the chain of events would be the infrastructural projects happening in Pakistan, and for successful development to take place, the project must continue to gather support by both Chinese and Pakistani governments.

In his article, before Harrison continues to address his methodology for assessing economic development, he characterizes under developed countries in the following way:

1. Underdevelopment is consistent with low GDP levels. Typically, countries with low levels of economic development have a quarter of the US's GDP. (Ezeala-Harrison 1996, p. 13).
2. The economy of an underdeveloped countries tends to be agrarian, and most of the GDP comes from the agrarian sector (Ezeala-Harrison 1996, p. 13).
3. An underdeveloped economy tends to have a population growth that exceeds its GDP (Ezeala-Harrison 1996, p. 13).
4. Foreign trade dependence is a feature of underdeveloped economies (Ezeala-Harrison 1996, p. 13).
5. Underdeveloped countries have lower levels of per-capita income, and suffer high poverty levels (Ezeala-Harrison 1996, p. 13).
6. The most general characteristics of underdeveloped economies is economic dualism. In this light, both modern and traditional economies are existing simultaneously, and it usually the traditional economy (seen through unskilled labour and agrarian based), that has more influence than the modern, industrialised economy (Ezeala-Harrison 1996, p. 14).

According to the above criteria, Pakistan shares some characteristics of an underdeveloped economy, even after the influence of CPEC. The empirical analysis of this study will use statistical and qualitative data to accentuate this claim.

For the purpose of measurement, Harrison choses to define economic development as the process through which, over time, sustained increases occur in the nation's per capital real income (output), accompanied by significant structural changes that allow for elevated income distribution and large increases in individual economic well-being (Ezeala-Harrison 1996, p. 14). Harrison continues to stress that economic development must be associated with the general masses of the country's population benefiting from the changes, as opposed to just a small segment of society (Ezeala-Harrison 1996, p. 14). Lastly, Harrison points out that these structural changes can be viewed from a variety of different components, and to measure economic development, outlining the parameters is essential, and would differ depending on the context (Ezeala-Harrison 1996, p. 14).

This study chooses Harrison's theory of economic development above others, because it goes a step further in (1) outlining characteristics of what constitutes development and underdevelopment, and (2) States a sound methodology to measure and observe economic development, emphasizing that the indicator used to measure economic development would change depending on the case study. In addition, a review of the literature suggests that while different scholars emphasize specific characteristics about economic development, they all prioritized GDP or other individual indicators as the basis for their understanding of economic development. Considering this, Harrison's definition of economic development clearly articulates both the qualitative and quantitative aspects of economic development, and thus takes a more inclusive and deeper understanding of the theory than other scholars' perspectives on economic development, that give importance to one over the other. This is the main reasons for centralizing Ezeala-Harrison's theory of economic development for this research.

The empirical analysis of this research will seek to use Harrison's theory of economic development to prove how no economic development is taking place in Pakistan considering CPEC. In addition, in accordance with Harrison's theory, this study will take GDP, job creation, and improvement in infrastructure as the three contextual economic development indicators used to assess the level of structural transformation and economic development occurring in Pakistan through its joint economic corridor with China. The reasons for choosing these indicators are the following:

(1) GDP:

Gross Domestic Product (GDP) is the total economic value of goods and services (expressed in US dollars) produced within the borders of a country in the course of a year and available for consumption in the market place (Thompson 2017). In the literature regarding economic development, GDP seems to be the most mentioned indicator of economic development. The reason for selecting GDP as an indicator in this study is because there seems to be a positive correlation between high growth rates, and high rates of economic development (Szimai 2015, p. 12). In this light, the analysis will look at the change in GDP trends occurring in Pakistan from 2013-2018, and highlight how the data suggests that no economic

development is happening in Pakistan through CPEC. While GDP is an important indicator of economic development, Ezeala-Harrison, as well as scholars like Szirmai are quick to highlight that GDP ignores the social aspects of economic development (Szirmai 2015, p. 12). In this light, this research has incorporated additional socio-economic indicators to strengthen its analysis and findings.

(2) Job creation:

Job creation is an important indicator of economic development. One of the main claims made about the economic effects of CPEC is that it would help to generate jobs in the Pakistani economy. To prove that this mainstream claim is false, and to examine the ineffectiveness of CPEC in stimulating economic development in Pakistan, this dissertation will provide the data on the amount of jobs generated in Pakistan considering CPEC, between 2013-2018, and comment on unemployment trends.

(3) Improvement in infrastructure:

Considering CPEC is an economic corridor that is looking to facilitate trade between China and Pakistan, as well as contribute to the existing infrastructure and energy generation in the country, improvement in infrastructure is an important component to measure the levels of economic development occurring in Pakistan. In addition, this indicator, coupled with job creation can help us to understand if CPEC is helping to truly transform Pakistan's economy from a dormant to an active one, suitable for higher levels of healthy economic and business activity.

2.2 Methods & Approach

The main research question of this study is: *Has the China-Pakistan economic corridor (CPEC) helped to facilitate economic development in Pakistan between 2013-2018?* In response to this question, this research will argue that no economic development is occurring in Pakistan considering CPEC. This dissertation will employ interpretative and critical research methods which often associated with or referred to as 'alternative styles (Maroun 2012, p. 5).' This thesis hopes to be interpretative and critical through scrutinizing the literature on China's

approach to aid, and by observing the changes in statistics between 2013 and 2018, of the three socio-economic indicators employed in this study. This type of research method is often synonymous with qualitative techniques, while using statistical data and analysis as a secondary role (Maroun 2012, p. 5). Although this research method is criticised for its lack of quality, 'alternative' methodologies have arguably moved into an era of great recognition, with more studies adopting this style of methodology within the field of humanities (Maroun 2012, p. 5). It is the hope that by adopting this method, the study can shed light on some of the bigger intentions behind China's aid patterns, specifically in the South Asian region, helping to add to the existing international relations research that is focusing specifically towards China's approach to aid through its engagements in Africa. To scrutinize the research question further, this dissertation will be using primary and secondary academic sources. In terms of primary sources, this study will analyse news items and official statistical data from the Pakistani and Chinese government. The secondary sources examined in this study are namely books, scholarly journals, and articles by various scholars.

To analyse the effectiveness of CPEC, this dissertation chooses to examine the level of economic development generated through the economic corridor between China and Pakistan. Since supporters of the project claim that it is to generate attractive economic opportunities for the Pakistani political-economy, this dissertation considers economic development as the best medium to test the effectiveness of China's developmental efforts in Pakistan, and subsequently challenge mainstream perceptions. This study uses the year 2013-2018 because it wishes to monitor the level of economic development occurring in Pakistan since the creation of CPEC in 2013, till the last recorded year, 2018. To build this dissertation, this study has given an overview of the history of economic development in the following section, and then position Harrison's theory of economic development at the centre of this literature. In addition to defining economic development in the theory section, this study has chosen three indicators of socio-economic development, namely: (1) GDP, (2) Job creation, and (3) improvement in infrastructure. The empirical analysis will compare qualitative and quantitative data through primary and secondary sources of these socio-economic indicators, to arrive at some conclusions regarding the effectiveness of CPEC in stimulating economic development in Pakistan.

Through this analysis, this dissertation will provide some answers to the debate surrounding China's approach to aid. After looking at the opinions of Abid, Wang, Besley and Persson, and comparing them to the criticisms of Naim, Pehnelt and Moyo that are suspicious of China's approach to aid, the literature review will help to scrutinize the research further by providing information regarding the debate about CPEC's effectiveness in stimulating economic development. In the second half of the literature review, the dissertation will also mention China's wider political and economic interests with CPEC, and how this essentially undermines the CPEC as a developmental project.

The analysis will show primary data, quantitative and qualitative, from the years 2013-2018, to highlight certain claims and arguments. Firstly, this dissertation argues that CPEC has failed to stimulate economic development in Pakistan. This is because CPEC is designed to facilitate the political and economic interests of China as opposed to stimulating economic development in Pakistan. Although this dissertation acknowledges that economic growth is occurring in Pakistan, economic development, is not. This can be illustrated from the statistics of three socio-economic indicators, namely: (1) Gross-Domestic Product (GDP), (2) Job creation, and (3) Improvement in infrastructure, which CPEC did not influence significantly since 2013. Secondly, apart from Chinese interests with CPEC, the political opposition and the security concerns in Pakistan prevent economic development from occurring. These security concerns can be seen through Pakistan's souring relationship with its neighbours, and the separatist movements occurring in Pakistan. Finally, through CPEC, we can see how China's approach to aid is not a suitable alternative from the western approach.

Although this dissertation is trying to make some interesting arguments, it must be noted that like any academic study, there are potential limitations of this research. Firstly, it must be pointed out that CPEC is a relatively recent project, that is still not completed. Hence, the scholarly discussion on the subject is limited to contemporary news items, which creates a challenge for positioning the methods and approach. In the interpretative approach used in this dissertation, scholarly articles, news items and qualitative data revolve around bias opinions and subjectivity as opposed to concrete fact (Wu 2005). Although this dissertation uses statistical data to strengthen its approach, the statistical data provided in the latter sections of this thesis also shares constraints and limitations. These limitations are that China

and Pakistan often produce unreliable national statistics, and it is for this reason that certain constraints and obstacles can arise in evaluating the levels of economic development.

Nonetheless, despite its limitations, this study does have its strengths as well. By using a critical interpretative method, and analysing qualitative and quantitative data, this dissertation hopes to contribute to international relations knowledge by offering a new perspective, and produce information that future research regarding China's approach to aid can use. While there are many methods within a case-study analysis itself, through the critical interpretative approach, this dissertation brings out new claims that can classify the study also through a (heuristic) approach (Vennesson 2008, p. 227). In this specific approach, the method section seeks to generate new arguments inductively/ or to correct existing statements or hypotheses. In context to this dissertation, this will be generating a new perspective and argument regarding the perception behind the Sino-Pakistan nexus seen through CPEC, as well as China's developmental efforts amongst emerging economies.

This dissertation uses Pakistan and CPEC as case in point to challenge mainstream debates that support China's approach to aid, and highlight China's intentions with its regional partners. Acknowledging that criticism of China's approach to aid is often within the African context, this thesis hopes that CPEC as a case study will contribute to international relations literature relations as scholars have yet to assess the relationship of China's approach to aid in Pakistan. To continue with this analysis, the dissertation will now scrutinize the relevant literature.

3.0 Literature Review

The focal point of this study seeks to assess Chinese approach to aid, specifically contextualized to the China-Pakistan Economic Corridor. In analysing the level of economic development that that is generating in Pakistan considering Chinese investments through infrastructural projects, this section of the dissertation seeks to provide an analytical assessment of the debate this thesis is hoping to answer. In this this way, the literature review not only serves to be analytical, in the way in which it provides a reflective, descriptive and organized summary of the literature in regard to the research conducted for this study, this dissertation also wishes to be dialogical, and position its main arguments in context of the

literature on China's efforts in Pakistan and the emerging world. The first part of this literature will give an insight into China's approach to aid as opposed to the west, followed by an organised overview of the debate regarding China's involvement in the developing world. In this section, the dissertation will highlight the main claims made by experts on the Sino-Pakistan nexus on the significance of CPEC. The literature review will conclude by finishing off with some closing remarks which hopes to position my research and arguments in the context of the literature.

3.1 Western Approach to aid: A failed method?

Recent years have seen the fundamental changes in dominant aid paradigms which were set out by powerful countries of the western world (Hinton & Groves 2004, p. 4). The failure of this style of development policy to facilitate economic development in impoverished areas has prompted the rise of alternative styles of development policy and practices (Hinton & Groves, p. 4).

Over the past 50 years, the approach of aid amongst western countries to the emerging world has evolved in several ways, largely because of efforts to constantly improve the effectiveness of this aid to recipient countries (Wang, Ozanne & Hao 2014, p. 48). It was specifically during the 1980's and 1990's that the western aid approach became characterized by selectivity and conditionality (Wang, Ozanne & Hao 2014, p. 48). This meant that countries with authoritarian regimes, or with administrations directly opposing western countries were not recipients of their financial aid. Arguably, this posed a problem because it was these regimes that essentially need aid the most. It is for this reason that despite the several reports showing successes made by western donor agencies, there is no solid consensus in the literature regarding the effectiveness of western aid in reducing poverty and enhancing economic development in the developing world (Wang, Ozanne & Hao 2014, p. 49).

Although there is a lack of literature that deals with measuring the effectiveness of economic development, Boone makes a successful attempt to measure economic development occurring through aid in emerging economies. While in theory, according to

Boone's study in: *'Politics and the Effectiveness of foreign aid,'* aid should foster economic development, the west has focused on spending on consumption rather than spending on long term investment, which has been responsible for undermining its effectiveness in stimulating economic development in developing regions such as Africa to a large scale (Boone 1996, p. 293). In addition to studies made by Boone, Mosely's analysis of the ineffectiveness of western aid is attributed to the "leakage of aid into unproductive expenditure in the public sector (Mosley 1987, p. 1023)," while more recent studies made by Burnside and Dollar argue that western aid is ineffective because of the lack of good macro-economic management in the aid recipient countries (Burnside & Dollar p. 783).

Considering that it is hard to measure the level of economic development stimulated from western aid, international institutions have been criticised for the worrying lack of empirical studies and data for aid effectiveness to developing countries resulting from western donor agencies (Wang, Ozanne & Hao 2014, p. 49). In this context, in 2005, the Paris Declaration on Aid Effectiveness asserted the need for donor agencies to be more transparent with their involvement in African countries. To rectify these issues, as well as the criticism made by the World Bank's conditional approach meant that donors had to respect the right of recipient states to set their own development objectives and support them with fulfilling these objectives (OECD 2005). Despite these efforts, Tan-Mullins, Mohan, and Power iterate the findings of Wang, Ozanne and Hao, and highlight that there is still no substantial evidence of a positive relationship between aid and economic development occurring in aid receiving countries (Tan-Mullins, Mohan & Power 2010, p. 859).

3.2 Defining characteristics of Chinese aid patterns

Unlike the west's controversial relationship with Africa, China's relationship with Africa has changed and intensified over the last two decades, with China's huge and increasing presence in the African continent. Over the last two decades, China has become Africa's second largest single-country trading partner, as well as a leading lender and infrastructure investor on the

continent (Raine 2009). Today, China's increasing investments in Africa has meant that it has overtaken the World Bank as the largest donor to Africa (Wang, Ozanne & Hao 2014, p. 51).

China perceives itself to be a large, complex country that is undergoing rapid industrialisation is a point accentuated by Wang, Ozanne and Hao. In this light, China's aid practices to developing countries are rapidly changing, and differ between contexts (Wang, Ozanne & Hao 2014, p. 51). Despite this varying pattern to aid amongst Chinese policy makers, it is fair to say China's approach to aid in the developing world is different from the west in three main ways: (1) It is given unconditionally, (2) it is infrastructure focused, and (3) it is tied (Wang, Ozanne & Hao 2014, p. 51). Considering these conditions that define the Chinese characteristics of aid giving, it is important to note that the "unconditionality" characteristic as pointed out in Wang's article does not mean that Chinese aid comes with no strings attached, on the contrary, Wang, Ozanne and Hao stress that self-interest is an essential feature of China's approach to aid. However, in comparison to the west, China does not explicitly require aid recipient counties to have good human rights performances, strong economic management, political openness on the part of recipient governments, or pro-environmental policies as advocated by western aid donors (Lancaster 2007).

The reasons for China choosing to adopt an unconditional approach to aid, going against the norms of western aid patterns is for two main reasons. The first reason is related to principle, which Pehnelt outlines in his article: *'The political economy of China's aid policy in Africa,'* that non-interference with other state matters in the bedrock of Chinese foreign policy (Pehnelt 2007, p. 103). The second reason is related to practicality, and can be seen from a website of the Foreign Ministry of the People's republic of China, that argues on behalf of the Chinese state, that political development is directly correlated with economic development, and that democracy should only be encourage after the required levels of economic development has been achieved (FMPRC 2006).

Although China provides humanitarian aid to emerging economies like the western donor agencies do, the second condition of the Chinese approach to aid, infrastructural projects, can be outlined aptly by Tan-Mullins, Mohan and Power, who argue that China's aid to Africa is designed to maximize mutual benefits gained from trade, emphasise monetary

loans instead of grants, and the focus of infrastructural projects designed to reduce production costs (Tan-Mullins, Mohan & Power 2010, p. 861). Examples of the different infrastructural projects carried out by the Chinese government in Africa is illustrated in Deborah Brautigam's article, entitled: '*Africa's Eastern Promise.*' The Tazara Railway linking Zambia with the Tanzanian port of Dar es Salaam, the construction of several hospitals, schools and water-systems in Angola, electricity generation in Nigeria, as well as hydroelectricity in Congo and Ghana are amongst some of the main engagements China has had in Africa (Brautigam 2010, p. 3).

Finally, the third characteristic of Chinese approach to trade, which iterates that Chinese aid tends to be 'tied,' means that the main condition of the Chinese-backed infrastructural projects is that it has to be undertaken by Chinese companies, out of which the majority of investment and finance comes from the Chinese government and Chinese banks (Wang, Ozanne & Hao 2014, p. 52). In addition to monetary funding, the Chinese state also sends Chinese workers to Africa, to provide labour for these infrastructural projects, even though they help to train local African workers as well. Considering the 'conditions' of the infrastructural projects made by the Chinese government, means that Chinese aid can be characterized by combining technical solutions with financing, sponsored by state-owned banks and Chinese labour to implement them (Wang, Ozanne & Hao 2014, p. 52).

3.3 How does Chinese aid solve the western aid dilemma?

Many scholars have spoken about the endogeneity proposition that arises from the western aid dilemma. Besley and Persson argue that the neoclassical economics assumes that the state has enough capacity to support domestic markets, enforce taxation and even redistribute taxation, however this thought made by neoclassical economics is not accurate in the context of most of the developing countries of today (Besley & Persson, p. 1222).

In extension, the conditionality and selectivity part of the western approach to aid, means that the country's most in need of aid do not receive it from western donor agencies.

Arguably, these are the countries that need aid the most. Considering this, efforts to reduce poverty and stimulate economic development will not occur if the precondition that the aid recipient must show levels of high governance is set.

The Chinese approach to aid seeks to go beyond the dilemmas presented in the western approach to aid. In investing in infrastructural projects, the Chinese approach seeks to transform aid into investment opportunities to stimulate economic growth in the long run. A major advantage of this approach to aid is that while western donor agencies who are sceptical of China's presence in Africa claim that China is responsible for spreading bad-governance, China's approach to aid doesn't go directly to the aid recipient countries or domestic corporations, which minimizes the chances of corruption bought about by the western aid dilemma (Wang, Ozanne & Hao 2014, p. 55). In addition, theoretically, while criticisms of China's approach point out that it is often Chinese labourers employed in these infrastructural projects as opposed to local workers, the construction of infrastructure is more likely to improve people's lives than financial aid which arguably ends up in offshore bank accounts (Wang, Ozanne & Hao 2014, p. 55).

Supporters of the western approach to aid, criticise China's 'tied' approach to aid on the grounds that it is providing more commercial support to Chinese companies by expanding their access to markets as opposed to helping to stimulate economic development in emerging economies. However, aid through trade encourages development, a point iterated in Wang, Ozanne and Hao's article. According to these scholars, aid through trade encourages higher levels of economic development as opposed to just financial aid (Wang, Ozanne & Hao 2014, p. 56). Although the Chinese approach can offer a possible 'win-win alternative', in response to failing financial aid coming in from the west, it can be argued that China is using aid and investment to access Africa's resources in a form of 'neo-colonialism.'

3.4 Criticisms of China's approach to aid

It is apparent from the literature so far, that Chinese aid patterns can go beyond the western aid dilemma. Despite this, several academics, journalists, and western donor agencies have

seriously questioned China's engagement in Africa, and the wider developing world. Journalists such as Naim, who wrote an article for Foreign Policy entitled: '*Rouge Aid*' (Naim 2007) highlights four of these concerns.

Firstly, Chinese unconditionality, or in other words, aid without political conditions, is said to give rise to unsavoury, undemocratic regimes that are fuelling corruption and providing delays in economic and political development in several African countries (Naim 2007). Secondly, there have been allegations made that China's involvement in Africa is a form of 'neo-colonialism.' Thirdly, because the Chinese state is sending Chinese workers as labour for the infrastructural projects implemented in Africa and other countries belonging to the developing world, very little employment goes to the local people. Finally, Woods iterates' the idea that several African countries are taking on too much Chinese debt, which will increase the burden of African countries further, even though the Chinese have wiped out most of the unpayable loans (Woods 2008, p. 1207).

Scholars who advocate for international institutions, such as Pehnelt, also argue that "Chinese engagement enables African governments to reject demands made by the IMF, the World Bank, and other donors for enhancing transparency, implementing anti-corruption strategies, and furthering their democratization efforts (Pehnelt 2007, p. 8)." To support the thought of Pehnelt, former head of research at World Bank, Collier, claims that China's aid policy is making matters of governance worse (Collier 2007, p. 86). In response to these claims, the debate made by Wade, in his article: '*Accountability gone wrong,*' and Stiglitz, in his book: '*Globalization and its discontents,*' question western aid donors such as the World Bank, and conclude that there is no empirical data or research study that supports the idea that China's aid is toxic, or that Chinese aid facilitates bad governance (Stiglitz 2002) (Wade 2009, p. 47).

Speaking particularly of Africa, while they are many sceptics of Chinese presence in these emerging economies, Wade points out that leaders such as Senegal's president welcome Chinese aid, and see it as a new opportunity after western aid has arguably failed to facilitate economic development (Wade 2008). In relation to this, Zafar argues that China presents an opportunity to help Africa integrate in the world economy, and at the same times sees a challenge in managing the influx of resources to promote poverty-reducing economic

development on the domestic front (Zafar 2007, p. 103). While China's aid is arguably bringing desperately needed trans-national capital into the country, scholar such as Moyo, a Zambian economist, who in her work: *'Dead Aid,'* argues: "China's African role is wider, more sophisticated and more business like than any country's at any time in the post-war period (Moyo 2009, p. 219)."

Considering the literature, the rationale behind both the western patterns of aid and Chinese patterns of aid are justifiable theoretically. While western aid has branded itself to help eradicate poverty and stimulate economic growth in emerging areas such as within the African continent, it has arguably failed to do so. In turn, the growing presence of Chinese aid in the continent, seen through infrastructural projects, has been criticised by some scholars and supporters of western donor agencies. Despite these claims, no empirical evidence has suggested that the Chinese approach has facilitated bad governance as claimed by supporters of the western aid approach. In this light, Raine iterates that China offers African states an opportunity to ride the global economy, rather than remain natural-resource suppliers to the western world (Raine 2009). While the debate on China's approach to aid in Africa remains a contested one, can the same hold true about the China-Pakistan economic corridor?

While the literature is contested about the patterns of Chinese aid, and the level of economic development truly being generated considering Chinese infrastructural projects in emerging economies, this dissertation highlights that while China's methods seem like they present a new opportunity for recipient countries, economic development is undermined due to the "tied" and conditional feature of the Chinese approach. While academics such as Collier, Penhelt and Woods argue that China's approach to aid is not an alternative to western aid patterns, no empirical study has proved this. A deeper engagement with CPEC and economic development hopes to contribute to a better understanding of China's affairs in the developing world, and hopefully support the arguments made by the critics of China's approach to aid.

3.5 Background to CPEC

As mentioned briefly in the earlier sections of this dissertation, The China-Pakistan economic corridor is a collection of infrastructural projects that are currently under construction in Pakistan with the financial support of the Chinese government. While the Chinese government pledged to invest \$46 billion dollars before the construction of the corridor in 2013, as of 2017, China had already gone beyond their promise, and has pushed investments to \$62 Billion (Siddiqui 2017).

At the start of the project in 2013, the motivations behind CPEC are primarily threefold. In order of global relevancy, Ritzinger argues that these three motivations are: providing economic support towards an ally that shares security concerns, facilitating regional trade, and building linkages to the rest of the world in which China can expand its influence (Ritzinger 2015, p. 2). However, to truly understand the background of the China-Pakistan economic corridor, it is essential to contextualize it from the point of view of China's Belt and Road initiative (BRI). This dissertation wishes to use Xing's article: '*Mapping China's One Belt One Road initiative*,' (later rebranded to the Belt and Road Initiative), to highlight the historical parallel of the BRI seeking to create economic belts that mirror with the ancient silk road (Xing 2018, p. 6).

CPEC is essentially a group of economic belts, that Xing articulates as: (1) a land belt that includes the bordering countries surrounding China, and (2) a maritime belt that links China's port facilities with the African coast, pushing up through the Suez Canal into the Mediterranean (Xing 2018, p. 6). Xing compares these objectives to a central piece of documentation entitled: '*Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road*,' released in March 2015 (Xing 2018, p. 6). Through a deeper analysis of the document, Xing believes that China's infrastructural projects occurring around Africa, Europe and Asia sends a message to the world saying China wishes to build: "Peace, cooperation, and development (Xing 2018, p. 6)." Considering the BRI, China brands the project as one that has intentions to enhance economic connectivity regionally and globally, as well as spearhead economic development (Xing 2018, p. 6).

Within the multiple projects that are currently occurring under the BRI umbrella, CPEC enjoys a flagship status, showing the level of importance the economic corridor is for China’s wider Belt and Road initiative. This economic corridor has bought a new era or revitalization to Sino-Pakistan relations, which is seeking to bring out intensified regional cooperation through trade and economics.

3.6 Projects under CPEC:

Acknowledging there are several energy, transport and infrastructural related projects happening under the CPEC umbrella, this dissertation will seek to give a brief outline on the main projects under CPEC. Due to word constraints, and the focal point of this this revolving around the level of economic development generated in Pakistan considering CPEC, this will be a brief overview.

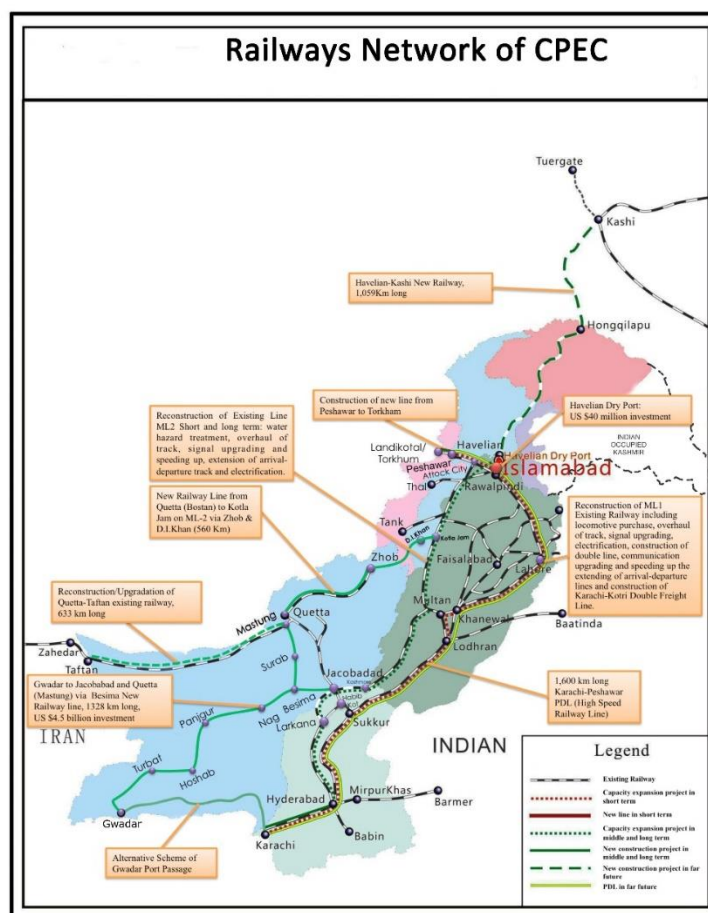


Figure 1: Monographic Study on Transport Planning 2014-2030 (cpec.gov.pk)

Figure 1 above, shows a map of the railway and highway projects currently carried out in Pakistan by the Chinese government. From the map, we can see how CPEC is essentially a 3,000-kilometre transport link that links the North-Western most territories of China, including Kashgar, to Pakistan's Gwardar port which is located beside the Arabian sea (Abid & Ashfaq 2015, p. 142). A slightly large map of this subcontinent can show how this economic corridor is essentially linking China to Central Asia, South Asia, and the Middle East via the rail network.

To get a better understanding of the rail network, roadway, and energy projects currently operational under CPEC, below is a list of the main engagements of this economic corridor:

Roadway Projects:

- Karakoram Highway – Spans an 887-kilometre distance between the China-Pakistan border (Abid & Ashfaq 2015, p. 145).
- Eastern Alignment – Roadway projects in Sindh and Punjab regions of Pakistan. It's a 1152-kilometre-long motorway that connects Pakistan's two largest cities: Lahore and Karachi (Abid & Ashfaq 2015, p. 145).
- Western Alignment – Small roadway development projects happening in the western regions of Pakistan (Abid & Ashfaq 2015, p. 145).

Railway Projects:

- Main Line 1, 2 & 3 – Railway projects designed to connect different provinces of Pakistan with each other (Markey 2016, p. 2).
- Lahore Metro (Markey 2016, p. 2).
- Khujerab Railway (Markey 2016, p. 2).

Energy Projects:

- Renewable-Energy - The construction of the Jhimpir Wind Power Plant, Suki Kinari Hydro project, and several solar power projects are included in this part of CPEC (Malik 2019). In March 2018, Pakistan announced hydropower projects would be prioritized following the completion of the power-plants (Malik 2019).
- Coal – Despite several renewable energy projects occurring under CPEC, \$5.8 Billion worth of coal projects are forecasted for completion by 2019 (Malik 2019).

3.7 CPEC: The path for transforming under development

It's 2019, which means its almost 6 years after the official announcement of CPEC. Since this announcement, several academics have commented on the projects that have been underway in Pakistan. An example is seen through a joint academic paper written by Kanwal, Pitafi, Nadeem et.al., which highlights the idea that CPEC is helping to improve local transport infrastructure which will link different areas of Pakistan, thus allowing the development and improvement of economic activity amongst local business, which would be attractive for foreign capital (Kanwal, Pitafi, Nadeem et.al 2019, p. 3). However, while this study just lists the benefits of CPEC, Ibrar, Rafiq and Ali, in their article: "*China-Pakistan Economic Corridor: Ensuring Pakistan's Economic Benefits,*" go beyond the previous study, and cleverly break down CPEC from both the Chinese and Pakistani perspective. In doing so, the study gives a good overview of the interests both actors have with this economic corridor, highlighting the overlooked benefits brought about under CPEC which, theorized from the perspective of the Pakistani political-economy.

Firstly, the most obvious benefit that CPEC has provided to the Pakistani economy is the access to billions of US dollars in investments coming from Chinese conglomerates that are in turn, backed up by the Chinese state (Ibrar, Rafiq, & Ali 2019, p. 43). These investments come from the infrastructure projects currently constructed in Pakistan, most seen through: railway projects, road transports, ports, communication building and others mentioned in the

previous section. This infrastructural development allows Pakistan to enjoy a good business environment for markets to grow, as pointed out in Kanwal's joint study, thus making it attractive for trans-national capital to enter Pakistan, not just from China, but from other countries as well (Ibrar, Rafiq, & Ali 2019, p. 43).

Secondly, since the economic corridor covers 3000 kilometres, it will ensure the connection of the Southern and eastern parts of Pakistan, and will subsequently help these areas of the country to move from backward to more economically developed areas in the future (Ibrar, Rafiq, & Ali 2019, p. 43). Although these points are certainly plausible considering the developments currently occurring under the CPEC umbrella, an interesting article written by Ishada, entitled: *'Special economic zone and economic corridors,'* can counter the arguments made by the discussed article. While the Pakistani scholars assume Pakistan's engagement with China will bring about natural improvement in economic development, according to Ishada, the achievement of economic development objectives through an economic corridor depends on the level of commitment coming from the recipient government (Ishada 2009). In this light, for Pakistan to utilize the opportunity handed on to them by China, it is imperative that they ensure a strong government role in ensuring the Pakistani people enjoy the fruits of economic development. This requires the Pakistani state to facilitate and ensure the investments which are coming in from abroad are channelled towards helping to incentivise small businesses in the country, something which the state has not proved to do so in the past.

In 2015, 2 years after the announcement of CPEC, Abid and Ashfaq, in their article: *'Challenges and opportunities for Pakistan,'* give an insight into some of the ways CPEC can aid the transformation of under development towards the Pakistani political economy. Above economic development seen through job creation, an improvement of an energy crisis, and the improvement of connectivity allowing for more efficient economic activity, Abid and Ashfaq believe that China's involvement with Pakistan is helping the country to remove itself from its international image, one which refers to them as the "epicentre of terrorism", or as a "failing state (Abid & Ashfaq 2015, p. 160)." While articles such as Abid and Ashfaq certainly see the benefit of the CPEC towards the Pakistani political economy, the literature is foregoing

to assume Chinese interests with CPEC. While CPEC has certainly provided an opportunity for some light to shine on the Pakistani economy, it is essential to look at Chinese interests of CPEC as mentioned in Ibra's study, to truly understand the extent to which CPEC is (1) actually designed to transform and develop Pakistan's political economy and or (2) A corridor which allows China to materialize its economic objectives. A conclusion on these sub questions helps to contribute to the findings going towards answering whether CPEC is a path towards transforming under development in Pakistan.

3.8 CPEC: Chinese interests and obstacles to economic development

In the dissertation so far, the literature brands CPEC as a project that is primarily seeking to transform under development towards the Pakistani political economy. In this research, we have looked at the hypothetical benefits that CPEC can bring out from the perspective of stimulating economic development in Pakistan, however this research now seeks to explore the Chinese interests with the economic corridor, the interests which show that CPEC is not primarily a project that is inspired to develop Pakistan.

As a starting point to seeing China's interests with CPEC, Afzal and Naeem, in their paper: *"China Pakistan Economic Corridor (CPEC): Challenges and Prospects,"* use this geographical context to explain how Pakistan links China, (the biggest oil consumer), to the Persian Gulf, (the biggest oil producer) (Afzal & Naeem 2018, p. 222). A further reading of the article suggests that China imports 60% of its oil from the Middle East, out of which 80% is transported through the Malacca Strait via the currently disputed South China Sea (Afzal & Anum 211). Thus, CPEC provides an alternative route of transporting goods to and from China, which is also more economically viable than the current route via the South China Sea.

More than just a route to transport oil, CPEC is essentially connecting China to the rest of the world. This route, if fully established, can allow for a more efficient transportation of Chinese exports to world markets. Although many factors can be attributed to the rise of China as an economic power, Ao makes the correlation between China's sharp rise with its openness to the international economic system (Ao 2017, p. 1). China's openness to the global

system, coupled with its export-oriented growth strategy, set against the backdrop of rising western protectionism means China's materialization of CPEC gives it access to alternative markets. Official statements made by Xi that call for: "widening China's market access to the rest of the world," can shed some light on Chinese intent with CPEC, and in extension, the BRI (Ao, 2017, p. 1).

Foreign aid is not a new concept for China. It has been practiced since the early days of Chinese civilization, in the form of "gifts" given by the Chinese emperor to the tributary states (Lengauer 2011, p. 44). Although China's approach to aid has certainly evolved since then, Lengauer, who iterates the ideas of Ao, as well as Afzal and Anum, points out that the core motives behind China's aid giving largely remains the same. The three categories of China's motives behind aid giving is as follows:

- Economic Motives: The security of natural resources such as oil, gas, and minerals such as copper in China's engagements with the emerging world. These developing economies also provide China with new consumer markets for its goods (Lengauer 2011, p. 44).
- Political Motives: The establishment of strategic diplomacy (Lengauer 2011, p. 44).
- Ideological Motives: While China's structural power continues to increase, so does China's soft power in developing countries. In this way, China can spread its beliefs about aid, and its values as a nation and culture (Lengauer 2011, p. 44).

In addressing the arguments made by Ishada in the previous section, while academics, policy makers and supporters of the China-Pakistan economic corridor are focusing on the potential advantages it can bring about to the Pakistani economy, there are not focusing on the currently existing security problems and political obstacles that are hindering economic development from occurring.

The security challenges faced by China in their engagements in Pakistan are made apparent by scholars such as Ao, Ashfaq, Markey and Zimmerman. Instead of focusing on the economic benefits, these scholars accentuate the political obstacles that are hindering CPEC

from facilitating economic development. While Ashfaq & Massarat describe the “bloody separatist insurgents (Ashfaq & Massaraat 2015, p. 152)” in Baluchistan as a hindrance to economic development, Markey goes further in his insight of the internal instability in Pakistan by talking about the political oppositions and their anti-China rhetoric. According to Markey, several politicians in Pakistan are suspicious of their engagement with China, and they criticise the CPEC project for only benefiting the Punjab province of the country and neglecting other areas, such as the North-Western regions (Markey 2016). In addition, Markey also touches upon Pakistan’s troubled relationship with Baluchistan, a region that is fighting for its independence from the Pakistani state. The separatist movement has already forcefully disbanded some of the CPEC projects, and have thus stopped its progress (Markey 2016, p. 3).

Going beyond Pakistan’s internal political divide, and its souring relationship with Baloch rebels, Pakistan’s relationship with neighbouring Afghanistan also is a security challenge for CPEC. From Figure 1 in section 3.6, we can see most of the projects are being constructed in the eastern and southern regions, while the western region seems to be isolated due to Pakistan’s dispute with Afghanistan over the Durand line.² While scholars like Zimmerman accept the claims made by Markey, Zimmerman uses statements made by Army Staff General Rhaeel Sharif pledging “the armed forces are ready to pay any price to turn this long cherished dream into a reality (Zimmerman 2015, p.10),” to show how Pakistan is making efforts to handle the security issues that are hampering the progress of CPEC, albeit Ao is quick to remind us that history has told us otherwise.

Zimmerman not only gives faith to the Pakistani state in handling its internal affairs, moreover, he also argues that China’s approach to aid in Pakistan will have a more positive effect in Pakistan as opposed to American aid, due to the nature of the BRI, which seeks to transform and develop economies, as opposed to give misdirected financial aid to corrupt states (Zimmerman 2015, p.10). In response to these claims, Ao, a scholar that specifically looks at India’s relationship with China, argues that: “On the one hand the Pakistani State

² The Durand Line is a border separating Pakistan and Afghanistan, to which Afghanistan does not consider legally-binding. The Durand Line meant that Afghanistan lost half of its Pashtun territories which were its largest tribal group, as well as Baluchistan, which left it landlocked and unable to access the Arabian Sea and Indian Ocean except through Pakistan.

continues to fight against non-state actors deemed as terrorists while at the same time it keeps engaging in non-state actors to push its interests (Ao 2017, p. 3).” In this, Ao reminds us of how Pakistan has dealt with security issues in the past, thus countering Zimmerman’s views. Ao ends his article urging Chinese policy makers to reconsider their engagements in Pakistan, and ask if Pakistan is a country that is sensible to engage with, given their history in tackling security concerns (Ao 2017, p. 4).

CPEC’s security is also closely linked with regional geopolitics, particularly with India’s stance on CPEC. In India, many voices have opposed CPEC because parts of the transport projects crossing Gilgit-Baltistan belong to the disputed territory of Jammu and Kashmir, and the implications of the corridor can allow China easier access to the Indian Ocean, essentially threatening India’s security (Esteban 2016, p. 3). A point that must have crossed the mind of Chinese foreign policy makers.

After reflecting on Ao’s article, is only logical to assume that Chinese policy makers would have already considered Ao’s question before advising China to engage with Pakistan. Considering this, why does China choose to invest in Pakistan despite its security concerns, and the geo-political risks that come with it? From a realist perspective of international relations, and Lengauer’s analysis of China’s motives behind aid, we can justify China’s actions through its economic agenda in “promoting the connectivity of Asian, European, and African continents and their adjacent seas and establishing and strengthening partnerships among the countries along the Belt and Road (Xhen, Joseph & Tariq 2018, p. 8).” In this way, CPEC represents the last frontier in China’s wider objectives seen through the BRI. While Pakistan provides China entry to the rest of the world, China is arguably risking its engagement in Pakistan to ensure that the BRI is a functional economic belt for China’s exports to reach the rest of the world.

3.9 Where does this dissertation position itself?

Considering the literature regarding China’s approach to aid, and China’s involvement with Pakistan through CPEC, this dissertation chooses to argue that China’s approach is not a viable

alternative for the western approach in stimulating economic development in recipient countries. In this way, this study believes that while China's alternative approach to western aid patterns does stimulate small, specific cases of economic growth, the level of economic development facilitated by China's in recipient countries, such as Pakistan, is reduced due to China's political and economic interests, as well as the internal security challenges faced by the Pakistani state, and its questionable ability to handle them.

After examining China's approach to aid, and looking at the Pakistani political-economy, China's infrastructural projects do bring some opportunities to certain communities as opposed to western aid. However, while this is helping a certain population to improve their economic well-being, Harrison's theory of economic development argues that economic development can only occur if the wider population benefits. For this reason, the claims that support the notion that CPEC is a project that seeks to primarily stimulate economic development towards the Pakistani economy cannot hold entirely true.

4.0 Empirical Analysis

4.1 Chapter 1: Harrison's theory of under (development) & Pakistan

Before this study starts its empirical analysis of economic development under CPEC, it is essential to define Pakistan as an underdeveloped economy. This means that Pakistan has features of a developing economy, such as a lesser developed industrial base and low HDI figures compared to developed economy's in the western world. This study wishes to categorize Pakistan as underdeveloped, even after the influence of CPEC by observing the data of the 3 socio-economic indicators used in this study during the years CPEC is active, (2013-2018), and prove how Pakistan continues to be in a perpetual state of underdevelopment. In his article, in addition to addressing his methodology for assessing economic development, Harrison characterizes the features of under developed countries in the following way:

1. Underdevelopment is consistent with low GDP levels. Typically, countries with low levels of economic development have a quarter of the US's GDP. (Ezeala-Harrison 1996, p. 13).
2. The economy of an underdeveloped countries tends to be agrarian, and most of the GDP comes from the agrarian sector (Ezeala-Harrison 1996, p. 13).
3. An underdeveloped economy tends to have a population growth that exceeds its GDP (Ezeala-Harrison 1996, p. 13).
4. Foreign trade dependence is a feature of underdeveloped economies (Ezeala-Harrison 1996, p. 13).
5. Underdeveloped countries have lower levels of per-capita income, and suffer high poverty levels (Ezeala-Harrison 1996, p. 13).
6. The most general characteristics of underdeveloped economies is economic dualism. In this light, both modern and traditional economies are existing simultaneously, and it usually the traditional economy (seen through unskilled labour and agrarian based), that has more influence than the modern, industrialised economy (Ezeala-Harrison 1996, p. 14).

Looking at the data in Pakistan, today, the agricultural sector in Pakistan employs roughly half of the labour force (Khan & Khan 2018). Although authors like Khan argue that Pakistan is gradually moving towards industrialisation, many Pakistani citizens are still dependant on its agricultural sector for support.

According to statistics from the world population review, Pakistan's 2019 growth rate was 2.04%. In comparison to the previous years, Pakistan has roughly grown between 2-3% since the first official consensus in 1950 (World Population Review 2019). To see weather Pakistan is an underdeveloped country, according to Harrison's theory, the population growth should be greater than the GDP growth.

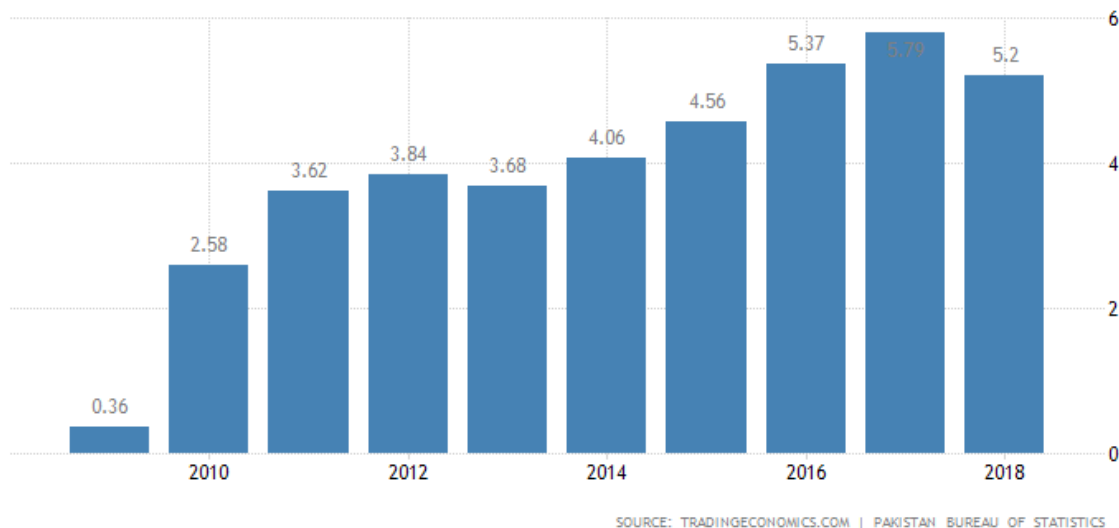


Figure 2

Pakistan Bureau of Statistics. (2019). Pakistan GDP Annual Growth Rate [A graph showing annual GDP figures in Pakistan]. Retrieved June 17, 2019, from <https://tradingeconomics.com/pakistan/gdp-growth-annual>

Figure 2 shows how the rate of GDP is growing under 1 percent per year in Pakistan between the years 2013-2018 (Pakistan Bureau of Statistics 2019). Considering this, since Pakistan's population growth rate is exceeding its GDP figures, inferring that the data shows how Pakistan has features of an underdeveloped economy even after the influence of CPEC for 5 years.

Harrison's fourth condition to characterize an underdeveloped economy is that the country should be heavily reliant on foreign trade. Considering this, Pakistan is a large importer of manufactured goods, which comprises 16% of total imports, as well as mineral fuels, which roughly account for the same percentage of total imports as manufactured goods (Pakistan Bureau of Statistics 2019). To help with this shortage of resources and manufactured goods, China and The UAE are the largest importers to Pakistan, making them heavily dependent on foreign trade. To increase the trade deficit further, the energy crisis in Pakistan has made them dependant on foreign partners for imports of energy. Until 2012, the United States was the largest supplier of energy to Pakistan, however since then, China's engagements with Pakistan through CPEC has meant China is now Pakistan's most crucial supplier of energy (Pakistan Bureau of Statistics 2019). An article written in Daily Pakistan, one of the most popular English newspapers of Pakistan claims that in 2017, Pakistan had a

trade deficit of more than \$35 Billion, ranking it the eight largest in the world in terms of the size of the trade deficit (Daily Pakistan 2018).

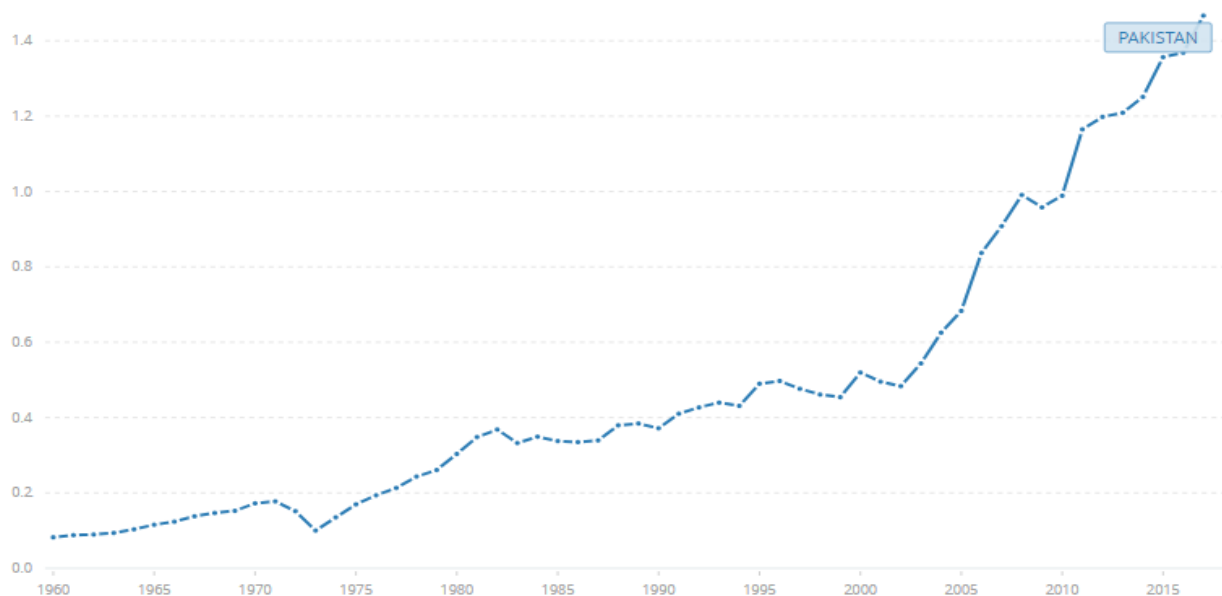


Figure 3 GDP Per Capita in Pakistan (\$US) (World Bank 2018).

To examine Harrison's fifth claim, it is important to look at the trends of Pakistan's GDP per capita. Figure 3 shows the changes in GDP per capita in Pakistan between 1960-2017. Although Pakistan is showing signs of improvement, Pakistan is 150th out of 192 countries in the GDP per capita levels (World Bank 2018). In this light, although Pakistan is showing a positive trend, Pakistan still has extremely high rates of poverty, and generally low levels of living standards compared to the rest of the world, and CPEC doesn't seem like it's going to change this very soon. In addition, the rate at which GDP per capita is increasing is not enough to claim that CPEC is transforming the Pakistani political-economy.

It is evident from the above data that Harrison's 6th point can also apply to the Pakistani context. The reliance on the agricultural sector, as well as the push towards industrialisation is a typical feature of a "developing economy," and highlights the economic dualism within Pakistan. It is also interesting to compare the figures between 2013-2018. Considering these are the years CPEC has been active, the economic corridor has hardly helped to stimulate economic development in Pakistan through Ezeala-Harrison's theory of economic

development. While Pakistan continues to show signs of improving in GDP, their over dependency on foreign trade and their crippling poverty levels still makes them fall under the underdeveloped category, as opposed to going through a “huge structural transformation” as prophesized by supporters of CPEC.

4.2 Chapter 2: CPEC & GDP

This section will seek to look at CPEC and its relationship with GDP, the first socio-economic indicator used to measure economic development chosen for this study. Figure 2 in the previous section shows Pakistan’s annual GDP growth rate. From 2013 to 2018 the GDP levels increased from 3.68% to 5.25%. This means that within 5 years, the Pakistani economy has grown 1.52%. Considering that from the years 2010-2013, before the start of CPEC, Pakistan grew from 2.58% to 3.68%, CPEC has stimulated very little GDP in Pakistan during the last 5 years it has been active.

The statistical data doesn’t show much GDP growth in Pakistan since the creation of the China-Pakistan economic corridor. However, Linngui and Jianglin argue that until today, Chinese companies have invested US\$14 Billion in the projects currently under construction (Linngui & Jianglin 2019, p. 104). While most of these projects are complete, with others to finish by 2020, Linngui and Jianglin believe that the development of the corridor is laying foundation to higher GDP levels in the future (Linngui & Jianglin 2019, p. 104). This idea is also supported by data collected from the official CPEC website, which shows that Pakistan’s GDP is expected to rise by 2.5% by 2030 (CPEC 2018). In addition to this forecast, Chinese and Pakistani officials also believe that \$13 Billion will be added to Pakistan’s GDP by 2025 (CPEC 2018). So far, \$62 Billion dollars is invested in the Pakistani economy, which roughly equates to 20% of the total size of the Pakistani economy (CPEC 2018).

This dissertation has argued that hardly any noticeable changes in GDP figures have occurred during 2013-2018 because of CPEC. Considering this, the GDP per capita figures mentioned in the previous section reflect on this lack of development and transformation of the Pakistani

economy. While scholars like Linngui and Jiangli talk about the massive FDI being injected into the Pakistani economy, Ezeala-Harrison's theory of economic development argues that an over-dependency on foreign partners is a typical feature of an underdeveloped economy, and its arguably contributing to Pakistan's continued underdevelopment (Ezeala-Harrison 1996, p. 13).

4.3 Chapter 3: Job creation

The literature review points out that supporters of China's approach to aid predict that it can help stimulate economic development through job creation, however critics of Chinese aid patterns highlight how in their previous engagements, China has failed to encourage economic development amongst emerging economies due to their political and foreign policy objectives. From the various news items, as well as the comments made by political representatives of China and Pakistan, CPEC is a project that has claimed it would create jobs for the Pakistani economy, ergo helping to stimulate economic development. This can be seen from reports made by the Pakistan-China Institute (PCI), which claim that The International Labour Organization (ILO) has estimated that CPEC will support the creation of around 400,000 jobs (ACCA 2017, P. 15). On the other hand, reports made by the Applied Economic Research Centre estimates that over 700,000 jobs will be created between 2015-2030 (ACCA 2017, p. 15). Despite the differing estimations, the idea that CPEC can help to facilitate job creation is one of the biggest opportunities for Pakistan that can occur through their engagement with China. This is primarily because Pakistan has suffered unhealthy rates of unemployment from 1990's to the early 2000's, and it is in the interest of the Pakistani state to prevent these unemployment levels from rising in the future.

In a report by Ilyas and Khan that carries out an empirical investigation of the determinants of unemployment in Pakistan, the situation of unemployment has been particularly distressing owing to a number of contributing factors, such as: agricultural backwardness, a deteriorating law and order situation, political pressures, energy crises, a poor education system, questionable governance and most importantly, terrorism (Ilyas &

Khan 2019, p. 526). Considering this, is CPEC the project that helps Pakistan to overcome its unemployment concerns?

Figure 4 shows the unemployment rate in Pakistan from 1971-2018. The general data suggests that from the 1990-2005, the unemployment rate is showing an increasing trend. The reason for these high rates of unemployment during this period can be linked to the failure of Nawaz Shariff's administration, that was criticised for their weak privatization and economic liberalisation policies that entered Pakistan into their second period of stagflation (Malik 2014, p. 182). Since 2008-2010, Pakistan was experiencing low levels of unemployment, however during the period between 2013-2018, the years in which CPEC started to become active, unemployment figures continued to rise in Pakistan.

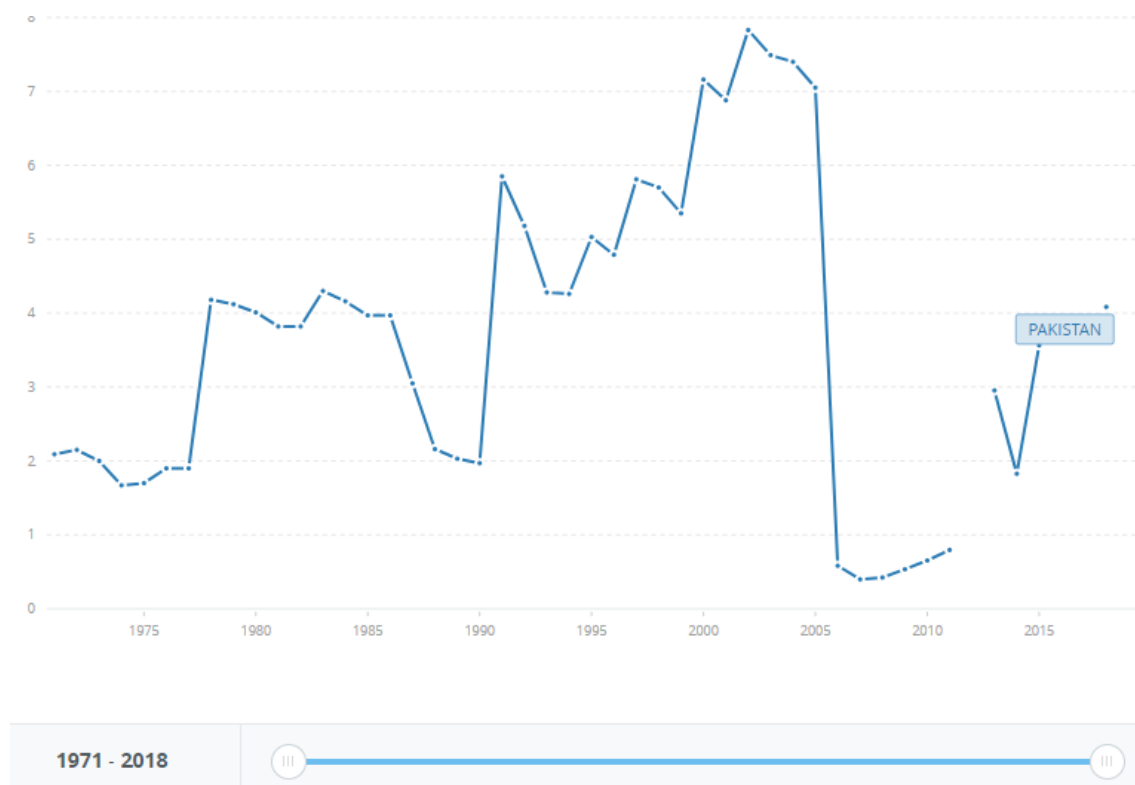


Figure 4 Unemployment rate in Pakistan (World Bank 2018).

In section 3.8, this study draws attention to Zimmerman's idea that the political opposition in Pakistan is preventing CPEC from economically developing the Pakistani political-economy. When referring to political opposition, Zimmerman is addressing the political parties in Pakistan that do not support CPEC as they believe it is benefiting the Sindh and Punjab areas of Pakistan, as opposed to the Baluchistan or the North-western region of the country. Comparing this claim with data from the Pakistani Bureau of Statistics that is looking at the unemployment rates according to the different regions of Pakistan, the data suggests that in 2017-18, (4-years after CPEC has been operational), the unemployment rates in the Punjab region was 5.56%, which is considerably higher compared to Pakistan's overall unemployment figure of 3.18% (Pakistan Bureau of Statistics 2017). In addition, the unemployment figures of the North-western provinces, that some scholars claim to be neglected under CPEC, has 3.69% unemployment (Pakistan Bureau of Statistics 2017). These figures suggest that even considering the economic activity happening in the Punjab and Sindh regions of Pakistan through CPEC, the unemployment figures are continuing to show a rising trend in these regions.

Hypothetically, if CPEC was to create jobs for the Pakistani economy in the future, it is imperative to ask the quality, or skill level required for these newly created jobs. Hussain, in his article: *"Economy of Pakistan and CPEC,"* like other supporters of Chinese infrastructural projects, starts by making big claims towards job creation. However, as the article continues, Hussain goes on to talk about CPEC being essential for opening opportunities for the region's agricultural traders and cherry farmers (Hussain 2018). Relating this back to Harrison's 2nd characteristic to define underdevelopment that, underdeveloped economies rely on the agrarian sector shows how Pakistan continues to be in a state of underdevelopment.

Although it is important for the Pakistani state to be concerned about job creation, it is essential that the state ensures that the jobs being created are for skilled as opposed to unskilled labour. To achieve this, the Pakistani state must work in ensuring better education of its people, encourage female participation in the labour force and work on other areas to ensure that the economy is producing more skilled labour. While some of the infrastructure projects in Pakistan would require Pakistani engineers to work on the projects, this is only expected to create 2,000 jobs (Raza, Mohiuddin, Zaidi, Osama 2018, p. 4). In a country of over 200,000 million, is this enough to transform under development in the country?

After looking at the report by the PCI that suggests 400-700,000 jobs are to be created in Pakistan after 2030 considering CPEC, this thesis uses the data presented to disprove this prediction. Acknowledging that CPEC is a relatively new economic endeavour, and to see concrete results it might take a decade to show statistically, then why are the initial statistics showing rising unemployment and negative trends? If CPEC was a project looking to stimulate economic development in Pakistan, the figures should be showing positive trends as opposed to negative ones, even from the beginning. For this reason, this study believes that China's engagements in Pakistan, although new, are showing early signs of similarity with China's questionable developmental efforts in Africa.

4.4 Chapter 4: Improvement in Infrastructure

Section 3.5 shows the infrastructural projects that are currently being constructed under the CPEC umbrella. The economic corridor pledges to help Pakistan come out of its energy crisis by improving infrastructure, to allow the people to have better access to electricity. From the previous 2 indicators we saw that the data suggested that Pakistan was suffering from increasing rates of unemployment, mixed with poor levels of GDP and GDP per capita, even after the influence of CPEC. Considering this, CPEC has done very little to stimulate economic development in Pakistan. Does the same hold true for CPEC and its efforts to improve infrastructure and help Pakistan come out of its energy crisis?

Energy plays a pivotal role for the economic development of an emerging economy. A reliable source of energy is needed to improve the living standard of the country's people. In today's day, industrial progress plays a vital role in developing a country, albeit the industrial progress is reliant on a stable supply of electricity (Awan & Khan 2014, p. 236). However, Pakistan has been going through an energy crisis that has contributed to the underdevelopment of the Pakistani economy. The main reason for this can be because of increasing prices of hydro-carbon resources and the lack of planning in ensuring the energy supplied meets the demands of the people (Awan & Kahn 2014, p. 236). The energy crisis has hit the country to such an extent, that the textile industry has suffered, resulting in 20% of factories being closed in Faisalabad due to reoccurring power shortages (Rana 2015).

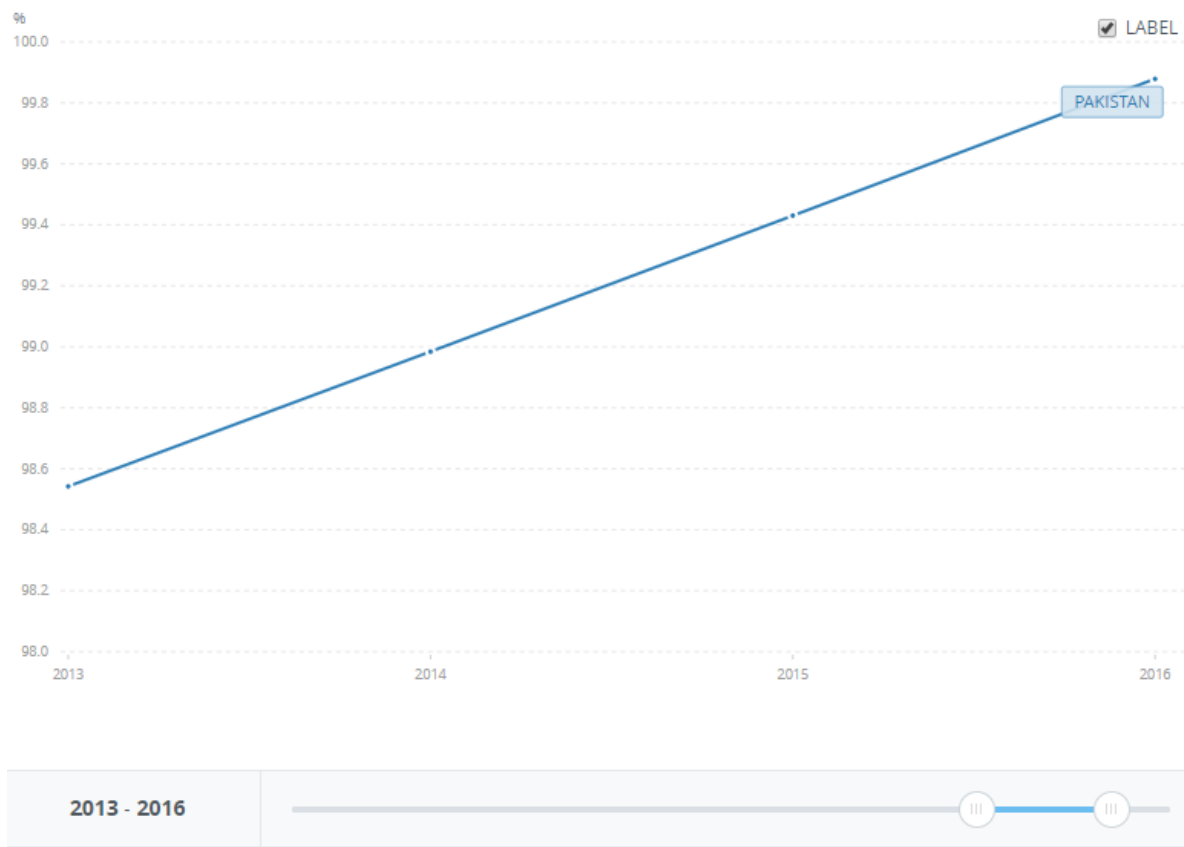


Figure 5 Access to electricity, Urban (% of Population), Pakistan (World Bank 2018)

The above figure taken from the World Bank database looks at the access to electricity (% of population) in the Urban areas of Pakistan. Unfortunately, the World Bank only has data available till 2016, however it very clearly indicates that the access to electricity in the urban areas is almost close to perfect, rising 8.8% in 3 years, from 90% to 98.8% between 2013-2016.

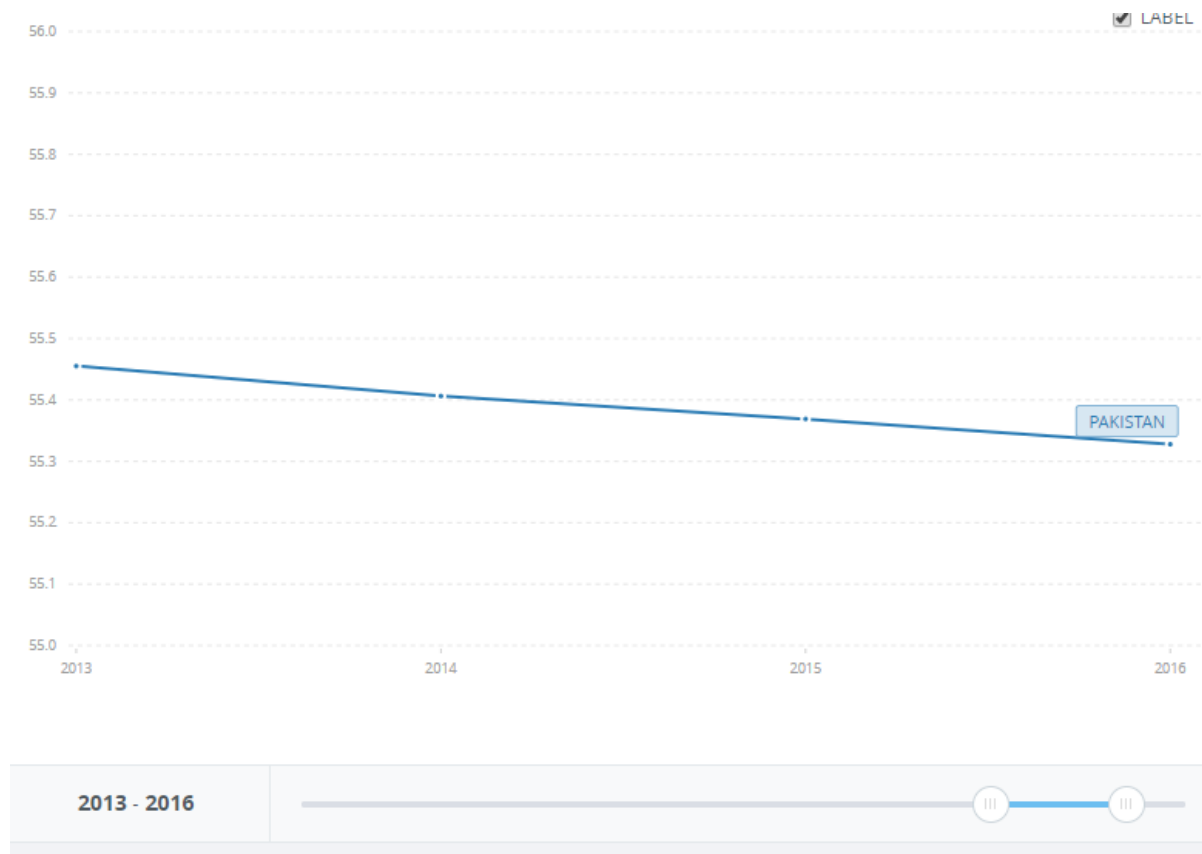


Figure 6 Access to electricity, Rural (% of Population), Pakistan (World Bank 2018)

In comparison to Figure 5, Figure 6 is showing a negative trend. The above figure shows the access to electricity in the rural areas of Pakistan. Looking at the years 2013-2016, the data suggests that while the access to electricity is rising in the urban areas, it is decreasing in the rural areas. According to Ezeala-Harrison's theory of economic development, economic development can only occur if the general population is benefiting equally from the relative development strategies, as opposed to just a part of the population. The idea that only certain areas of the country are receiving the benefits of this Chinese infrastructural project, suggests that inequality is likely to hamper economic development in the future for Pakistan.

Many studies conclude that the development of infrastructure brings a revolution in agriculture and technology. To support this claim, a study by Woelcke, carried out in 2006, made correlations with improvement in infrastructure and reductions in the cost of transport (Woelcke 2006, p. 129). The roadway projects, seen through the

Karakoram highway, eastern and western alignments, as well as the railway projects designed to link the different provinces of Pakistan closer together should theoretically improve business activity in Pakistan, as well as encourage business throughout the country, according to Woelcke's findings. Although the impacts of these roadway and railway projects can only truly be assessed after its completed, the terrorist attacks seen through Baloch nationalists have provided an obstacle for these projects in helping to foster economic development.

On August 11th 2018, a suicide bomber attacked a bus carrying Chinese engineers in Baluchistan. It later came to be known that the Baluchistan Liberation Army (BLA) claimed responsibility for the attack (CPEC Watch 2018). Since the attack, many have questioned the security concerns regarding the China-Pakistan economic corridor. The questioning of these projects became more serious as the attack on 11th August was not the only attack made by Baloch rebels who are unhappy with CPEC. On the 23rd of November 2018, the BLA attacked the Chinese consulate in Karachi (Hasnain 2018). Although the Sindh police forces managed to kill the rebels, the nationalists managed to claim 2 lives. Finally, during May 2019, Baloch rebels attacked a hotel in Gwardar, the most prominent project under CPEC. Like the previous incidents, there were very few casualties, and the police forces successfully managed to take down the rebels who belonged to the BLA (Eurasian Times 2019). Despite this, the headline which reads: *"Can Baloch Rebels Derail the Multi-Billion Dollar CPEC project?"* highlights the growing insecurity of CPEC to foster economic development in Pakistan.

To summarise, although an improvement of Pakistan's infrastructure could help to stimulate economic development in the future, the current security concerns are preventing this from happening. Referring to Ezeala-Harrison's theory for economic development, for the process of economic development to be successful and complete, there must be no interruption in the chain of events. Considering this theory, in the context of CPEC, the chain of events would be the infrastructural projects happening in Pakistan, and for successful development to take place, the project cannot continue to be disrupted by attacks made by Baloch nationalists that are unhappy with China's engagements in their region. These security concerns, that are preventing the completion of the China-Pakistan economic corridor is therefore a hindrance towards economic development in Pakistan. Lastly, the Pakistani state should be concerned

with who is benefiting from infrastructural development. The data shows that while there is a positive trend amongst the urban population, the same cannot be said for the rural. To avoid this inequality from rising in the future, the Pakistani government needs to play a strong hand in ensuring all its citizen are enjoying the fruits of CPEC, as opposed to only some.

5.0 Conclusion

China's rise in the international system has allowed them to challenge traditional patterns of aid giving and, in doing so, China has significantly impacted the global development of foreign aid and its policies – not only for donor countries, but also for recipient countries (Lengauer 2011, p. 65). The increasing significance of China's approach to aid has led to a contested debate regarding its effectiveness in stimulating economic development in recipient countries. After seeing a long period of a failed western approach, scholars, policy makers and foreign policy pundits have tried to answer if China's aid patterns in the emerging world is a viable alternative to the failed western methods. After a deep investigation with academic literature regarding China's engagements in the developing world, this thesis has argued that China's aid giving does not facilitate economic development in Pakistan. To prove this claim, this research has used the China-Pakistan economic corridor as a case study, and answered the following research question:

Research Question: *Has the China-Pakistan economic corridor (CPEC) helped to facilitate economic development in Pakistan between 2013-2018?*

To analyse if China has helped to stimulate economic development in Pakistan through CPEC, this research has employed Ezeala-Harrison's theory of economic development. In doing so, the empirical investigation proved that Pakistan has features of an underdeveloped country even after the announcement of CPEC in 2013, till the last recorded year, 2018. In addition, in accordance with Harrison's theory, this research chose to observe data and trends of CPEC from the perspective of three socio-economic indicators, namely: GDP, Job creation

and improvement in infrastructure, to prove that economic development is not occurring in Pakistan between 2013-2018. This research will now summarise its findings.

Chapter 4, which is the empirical analysis of this research, uses Ezeala-Harrison's model of assessing underdevelopment to prove that CPEC is not project that is helping to facilitate economic developing in Pakistan. Section 4.1 concludes that after the announcement of CPEC, Pakistan experiences consistently low level of GDP, continues to be an agrarian economy, has a population growth exceeding its GDP growth, increasing over-dependency on foreign trade seen through its intensifying engagement with China, low GDP per-capital levels, and the presence of economic dualism in its political economy. This suggests that Pakistan faces continued underdevelopment even 5 years of CPEC projects.

The following sections in Chapter 4, (4.2-4.4), observed the data from the three specific socio-economic indicators chosen for this study. The findings from section 4.2 showed that Pakistan's increase in GDP was very marginal between 2013-2018. While the data forecasts that GDP is expected to rise by 2-2.5% in the next decades, the initial trend suggests the \$62 Billion invested in infrastructural projects so far has not influenced GDP levels in Pakistan. In addition, news items and scholars have forecasted this rise based on the understanding that China continues its investments in Pakistan. Relating this back to Ezeala-Harrison's theory, Pakistan's overdependence on China is a prime cause that is contributing to its continued underdevelopment.

Section 4,3, that looked at the data regarding job creation disproved the notions made by supporters of CPEC. Instead of stimulating job creation, the data concluded that unemployment was a rising trend in Pakistan during 2013-2018. In addition, the political opposition in Pakistan that opposes CPEC, claim that the corridor is only benefiting Punjab and Sindh as opposed to other areas of Pakistan. This is false. The data showed that the unemployment levels were higher in Punjab and Sindh as opposed to neglected areas such as Baluchistan. In response to this data, the international labour organisation (ILO) forecasts over 70,000 jobs to be created in Pakistan in the next two decades. If these claims were true, then the initial 5-year data would be showing positive trends. Lastly, relating the data of job creation to Ezeala-Harrison's model shows how economic dualism is still existing in Pakistan. This is because the job's being created require low-skilled labour as opposed to high-skilled.

Considering this, Pakistan continues to remain stagnant in developing and evolving its labour market, thus contributing to its underdevelopment.

Pakistan has historically suffered through several periods of energy crises. The development in infrastructure of energy is supposed to help combat this dilemma. While the data showed that CPEC helped to increase the access the electricity amongst the urban population, the same did not hold true for the rural population. Considering this, economic development is not facilitated by CPEC through an improvement in energy infrastructure, as only a certain segment of society in Pakistan is benefiting from greater access to electricity. According to Ezeala-Harrison's model, since the wider population is devoid of this benefit, it is not economic development. In addition to the energy infrastructure, the security problem in Pakistan seen through Baluch separatists is hindering the completion of several ongoing projects. This break in the chain of economic events, is what Ezeala-Harrison believes is one of the contributing factors to underdevelopment in Pakistan.

The findings of this research conclude that economic development has failed to occur in Pakistan considering CPEC. The research now wishes to make some concluding arguments regarding the reasons behind China's failed approach to aid in Pakistan. These findings are 2 part. The first relate to the bigger intentions behind China's approach to aid, and the second deals with Pakistan's internal security issues.

A deeper engagement with academic literature regarding China's approach to aid highlights some of China's motives behind aid giving. The criticisms of China's approach to aid can be seen in their engagement with Africa, that Woods describes as a "neo-colonial" relationship. This dissertation wanted to test if claims like the one made by Woods' can hold true towards CPEC, a case study which international relations is yet to empirically test. The fact that economic development is not being generated in Pakistan suggests that scholars such as Lengauer are right in iterating that China's approach to aid is motivated by their own economic, political, and ideological interest, as opposed to development projects that seek to develop and transform the political-economies of recipient countries.

Lengauer's argument also holds true after looking at the internal security issues in Pakistan that are threatening the ongoing projects under CPEC. The inability of the Pakistani state in handling Baluch separatists, and preventing these attacks on CPEC projects essentially

raises the question: Why does China continue to invest in a country that has alarming security concerns?

This research concludes that the reasons for this engagement is because CPEC, which is a flagship project of China's Belt and Road initiative, is the last frontier that China needs to tackle to see the materialization of its bigger dreams, which is essentially "widening China's markets to the rest of the world (Ao, 2017, p. 1)." With this, The Belt and Road initiative represents China's desire to continue asserting its power in the international system, and for the BRI to be successful, CPEC needs to materialize. Considering this, China must overlook the security concerns in Pakistan, which are already contributing to its underdevelopment, to make sure China realizes its political and economic motivations. For this reason, China's involvement in Pakistan is not for the purpose of developing the Pakistani economy, rather for securing its own power on the global system, which international relations theory articulates as realist behaviour.

Finally, the outcome of this research can not only help one to understand China's engagement with Pakistan through CPEC, moreover, China's motivations for aid giving and how it has been used a tool to help advance China's foreign policy objectives. This study criticises China's approach to aid in stimulating economic development in emerging economies, and uses CPEC as a case study to accentuate this idea. As concluded earlier, no economic development has occurred in Pakistan during 2013-2018 in accordance with Ezeala-Harrison's theory of economic development and the three socio-economic indicators which have been employed to assess the research question. Keeping in mind that this study has a few limitations, this study can contribute to existing international relations research that deals with empirically analysing China's efforts in emerging economies. While it is uncertain what the future holds for CPEC, this thesis concludes by undermining China's developmental efforts in stimulating economic development in Pakistan through CPEC between 2013-2018, thus stating it is not an alternative to traditional aid patterns.

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