

China's Belt and Road Initiative in Pakistan: A Win-Win Strategy or Debt Trap Diplomacy?

Evie Sintania

Launched by China under President Xi Jinping in September 2013, the Belt and Road Initiative (BRI) is a mega plan to activate the vital economic growth of the countries and regions as the concept of the Silk Road Economic Belt. Through the Belt and Road Initiative (BRI), which President Xi called 'the project of the century', China plans to connect Asia, Africa, and Europe through multiple corridors and seaports networking (**Shah, 2018**). Pakistan has received one of the highest investments from China as Pakistan is a strategic partner of China. Under the BRI, China and Pakistan developed an economic zone called the China-Pakistan Economic Corridor (CPEC) as a flagship project of the BRI. Various infrastructure, water conservancy, communication, and energy investments have been operated to enhance Pakistan's socio-economic development (**Wen & Saleem, 2021**). However, due to its political controversies, Indian reservations, and security threats, Pakistan restrained its economic development and questioned the fragile environment caused by the challenges Chinese investments have to face. Challenges, like unfinished or not finished on-time Chinese investment projects, would potentially go to waste since government-funded investments are driven by political decisions and corruption. (**Bhattacharjee, 2015**). Thus, investment and political influences have stimulated further debate about China's investment in Pakistan might lead to a "Debt Trap Diplomacy" due to the debt Pakistan holds (**Wen & Saleem, 2021**).

The economic dependency of Pakistan on its loans under BRI, especially for the China-Pakistan Economic Corridor (CPEC), carries high interest rates, surpassing IMF and World Bank rates by up to 5% which contributed to Pakistan's long-term financial struggles. Pakistan also faces corruption and governance issues that cause its political instability through vague deals and economic fragility. Adding to the failed attempt of Prime Minister Imran Khan to reassess agreements with Chinese influence due to its challenges in facing Beijing's pressure. Pakistan also bears additional costs like electricity tariffs and security charges that increase its economic inequality and public dissatisfaction. Thus, the BRI has increased inequality through its expensive infrastructure projects that strain Pakistan's economy without addressing systemic domestic issues with the local government (**Shah, 2019**). The trade balance heavily favors China as Pakistan's exports to China are primarily agricultural and textile-based, while China exports industrial goods like metals, chemicals, and machinery (World Bank, 2020). Despite receiving \$26.5 billion in CPEC inflows by 2023, Pakistan has debt repayments to China that cost US\$ 40 billion in the next 20 years (**Shah, 2019**).

It's believed that predatory lending practices and strategic geopolitical goals are motivated by hidden negative purposes, but it tends to overlook the potential benefits of Chinese investment development (**Brautigam, 2019**). BRI is more guided by self-interested economic and political frameworks than by economic viability as there were few actions to substantiate Pakistan's economic feasibility before those projects were implemented in 2013. On the contrary, international investments tend to focus on whether the proposed projects would produce long-term sustainable

output in contributing to the host countries and whether it would repay its loan in the long run (**Shah, 2019**).

The gap between the poor and the rich through the “Capacity Trap” may have erupted from the CPEC project which produces surplus power that is either too costly for consumers or surplus to Pakistan’s consumption (**Shah, 2019**). To please Chinese investors, Pakistan has agreed to higher power tariffs by US\$ 0.0092 per unit which causes Pakistan to be in “debt distress” under BRI (**Jamal, 2017**). Although in modern days, countries don’t have the power for monetary control, powerful countries can exert extreme pressure to change fiscal policy. This phenomenon occurred with the Pakistan-China relationship as the CPEC binds Pakistan to allocate projects to Chinese contractors at whatever price they bid (**Rana, 2015**). These traits supposedly show China’s “Debt Trap Diplomacy” which indicates Pakistan’s obligation to pay to China despite whatever circumstances Pakistan is facing. Given its power dynamics and economic structures, the relationship between China and Pakistan could foster mutually beneficial partnerships and sustainable development if they were handled effectively (**Brautigam, 2019**).

The debate surrounding China’s Belt and Road Initiative (BRI) in Pakistan, particularly through the China-Pakistan Economic Corridor (CPEC), highlights a wide range of perspectives on whether it serves as a win-win strategy between both parties or reflects “Debt Trap Diplomacy” tendencies. Although multiple literatures emphasize its role in fostering social-economic development, infrastructure enhancement, and regional connectivity, critics are questioning its transparency, implications for sovereignty, and environmental impact. Thus, Pakistan should adopt coherent policies and strategies to overcome its codependency and create long-term sustainable economic growth without internal political flaws getting in the way.

Short Bio

Evie Sintania is a fresh graduate in International Relations from BINUS University with a semester-long exchange at Sungkyunkwan University focusing on Political Science and Diplomacy. She was an intern at INTERPOL Indonesia serving in the Special Economic Crimes Sub-Section and currently serves as the Human Resources Development Manager at ASEAN Youth Organization Indonesia. She is also a Propaganda Staff for HopeHelps Network, an on-campus sexual violence response and prevention, and a research associate at CBDS.

References

SHAH, A. R. (2019, MAY / JUNE). China's Belt and Road Initiative. *Asian Survey*, 59(3), 407-428.

Wen, R., & Saleem, H. (2021). The Opportunities and Challenges That the Belt and Road Initiative Brings: Analysis from Perspective of China-Pakistan Economic Corridor. *Scientific Research Publishing*, 675-691.

Bhattacharjee, D. D. (2015, May 12). China Pakistan Economic Corridor (CPEC). *INDIAN COUNCIL OF WORLD AFFAIRS*.

Shah, A. R. (2018, January 22). How Does China-Pakistan Economic Corridor Show the Limitations of China's 'One Belt One Road' Model. *ASIA & THE PACIFIC POLICY STUDIES*, 5(2), 378-385.

Rana, S. (2015, December 15). *Govt Green-Lights Three CPEC Projects at 23% Higher Cost*. Retrieved from Express Tribune: <https://tribune.com.pk/story/1010145/cleared-in-haste-govt-green-lights-three-cpec-projects-at-23-higher-cost/>

Brautigam, D. (2019). A Critical look at Chinese 'debt-trap diplomacy': the rise of a meme. (DOI: 10.1080/23792949.2019.1689828).

Jamal, N. (2017, March 12). *The Cost of CPEC*. Retrieved from Dawn: <https://www.dawn.com/news/1320028>