

China's Connectivity Projects with Pakistan and Sri Lanka:
A Review of the CPEC Projects and Hambantota Port

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December 2018

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Abstract

Since the Belt and Road Initiative (BRI) was launched in 2013, China has initiated infrastructure projects in many parts of the world, including in Pakistan and Sri Lanka. This essay focuses on the Gwadar Port and Karakoram highway projects in Pakistan and the Hambantota Port project in Sri Lanka. The motives of China and the recipient states, Pakistan and Sri Lanka, in proceeding with the projects are varied, with a mix of economic, domestic political, and strategic factors accounting for the interest of both sides in collaborating. Over the years, the projects have faced a series of hurdles. Difficulties continue to affect the projects even after completion. Yet, despite the hurdles and difficulties, the projects are making headway in terms of their construction, and completed projects are slowly being put to good use. The broad conclusion of the paper is that the projects so far have yielded a mixed record of costs and benefits.

I. Introduction

This paper seeks to examine the projects of the China-Pakistan Economic Corridor (CPEC) such as the Gwadar Port and Karakoram Highway (KKH) as well as the cooperation between China and Sri Lanka at Hambantota Port. These projects are part of China's ambitious Belt and Road Initiative (BRI) that was officially unveiled in 2015 during the Boao Forum for Asia by Xi Jinping. The initiative aims to “promote orderly and free flow of economic factors, highly efficient allocation of resources, and deep integration of markets”. It is open to all countries and international or regional organizations. The plan calls for “policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-

people bonds.”¹ The BRI Forum for International Cooperation that was held in Beijing in May 2017 was attended by the heads and representatives of more than 130 countries and 70 international organizations.² The Forum saw the creation of a list of deliverables that included “76 items comprising more than 270 concrete results in five areas, namely policy, infrastructure, trade, financial, and people-to-people connectivity.”³ However, the picture of the BRI may not be that rosy after all. Since its inception, skeptics have questioned the feasibility, scope, and scale of the initiative. Questions have also been raised regarding China’s real intentions behind the BRI.⁴ Strong critics of the BRI, such as Brahma Chellaney, have accused Beijing of “shackling” its “partner countries” with its loans and criticized it as “creditor imperialism”.⁵ Malaysian Prime Minister Mahathir Mohamad has also warned against “Chinese colonialism” and drawn attention to the “unfair” deals brokered between China and his predecessor, Najib Razak.⁶ The BRI is also facing doubts at home. Li Ruogu, the former president of Export-Import Bank of China, has noted that most of the countries along the route of the BRI “did not have the money to pay for the projects with which they were involved”, and many of these nations were already heavily in debt. Even though many

¹ “China unveils action plan on Belt and Road Initiative”, *China Daily*, March 28, 2015. Available at http://www.chinadaily.com.cn/business/2015-03/28/content_19938124.htm. Accessed September 4, 2018.

² “Belt and Road Forum to bring about fresh ideas”, *The State Council, People’s Republic of China*, May 12, 2017. Available at http://english.gov.cn/news/video/2017/05/12/content_281475653319187.htm. Accessed September 4, 2018.

³ “List of Deliverables of the Belt and Road Forum for International Cooperation”, *China Daily*, May 16, 2017. Available at http://www.chinadaily.com.cn/china/2017-05/16/content_29359377.htm. Accessed September 4, 2018.

⁴ Douglas Bulloch, “After A Brief Silence, Skeptics Of China's Belt And Road Initiative Are Speaking Up Again”, *Forbes*, April 18, 2018. Available at <https://www.forbes.com/sites/douglasbulloch/2018/04/18/china-belt-road-initiative-obor-silk-road/#72c9ee4854da>. Accessed September 4, 2018.

⁵ Brahma Chellaney, “China’s creditor imperialism”, *Japan Times*, December 21, 2017. Available at <https://www.japantimes.co.jp/opinion/2017/12/21/commentary/world-commentary/chinas-creditor-imperialism/#.W44Y-cJ9iUk>. Accessed September 4, 2018.

⁶ “Malaysia’s Mahathir Mohamad warns against ‘new colonialism’ during China visit”, *ABC News*, August 21, 2018. Available at <http://www.abc.net.au/news/2018-08-21/mahathir-says-china-will-sympathise-with-malaysia-problems/10145750>. Accessed September 4, 2018.

BRI projects were funded by major financial institutions, there was “still a huge funding gap” of up to USD 500 billion a year.⁷

The origin of the CPEC can be traced back to 2006 when then president of Pakistan, Perez Musharraf, visited China. He stated then that Pakistan was “interested in setting up a trade and energy corridor for China.”⁸ By this he meant a route from Gwadar Port in Pakistan to Xinjiang in China, so that crude oil from Iran and Africa could enter China from Pakistan’s Gwadar Port, which bypasses the Arabian Sea and the Strait of Malacca, thereby reducing 9,605 kilometres of maritime transport.⁹ The planned CPEC stretches over 3,000 km, comprising projects in highways, railways, oil and gas, as well as fiber optics and wires.¹⁰ However, not much was done until 2013. On the other hand, China began Phase 1 of the construction of Hambantota Port in Sri Lanka early in 2007, and by 2017, China had taken over the managing rights of this port.¹¹

This paper first examines the intentions of China, Pakistan, and Sri Lanka in embarking on the relevant projects. Second, it looks at the hurdles affecting the progress as well as the externalities that followed after the projects commenced or were completed. We will also take stock of the success of the individual projects, and finally, estimate the prospects of these projects. The paper concludes that despite some initial setbacks, several projects are currently on track, having been completed and commissioned. Even if some of

⁷ He Huifang, “Is China’s belt and road infrastructure development plan about to run out of money?”, *South China Morning Post*, April 14, 2018. Available at <https://www.scmp.com/news/china/economy/article/2141739/chinas-belt-and-road-infrastructure-development-plan-about-run>. Accessed September 4, 2018.

⁸ Qin Jize, “Pakistan mulls building trade, energy corridor for China”, *China Daily*, February 22, 2006. Available at http://www.chinadaily.com.cn/english/doc/2006-02/22/content_522558.htm. Accessed September 4, 2018.

⁹ Jiao Zhiyue & Wang Nan, “Gua da er gang qi dong dui wo guo jing ji mao yi de ying xiang” (“The Operation of Gwadar Port and its Effects on China’s Economy and Trade”), *Jingji Yanjiu (Economic Studies)*, No. 5, 2017, 98.

¹⁰ “Zhong ba jing ji zou lang jian she cheng wei xin jiang fa zhan qiang da yin qing” (“Building the CPEC into the great engine for the development of Xinjiang”), *China Daily*, April 24, 2015. Available at http://www.chinadaily.com.cn/dfpd/xj/2015-04/24/content_20535009.htm. Accessed August 21, 2018.

¹¹ Zhu Cuiping, “Han ban tuo ta shen shui gang: chong suo si li lank a hai shang si lu di wei” (“The deep-water port of Hambantota: Reconstructing Sri Lanka’s position on the Maritime Silk Road”), *World Affairs*, No. 20, 2017, 30.

the completed projects have not yet been fully utilized, we need to look at their long-term effects. Hence, despite the current doubts surrounding their development, they may fructify in the longer run.

II. The China-Pakistan Economic Corridor: Motives and Interests

China began to embark on its BRI in 2013, and in May that year, Chinese Premier Li Keqiang arrived in Pakistan with a proposal on connectivity. The Pakistani government welcomed Li's proposal, and the idea of constructing a corridor between Gwadar and Kashgar soon gained momentum. In order to complement the economic corridor, China was also willing to help Pakistan alleviate its energy crisis through the construction of several power plants. Both nations signed a series of agreements and Memoranda of Understanding (MOUs),¹² in which it was affirmed that they were willing to plan and visualize an economic corridor to boost the connectivity between the two countries and, in turn, promote greater development in trade, investments, and other forms of economic activities between them.¹³ In September 2013, Chinese officials visited Pakistan to discuss details of the CPEC. The Corridor slowly but steadily began to materialise, and plans for the CPEC were officially formalized in April 2015 when President Xi Jinping visited Pakistan.¹⁴ The Chinese and Pakistani leaderships agreed to enhance economic cooperation with focal points in areas such

¹² Maham Hameed, "The politics of the China-Pakistan Economic Corridor", *Palgrave Communications*, 4:64, 2018, 2.

¹³ "Zhong ba fa bu 'guan yu xin shi qi shen hua zhong ba zhan lue he zuo huo ban guan xi de gong tong zhan wang'" ("China and Pakistan announced the 'Common Outlook on the Deepening of Sino-Pakistani Strategic Partnership in the New Era'"), *Ministry of Foreign Affairs of the People's Republic of China*, July 5, 2013. Available at <http://www.mfa.gov.cn/chn/gxh/zlb/smgg/t1056504.htm>. Accessed August 14, 2018.

¹⁴ Chen Jidong & Zhang Jianquan, "Zhong ba jing ji zou lang zai 'yi dai yi lu' jian she zhong de ding wei" ("Location of Sino-Pakistan Economic Corridor in 'One Belt and One Road' Construction"), *Journal of Xinjiang Normal University* (Philosophy and Social Sciences), Vol. 37, No. 4, July 2016, 126.

as energy and infrastructure through the CPEC.¹⁵ The two leaders signed 51 agreements and MOUs on Chinese investments, totaling USD 46 billion over the next 10 to 15 years.¹⁶

For China, in addition to the putative economic motivations of the CPEC are national security concerns. From late 2013 onwards, a series of terrorist attacks committed by the terrorist group Turkistan Islamist Party made the Chinese government realise that it had to pay closer attention to Pakistan and Afghanistan, lest Islamist extremism spill over to the western regions of China.¹⁷ Beijing realized that in order to prevent the spread of extremism from Pakistan into its own territories, it would need to support and stabilize the Pakistani economy.¹⁸ Therefore, while on one hand China pressurized the Pakistani security establishments to crack down on Islamic militants, on the other it embarked on the CPEC project so that both countries could benefit from economic development.

In this sense, the CPEC “represents an international extension of China’s effort to deliver security through economic development”. Both countries hope that through the CPEC jobs can be created, anti-state sentiment can be reduced, and public resources for additional improvements in public security can be increased.¹⁹ The hope is that when people have jobs, stable incomes, and are better educated, they will be less supportive of extremist ideas, thereby reducing the base of support for the terrorists. China could better secure its own territory if it successfully curbed the threat of terrorism in Pakistan. China believes that economic development in Pakistan will strengthen its internal stability, and through investments and the construction of infrastructure the Pakistani economy will finally be

¹⁵ Ibid.

¹⁶ Daniel S. Markey & James West, “Behind China’s Gambit in Pakistan”, *Council on Foreign Relations*, May 12, 2016. Available at <https://www.cfr.org/expert-brief/behind-chinas-gambit-pakistan>. Accessed August 13, 2018.

¹⁷ Harsh V. Pant, “The Pakistan Thorn in China-India-US Relations”, *The Washington Quarterly*, Winter 2012, 87.

¹⁸ Jake Harriman, “Linking Extreme Poverty and Global Terrorism”, *The New York Times*, March 13, 2012. Available at <https://kristof.blogs.nytimes.com/2012/03/13/linking-extreme-poverty-and-global-terrorism/>. Accessed August 10, 2018.

¹⁹ Markey et al, 2016.

revived.²⁰ With the increasing prosperity and stability of Pakistan, China is betting that this will “in turn stabilise China’s western periphery, particularly the province of Xinjiang.”²¹

There are also other strategic reasons why China decided to follow up on the CPEC project from 2013 onwards. The CPEC is part of a grander Chinese agenda aimed at improving the regional economic connectivity for regions in western China, such as Xinjiang. It has been the plan of the Chinese government to boost the development and economic growth of Xinjiang especially in the Kashgar region, as will be shown later in this paper. As previously mentioned, the BRI was launched in 2013, and the initiative calls for new state-directed investments in both hard and soft infrastructure which seek to “establish networks for the deepening of economic integration and connectivity across Asia and into Africa and Europe.”²² Since the BRI consists of a continental Eurasian “Silk Road Economic Belt” and a Southeast Asian “Maritime Silk Road”, Pakistan, by virtue of its location, has the potential to “serve as a nexus for the two routes”. Not surprisingly, Beijing describes the CPEC as a “flagship project” of its ambitious BRI.²³

From China’s point of view, the political environment is conducive for the development of CPEC. China and Pakistan are “all-weather strategic partners”, and there is a high degree of mutual trust and deep interaction between the leaderships of both nations. Pakistan was one of the first non-communist countries to recognize the People’s Republic of China in 1951 and also one of the nations that lobbied for the PRC’s entry into the United

²⁰ In 2013, the GDP growth of Pakistan had been hovering at a low 2.5 to 3%. See Mehtab Haider, “Consequences of CPEC”, *The News*, February 12, 2018. Available at <https://www.thenews.com.pk/magazine/money-matters/279735-consequences-of-cpec>. Accessed August 13, 2018.

²¹ Shi Zhiqin & Lu Yang, “The Benefits and Risks of the China-Pakistan Economic Corridor”, *Carnegie-Tsinghua Center for Global Policy*, December 21, 2016. Available at <https://carnegietsinghua.org/2016/12/21/benefits-and-risks-of-china-pakistan-economic-corridor-pub-66507>. Accessed August 14, 2018.

²² Markey et al, 2016.

²³ Ibid.

Nations (UN) in 1971. It has remained a faithful diplomatic friend of China.²⁴ Secondly, there is good record of cooperation between China and Pakistan. Economic cooperation between the two nations dates back decades, and Chinese enterprises have undertaken a variety of projects in Pakistan. Since Chinese enterprises are not unfamiliar with Pakistani society and markets, there is a good foundation for the development of the CPEC. Lastly, there are conducive social conditions: 84% of Pakistanis have a generally positive view towards China.²⁵ Despite their differences over domestic issues, various political and social groups within Pakistan are supportive of the development of the CPEC.²⁶

Most importantly, over the long run, an overland link across Pakistan to the Arabian Sea could help alleviate the “Malacca dilemma” for China. As 85% of China’s oil imports travel through the single chokepoint of the Strait of Malacca, an alternative to the sea route is attractive to Beijing.²⁷ Malacca is the traditional route for seaborne trade but it is not the most secure route for China as this chokepoint is threatened by terrorism and piracy, incurring damages, delays, and losses to Chinese goods and ships along the route.²⁸ In addition, with increasing confrontation between the US and China in the South China Sea and the Asia-Pacific region as a whole, Beijing fears that in the case of a military confrontation between China and the US or any ally of the US in Asia, the US Navy could blockade the Strait, thereby cutting off China’s most vital supply line. It is therefore important to source for a port and overland route that could not only supply China with goods and resources, but also bypass the Indian Ocean and South China Sea.

²⁴ Zamir Ahmed Awan, “66 years of valued friendship between Pakistan and China”, *Daily Times*, May 31, 2017. Available at <https://dailytimes.com.pk/8968/66-years-of-valued-friendship-between-pakistan-and-china/>. Accessed August 14, 2018.

²⁵ There is, however, no data on Chinese views towards Pakistan.

²⁶ Chen et al, 2016, 127.

²⁷ Markey et al, 2016.

²⁸ Jiao et al, 2017, 98.

As for Pakistan, the Pakistan Muslim League (N), led by the Sharif Brothers, came to power in 2013. The PML (N) promised the electorate a “prosperous economy backed by a strong infrastructure network.”²⁹ Since these ambitious infrastructure plans could not be fully financed locally, Islamabad had to find foreign investors, and this converged with Chinese interest in the BRI, as mentioned above. Why does the new Pakistani government consider infrastructure as being so vital at this time? Technically speaking, infrastructure is just a physical and institutional structure that facilitates the flow of people, commodities, ideas, and information.³⁰ In the modern period, however, infrastructure has become a way to consolidate state power and social integration as well. Since only the state has the ability to provide large scale infrastructure, infrastructure-building is increasingly understood as a means to gain legitimacy and to create an integrated national space.³¹ Thus, we can conclude that the ability to build infrastructure was a key performance indicator for the Sharif government and its successors.

The end point of the CPEC in Pakistan is Gwadar Port, which is located in the province of Baluchistan, the largest province by area but the least developed and populated in the country.³² If the Pakistani government wants to develop Baluchistan through the CPEC, the extensive network of infrastructure could help local traders increase their income by tremendous savings in transportation costs. Fruit, one of the largest exports of northern Pakistan, is currently being sent by airfreight to China via Dubai. It would be faster, more efficient, and less costly if produce could be sent overland via connecting expressways or even railways directly into China through Xinjiang. The Pakistani government therefore believes that the CPEC will change the fate of Baluchistan and indeed the whole of Pakistan

²⁹ Hameed, 2018, 2.

³⁰ Brian Larkin, “The Politics and Poetics of Infrastructure”, *Annual Review of Anthropology*, No. 42, 2013, 328.

³¹ Hameed, 2018, 3.

³² Adnan Aamir, “China’s Belt and Road plans dismay Pakistan’s poorest province”, *Financial Times*, June 14, 2018. Available at <https://www.ft.com/content/c4b78fe0-5399-11e8-84f4-43d65af59d43>. Accessed August 14, 2018.

by “improving economic development, extending construction and connectivity of transportation infrastructure, increasing volume of bilateral trade in multiple areas of major projects and establishing multiple industrial parks and free trade zones in Pakistan.”³³

Strains in the US-Pakistan relationship were another factor of consideration when Islamabad decided to foster deeper cooperation with China on the CPEC. The US launched its Global War on Terror after the events of September 11, 2001, and Pakistan became one of the frontline states in the war. The US provided military aid to help Pakistan fight terrorism. However, Pakistani society was adversely affected as its military and civilians became targets of terrorist attacks and collateral damage in American drone attacks.³⁴ At the same time, the Pakistani security forces continued to secretly provide refuge to Taliban fighters. Mutual distrust soon developed, as the US began to delay its aid.³⁵ The last nail in the coffin of US-Pakistani trust was the US raid that killed Osama bin Laden in 2011. The one country that openly voiced its support to Pakistan at the time was China. During this period, China also expressed its interest in becoming Pakistan’s “all-weather strategic partner”.³⁶ In sum, the Pakistani government decided to support the CPEC because of the ambitions of the Sharif government, as well as the fallout between the US and Pakistan, which caused the political interests of the Pakistani establishment to converge with China’s interests and ambitions.

As noted earlier, an important reason for China to invest in Pakistan is to deal with the Malacca Dilemma. This is why China decided to take over the managing rights of Gwadar Port. As shown in Figure 1, the port is located southwest of the Pakistani province of Baluchistan. It is a deep-water, ice-free port, and is situated on the thoroughfare between Red

³³ Shazia Kousar, Abdul Rehman, Mahwish Zafar, Kamran Ali & Nadia Nasir, “China-Pakistan Economic Corridor: A gateway to sustainable economic development”, *International Journal of Social Economics*, Vol. 45, No. 6, 2018, 911.

³⁴ Shehzad H. Qazi, “US-Pakistan Relations: Common and Clashing Interests”, *World Affairs*, Vol. 175, No. 1, May/June 2012, 71-8.

³⁵ Nadia Naviwala, “Playing Hardball with Aid to Pakistan”, *Foreign Policy*, September 4, 2015. Available at <https://foreignpolicy.com/2015/09/04/playing-hardball-with-aid-to-pakistan/>. Accessed August 14, 2018.

³⁶ Pant, 2012, 83-4.

Sea, the Hormuz Strait, and the Persian Gulf, on the one hand, and the Asia Pacific, on the other.³⁷ In 2007, the Port of Singapore Authority (PSA) and its partners signed a contract with the Pakistani government to manage the port for 40 years.³⁸ However, in 2010, the Pakistani Supreme Court issued a stay order against the allotment of Gwadar land to a foreign company. This meant that the government could not transfer the 584 acres of land under possession of the Pakistan Navy. The managing rights of the port were then sold to China Harbour Engineering Co Ltd (CHEC), a Chinese state-owned company.³⁹ In 2013, China officially took over the managing and operating rights of the port.⁴⁰



Figure 1: CPEC: Gwadar Port and the Karakoram Highway. The Gwadar Port and the highway route that links it to China. Sumit Walia, “CPEC, its economic viability and options for India”, *Indian Defence Review*, October 11, 2016. Available at <http://www.indiandefencereview.com/news/cpec-its-economic-viability-and-options-for-india/>. Accessed October 12, 2018.

³⁷ Jiao et al, 2017, 97.

³⁸ Syed Fazl-e-Haider, “China set to run Gwadar port as Singapore quits”, *Asia Times*, September 5, 2012. Available at https://www.atimes.com/atimes/China_Business/NI05Cb01.html. Accessed August 15, 2018.

³⁹ Ibid.

⁴⁰ Jiao et al, 2017, 97.

Gwadar is the ideal end point of the CPEC because, firstly, the coastal line of Gwadar Town is around 600 km with smooth and flat shores, which means that there is an abundant shoreline which is suitable for the construction of a port. Phase I of the Gwadar Port development project is located at the east bay, which is sheltered by promontories. Thus, ships docked at the port will be protected from bad weather. The population of Gwadar is only about 40,000 to 50,000, and since the surrounding landscape is undeveloped and sparsely populated, there is enough room for expansion in the future.⁴¹ Moreover, Baluchistan boasts deposits of more than forty kinds of minerals such as copper, marble, and precious stones, as well as abundant fishery resources.⁴²

For China, apart from the security concerns that were mentioned earlier, there are economic considerations behind the development of Gwadar Port. First, it is to cut down on the cost and time for shipping. The shipping route from Shanghai to Gwadar is 15,858 km, while the distance between Urumqi and Gwadar is 4,712 km by expressway. The shipping distance can be greatly reduced, since some exports from Shanghai could be shipped to Gwadar from Urumqi before they are exported to the rest of the world.⁴³ With Gwadar, the transport distance of crude oil from the Middle East to China has been reduced by 85%, and railway transport from Kashgar to Gwadar now takes only 36 hours.⁴⁴ This shortening of the distance means that much cost and time on transport is saved. It also means that the import and export trade between China, Central Asian, and South Asian countries would be greatly enhanced, and China's import-export trade would benefit.⁴⁵

⁴¹ Xi Fang, Wang Chao & Li Junxing, "'Yi dai yi lu' zhan lue xia de ba ji si tan gua da er gang SWOT fen xi ji fa zhan ce lue" ("The SWOT Analysis and Development Strategies of Pakistan's Gwadar Port under the BRI Strategy"), *Jiaotong Qiye Guanli (Transport Enterprise Management)*, No. 2, 2017, 1.

⁴² *Ibid.*, 2-3.

⁴³ Jiao et al, 2017, 98.

⁴⁴ "Zhong guo zai ba tie gua da er gang zheng shi kai hang, shi you yun shu ju li ke suo duan 85%" ("China's Gwadar Port in Pakistan is officially launched: Oil transport distance could be shortened by 85%"), *Sina.com.cn*, November 14, 2016. Available at <http://mil.news.sina.com.cn/china/2016-11-14/doc-ifxsmic6207662.shtml>.

Accessed August 15, 2018.

⁴⁵ Jiao et al, 2017, 98.

Secondly, with the operation of Gwadar Port, economic and infrastructural developments in western China can be promoted. Goods produced in western China can be sent to Kashgar before being transported to Gwadar Port. In turn, China's imports from other parts of the world can be transported to Kashgar via Gwadar Port. In short, Kashgar would become a transport hub that links western China with the rest of the world. In addition, this will encourage the domestic and cross-border transport industry of China. There will be a higher demand for high-quality transport services and hardware, augmenting the development of relevant expertise and operators in the industry. The promotion of Kashgar as a transport hub for the CPEC would increase the movement of human capital, goods, and finance, which are essential to the development of not just Kashgar but also the whole of western China. Kashgar could develop into a world-class transport, financial, and trade center.⁴⁶

What then, are Pakistan's interests in developing Gwadar Port? For Islamabad, since 95% of the country's annual trade is routed through the sea, its coastal region offers great economic and strategic opportunities.⁴⁷ Gwadar Port is a "strategic maritime outpost" for Pakistan due to its proximity to the Persian Gulf, Central Asia, and Eurasia. Therefore, Gwadar Port is potentially one of the world's main energy and trade chokepoints.⁴⁸ Its importance is demonstrated by the fact that 20-30 tankers pass through it every day during peak hours.⁴⁹ Additionally, from the strategic and military perspective, the location of Gwadar Port could enable it to become a surveillance hub for the Pakistani military to keep an eye on naval activities in the entire Arabian Sea and Indian Ocean, especially Indian

⁴⁶ Ibid.

⁴⁷ Inayat Kalim, "Gwadar Port: Serving Strategic Interests of Pakistan", *South Asian Studies*, Vol. 31, No. 1, January-June 2016, 211.

⁴⁸ Ibid, 216.

⁴⁹ Vijay Sakhuja, "Gwadar: Can India Checkmate China?", *Institute of Peace and Conflict Studies*, February 12, 2013. Available at http://www.ipcs.org/comm_select.php?articleNo=3811. Accessed August 15, 2018.

activities. Pakistan would be able to monitor the nearby sea lines of communication (SLOC) more effectively.⁵⁰

Pakistan's fixation on monitoring the naval activities of India arise from the fact that it sees India as its greatest threat. Its geographical vulnerability was exposed during the Indo-Pakistani war of 1971 when India blockaded its entire merchant fleet and a large portion of its naval fleet in Karachi. India's ability to blockade oil supplies and commerce has long been a security concern.⁵¹ The development of Gwadar, which is 460 km away from India, would help increase Pakistan's naval strategic depth.⁵² Islamabad hopes that with the development of Gwadar Port, the Pakistani navy and the friendly Chinese navy would be able to use the port to check the presence of the US and Indian navies, as well as making "maritime communications safer for commercial shipping in Indian Ocean".⁵³

Another flagship project along the CPEC is the reconstruction of the Karakoram Highway (KKH). The original construction of the KKH dates back to 1959 as a joint effort between China and Pakistan, but the construction was only completed and opened for public usage in 1986. The 1,300 km-long highway is the highest paved international road in the world, with its highest point, the Khunjerab Pass, standing at an elevation of 4,693 meters above the sea level. While a journey on the highway offers breathtaking views, the road abounds in twists and turns. On top of that, avalanches, heavy snowfalls, and landslides can occur anytime, blocking certain sections of the road. Over the course of its construction, 810 Pakistani workers and 82 Chinese workers lost their lives.⁵⁴ By 2006, however, the KKH was

⁵⁰ Kalim, 2016, 216.

⁵¹ Waqas Jan, "Naval Power + Maritime Power = Sea Power", *Pakistan Ka Khuda Hafiz*, December 27, 2013. Available at <https://www.pakistankakhudahafiz.com/naval-power-maritime-power-sea-power/>. Accessed August 16, 2018.

⁵² Hasan Yaser Malik, "Strategic Importance of Gwadar Port", *Journal of Political Studies*, Vol. 19, Issue 2, 2012, 58.

⁵³ Ibid.

⁵⁴ "Karakoram Highway", *Dangerous Roads*. Available at <https://www.dangerousroads.org/asia/pakistan/3334-karakoram-highway-pakistan-2.html>. Accessed August 16, 2018.

already in a state of disrepair, and the governments of China and Pakistan decided to reconstruct the road. The reconstruction project, known as Phase 1 of the KKH Reconstruction and Widening Project, began in 2008, but a severe landslide in 2010 blocked a section of the highway, with the debris forming the Attabad Lake. This caused the need for vehicles to be ferried across the reservoir in order to continue the journey.⁵⁵ It was then decided that a series of tunnels were to be built to bypass the reservoir. The construction of the tunnels, known as the China-Pakistan Friendship Tunnels, commenced in 2012, and were completed in September 2015, hence restoring the land connection between China and Pakistan.⁵⁶ Phase 2 of the construction began in 2016. This phase of the project links Raikot in northern Pakistan with Islamabad and is projected to be completed in 2020.⁵⁷

Both China and Pakistan believe that the reconstruction of the KKH and the realignment of it through the tunnels will bring forth a series of positive changes to both countries. For Pakistan, the commissioning of the China-Pakistan Friendship Tunnels will greatly benefit northern Pakistan, especially Gilgit-Baltistan (GB).⁵⁸ It will bring tourists to GB and reduce transport time from Khunjerab Pass to Raikot from 14 to 7 hours. This in turn will reduce the transport time for goods between China and Pakistan by an average of eight days, thus reducing the cost by USD 100 for each ton of goods delivered.⁵⁹ Locals also hope that with the improvement of the KKH, their livelihoods will likewise improve. For example,

⁵⁵ “‘Zhong ba you yi lu’ ka la kun lun gong lu gai kuo jian gong cheng jin ru shou guan jie duan” (“The ‘China-Pakistan Friendship Highway’: The reconstruction and widening constructions of Karakoram Highway entering its final phase”), *gov.cn*, January 16, 2015. Available at http://www.gov.cn/xinwen/2015-01/16/content_2804804.htm. Accessed August 16, 2018.

⁵⁶ Irfan Haider, “PM Nawaz inaugurates Pak-China Friendship Tunnels over Attabad Lake”, *Dawn*, September 14, 2015. Available at <https://www.dawn.com/news/1206911>. Accessed August 16, 2018.

⁵⁷ Yang Xun, Meng Xianglin, Huan Xiang & Xu Wei, “‘Zhong ba you yi ru ka la kun lun gong lu, yue zou yue kuan guang (xing zou ‘yi dai yi lu’)” [China-Pakistan Friendship is like the Karakoram Highway, the wider as it goes (Traveling the BRI)], *people.com.cn*, May 7, 2017. Available at http://paper.people.com.cn/rmrb/html/2017-05/07/nw.D110000renmrb_20170507_1-03.htm. Accessed August 16, 2018.

⁵⁸ Irfan Haider, 2015.

⁵⁹ Zhang Guangkai, “Ka la kun lun gong lu zhong duan 5 nian hou guan tong, ba ji si tan zong li jie mu” (“Karakoram Highway reopened after disrupted for 5 years, the PM of Pakistan officiated the opening ceremony”), *Guanchazhe (The Observer)*, September 15, 2015. Available at https://www.guancha.cn/Neighbors/2015_09_15_334216.shtml. Accessed August 16, 2018.

one of the road workers on the site said that his uncle was a truck driver who sometimes delivered fruits and cakes. As the condition of the road was poor in the past, the food items were no longer fresh after prolonged journeys and could not be sold at a good price. With the reconstruction of KKH, the locals hope not only for shorter transport times, lower transport costs, but also to improve their well-being.⁶⁰

III. The Hambantota Project in Sri Lanka: Motives and Interests

China Harbour Engineering (CHEC) entered Sri Lanka as early as 1998 when the nation was still in a state of desolation due to the ongoing civil war. Sri Lanka was further devastated by the tsunami disaster in 2004, which caused great loss of life and damage to property. Chinese enterprises such as the CHEC participated in the relief efforts and helped in the reconstruction of infrastructure. New roads, such as the one which links Galle and Mattala, was built by CHEC. The company also helped to rebuild four harbours as part of disaster relief.⁶¹ In 2009, with the end of the civil war in Sri Lanka, the nation began to embark on massive post-war and post-disaster reconstruction. Colombo therefore requested funding from various sources, and the Chinese government and enterprises stepped in to help with reconstruction efforts.⁶²

Since 2002, there had been plans to construct a port in the Hambantota area (see Figure 2). In 2006, a feasibility study conducted by the Danish consulting firm Ramboll took

⁶⁰ Yang et al, 2017

⁶¹ “China Harbour Engineering: Helping Build a Better Future for All Sri Lankans”, *Asia Business Channel*, December 1, 2014. Available at <http://www.asiabusinesschannel.tv/china-harbour-engineering/>. Accessed September 5, 2018.

⁶² Zhu, 2017, 30.

a “relatively optimistic view of the port’s potential”.⁶³ In 2005, Mahinda Rajapaksa was elected as the president of Sri Lanka, and he embarked on a new Ten-Year Development Plan. As part of the plan, Rajapaksa wanted to revive Sri Lanka as an important part of the Maritime Silk Road, transforming the country into a hub for maritime and air transport, as well as a centre for trade and commerce.⁶⁴ Part of the reasoning was that the demand for container handling at Colombo was set to exceed its capacity by 2020. On top of that, since the shipping industry would demand “deeper and longer-length berths to accommodate new generation vessels, ports other than Colombo must also be developed to link to Colombo Port and to complement it.”⁶⁵ It was therefore decided that a port should be constructed at Hambantota in order to decongest Colombo Port and to develop the former as an “important calling point for provision of port facilities and other maritime services.”⁶⁶



Figure 2: Hambantota Port and its location in Sri Lanka. “Sri Lanka signs deal on Hambantota port with China”, *Followcn.com*, July 29, 2017. Available at <http://www.followcn.com/sri-lanka-signs-deal-hambantota-port-china/>. Accessed November 19, 2018.

⁶³ Jonathan E. Hillman, “Game of Loans: How China Bought Hambantota”, *Center for Strategic & International Studies*, April 2, 2018. Available at <https://www.csis.org/analysis/game-loans-how-china-bought-hambantota>. Accessed August 20, 2018.

⁶⁴ Zhu, 2017, 30.

⁶⁵ Department of National Planning, Democratic Socialist Republic of Sri Lanka, *Mahinda Chintana: Vision for a New Sri Lanka*, (Panaluwa: State Printing Corporation), 2006, 100.

⁶⁶ *Ibid*, 100-1.

Part of the reason Hambantota was chosen was that the town was situated very near the main shipping route between Europe and East Asia. It therefore has the potential to become a good port-of-call for international shipping. Secondly, the location was a natural deep-water port, with water depth reaching sixteen metres within a kilometre from the shore. On top of that, the area was blessed with abundant resources, which could be used for the construction of port facilities and industrial zones. Land transportation around Hambantota was rather well developed, and the highways which were planned and under construction could link the port with other parts of Sri Lanka.⁶⁷

Rajapaksa had first approached India to help with the project of constructing Hambantota Port. When India showed little interest in the project, Rajapaksa turned to China for help. The Chinese agreed to embark on the project, and on October 31, 2007, the construction was launched by the China Harbour Engineering Company (CHEC) and Sinohydro Corporation. While the exact number of Chinese workers employed for the construction of the port is unknown, it has been reported that there were “thousands” of them.⁶⁸ Chinese technicians and engineers also provided technical support, training, and advice for local workers, thereby increasing their skills and efficiency. Furthermore, 85% of the project was funded by the Chinese government.⁶⁹ Phase 1 of the project was completed in December 2012, and the construction of Phase 2 commenced almost immediately. Phase 2 of Hambantota Port was completed in 2015.⁷⁰ China undertook the construction of Hambantota Port on the back of a loan at an interest rate of 6-7%. By 2015, on the back of the high

⁶⁷ Lu Yongchang & Li Su, “Si li lan ka han ban tuo ta gang kou xiang mu gang zhi xuan ze ji yi qi gong cheng she ji jian shao” (“The Choice of Site for Sri Lanka’s Hambantota Port and an Introduction to Phase 1 of Construction Design”), *Port & Waterway Engineering*, No. 7, July 2009, 45.

⁶⁸ Maria Abi-Habib, “How China Got Sri Lanka to Cough Up a Port”, *The New York Times*, June 25, 2018. Available at <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>. Accessed December 13, 2018.

⁶⁹ Sun Yi, “Zhong guo dui ‘yi dai yi lu’ yan xian guo jia ji chu she shi jian she ji tou zice lue yan jiu: yi si li lan ka han ban tuo ta gang wei li” (“A Study of China’s Infrastructural Constructions and Investment Strategies towards BRI Nations: Using Sri Lanka’s Hambantota Port as an Example”), *China Journal of Commerce*, 5 (2017), 54.

⁷⁰ Zhu, 2017, 30.

interest rate, Sri Lanka came to owe China USD 8 billion. By 2017, Hambantota Port was already too costly for Colombo to maintain, so it was given to China in lieu of debt payment. In December 2017, the port was officially leased to China, and two Chinese firms, namely Hambantota International Port Group (HIPG) and Hambantota International Port Services (HIPS), which are themselves managed by the China Merchants Port Holdings Company (CMPort) and the Sri Lanka Ports Authority, will own the port and the investment zone around it.⁷¹ The Chinese firms will control 70% equity and in possession of a lease for 99 years.⁷²

Clearly, there were economic reasons for the development of Hambantota, even if the benefits later seemed debatable. What, though, were the political reasons behind Rajapaksha's decision? After taking office, he had promised to develop southern Sri Lanka, including his home district of Hambantota, which was among the areas devastated by the 2004 tsunami. Almost immediately, Sri Lanka embarked on a series of ambitious projects in the south, with many of them relying on Chinese financing, Chinese contractors, and Rajapaksa's name.⁷³ Rajapaksa saw the construction of infrastructure in and around the Hambantota region, including the port in question, not simply a way of fulfilling election promises, but rather as furthering the consolidation of his political base and legitimacy.⁷⁴ Reports suggest also that Rajapaksha received Chinese monies which were used for his electoral campaigns.⁷⁵ As with Nawaz Sharif, bringing economic prosperity through Chinese

⁷¹ "Sri Lanka Formally Hands Over Hambantota Port to China for 99 Years", *News18*, December 9, 2017. Available at <https://www.news18.com/news/world/sri-lanka-formally-hands-over-hambantota-port-to-china-for-99-years-1599429.html>. Accessed December 12, 2018.

⁷² Tang Pengqi, "Transfer of Stock Share in Hambantota: Context and Impacts", *South Asian Studies Quarterly*, No. 3, 2017, 76.

⁷³ Hillman, 2018.

⁷⁴ *Ibid.*

⁷⁵ Maria Abi-Habib "How China Got Sri Lanka to Cough Up a Port," *New York Times*, June 25, 2018. Available at <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>. Accessed December 14, 2018.

economic involvement became a legitimating factor for Rajapaksa, one that in his case paid off in enabling his re-election with a larger margin than in the previous election of 2005.⁷⁶

The development of Hambantota may also have been part of Colombo's larger strategic interest in balancing India's power and increasing Sri Lanka's bargaining room with New Delhi and with the international community more broadly. India's proximity always makes it a concern for Sri Lanka. During the civil war, Indian involvement was a perennial worry. India was of course not the only outside power that posed problems. International criticism of the Rajapaksha government's handling of the end of the civil war, and attention on its human rights record during and after the end of the war in 2009, stung Colombo. China had not only helped Sri Lanka in the closing years of the internal conflict, it had also stood by the country against international criticism in the years after the war. While Sri Lanka could not afford to alienate India or international opinion, especially the Western powers, beyond a point, it could strengthen its strategic-diplomatic hand by engaging China more deeply economically. China's Hambantota involvement can be seen from this perspective as well.

What were China's interests in proceeding with Hambantota port? Investment in Hambantota Port would facilitate economic growth not only in the hosting nation but would also benefit Chinese enterprises working on the projects. Beyond the returns to Chinese companies, there were employment benefits since the construction projects usually hire Chinese workers and engineers. Perhaps the most important economic reason for the management of the port is that, as previously mentioned, the construction of the port is part of a series of Chinese projects in Hambantota region, which include but are not limited to an

⁷⁶ Amantha Perera, "Sri Lanka: A Powerful President Promises Prosperity", *Inter Press Service*, November 22, 2010. Available at <http://www.ipsnews.net/2010/11/sri-lanka-a-powerful-president-promises-prosperity/>. Accessed October 9, 2018.

industrial zone and a network of highways.⁷⁷ The economic gains from these projects are mutually dependent on each other, since the availability of an industrial zone can attract investments and both the port and the highway network can provide infrastructural support to the investments in the industrial zone.

Clearly, China has geostrategic interests in increasing its presence in Sri Lanka and accessing a port in this part of the Indian Ocean region. With the port under Chinese control, China could enhance its so-called “string of pearls” stretching from China’s eastern seaboard to the Bay of Bengal and beyond to the Arabian Sea and Gulf.⁷⁸ More importantly, Hambantota is located close to the SLOCs between the South China Sea and Pacific Ocean on one side and the Indian Ocean on the other side. China could well make use of Hambantota Port, just like Gwadar Port, to deal with its Malacca Dilemma. In case of threats of interdiction of China-bound shipping or Chinese naval vessels around the Malacca or Sunda straits, Hambantota could serve as a handy port for the PLA Navy (PLAN). The putative PLAN fleet on the island could act as a deterrent and, in the event of hostilities, could issue forth to aid and assist Chinese shipping on the high seas and keep the straits open. In addition, during peace time, PLAN could make use of the port for naval rest and recreation for its crews, refueling, and repair and maintenance of its vessels, as the navy expands its patrolling and presence in the vast area of the Indian Ocean. Finally, there is evidence that from the beginning China sought intelligence in return for its role in building the port. As Nihal Roderigo, former Sri Lankan Foreign Secretary noted, China insisted that “We expect you [i.e Sri Lanka] to let us know who is coming and stopping here.”⁷⁹

⁷⁷ Yang Yi, “Yearender: China, Sri Lanka's joint development in Hambantota rockets from vision to reality in 2017”, *Xinhua News Agency*, December 27, 2017. Available at http://www.xinhuanet.com/english/2017-12/27/c_136854459.htm. Accessed December 13, 2018.

⁷⁸ Jamie Tarabay, “With Sri Lankan port acquisition, China adds another ‘pearl’ to its ‘string’”, *CNN*, February 5, 2018. Available at <https://edition.cnn.com/2018/02/03/asia/china-sri-lanka-string-of-pearls-intl/index.html>. Accessed August 20, 2018.

⁷⁹ Abi-Habib “How China Got Sri Lanka to Cough Up a Port”.

IV. Hurdles and Externalities

Since its launch in 2013, one of the problems facing the CPEC has been over who in Pakistan truly benefits. The controversy mainly stemmed from the allocation of funds and projects in each of the Pakistani provinces, which was based on population density. The problem was that, according to the formula, Baluchistan, despite being the location of Gwadar Port, was supposed to get the smallest share in terms of investment and benefits since it is the least populated and least developed province.⁸⁰ Baluchistan reportedly was going to get only eight projects. On the other hand, Punjab would get 176 projects, Sindh 103, and Khyber Pakhtunkhwa (KPK) 19. This caused great resentment not just in Baluchistan, but also the other provinces which saw Punjab as reaping most of the benefits. This resentment has triggered opposition to the CPEC, even violence and bloodshed. Protests are likely to continue unless the federal government changes its stance on project allocation of the CPEC.⁸¹

As for Gwadar Port, the biggest problem facing the project is the lack of water. The town of Gwadar and its surrounding areas get their water from a dam which was built in 1994. The dam constantly dries up due to the lack of rainfall, since the province of Baluchistan has been severely drought-ridden since 2013. With the construction of Gwadar Port, the dam was no longer able to meet the sudden surge of demand for water following the influx of people into the town.⁸² The town therefore faces an “endemic” shortage of water.⁸³ This problem, if

⁸⁰ Salman Rafi, “‘Punjab-centric’ China-Pakistan Economic Corridor exposes political divisions”, *Asia Times*, September 14, 2016. Available at <http://www.atimes.com/punjab-centric-china-pakistan-economic-corridor-exposes-political-divisions/>. Accessed August 8, 2018.

⁸¹ Shamil Shams, “China's economic corridor creating new conflicts in Pakistan”, *Deutsche Welle*, August 29, 2016. Available at <https://www.dw.com/en/chinas-economic-corridor-creating-new-conflicts-in-pakistan/a-19510980>. Accessed August 8, 2018.

⁸² Christopher Crellin, “Pakistan: Confronting Gwadar’s Water Crisis”, *Future Directions International*, July 11, 2018. Available at <http://www.futuredirections.org.au/publication/pakistan-confronting-gwadars-water-crisis/>. Accessed August 16, 2018.

⁸³ Baba Faiz, “Water, the ‘game changer’ for Gwadar”, *Daily Times*, April 28, 2018. Available at <https://dailytimes.com.pk/233604/water-the-game-changer-for-gwadar/>. Accessed August 16, 2018.

not addressed adequately, will have far-reaching and adverse effects on the development of the port, since dry and barren land would not be able to support industrial or commercial activities. Since the beginning of the water crisis, the city administration had been supplying drinking water to Gwadar from Mirani Dam through tankers, which costs Rs. 240 million per month.⁸⁴ In April 2018, due to the fact that the Public Health Department has stopped paying its dues, the owners of the water tankers stopped their operations. The crux of the problem is that the city administration never “made any plan to solve the water shortage on a permanent basis.”⁸⁵ While it is true that there are actually three desalination plants in Gwadar to resolve the water shortage, they are insufficient due to “design flaws, ongoing technical issues, and high operational costs”. Furthermore, there is inadequate electricity to power the desalination plants in the first place.⁸⁶ On the surface, it may seem that the under-productivity of the plants is due to ill-planning and faulty design, but a deeper reason for their inefficiency is the corruption that exists in the city administration.⁸⁷

As previously stated, most of the funds channeled for the CPEC were not allocated for projects in Baluchistan. However, even if projects and funds are indeed channeled to Baluchistan and Gwadar Port in particular, there are many problems ahead. For example, in order to redevelop the town of Gwadar to cater for the projects of the CPEC. The local government is set to expropriate at least 290,000 acres of land in the inner city for development. The locals of Gwadar fear displacement and destruction of their housing and livelihood as a result. The residents were issued ultimatums, and those who refuse to sell their land or property face forced resettlement.⁸⁸ Moreover, local livelihoods were severely affected by the development of Gwadar Port and the displacement of locals that followed. For

⁸⁴ Crellin, 2018.

⁸⁵ Baba, 2018.

⁸⁶ Crellin, 2018.

⁸⁷ Baba, 2018.

⁸⁸ Michael Kovrig, “National Ambitions Meet Local Opposition Along the China-Pakistan Economic Corridor”, *The Diplomat*, July 24, 2018. Available at <https://thediplomat.com/2018/07/national-ambitions-meet-local-opposition-along-the-china-pakistan-economic-corridor/>. Accessed August 16 2018.

example, local fishermen of Gwadar are among the oldest residents of the town, yet, they were neglected by the government since they are of no use to the development of the port. They also resent the fact that they have been displaced to make room for the port. While the fishermen were compensated and relocated by the town government, the places to which they were relocated have little to no infrastructure. To make matter worse, the fishermen of Gwadar have a “distinct culture and way of rationalizing things” and after they were relocated from their traditional fishing grounds, they were “reluctant” to fish anywhere else. This caused them to suffer not only the inconvenience of relocation but also a sharp decrease of income as they could no longer carry on with their traditional business.⁸⁹

Unskilled workers in the area also resent their exclusion from the port’s construction, as the government favored importing labor from other provinces.⁹⁰ Even if we discount the adverse effects of the construction of the port on the local populace, it has never been clear if the locals would really benefit. At the onset of the project, when Pakistan transferred leasing rights for the port to the China Overseas Port Holding Company, the deal granted China 91% of the port-generated profits and Islamabad just 9% while at the same time denying Baluchistan’s provincial government any revenue. With such lopsided terms, China is under “minimal pressure” to ensure that Pakistan and ordinary Pakistanis would benefit from the construction and operation of the port.⁹¹

Economic marginalization that is caused by unfair allocation of investments and projects is stirring local dissent and resentment, which could lead to “significant security risks.”⁹² This is very ironic since one vital purpose of the development of the CPEC and the Gwadar Port in particular is to ensure the security and stability of both China and Pakistan.

⁸⁹ Behram Baloch & Muhammad Akbar Notezai, “The travails of Gwadar’s fishermen”, *Dawn*, August 15, 2017. Available at <https://www.dawn.com/news/1351634>. Accessed September 5, 2018.

⁹⁰ Kovrig, 2018.

⁹¹ Ibid.

⁹² Ibid.

The main pillar of support for the insurgency of Baluchistan is the popular demand for greater political and economic autonomy. If the CPEC fails to provide Gwadar and Baluchistan as a whole the benefits of economic development, there is likely to be heightened hostility toward Islamabad and Beijing. Insurgents could tap on the support of “disgruntled locals” who feel that they have been shortchanged by the projects of the CPEC.⁹³ As a matter of fact, the construction of the projects in Baluchistan are already seen by the insurgents and some locals as a “ruse to take over their land”.⁹⁴ Since 2014, Baluch militants have killed dozens of Pakistani workers employed on CPEC projects and future attacks “might target Chinese construction workers or Chinese nationals living in Pakistan”.⁹⁵ Hence, with the development of the CPEC in progress, it seems that terrorist attacks are actually mounting rather than decreasing.

The development of Gwadar Port is also impacting the environment. Gwadar boasts several virgin beaches, but as part of the plan to develop the port, it has been proposed that a 300MW coal power plant should be built in the area.⁹⁶ The negative, environment-related effects of the proposed coal power plant are manifold. First, the virgin beaches of Gwadar would be affected as the new power plant is set to be built in the vicinity of these beaches. Second, the coal power plants will adversely affect public health. Carbon emissions from the coal plant will worsen greenhouse gas emissions, and the coal ash released by the plant would cause various respiratory diseases.⁹⁷ Third, since the development of the port, there has been “a rise in illegal trawling of fish”, and the local government has turned a blind eye to such

⁹³ Ibid.

⁹⁴ Gul Yusufzai, “Suspected Pakistani militants gun down three workers on China ‘Silk Road’ project”, *Reuters*, May 19, 2017. Available at <https://www.reuters.com/article/us-pakistan-militants/suspected-pakistani-militants-gun-down-three-workers-on-china-silk-road-project-idUSKCN18F1EN>. Accessed August 16, 2018.

⁹⁵ Kovrig, 2018.

⁹⁶ Shah Meer Baloch, “CPEC’s Environmental Toll”, *The Diplomat*, April 18, 2018. Available at <https://thediplomat.com/2018/04/cpecs-environmental-toll/>. Accessed September 5, 2018. And “300MW Imported Coal Based Power Project at Gwadar, Pakistan”, *China-Pakistan Economic Corridor*. Available at <http://cpec.gov.pk/project-details/5>. Accessed September 5, 2018.

⁹⁷ Shah Meer Baloch, 2018.

activities. This has badly affected the local fishing business by rapidly depleting fishery resources.⁹⁸

As for the Hambantota Port of Sri Lanka, the construction phases of the port appear to have gone rather smoothly, with the completion date on schedule. While it is true that a strike (which later turned into a riot) organized by workers loyal to former President Rajapaksa broke out in December 2016, the crisis ended swiftly and did not cause much damage to the port facilities nor to the goods.⁹⁹ At the time, this event was hardly noticed publicly or internationally. However, coverage of the negative aspects of Hambantota Port soon surfaced when the port was transferred to China in 2017.

One of the biggest problems of Hambantota Port is that hardly any ships dock at its berths on any given day. Even though around 60,000 ships sail past the southern tip of Sri Lanka each year, many of them choose to dock at Colombo rather than Hambantota because they do not see any advantage in stopping at the latter. In fact, the port's poor performance has fueled the impression that it simply serves China's strategic interests to secure crucial trade routes and international supply chains since the port would not see any meaningful traffic in the short run.¹⁰⁰ As of April 2018, the port handles an average of one ship per day, and most shipping companies see no reason to dock their ships at Hambantota since Colombo is much more developed.¹⁰¹ In 2016, the port was making a revenue of USD 11.81 million, but incurring expenses of USD 10 million. It has been estimated that by 2032, the operating profit would be USD 33.5 million, but the loan repayment amount would be a staggering

⁹⁸ Behram Baloch et al, 2017.

⁹⁹ "Hambantota moves in step with the Nation", *Daily News*, December 17, 2016. Available at <http://www.dailynews.lk/2016/12/17/features/102173>. Accessed August 20, 2018.

¹⁰⁰ Iain Marlow, "China's \$1 Billion White Elephant", *Bloomberg*, April 18, 2018. Available at <https://www.bloomberg.com/news/articles/2018-04-17/china-s-1-billion-white-elephant-the-port-ships-don-t-use>. Accessed August 20, 2018.

¹⁰¹ *Ibid.*

USD 68 million.¹⁰² Since debt on the port was proving to be too large for Sri Lanka to handle, the port was leased to China. The low frequency of ships docking at Hambantota Port caused the port to incur net losses, and this caused Colombo to finally throw in the towel and lease the port to China. The low traffic at Hambantota is puzzling since the feasibility report conducted in 2006 gave it a positive outlook. Low traffic could be attributed to the fact that it is a very new port, and the developments in the vicinity are not yet complete. Also, since the shipping operators are used to docking at Colombo, they are reluctant to change their *modus operandi*. The fact that shipping operators still prefer docking at Colombo is a form of path dependence.

Secondly, the lease of the port to China caused much resentment and unrest in Sri Lanka. When the port was leased to China, it was leased together with a 50 square-km industrial zone.¹⁰³ Many locals, however, believed that this was a plan to “take over private land for the industrial zone in which China will have a major stake.” Furthermore, they feared that the port area and the industrial zone would become a “Chinese colony.”¹⁰⁴ On the very day of the opening ceremony of the industrial zone, clashes broke out between protestors and supporters, causing many to be wounded. The Buddhist clergy of Sri Lanka also issued a decree, asking the government to terminate the leasing to the Chinese.¹⁰⁵ The establishment of the industrial zone that complements the port also caused environmental issues and forced displacement of locals. It has been reported that when the land for the industrial zone was “earmarked to be handed over to the Chinese”, the local villagers were asked “to leave their land in a process where they have not been consulted or properly informed” regarding

¹⁰² Indika Sakalasooriya, “Hambantota Port sale in perspective”, *Daily Mirror*, January 17, 2017. Available at <http://www.dailymirror.lk/article/Hambantota-Port-sale-in-perspective-122278.html>. Accessed August 20, 2018.

¹⁰³ “Sri Lanka-China Industrial Zone Office in Hambantota Port kicks off industrialisation of Ruhuna”, *Daily FT*, November 6, 2017. Available at <http://www.ft.lk/business/Sri-Lanka-China-Industrial-Zone-Office-in-Hambantota-Port-kicks-off-industrialisation-of-Ruhuna/34-642838>. Accessed August 20, 2018.

¹⁰⁴ “Protest over Hambantota port deal turns violent”, *Al Jazeera*, January 7, 2017. Available at <https://www.aljazeera.com/news/2017/01/protest-hambantota-port-deal-turns-violent-170107080155843.html>. Accessed August 20, 2018.

¹⁰⁵ *Ibid.*

compensation or relocation issues. The “land-grab” worried environmentalists and social activists. Not only were the people forcefully relocated with unsatisfactory compensation, but in the process of development of the industrial zone, environmental and national laws were disregarded. With the support of the police and local government, survey operations for the industrial zone were carried out while the locals were forcefully evicted from their homes – all this occurred even before the required Environmental Impact Assessments were done.¹⁰⁶ In 2017, in protest against the forceful evictions, around 2,000 local families in Hambantota region “banded together around their temple” to fight against the development of the industrial zone, which caused a standoff with the government. Bowing to pressure, the government has yet to proceed with the project, but such an impasse may not last long, and forceful evictions may resume.¹⁰⁷ Such brutal evictions of the local population and possible damage to the environment certainly caused resentment. The irony here is that, be it the industrial zone or Hambantota Port, they are all projects initiated by Colombo to please the electorate.

V. Successes

The host nations and China have taken steps to address some of the problems previously mentioned. Perhaps most importantly, with the development of the CPEC finally benefitting Baluchistan and Gwadar in particular, the water scarcity of Gwadar Port and nearby areas will probably end as the provincial government of Baluchistan has taken steps to solve the issue. In May 2018, an MOU was signed between the provincial government of

¹⁰⁶ Lasanda Kurukulasuriya, “Labour and environmental concerns in Hambantota investment plan”, *Daily Mirror*, December 16, 2016. Available at <http://www.dailymirror.lk/article/Labour-and-environmental-concerns-in-Hambantota-investment-plan-120773.html>. Accessed September 5, 2018.

¹⁰⁷ Uditha Jayasinghe, “Struggling port forces Sri Lanka closer to China”, *China Dialogue*, October 27, 2017. Available at <https://www.chinadialogue.net/article/show/single/en/10173-Struggling-port-forces-Sri-Lanka-closer-to-China>. Accessed September 5, 2018.

Baluchistan and China Overseas Holdings Limited. The Chinese company will provide 300,000 gallons of water daily at a cost of only 80 *paisas* per gallon for the people of Gwadar, and the provincial government of Baluchistan believes that this will end the water scarcity issue in Gwadar.¹⁰⁸ On top of that, a new dam known as the Swad Dam has been completed. As of February 2018, 33 km (which is around 75% of the whole distance) of pipes have been laid to connect Swad Dam with the water distribution system of Gwadar.¹⁰⁹ With the desalination plants in full operation and the new dam connected to the water supply system of Gwadar, it is possible that the acute water shortage of Gwadar will be greatly reduced if not fully solved. Chinese investors have realized that if Gwadar Port is to be of use to the Chinese in the years ahead, the basic necessities of the port and the town must be provided.

Against all odds, from the dangers of terrorist attacks to the shortage of essential natural resources, Phase 1 of the Gwadar Port project went operational in May 2016. This consists of three multipurpose berths with a total quay length of 602 meters, a service berth of 100 meters in length, 4.35 km of navigable channel with the deepest depth at 12.5 meters, together with other buildings and facilities.¹¹⁰ With the completion of the first phase, the port was handling half a million tons of load per year. It was believed that by 2017, the port would be handling 1 million tons of cargo per year.¹¹¹ By 2017, the port was handling more cargo, given two new heavy cranes that were installed to enhance handling capacity. These new cranes will help the port handle 1,500 containers per day. Gwadar Port is already expected to

¹⁰⁸ “MoU inked to address water shortage in Gwadar”, *The Express Tribune*, May 7, 2018. Available at <https://tribune.com.pk/story/1703924/1-mou-inked-address-water-shortage-gwadar/>. Accessed August 17, 2018.

¹⁰⁹ Mohammad Zafar, “Desalination plants answer to Gwadar water crisis: Senator Durrani”, *The Express Tribune*, February 27, 2018. Available at <https://tribune.com.pk/story/1645811/1-desalination-plants-answer-gwadar-water-crisis-senator-durrani/>. Accessed August 17, 2018.

¹¹⁰ “Gwadar port’s first phase fully operational”, *Daily Times*, May 4, 2016. Available at <https://dailytimes.com.pk/84474/gwadar-ports-first-phase-fully-operational/>. Accessed August 17, 2018.

¹¹¹ Shahrkh Syed, “Gwadar Port to handle 300-400m-ton load of goods annually: Chinese report”, *Pakistan Observer*, September 21, 2016. Available at <https://pakobserver.net/gwadar-port-to-handle-300-400m-ton-load-of-goods-annually-chinese-report/>. Accessed August 17, 2018.

handle 150,000 containers in 2017.¹¹² The CPEC has enabled the exports of Baluchistan to slowly pick up, and in turn, created higher demand for the usage of the port. For example, in September 2018, there was a “Gwadar Marbles & Minerals Expo 2018”, which catered for the mining, marble, and mineral processing industry of Baluchistan, the whole of Pakistan, as well as China. It is possible to hold such an exhibition in Gwadar because the marbles, which are mainly quarried from the nearby mines, are sent to the port for export. With the development of the CPEC, there has been greater demand for Baluch marbles from the international market and China. This has enabled the mines in the province to increase production and thereby increase employment.¹¹³

Therefore, it would not be altogether fair to say that the CPEC does not benefit the locals. Schools and vocational training centers have been established in Gwadar with the support of the Chinese.¹¹⁴ The provision of basic necessities in Gwadar and job opportunities in Baluchistan have made a positive impression on the locals. Recently, local leaders in Baluchistan and Gwadar have voiced their support for the CPEC. For example, after the General Elections in 2018, the governor of Baluchistan, Muhammad Khan Achakzai, stressed the importance of the CPEC and how the Corridor is crucial to the development of Baluchistan. He believes that the CPEC will “provide opportunities to the locals of Baluchistan in different fields.”¹¹⁵ New parliamentarians for Gwadar, such as Muhammad Aslam Bhootani, have met Chinese envoys. The ambassador assured the parliamentarians that the jetty at Pasni, which could be closed due to the construction of the port, would be

¹¹² “Gwadar Port cargo handling capacity greatly enhanced with new equipment”, *Times of Islamabad*, September 5, 2017. Available at <https://timesofislamabad.com/05-Sep-2017/gwadar-port-cargo-handling-capacity-greatly-enhanced-with-new-equipment>. Accessed August 17, 2018.

¹¹³ “Gwadar Port starts marble exporting business”, *The News*, August 6, 2018. Available at <https://www.thenews.com.pk/latest/351456-gwadar-port-starts-marble-exporting-business>. Accessed August 17, 2018.

¹¹⁴ “Feature: China-Pakistan Economic Corridor starts to deliver benefits to Pakistani people”, *New China*, April 24, 2018. Available at http://www.xinhuanet.com/english/2018-04/24/c_137132929.htm. Accessed August 17, 2018.

¹¹⁵ “CPEC to help the people of Balochistan in different fields: Governor Balochistan”, *China-Pakistan Economic Corridor*, August 10, 2018. Available at <http://www.cpecinfo.com/news/cpec-to-help-the-people-of-balochistan-in-different-fields-governor-balochistan/NTY5NQ==>. Accessed August 17, 2018.

revived. This means that local fishermen could continue to make a living. In return, Bhootani was confident that “CPEC would give new dimensions to the deep-rooted and time-tested relations between Pakistan and China”.¹¹⁶ Support from local leaders means that the projects of the CPEC and especially the port have gained ground in the minds of the people.

As for the reconstruction and realignment of the KKH, the project will allow transport duration and costs to be cut, will connect northern Pakistan better to the outside world, and will encourage tourism via the highway. On top of these benefits, many locals along the KKH benefitted as the Chinese companies working on the reconstruction and realignment projects hired them, thereby increasing incomes and standards of living. Some of them had no specific skills at first and began as unskilled labour. However, in time, the Chinese companies trained them to operate machinery. For one stretch of the KKH, 4,000 locals were employed, and thousands of them were later trained as engineers or technicians. The salaries at the KKH projects allowed many local families to purchase property, luxury goods such as vehicles, and provided money for the education of their children. All in all, “thousands of local families along the KKH have seen their lives changing for the better” thanks to job opportunities at the project sites.¹¹⁷

As for Hambantota Port, since the port was only recently completed and only transferred to Chinese management in 2017, its successes have been limited. However, the number of ships docking at Hambantota Port is slowly but surely growing. For example, in 2017, 202 ships arrived at the port; but by April 2018, 132 ships had already docked there. Also, in 2017, there were only 400 workers in Hambantota Port; but by 2018, there were 600

¹¹⁶ “Bhootani discusses importance of Gwadar with Chinese envoy”, *The News*, August 9, 2018. Available at <https://www.thenews.com.pk/print/352737-bhootani-discusses-importance-of-gwadar-with-chinese-envoy>. Accessed August 17, 2018.

¹¹⁷ “Feature: China-aided highway changes life of Pakistanis”, *New China*, April 20, 2015. Available at http://www.xinhuanet.com/english/2015-04/20/c_134165479.htm. Accessed August 17, 2018.

port workers, of which 80% were from the local region.¹¹⁸ Clearly, then, over the last couple of years, more ships have been willing to dock at Hambantota, thereby increasing the revenue of the port. Greater traffic at the port promises to generate more job opportunities as well.

VI. Prospects and Conclusion

When Imran Khan took over as the new prime minister of Pakistan in 2018, there was speculation that the relationship between China and Pakistan would go sour and the CPEC projects in Pakistan would be adversely affected. Imran and his party, the PTI, had fiercely criticized the CPEC, equating the Corridor with the East India Company of the 19th century. Later on, even though the PTI toned down its criticism, the party still criticized the individual projects of the Corridor, calling them “a waste of money” and arguing that the money should have been used for other more essential programs such as education and healthcare. The party also claimed that the CPEC was rife with corruption.¹¹⁹ However, this changed on July 30, 2018, when Imran Khan stated that the PTI supported the concept of the BRI and the development of the CPEC. Khan now believes that the CPEC will bring opportunities for the development of Pakistan and that as the PTI takes settles into office it will connect with China “in all aspects” so as to promote deeper and more forward-looking developments between the two countries.¹²⁰ Therefore, the CPEC looks likely to forge ahead. In the words

¹¹⁸ P.K. Balachandran, “China-Built Hambantota Port No Longer A White Elephant”, *The Citizen*, May 25, 2018. Available at <http://www.thecitizen.in/index.php/en/newsdetail/index/5/13912/china-built-hambantota-port-no-longer-a-white-elephant>. Accessed August 21, 2018.

¹¹⁹ Tom Hussain, “What will Pakistan’s new leader Imran Khan deliver for China?”, *South China Morning Post*, July 28, 2018. Available at <https://www.scmp.com/week-asia/politics/article/2157234/what-will-pakistans-new-leader-imran-khan-deliver-china>. Accessed August 21, 2018.

¹²⁰ Tang Yanfei, “*Yi mu lan han hui jian wo zhu ba ji si tan da shi: jian ding zhi chi zhong ba jing ji zou lang jian she*” (Imran Khan meets China’s ambassador to Pakistan: Firmly supports the construction of CPEC), *Guanchazhe (The Observer)*, July 31, 2018. Available at https://www.guancha.cn/politics/2018_07_31_466234.shtml. Accessed August 21, 2018.

of Andrew Small, the projects might be “suspended and re-negotiated, but were likely to go ahead eventually.”¹²¹

As for Hambantota Port, infrastructure investments such as ports are meant to last for centuries, and it may be unfair to measure their success or failure by their ability to generate short-term profits. Phase 1 of the port construction was only completed in 2012, and China took over the port and the industrial zone in 2017. Already, more ships are docking at Hambantota Port and more locals are being employed at the port and the nearby industrial zone. Also, since the Southern Command of the Sri Lankan Navy will soon be stationed at Hambantota, it can be assumed that there will be permanent tenants in the port.¹²² This will boost local economic growth and generate more revenue for the port. As this deployment was only announced in June 2018, not much information is available on whether the Sri Lankan Navy will need to make lease payments to the Chinese for use of the port. Clearly, the port will need more amenities and supporting infrastructures to become more attractive for shipping operators to dock. While the current industrial zone in the vicinity of Hambantota is a Chinese investment, Sri Lanka can certainly look to local or international investments for further development of the region.

In conclusion, the CPEC projects and Hambantota Port present a mixed picture. With both the CPEC projects and Hambantota Port operational, the future benefits of these projects may come to outweigh the costs. If this happens, the projects will have fulfilled at least their intended economic purpose. Whether, especially in the case of the CPEC, it delivers on the intended security-strategic purposes remains to be seen.

¹²¹ Keegan Elmer, “Imran Khan expected to stick with Chinese investment projects after Pakistan election victory”, *South China Morning Post*, July 27, 2018. Available at <https://www.scmp.com/news/china/diplomacy-defence/article/2157186/imran-khan-expected-stick-chinese-investment-projects>. Accessed August 21, 2018.

¹²² “Sri Lanka to base navy’s Southern Command at Chinese-run Hambantota port”, *South China Morning Post*, June 30, 2018. Available at <https://www.scmp.com/news/china/diplomacy-defence/article/2153246/sri-lanka-base-navys-southern-command-chinese-run>. Accessed August 21, 2018.

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