

Pakistan's Governing Elite and CPEC: An Elitist Perspective

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Abstract

This paper seeks to dissect the trajectory of Pakistan's elite responses on China-Pakistan Economic Corridor (CPEC), a lynchpin of Belt and Road Initiative (BRI). It is argued that CPEC has created frictions within the Pakistani elite, which historically has been more aligned to the US. Using Elite theory, the paper attempts to ascertain why an influential segment of the country's ruling class opposes Beijing's increasing role in the country's strategic, economic, and cultural spheres. Apparently, Pakistan's polity seems euphoric on the rise of China, but a deeply entrenched colonial legacy and a long history of association with the United States still holds sway in Pakistan's governing elite, media houses and civil society organizations. This could possibly hinder Chinese long-term ambitions in Pakistan.

Key Words: Elite theory, Belt and Road Initiative, CPEC, China-Pakistan relations, Elitism.

Introduction

The existing body of literature on CPEC is broad and multi-dimensional. Scholars have covered the topic from multiple angles including its impacts on economy,¹ inter-provincial harmony,

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¹ E. Hussain and M. F. Rao, "China–Pakistan Economic Cooperation: The Case of Special Economic Zones (SEZs)," *Fudan J. Hum. Soc. Sci.* Vol. 13 (2020): 453–472.

centre-province relations,² socio-economic welfare of the people,³ energy optimization,⁴ environmental security,⁵ terrorism landscape, geo-politics and conventional security of Pakistan.⁶ But the elite theory has thus far received little or no attention in the context of mega-development in Pakistan. Methodologically, the most relevant study in relation to this paper is being conducted by a team of researchers associated with S. Rajaratnam School of International Studies (RSIS), which surveyed Asian opinion-makers on the BRI.⁷ The sample, composed of 1200 participants from 26 countries including Pakistan, rightly defines policymakers, academics, business and media practitioners in category of opinion leaders. Authors, however, provide no information about selection criteria of the 'opinion makers' surveyed for the study and whether the opinion-makers were drawn from local or national elite. There are often situations where local elites' views are not in congruence with national elite and the latter's set of opinion matters more in

² Zahid Shahab Ahmed, "Impact of the China-Pakistan Economic Corridor on Nation-Building in Pakistan," *Contemporary China*, Vol 28: No. 117 (Nov 2018): 400-414.

³ Rashida Haq and Nadia Farooq, "Impact of CPEC on Social Welfare in Pakistan: A District Level Analysis," *The Pakistan Development Review* (2016): 597-618.

⁴ Yousaf Ali, Zaeem Rasheed, Noor Muhammad & Salman Yousaf, "Energy optimization in the wake of China Pakistan Economic Corridor (CPEC)," *Journal of Control and Decision*, Vol. 5: No.2 (2018): 129-147.

⁵ See for example G. Nabi, S. Ullah, S. Khan and et al., "China-Pakistan Economic Corridor (CPEC): Melting Glaciers — A Potential Threat to Ecosystem and Biodiversity," *Environ Sci Pollut Res*, Vol. 25 (2018): 3209–3210.

⁶ Khuram Iqbal, "CPEC: A Corridor for Minimising Political Fault Lines in South Asia," in Conference Proceedings: *Changing Security Situation in South Asia and Development of CPEC* (Islamabad: Islamabad Policy Research Institute, 2018): 91–111. <http://www.ipripak.org/wp-content/uploads/2018/04/cp1842018.pdf> and

F. Hussain and M. Hussain, "China Pak Economic Corridor (CPEC) And Its Geopolitical Paradigms," *International Journal of Social Sciences, Humanities and Education*, Vol 1: No 2 (2017): 1-17.

⁷ Pradumna Bickram Rana, Chia Wai-Mun, and Jason Ji Xianbai, "China's Belt and Road Initiative: A Perception Survey of Asian Opinion Leaders," *RSIS Working Paper* (Singapore: RSIS, November 25, 2019), <https://www.rsis.edu.sg/wp-content/uploads/2019/11/WP325.pdf>.

the implementation of developmental projects of national scale. Participants may be proximate to the powerful but not in possession of power to influence outcomes at a national level, a prerequisite to be defined as 'governing elite'. Findings of the study reflect divided opinion among Pakistani opinion-makers on items such as China using BRI as debt-trap diplomacy, its negative impacts on the environment and likely risks associated with the project. Polarity of views and concerns expressed by Asian opinion-makers reflect divergent elitist perspectives, hence supporting the key assumption of this study that the CPEC has created frictions within the Pakistani elite, which historically has been associated, ideationally and materially, with the West in general and the US in particular.

The CPEC helped boosting Pakistan's economic profile in the aftermaths of devastating "War on Terror". In 2015, the country started to become the next economic success story,⁸ while it was considered one of the 'the world's most dangerous country' back in 2007.⁹ In January 2017, *The Economist* highlighted some indicators that showed that Pakistan went ahead of Indonesia, Malaysia, Turkey, and Egypt to become the world's fastest-growing Muslim economy.¹⁰ The Economist's forecast was not the only one with such an outlook towards Pakistan's economy. An article for Bloomberg, written by Tyler Cowan declared Pakistan as one of the most underrated economies of the world for the year 2017. But the CPEC-driven growth, which was also expected to quell the Baloch insurgency, produce 2.3 million jobs, boost the country's GDP by a

⁸ Daniel Runde, "Pakistan: The Next Colombia Success Story?," *Forbes*, August 3, 2015.

⁹ David Blair, "Pakistan: The World's Most Dangerous Country," *The Telegraph*, November 6, 2007; Ron Moreau, "Pakistan: The Most Dangerous?," *Newsweek*, October 20, 2007.

¹⁰ Wali Zahid, "Pakistan Predicted to Be World's Fastest-Growing Muslim Economy in 2017," *The Express Tribune*, January 10, 2017.

2.5 percentage-point and elevate Pakistan's global stature,¹¹ was scaled back immediately after Pakistan Tehreek-e-Insaf (PTI) came to power in 2018.

To explore the set of factors that might have led to the scaling down of CPEC, the article poses the following questions;

1. How has CPEC created frictions within the Pakistani elite?
2. Whether the country's ruling class's orientation is in congruence with mass attitude which is generally very supportive and favorable towards China and the CPEC?
3. If not, which factors explain this dichotomy?
4. Do gridlocked pro-Western and a nascent pro-China elite portend a bleak future for the CPEC?

This paper first outlines the methodology adopted to answer the above-mentioned questions, followed by factorial analysis of the apparent slowdown in CPEC. The third section offers an "Elitist" explanation of the scaling down of Chinese-funded mega developmental projects in Pakistan and how a long history of elite's association with the US might have served as one of the defining factors in the shift from euphoria to pragmatism. In the following part, the paper discusses how, in the backdrop of CPEC, some sections of Pakistani elite rationalize the notion of striking balance between the country's need for development and security without antagonizing the US.

Consideration of Methodology

The elite theory postulates that every society maintains a ruling minority with solid control of critical sources of power. Not only do they control but also dispute the critical sources of power. Pareto's

¹¹ Mehtab Haider, "CPEC Helps in Turning around Pak Economy: Report," *The News*, March 23, 2018.

definition of 'Elites' includes all individuals who excel in various walks of life, including but not limited to arts, intellect, economy, military and politics.¹² He also distinguishes between the ruling and non-ruling elite. According to Mosca, the latter is quantitatively larger and is termed as 'second strata' in which elites are embedded socially and from which the ruling or governing elites are typically recruited.¹³ Studies into elite structures also suggest that members of this class are often well-connected through intermediaries, enabling them 'to impose their influence on many and to quickly gather, process, and spread information'.¹⁴

Hoffman-Lange identifies three methods of elite identification: positional, decisional and reputational.¹⁵ For this study, positional method is employed that assumes individuals in formal leadership positions in a broad range of political, business, military, media and various civil society organizations hold power to influence outcomes at a national scale. Individual members of the elite observed for this study were selected from four policy domains related to the CPEC; politics, economy, media and military. Snowball sampling was used to access important actors in the strategic policymaking community of the country. The author first drew inferences through informal interactions from the knowledge of elites' political orientation and supplemented it through archival research aimed at collecting important information such as

¹² Vilfredo Pareto, *The Mind and Society: A Treatise on General Sociology*, Edited by Athur Livingston, trans. by Andrew Bongiorno and Arthur Livingston (New York: Harcourt, Brace and Company, 1935): 3.

¹³ Gaetano Mosca, *The Ruling Class*, trans. Arthur Livingston (McGraw Hill: Andesite Press, 1896; McGraw Hill: Andesite Press, 1939): 5.

¹⁴ Bernat Corominas-Murtra, Benedikt Fuchs, and Stefan Thurner, "Detection of the Elite Structure in a Virtual Multiplex Social System by Means of a Generalised K-Core," *PLoS ONE*, Vol. 9: No. 12 (December 26, 2014).

¹⁵ Ursula Hoffmann-Lange, "Methods of Elite Identification," in Heinrich Best and John Higley (eds.), *The Palgrave Handbook of Political Elites* (London: Palgrave Macmillan UK, 2018): 79–92.

educational/training background and family connections in the West. This background information was subsequently used to deduce their motives and beliefs about the US and China in general and the CPEC in particular. Official records and documents (available in open source), media reports and direct observation helped in enlisting the names of important participants of decision-making processes on the CPEC.

Factorial Analysis of the Shift from Euphoria to Pragmatism

Publicly, both China and Pakistan attempted to play down any such impression. For instance, a media interview of Imran Khan's advisor on commerce, industry and investment, in which he hinted at putting the CPEC 'on hold' is often cited as evidence. However, in February 2020, prime minister Imran Khan clarified that news items indicating possible review of the CPEC by his government were false.¹⁶ Similarly, Yao Jing, Chinese Ambassador to Pakistan, also ruled out slowdown, stating 'CPEC is running according to our satisfaction and there is no slowdown in CPEC.'¹⁷ Circumstantial evidence suggests otherwise. Many of these statements were intended for damage control, caused by initial stance of the PTI government on the CPEC. Throughout his election campaign, Imran Khan had accused Nawaz Sharif of massive kickbacks in CPEC-related projects, often dragging China for political point-scoring. Therefore, the frequency of Chinese officials visiting Islamabad declined considerably after Imran Khan replaced Nawaz Sharif as the Prime Minister of Pakistan in July 2018. Planning Commission stopped approving any new CPEC projects with massive cuts in funding. For almost a year, the word CPEC disappeared from media and policy discourse. This was in contrast to the officially

¹⁶ "PM Imran Says Fake News Being Run against Him," *The News*, February 15, 2020.

¹⁷ "Chinese Envoy Rules out Slowdown in CPEC," *The News*, September 30, 2019.

constructed social media discourse during Nawaz Sahrif's era. Ahmed et al in their research monograph mapped the social media discourse on the CPEC during January-June 2015 and find out that the government officials and institutions were actively projecting the CPEC and Chinese goodwill.¹⁸ PTI's ministers, however, adopted a skeptic tone on mainstream and social media. It was only after September 2019 that the frequency of statements expressing PTI's 'firm commitment' to the project started to rise.

Official, media and academic accounts point to a set of factors that interrupted the momentum of the CPEC. First, this was mainly because of the Khan administration's structural reforms intended to reign in huge capital spending incurred by the previous regime, which resulted in a serious fiscal deficit and a heavy debt service burden. Teng Mengshi, a Pakistani expert at Peking University in China, noted that "the capacity to provide supporting funds for CPEC construction has declined sharply and it is no longer feasible to expand infrastructure construction. Pakistan's new government wants to rein in huge capital spending, especially on projects that require large amounts of foreign exchange."¹⁹

Second, long before the outbreak of Covid-19 pandemic, the Chinese economy had started to show signs of a slowdown, which seriously hampered Chinese will and capacity for outbound investments including the CPEC. In 2018, the value of new Chinese-funded projects across 61 countries fell 13 percent, with the figure

¹⁸ Zahid Shahab Ahmed, Silada Rojratanakiat & Soravis Taekasem, *The China-Pakistan Economic Corridor in Social Media: A Critical Discourse Analysis* (US Centre on Public Diplomacy Paper 3, October 2019) https://uscpublicdiplomacy.org/sites/uscpublicdiplomacy.org/files/CPEC_Twitter_Discourse_Analysis_China_Pakistan_Ahmed_Rojratanakiat_Taekasem.pdf

¹⁹ Tang Mengsheng, "Past Five Years of CPEC in Review," *The Express Tribune*, May 6, 2019.

falling further to 41% in 2019.²⁰ Third, terrorism continues to affect Chinese investments in Pakistan adversely. A consistent and noticeable decline in incidents of terrorism conveys a strong sense of optimism about country's overall situation. However, Balochistan province, the lynchpin of CPEC, continues to witness deadly waves of nationalist and religious terrorism. In 2018, a total number of 115 hit the province, causing maximum number of casualties compared to other provinces of Pakistan.²¹ The trend continued in the following year with a high-profile terrorist attack targeting the Chinese consulate in Karachi. An indigenous threat coupled with external interferences in the form of political patronage, moral, financial and technical support by India could further complicate the threat to Gwadar Port and CPEC. Fourth, bureaucratic hurdles have long been cited as one of the major irritants in the mega project's smooth implementation.²² Pakistan has tried to overcome the issue by forming one organization after another, a flawed approach that could only be defined as treating the problem of red tape with even more red tape.

How Elite Theory Explains the Shift?

Finally, one of the least researched factors stalling the pace of CPEC is elite discordance over China's ever-expanding footprints in Pakistan. Socio-political and economic development depends heavily on two critical factors; a receptive society and choices made by the elite. Findings of the study conducted by the RSIS reflect divided opinion among Pakistani opinion-makers on the BRI. Polarity of views and concerns expressed by Pakistani opinion-

²⁰ Cissy Zhou, "Why Is China's Belt and Road Initiative Slowing down?," *South China Morning Post*, October 10, 2019.

²¹ Muhammad Amir Rana and Safdar Sial, "Overview of Security in 2018: Critical Challenges and Recommendations," *Conflict and Peace Studies*, Vol. 11: No. 1 (June 2019): 19.

²² Agencies, "Hurdles in CPEC Implementation Frustrating Chinese," *Daily Times*, July 18, 2016.

makers reflect divergent elitist perspectives, hence supporting the key assumption of this study that the CPEC has created frictions within the Pakistani elite, which historically has been associated, ideationally and materially, with the West in general and the US in particular.

To appreciate Pakistani elite's diverse views vis-à-vis China and the US, it is of paramount importance to first understand the country's history of association with the two global powers and how the ruling elite's perceptions evolved over time.

History of Pakistani Elite's Orientation Towards China and the US

Bilateral relations between Pakistan and China have gone through some difficult phases during their statehood's formative years in the late 1940s.²³ The majority of the top leaders of the Pakistan movement were educated in the West and hence subscribed to a Western capitalist world view. Resultant Pakistani tilt towards the US-led Western alliance and Communist China's inclination towards a Socialist India kept both neighbours at bay. But despite its membership of the Southeast Asia Treaty Organization (SEATO) and the Central Treaty Organization (CENTO), Pakistan always advocated détente between the Eastern and Western blocs, also making it clear that the Islamic Republic will never join any military campaign against China.²⁴ Both countries continued to engage in low-politics areas such as trade, people-to-people contacts and high-profile ceremonial visits.

The Indo-China war of 1962 came as a breakthrough for China-Pakistan relations. A common enemy made ideological differences

²³ For an in-depth understanding of historical evolution of China-Pakistan relations see Hafeez-ur-Rahman Khan, "Pakistan's Relations with the People's Republic of China," *Pakistan Horizon*, Vol. 14: No. 3 (Third Quarter 1961): 212–32..

²⁴ *Ibid.*

irrelevant. For decades mutual apprehensions towards Indian territorial designs constituted the bedrock of Sino-Pakistan strategic relations with little economic substance. Today, China is Pakistan's largest trading partner however the overall trade is much lower than the mutual trade between New Delhi and Beijing. According to the Pakistan Economic Survey 2013-2014, China and Pakistan's trade volume was mere US\$ 4.1 billion in FY 2006-07.²⁵ It only started to pick up momentum during the last decade with a 400 percent increase in Pakistan's exports to China.²⁶ However, still, bilateral trade between Pakistan and China remains under-utilized. One of the major objectives of the CPEC is to bridge this gap by linking Pakistan's economy with the Asian giant.

Efforts to bring public opinion into closer alignment with the official relationship have largely been successful, especially in Pakistan, where China's public perception continues to improve. A survey conducted by Pew Research Centre in July 2014 found that 78 percent of respondents view China favourably.²⁷ This public goodwill persisted as a survey conducted in October 2017 reflected widespread public support for CPEC as 72 percent of people believed that the CPEC will bring benefits to Pakistan. The data also indicated that the majority of Pakistanis consider China a more trustworthy partner than the US, Saudi Arabia, Turkey and Iran.²⁸ However, widespread public support is yet to translate into elite consensus on the CPEC and strategic alliance with China. The

²⁵ Mubarak Zeb Khan, "FTA's Hurting Pakistan's Trade Balance," *Dawn*, November 2, 2016.

²⁶ INP, "Pak-China Trade Reaches \$16 Billion," *The Nation*, March 20, 2015.

²⁷ "How Asians View Each Other," *Pew Research Center's Global Attitudes Project* (blog), July 14, 2014, <https://www.pewresearch.org/global/2014/07/14/chapter-4-how-asians-view-each-other/>.

²⁸ Iqbal and Rizvi, "Understanding Pakistani Public Opinion on China and CPEC," *Pakistan Horizon*, Vol. 72: No. 2 (April 2019): 39–61.

colonial legacy and history of the Pakistani elite's association with the US continue to the detriment of CPEC.

American Tutelage of Pakistani Elite and the CPEC

Pakistan has always been governed by a power triad consisting of elites in political, bureaucratic and military sectors. Mass media and academia have generally been subservient to this troika. The civil society largely composed of human rights organizations has only existed as a demonstrative elite, with little or no impact on national-level policymaking. At the top of this triangle sits the military establishment. The national political elite does not possess autonomy of a great deal when its actions in the international arena are concerned, such as supporting the US-led Jihad against the Soviets, the decision to join the global War on Terror, or strategic relations with major powers. Whereas political, business, bureaucratic and media elite is divided along the ethnic, sectarian, political and other lines, leaders of the military establishment often act as a cohesive entity to pursue goals set forth by the top leadership.

What binds different factions of the national elite together is Western patronage. Nearly all of the national-level leaders, both from civilian and military domains, owners of big media houses, business executives and heads of non-governmental organizations are Western-educated. They maintain dual citizenship and often have overseas properties in one of the Five-Eyes countries. Those who can ill afford properties in the West opt for Gulf, which as a region serves as an intermediary connecting national hubs with the US and its major allies. According to the 'tutelary model' of Elite studies, this tutelage often leads to considerable cohesion among the elite members.

However, changes in global power structure have always impacted elite cohesion and consensus in Pakistan. For instance, during the peak of the Cold War, the Pakistani elite came to reflect strong leftist tendencies emphasizing closer relations with China and the USSR. This shift was led by Zulfikar Ali Bhutto, a graduate of the University of California, Berkley, who wanted to free Pakistan from American influence. Two important factors led American-educated Bhutto to prioritize the Communist bloc at the cost of Pakistan's relations with the West; first, America's failure to assist Pakistan in the 1971 war against India led to the country's dismemberment; and second, Bhutto's close personal ties with the Pakistani left. Prominent leftist activists such as Sheikh Rasheed (Father of Socialism in Pakistan), J.A Rahim and Dr. Mubashir Hassan helped Bhutto to establish Pakistan Peoples' Party (PPP). The PPP guided Pakistan into a socialist direction, even after Bhutto was executed by a military court in 1979. Bhutto is often credited with laying strong foundations for China-Pakistan relations.

With the Soviet Union's disintegration, the left-oriented segment of the Pakistani elite either faded away or radically recalibrated their outlook and rebranded themselves as the vanguard of Western political and cultural dominance. The PPP went from supporting an anti-Imperial agenda to a pro-American party. Socialist leaders were purged by the British-educated elite. Dr. Mubashir Hasan, one of the four founders of the party, once lamented 'Bhutto's PPP was a socialist and anti-imperialist party. Today, it is neither of the two; it has become like all the other parties — a pro-capitalism party.'²⁹ Remnants of the left then largely regrouped in Non-Governmental Organizations (NGOs), ironically funded by the same capitalists they once fought.

²⁹ Adnan Adil, "'Benazir and Bilawal Have Turned the PPP Upside down.' Dr Mubashir Hasan," *Newsline*, November 2017.

Traditionally, the West has induced civil society through unaccountable donations.

The Global War on Terror (GWOt) created another opportunity for the Pakistani elite to forge strategic convergence with the US. The decision was bitterly opposed by the masses as the majority of Pakistanis saw the US-led intervention in Afghanistan as a part of global anti-Muslim crusade declared by George W. Bush.³⁰ But Gen. Pervez Musharraf, the then military ruler of Pakistan, took an unpopular decision by joining the international coalition and resultantly Islamabad became a non-NATO major ally in the fight against transnational terrorism. In return for Pakistan's efforts to fight Al-Qaeda and its local allies, the United States reciprocated through financial, diplomatic and military support. Pakistan became the third-largest recipient of American aid after Egypt and Israel. According to a US congressional report, since 1948 more than US \$30 billion in direct aid to Pakistan was pledged by the United States, about half of which was for military assistance, while more than two-thirds was appropriated in the post-2001 period.³¹ Not only that Pakistani elite prospered and benefitted enormously from its relations with the US during the GWOt, for the second time in the history of Pakistan,³² the dividends also trickled down to the masses with the country showing considerable improvement on most accounts of Human Development Index (HDI) between 2001-2007.

³⁰ C. Christine Fair, "Pakistan's Own War on Terror: What the Pakistani Public Thinks," *Journal of International Affairs*, Vol. 63: No. 1 (Fall/Winter 2009): 39–55.

³¹ Susan B. Epstein and K. Alan Kronstadt, *Pakistan: U.S. Foreign Assistance* (Washington, D.C.: Congressional Research Service, July 1, 2017).

³² The first time ordinary Pakistanis enjoyed economic benefits of US aid was during the military regime of Gen. Ayub Khan (1958-1969). Mega developmental projects led to double-digit growth in Pakistan's industrial and agricultural sectors. For a critical overview of uneven economic development during Ayub era see S. Akbar Zaidi, "A Reformer on Horseback," *Dawn*, September 6, 2017.

The US influence in Pakistan started to wane in 2010-11. Incidents such as the killing of Osama bin Laden in the garrison city of Abbottabad, jailing of a CIA contractor in Pakistan, the US accusations of Pakistani involvement in an attack on the US embassy in Kabul, the NATO's attack on a Pakistani check-post that killed 24 Pakistani soldiers and Islamabad's retaliation by blocking the NATO and the US' supply route from the Arabian Sea all led to an unprecedented deterioration in US-Pakistan relations. For the first time in the last four decades, Pakistan's military elite vocally resonated public disapproval of the United States policies. The former Pakistan Army Chief Ashfaq Kiyani went to the extent of accusing the US of 'causing and maintaining a controlled chaos in Pakistan ... to de-nuclearize Pakistan'.³³

The global financial crises of 2007-08, costly wars in Afghanistan and parts of the Middle East and the election of a nationalist president in 2016, all adversely affected American will and capacity to maintain a global patronage network. As the US retreated from center-stage interesting shifts started to occur not only in the composition of the Pakistani elite but in their political tendencies as well. Anti-American voices that have been historically on the fringe became mainstream in the national-level elite circles. NGOs, media houses and academics, those who have lobbied for pro-American policies in Pakistan, found them in a tight corner with a systematic state-crackdown on foreign funding and policies to discourage client-patron personal interactions.

The New but a Short-lived Consensus over China as an Exclusive Patron

It was under these circumstances that China, with the largest reserves of surplus and a strong will to strengthen Pakistan vis-à-vis

³³ David Ignatius, "David Ignatius: Pakistan, U.S. Have a Neurotic Relationship," *The Washington Post*, July 13, 2012.

increasingly powerful India, presented itself as a new patron and Pakistan's political and military elite embraced it unhesitantly. Pakistan saw CPEC-led development as a Godsent opportunity to cope with internal and external shocks such as terrorism and the resulting loss of international goodwill and investments. Considering the potential of CPEC to transform a terror-hit Pakistan, a new elite contract evolved that would only last until the Trump administration tried with greater force to insert itself into South Asia to counter Chinese presence.

How China-Sceptics in Pakistani Elite Rationalise the Slowdown

Various factors affected the shift in elite's behaviour on the CPEC, including American tutelage, disagreement over the share of economic dividends, and high-cost, high-interest Chinese projects.

American Pressure and Inducement

The US induced and coerced Pakistan back to its sphere of influence. It offered to accommodate Pakistan's military interests in Afghanistan and threatened the country with sanctions and international isolation. The US grew more vocal in opposition to BRI. The former Defence Secretary of US, James Mattis, stated at the Senate Armed Services Committee in October 2017 that the US' too' believes the CPEC passes through a disputed territory — originally an India claim intending to disrupt the development plan.³⁴ Alice Wells, the top US diplomat for South Asia, also warned Pakistan in November 2019 that CPEC would only benefit China.³⁵ The statements indicated an evident departure from the earlier American approach towards CPEC under the Obama administration, which planned to compliment the China-Pakistan

³⁴ Anwer Iqbal, "CPEC Passes through Disputed Territory: US," *Dawn*, October 7, 2017.

³⁵ AFP, "US Warns Pakistan of Risks from China Infrastructure Push through CPEC," *Gulf News*, November 22, 2019.

Economic Corridor with the US-Pakistan Knowledge Corridor (UPKC). The UPKC initiative sought to produce a highly educated and skilled workforce with the US assistance to successfully complete CPEC projects by providing scholarships for up to ten thousand Pakistani students in American universities. Daniel S Marky, the author of 'No Exit from Pakistan: America's Tortured Relationship with Islamabad' and a renowned American expert on South Asia, remarked at a conference at National Defence University in Islamabad in February 2016 that a dominant majority of policymakers in Washington supported Chinese efforts for economic rejuvenation and stability in Pakistan.

The Trump administration's tilt towards India gave rise to the fears in Islamabad that liberalism is only used as rhetoric and the US will never give up on the security-centric approach towards Pakistan. Opposition to CPEC by the Trump Administration was perceived as a repetition of events of the 90s when Pakistan supported America in the Afghan Jihad against the Soviet Union. However, instead of acknowledging Islamabad's role in defeating the Soviet Union, Washington punished Pakistan with the Pressler Amendment.³⁶ Pakistan declared American concerns over the CPEC unfounded and urged the United States not to look at the China-Pakistan Economic Corridor (CPEC) from the perspective of India but rather as an economic plan to bring about stability and peace in South Asia.³⁷ But many believe that differences had started to emerge between military and political elite over Pakistan's newly found strategic alignment, with the former willing to accommodate

³⁶ Invoked in 1985 by the US Congress, the Pressler Amendment banned most economic and military assistance to Pakistan unless the American president certified on an annual basis that "Pakistan does not possess a nuclear explosive device.

³⁷ "US Concerns on CPEC Unfounded: Ahsan," *The Nation*, October 15, 2017.

American concerns over the CPEC in return for a US-endorsed political settlement in Afghanistan favoring Pakistan.³⁸

Differences over Distribution of Patronage Flows

Patronage flows, distribution of state resources and dividends of mega developmental projects are integral to ensure elite cohesion and consensus in any country. Besides exogenous pressure, internal differences over the distribution of patronage flows also affected the elite consensus on the CPEC. As long as the military and political elite were 'on the same page,' projects linked to the CPEC continued unabatedly. During Sharif's tenure (2013-17), Beijing stepped up its presence in Pakistan. Through CPEC contracts, Sharif planned to centralize patronage flows into the hands of cronies, thus paving the way for a single-party rule, free of military interference. In doing so, the PML-N cultivated bureaucracy and local elites through political patronage and financial incentives. The military on its part wanted a larger share of the cake, and some generals advocated for a balanced approach between Beijing and Washington. As elite divisions deepened, the military establishment barred the PML-N plan to reclaim power through the local elite in the general elections held in 2018.³⁹ Perceptions still thrive that the PTI-led regime change was commenced and controlled by entrenched Pakistani elite to scale down the CPEC either on American behest or to expand their share of the pie in multi-billion dollar projects.⁴⁰ The CPEC projects partly scaled down due to the 2018 financial crisis as well. Huge imports under CPEC also added

³⁸ Since the outset of ongoing Afghan conflict in 2001, Pakistan has advocated a negotiated settlement between the US and Taliban. The February 2020 Doha Agreement, which gives Afghan Taliban a strong political role, is thought to be an official endorsement of Pakistani perspective by the US.

³⁹ Azeem Samar, "'Nawaz Ousted as Punishment for CPEC,'" *The News*, January 9, 2018.

⁴⁰ Waqar Gillani, "The long, winding road to CPEC," *The News*, November 01, 2020.

to the deficit, resulting in a slowdown of the projects.⁴¹ Sharif's ouster restored elite cohesion. In November 2019, the PTI-government appointed a retired general as the chairman of the CPEC authority.⁴²

High-Cost, High-Interest Chinese Projects

China-sceptics also maintain that Chinese funded projects are often more costly, financially and environmentally. The reported interest rate on Chinese projects ranges from 5-7 percent annually. However, according to Chinese sources, by the end of 2018, 22 projects under the CPEC were preliminarily finished or near completion with a gross investment of US \$18.9 billion, out of which the US \$6.017 billion debt included concessional loans of US \$5.874 billion offered by China to Pakistan at a compound interest rate of about 2 percent on 20 to 25 years loans.⁴³ Chinese private companies invested US \$12.8 billion in energy projects in Pakistan, including US \$9.8 billion from commercial banks with an interest rate of about 5 percent.⁴⁴ Although the interest rate is much lower than what Pakistan pays to Western financial institutions, other competitors like Japan offer much more competitive rates. For instance, compared to the Chinese loan to Pakistan with a composite interest rate of about 2 percent payable in 20 to 25 years, Japan offered US \$12 billion loans for a high-speed train in India bearing 0.1 percent interest, repayable in 50-60 years. Indian

⁴¹ Daniel F. Runde and Richard Olson, "An Economic Crisis in Pakistan Again: What's Different This Time?" CSIS, October 31, 2018, <https://www.csis.org/analysis/economic-crisis-pakistan-again-whats-different-time>

⁴² Amir Yasin, "Asim Bajwa Made Chairman of Newly Created CPEC Authority," *Dawn*, November 27, 2019.

⁴³ "Latest Progress on the CPEC," Embassy of the People's Republic of China in the Islamic Republic of Pakistan, December 29, 2018, <http://pk.chineseembassy.org/eng/zbqx/t1626097.htm>

⁴⁴ "Chinese Embassy Refutes Misleading Reports That Pakistan Owes \$40 b to China," *Global Times*, January 1, 2019.

media and opposition parties still called the loan a 'rip off'⁴⁵ and vowed to review the project after claiming victory in Maharashtra state elections.⁴⁶ Against this backdrop, an 'all-weather friend' deserved a better deal from Beijing.

Conclusion

Despite widespread public goodwill for China and the CPEC, a competing narrative exists in some segments of the Pakistani elite, which has been wholly aligned to the US in the past. During the formative years of their inception, the Communist Government of China and the Islamic Republic of Pakistan followed competing policies in the global arena and believed in different systems of international order. It was initially the fear of Indian territorial expansion and later the recent US retreat from the global stage that bounded these two ideologically opposed nations together. The set of credible policy options available to Pakistan was further constrained by the American appeasement of India, which is now seen as a lynchpin in the new American global strategic objective of containing China and Russia. The resultant power disparity between India and Pakistan in military, economic, technological terms expanded manifolds and pushed Islamabad to seek avenues for external balancing exclusively with China.

Chinese engagement with Pakistan, however, is not without challenges. As opposed to commonly held notions on Pak-China relations, diversity of views continues to prevail in Islamabad's China policy, mainly due to an entrenched Western-oriented elite, which seeks to strike a balance between Beijing and Washington for all the ideational and pragmatic reasons. China-sceptics in

⁴⁵ Bishwajit Bhattacharyya, "How the Japanese Loan for India's Bullet Train Is a Rip Off," *The Wire*, October 31, 2017.

⁴⁶ Kiran Sharma, "India's Japan-Funded Bullet Train Project Risks Delays," *Nikkei Asian*, December 4, 2019, <https://asia.nikkei.com/Business/Transportation/India-Japan-funded-bullet-train-project-risks-delays2>

Pakistani elite point to three problems with over-enthusiasm on the expanding role of Beijing: 1) China-led growth may serve to entrench factional struggle within the elite by aligning beneficiary business elite and the new middle class with new political forces, then pitting this coalition against the military-led status-quo; 2) Islamabad's failure to allay American concerns over security aspects of the CPEC could strip Pakistan of crucial American support on issues such as Kashmir and Afghanistan; and 3) it is unwise to put all eggs in one basket given the availability of competitive developments partners.

The elite difference over CPEC is yet to evolve into conflict, but theoretically, galvanizing crisis sometimes paves the way to a basic settlement among warring elite factions.⁴⁷ Terms of elite cohesion and consensus must be recalibrated should Pakistan desire to draw maximum benefits in the evolving world order. Any meaningful engagement with China will require long-term changes in the composition and orientations of the Pakistani military, political, bureaucratic, intellectual and business elite. Efforts to accommodate factions of the elite must also consider bridging sub-national regional inequalities through the CPEC-led development. Failure to do so will expose the Pakistani governing elite to continuous ingress by ambitious leaders concentrated in constituencies ready-made for popular mobilization. Elite settlement in these testing times may not lead to durable liberal democracy in Pakistan but order and stability to ensure smooth implementation of the CPEC.

This must also be noted that the characteristics and orientations of any elite keep evolving with time. Longitudinal research with more rigorous methodology may help ascertain how

⁴⁷ Michael Burton and John Higley, *Elite Foundations of Liberal Democracy* (Maryland: Rowman & Littlefield, 2006): 22.

Pakistani elite thinking on China and the CPEC is likely to evolve in the future. There is a need for a detailed study that takes into account comprehensive personality profiles and structured interviews of elites positioned at the top in political, military, bureaucratic, judicial, academic, clergy media sectors of Pakistan to analyze their views on changing world order.