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# The Local Roots of Chinese Engagement in Pakistan

Muhammad Tayyab Safdar

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## China Local/Global

China has become a global power, but there is too little debate about *how* this has happened and what it means. Many argue that China exports its developmental model and imposes it on other countries. But Chinese players also extend their influence by working through local actors and institutions while adapting and assimilating local and traditional forms, norms, and practices.

With a generous multiyear grant from the Ford Foundation, Carnegie has launched an innovative body of research on Chinese engagement strategies in seven regions of the world—Africa, Central Asia, Latin America, the Middle East and North Africa, the Pacific, South Asia, and Southeast Asia. Through a mix of research and strategic convening, this project explores these complex dynamics, including the ways Chinese firms are adapting to local labor laws in Latin America, Chinese banks and funds are exploring traditional Islamic financial and credit products in Southeast Asia and the Middle East, and Chinese actors are helping local workers upgrade their skills in Central Asia. These adaptive Chinese strategies that accommodate and work within local realities are mostly ignored by Western policymakers in particular.

Ultimately, the project aims to significantly broaden understanding and debate about China's role in the world and to generate innovative policy ideas. These could enable local players to better channel Chinese energies to support their societies and economies; provide lessons for Western engagement around the world, especially in developing countries; help China's own policy community learn from the diversity of Chinese experience; and potentially reduce frictions.

Evan A. Feigenbaum

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## Summary

China has deepened its economic engagement with Pakistan through elite-centered negotiations over the routes and projects of the China-Pakistan Economic Corridor (CPEC). But elites are not the whole story: China has made inroads *beyond* Pakistan's political elites with a broader array of local stakeholders in the country's education, media, and energy sectors.

Pull factors in each of these areas are giving local Pakistani actors incentives to develop closer relationships with Chinese actors. In education, China's status as a rising global power and the promise of future economic returns have driven ever more Pakistanis to learn Mandarin and opt to study abroad in China. In the media sector, the financial pressures facing Pakistan's private media houses have contributed to increasing domestic buy-in for news sharing agreements with Chinese media organizations. In the power sector, the lack of alternative sources of external funding for local Pakistani conglomerates has resulted in the emergence of joint ventures on electricity generation projects with large Chinese state-owned enterprises (SOEs).

At the same time, Chinese government policies are serving as push factors to incentivize Chinese actors to expand their interactions in different segments of Pakistani society. For example, China has opened and sponsors Confucius Institutes and classrooms across Pakistan, while also offering scholarships to Pakistani students interested in studying in China. As Chinese firms have expanded their presence in Pakistan, they have worked with local universities to adapt to local customs and cultural and religious values. In media circles, stakeholders like China's Xinhua News Agency have worked with local Pakistani media outlets to localize information dissemination and shape Pakistani public opinion on important international issues in ways that are in sync with Beijing's worldview. And Chinese investment in Pakistan's power sector is aligned with Chinese SOEs' Go Global strategy and the expansion of these firms' operations in overseas markets as part of the BRI.

China's engagement with Pakistani political, social, and economic institutions comes in response to local conditions. By adapting to these conditions and working through local institutions and actors, a host of Chinese actors are poised to continue deepening their interactions with different parts of Pakistani society.

**China is diversifying its political engagement.** Chinese actors have developed ties with various political parties across the Pakistani political spectrum. Through programs like the CPEC's Joint Consultative Mechanism, China seeks to build a political consensus across Pakistan's fractious political divide to galvanize support for the CPEC and broader Chinese interests in the country.

**Economic engagement is begetting education exchanges.** Growing economic ties between China and Pakistan have laid the groundwork for partnerships in the education sector. Chinese educational

support for Pakistan and other developing countries comes mainly through scholarships, vocational training programs, and Chinese language courses. While China exports its language and culture through Confucius Institutes and classrooms, there is an increasing demand for learning Mandarin especially among young, middle-class Pakistanis. For many, China also exerts an increasing pull as a leading destination for higher education. The Chinese government has substantially expanded scholarships for Pakistani students. However, this increase in enrollment among Pakistani students is also driven by other variables such as greater awareness of Chinese higher education, more affordable Chinese universities, and growing confidence in the value of Chinese degree programs.

**China-Pakistan media ties have been expanding.** China has made progress in developing relationships with local Pakistani media houses and journalists to communicate its message more effectively through traditional and social media. Chinese efforts to expand relationships between Xinhua and local Pakistani media organizations—both public and private—are still in a nascent stage but are helping Beijing reach a broader subset of the population. Media actors from both nations, through Chinese-hosted training sessions, are working to craft a positive image of the CPEC and China-Pakistan relations.

**The power sector has been a wellspring of economic partnerships.** Several Pakistani firms have partnered with Chinese SOEs to invest in the Pakistani power sector. The interests of a range of stakeholders—including Pakistani officials, local Pakistani firms, Chinese policymakers, and Chinese SOEs—have aligned to address Pakistan’s long-standing power shortage crisis. Through these partnerships, local firms have gained access to capital, and investment has flowed to projects that traditional development actors like the World Bank have avoided due to environmental, political, and economic sustainability concerns. Several of the CPEC’s energy projects involve active two-way negotiations between Chinese and Pakistani firms, adaptation by Chinese SOEs to local conditions, and burgeoning long-term relationships between Chinese SOEs and Pakistani conglomerates.

## Introduction

Most studies of Chinese engagement with Pakistan, a country that is among Beijing's closest international partners, focus on the economic dimensions of the China-Pakistan Economic Corridor (CPEC). The corridor is the flagship project of the Belt and Road Initiative (BRI), a massive influx of infrastructure financing involving hundreds of billions of dollars in investment that was announced by Chinese President Xi Jinping in 2013.<sup>1</sup>

As the economic dimensions of the CPEC continue to expand, Chinese actors are increasingly working not just through apex Pakistani political elites but also via partnerships between Chinese state-owned enterprises (SOEs) and large, local Pakistani firms. China's engagement with Pakistan is also growing much deeper than the traditional focus on trade, construction, and investment alone reveals. Chinese players are interacting with local Pakistani actors in politics, education, and the media too. These localized efforts, in turn, are helping Chinese players mitigate criticism and foster goodwill toward the CPEC and China more generally.

Pakistan's expanding partnership with China is a product of many local drivers and incentives. The growth in the relationship owes in part to pull factors that are giving local Pakistani actors incentives to develop closer relations with Chinese players in diverse sectors, including education, the media, and energy markets. The deepening China-Pakistan relationship will have enduring implications for all aspects of Pakistan's development in the years ahead.

## The Economic Corridor in Context

The CPEC is one of the six original economic corridors of the BRI's overland route, the Silk Road Economic Belt.<sup>2</sup> After the idea was initially proposed by Chinese Premier Li Keqiang in 2013, work on the CPEC began in earnest when the Chinese and Pakistani governments signed agreements worth \$46 billion during Xi's 2015 visit to Pakistan, a sum that was subsequently increased to \$62 billion in 2017.<sup>3</sup>

Multiple projects have been slated for Pakistan's energy, transport infrastructure, and industrial zones between 2015 and 2030. These projects are being and will be financed by preferential loans and direct investment. On completion, the planned transport network—consisting of roads, pipelines, and railway lines—should connect Kashgar in China's Xinjiang Uyghur Autonomous Region to the port city of Gwadar in Pakistan's Balochistan Province.<sup>4</sup> The economic corridor aims to bolster economic ties between the two countries, which have been historically weak despite their close political and strategic relationship.<sup>5</sup> The CPEC also reflects Islamabad's increasingly urgent attention to various development imperatives, not least power generation and road construction. The World

Bank estimates that, from 2014 to 2019, CPEC projects with an outlay of \$32 billion were constructed or became operational, and feasibility studies on \$14 billion more in projects were completed.<sup>6</sup>

For Pakistan, the CPEC offers a rare opportunity to address some of the country's long-standing bottlenecks to sustained economic growth, not least its chronic energy deficits, poor transportation infrastructure and connectivity, and weak industrial development.<sup>7</sup> Pakistani firms, especially diversified conglomerates, are aggressively seeking access to Chinese finance and technology through joint ventures. New market entrants are also emerging in Pakistan—local firms that are aligning themselves closely with China as an intrinsic component of their growth strategies.

## China-Pakistan Political and Elite Ties

In response to initial criticism of CPEC projects from Pakistani opposition parties, China is increasing its outreach across the Pakistani political spectrum by developing ties with various political parties, including those in the ruling party and the opposition. China has adapted by developing a novel institutional mechanism to engage with these multiple political parties. The Joint Consultative Mechanism (JCM), launched in 2019 in Beijing, brings together representatives from nine Pakistani political parties, Chinese and Pakistani government officials, and representatives from the Chinese Communist Party.<sup>8</sup> Through the JCM, China is seeking to build a local political consensus between Pakistan's national and regional parties, especially those from Balochistan, to galvanize support for China's own interests regarding the CPEC. Balochistan, the resource-rich province where the strategically located port of Gwadar is located, carries a special importance for the CPEC and for Beijing in general.<sup>9</sup> The Chinese government is keen to establish good relations with all political stakeholders in the province, which includes nationalist local parties.

This adaptive strategy, which channels Chinese energies not just through the national Pakistani government of the day but also through cross-party coalitions including those not currently in power, is yielding some dividends. In August 2020, the various participants held the second meeting of the JCM around the theme of "Working Together to Promote Economic Development and Improve People's Lives Through High-Quality CPEC Cooperation."<sup>10</sup> During this session, Pakistani political parties and the Chinese Communist Party agreed to set aside their differences, including disputes among the Pakistanis themselves, to jointly promote and preserve the economic corridor. Beijing has also sought to engage these Pakistani elites through visits to China. According to a study conducted by AidData, a research lab at the College of William and Mary, Pakistan and China had 168 official government exchanges between 2000 and 2017, with most of these visits involving Pakistanis traveling to China.<sup>11</sup> In doing so, Beijing has invested in engaging representatives of multiple Pakistani parties to form more favorable perceptions of China.

It is worthwhile to study the ways Chinese and Pakistani actors have adapted to each other by examining their interactions in both oft-overlooked and understudied sectors such as education and the media as well as traditional mainstays of the CPEC such as the energy sector.

## Education as a Tool of China-Pakistan Engagement

The growth of economic ties between China and Pakistan has contributed to deepening partnerships in the education sector. The three main elements of Chinese educational support for Pakistan and other developing countries are university scholarships, vocational training programs, and Chinese language courses.<sup>12</sup>

These partnerships are the result of push factors from the Chinese state and pull factors from Pakistanis rooted in local conditions. These pull factors on the Pakistan side are linked to the belief that China will continue its emergence as a global power and that closer ties with China can therefore be expected to yield future political and economic returns.

Many Pakistanis think they are likely to accrue economic returns from learning Mandarin or studying in Chinese institutes of higher education rather than in the West. There has been a rapid increase in the number of Pakistani urban residents learning Mandarin at all educational levels, including middle schools, high schools, colleges, and universities. While Pakistani elites continue to look to the West as the favored destination for higher education, those in the country's middle class are increasingly opting to attend Chinese universities. One of the primary reasons for this trend, apart from the burgeoning economic and societal relationships between the two countries, is the lower cost of higher education in China compared to Western universities in countries like the United Kingdom (UK) and the United States.

### Growing Demand for Chinese Language Classes

There has been a rapid increase in the number of Pakistani people learning Mandarin, including many working professionals. Just a few years ago, there were only around 2,000 Pakistanis learning the language, but by 2018, the number had increased to more than 25,000.<sup>13</sup> In the past decade, the number of Chinese companies operating in Pakistan has substantially increased too. In 2019, the Pakistan-China Joint Chamber of Commerce and Industry had more than 1,400 listed members.<sup>14</sup> In addition to China's largest SOEs, the chamber's members include many small- and medium-sized Chinese enterprises clustered in the major urban centers of Islamabad, Karachi, and Lahore. Notably, more than 300 local Pakistani firms including service providers, traders, and manufacturers have also joined the chamber.<sup>15</sup>

Many in these Pakistani urban centers expect that China's economic footprint will widen and deepen. In some quarters at least, this expectation seems to be increasing interest in learning Mandarin. According to an online survey conducted by the Association of Chartered Certified Accountants in 2017, almost 86 percent of the 500 responses from Pakistani finance professionals highlighted the need to attend short courses on Mandarin and courses that teach Chinese culture and business practices.<sup>16</sup> In response to heightened demand from local industry actors, the Lahore University of Management Sciences, Pakistan's premier university, launched the China-Pakistan Management Initiative in 2016.<sup>17</sup>

Chinese firms operating in Pakistan also encourage their local employees to learn Mandarin. A student at the National University of Modern Languages who interned at Huawei's Islamabad office told *DW* that "the company encouraged its employees to learn Chinese language as those with better Chinese language skills have a better chance of excelling in the organization."<sup>18</sup> Rana Ahmad, the host director of the Confucius Institute at the University of the Punjab, told the *Atlantic* that many Pakistanis are learning Mandarin to gain a head start in the "Chinese Century," as China grows into a global power.<sup>19</sup>

Besides students, many Pakistani professionals—including engineers, teachers, and retired army officials—have also started learning Mandarin. For example, in Gilgit, the capital city of the region known as Gilgit-Baltistan, the Pakistani military has sponsored free Mandarin courses for the general population.<sup>20</sup> The Pakistani government is also encouraging and offering Chinese language courses for officials working on CPEC projects, and in 2018 Pakistan's Senate passed a resolution launching official Chinese courses.<sup>21</sup>

### Pakistani Youth Embrace Chinese Language Learning

For many local Pakistanis, learning Mandarin can improve their employment prospects and provide a stepping-stone to getting a scholarship to study in China. As Zhao Lijian, the former deputy chief of mission of the Chinese Embassy in Pakistan, told NPR in 2018, "From [the] embassy, we have a lot of requests. Many serious universities—they would like to open up Chinese classes, and they need Chinese volunteers" to teach them.<sup>22</sup>

To fulfill the growing demand in Pakistan for Chinese language classes, China has continued to sponsor and open Confucius Institutes and classrooms throughout the country, often responding to requests from Pakistani universities. These institutes are modeled along the lines of Germany's Goethe-Institut, France's Alliance Française, and the UK's British Council.<sup>23</sup> In Pakistan, there are five Confucius Institutes operating primarily in Punjab with one institute in Sindh and one in Islamabad.<sup>24</sup> While China is not unique in emphasizing cultural promotion and language training, the Confucius Institutes form an important element of Beijing's soft power and aim to promote

Chinese language, enhance local knowledge of Chinese cultural traditions, and organize cultural exchanges and activities.<sup>25</sup>

Although these Chinese institutes are global in reach and active in many countries around the world, they have adapted to local norms and conditions. Some of the Chinese teachers at the Confucius Institutes in Pakistan, for example, have adapted to local customs by embracing local attire and taking on Pakistani names.<sup>26</sup> Both public and private Pakistani universities have also launched their own China study centers that focus on providing Chinese language and cultural training. Unlike the Confucius Institutes, many of these study centers—like the China Study Centre at Government College University, Lahore—are locally funded and run.<sup>27</sup>

No shortage of Pakistani private institutions across the country, even in smaller cities, have begun offering Mandarin classes.<sup>28</sup> These schools cater to affluent and middle-class segments of the population. One example is the City School, one of the largest private school networks in Pakistan, with at least 150 schools in nearly fifty cities serving a total of 150,000 students.<sup>29</sup> Although the City School's classrooms use a national curriculum from the UK, select campuses have begun offering Chinese language classes to students. To encourage parents to enroll their children in Chinese courses, the school's website argues that "Pakistanis well-versed in Mandarin will be better equipped to embrace the opportunities provided by what will ultimately become the largest economy in the world."<sup>30</sup> The school's website lists other reasons for learning Chinese too. For instance, it says that "China will play a major role in world affairs," that "Chinese language skills are a resume-builder," and that Chinese is "the number one [most] spoken language in the world."

The Roots School System is another network of private schools in Pakistan that offers Chinese language courses.<sup>31</sup> A student from the Roots Millennium School in Islamabad was the first prize winner in the 2019 "Chinese Bridge" Chinese Proficiency Competition for Foreign Secondary School Students.<sup>32</sup> Through these local competitions, the Chinese Embassy seeks to help popularize Mandarin language learning in Pakistan. Such language instruction for Pakistani youth bodes well for a dramatic rise in Mandarin speakers in Pakistan in the future.

### Chinese Executives Learn Pakistan's Customs and Business Practices

Endeavors like the China-Pakistan Management Initiative at the Lahore University of Management Sciences are designed to develop joint research projects, training programs, and other educational resources with Chinese universities. Importantly, these initiatives provide Chinese firms and professionals training on Pakistani cultural traditions, Islamic values, local languages, business norms, and management techniques to help them adapt to local realities. Large Chinese firms like the consumer goods giant TCL and the China Machinery Engineering Corporation (CMEC) have sent senior

managers to the Lahore University of Management Sciences to complete its executive master's in business administration (MBA) program. These large Chinese firms are incentivized to get their executives locally trained to ensure that their managers know local conditions, customs, laws, and business practices in Pakistan. Furthermore, local MBA degrees also give these executives opportunities to develop their local networks in academia, the business community, and the government.

Pakistani private firms and quasi-government universities like the military-owned and operated Bahria University have also started providing such services to Chinese firms. Other institutions linked to the Pakistani military, like the National Defence University in Islamabad, have taken advantage of the opportunities offered by the CPEC. In 2019, the National Defence University partnered with a private firm called Obortunity to organize an international workshop on the CPEC. Participants included owners and senior managers of large Pakistani conglomerates. The event was co-organized with the China Council for the Promotion of International Trade, a Chinese government body that oversees international trade to increase the exposure of local businesses to Chinese commercial actors, especially for foreign firms that have traditionally been oriented toward the West.<sup>33</sup> The itinerary included a three-day visit to Beijing and organized business-to-business events to foster further linkages between Chinese and Pakistani business leaders.

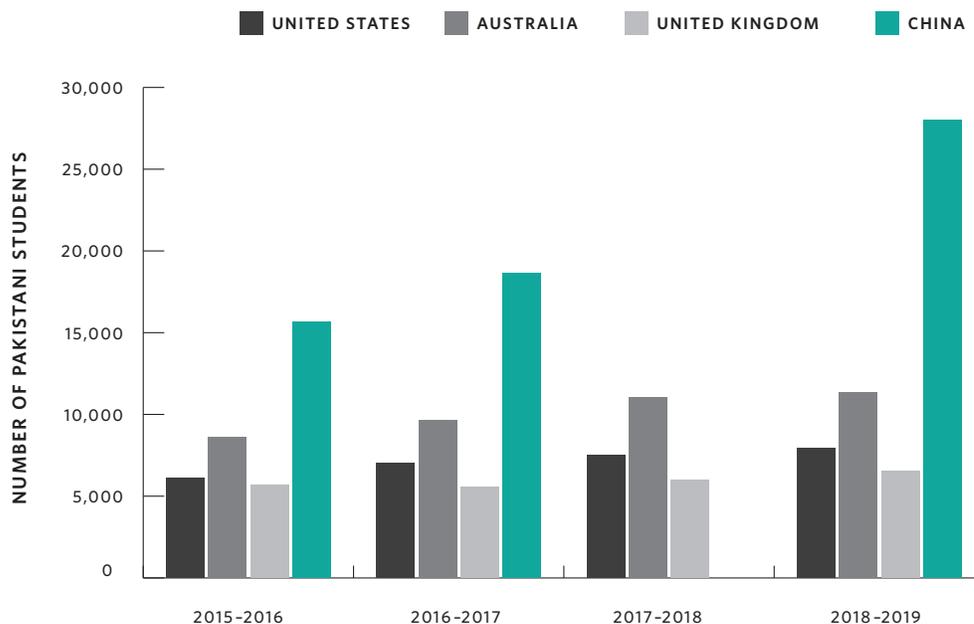
Even in smaller urban centers, local Pakistani universities have taken the initiative to strengthen ties with Chinese universities by establishing China study centers and developing research relationships with Chinese universities and specialized research institutes. These institutions highlight the need to develop a pool of well-trained Pakistani workers that are well-acquainted with Mandarin and Chinese cultural traditions to fill the expected demand from Chinese firms in CPEC's second phase (2021–2025).<sup>34</sup> While the economic corridor's first phase (2015–2020) focused on fixing supply-side infrastructure bottlenecks in the power and transportation sectors, the CPEC's second phase (2021–2025) centers on industrial cooperation with investment, especially from Chinese firms, in special economic zones (SEZs). For instance, the University of Sargodha, a public university, launched the Pakistan Institute of China Studies in 2018 with funding from Pakistan's Higher Education Commission. Located in the agricultural heartland of Punjab Province, the university has also established collaborative research ties with Chinese universities specializing in agriculture, such as the South China Agricultural University.<sup>35</sup>

### China as a Prized Destination for Higher Education

More and more Pakistani students are opting for Chinese universities over Western ones (see figure 1).<sup>36</sup> Compared to the high tuition fees and stringent visa requirements of Western universities, many Pakistani students find that studying at Chinese universities is more affordable and that government scholarships are more readily available. While many Pakistani elites still send their children to Western universities, the Pakistani students opting to study in Chinese universities represent a broader

FIGURE 1

## Many Pakistani Students Abroad Favor China Over the West



**NOTE:** There is no available data on Pakistani students studying in China for the 2017-2018 academic year.

**SOURCES:** U.S. Institute for International Education; Australian Department of Education, Skills and Employment; UK Higher Education Statistics Agency; and the Chinese Ministry of Higher Education.

cross-section of Pakistani society, both economically and geographically. Scholarships to study in China are providing lower-income Pakistanis with opportunities to get highly valued degrees.

More than 28,000 Pakistani students studied in Chinese institutes of higher education in 2018, a figure that ranked third in the world behind only South Korea and Thailand.<sup>37</sup> The number of Pakistani students in China is greater than the number of Pakistanis studying in Australia, the UK, and the United States combined.<sup>38</sup> While some Pakistani students apply directly to Chinese universities, Confucius Institutes and China study centers at local Pakistani universities play an important role in recruiting local students. China study centers at Pakistani universities are often headed by faculty members who have themselves studied at Chinese universities and actively encourage Pakistani students to study in China. A second channel driving student recruitment is local think tanks and education consultancies. Local think tanks like the Pakistan-China Institute in Islamabad have close relationships with Chinese policymakers, especially at the Chinese Embassy. There are also a number of private firms that provide educational consultancy services for Pakistani students interested in studying in China.

The Chinese government offers scholarships to some Pakistani students, while Pakistan's Higher Education Commission manages the scholarship selection processes. Estimates from 2018 suggest that there were around 7,000 Pakistani students studying at Chinese universities on scholarships from both government and private sources, though the coronavirus pandemic has obviously had a major impact since then.<sup>39</sup> Although this number is substantial, these students represented only about 25 percent of the total number of Pakistani students enrolled at Chinese institutes of higher education.<sup>40</sup> This means that many Pakistani students and their families are presumably investing their own money in degrees from Chinese universities. Their reasons may include the increasing interactions between Chinese and Pakistani actors after the launch of the CPEC, growing information about higher education opportunities in China, the lower cost of obtaining a Chinese degree, and the proliferation of Confucius Institutes and China study centers at many Pakistani universities. At a more macroeconomic level, China's emergence as a global economic power and a belief among many Pakistanis in the future economic rewards of studying at Chinese universities are also important pull factors driving this trend.

Some Pakistani students studying at Chinese universities also positively contrast their treatment with those their peers receive at Western universities. One former student at Tsinghua University, for example, highlighted the positive perceptions of Pakistan in and around the school campus as a friend of China.<sup>41</sup> The many students who return to Pakistan after finishing their studies in China are poised to represent a diverse, educated, and well-trained workforce in different sectors of the economy who are oriented toward the East rather than the West. Making China an attractive destination for higher education provides opportunities to cultivate a generation of future Pakistani leaders and elites in both the public and private sectors with a preference for China. These China-oriented elites can act as a counterbalance to traditional Pakistani elites, many of whom remain Western-oriented in their outlooks.

Overall, while China is exporting its educational model through Confucius Institutes and classrooms, it is not employing a one-size-fits-all approach. While Chinese actors have political and economic incentives to deepen partnerships with Pakistan's education sector, demand factors within Pakistan are also contributing to these increasing interactions. Many young Pakistanis show an increasing inclination to learn Mandarin as they seek to benefit from China's rise as a global economic power and through its deepening economic engagement in Pakistan under the CPEC. Chinese actors are also adapting to local conditions by sending executives to Pakistani universities to learn about local customs, cultural practices, and management techniques. Lastly China's increasing pull as a favored destination for higher education is quite evident. While there has been a substantial expansion in the number of Chinese government scholarships for Pakistani students, the overall increase of Pakistani students in China is also driven by other variables such as greater awareness about China's higher education sector, the growth of Confucius Institutes and Chinese study centers, the lower costs of Chinese universities, and a belief in the future economic dividends of a Chinese degree.

## Expanding Media Relationships Between China and Pakistan

Since the 2010s, China has made immense progress in developing relationships and brokering key agreements with local Pakistani media houses and journalists to more effectively communicate its message through traditional and social media.

### Partnering With Struggling Pakistani Media Outlets

Aside from the public diplomacy of Chinese diplomats, a variety of blossoming partnerships are also deepening ties between Chinese and Pakistani media circles. China's state-owned Xinhua News Agency, English-language newspapers like the *China Daily*, and broadcasting organizations like the China Global Television Network (CGTN) and China Radio International regularly highlight the positive effects of CPEC projects on Pakistan's economy and society. These news outlets also regularly counter negative perceptions of China in Pakistan and perceived negative propaganda against the CPEC.<sup>42</sup>

That said, Pakistani viewership of Chinese state-run media channels such as CGTN remains limited. There is no Urdu version of the channel, so its broadcasts fail to reach a large percentage of the country's population. Even though only about 8 percent of Pakistanis identify Urdu as their native language, most of the country's national newspapers and news channels are in Urdu.<sup>43</sup> Native speakers of various local languages—including Punjabi, Sindhi, Pashto, and Balochi generally can read and understand Urdu. More than 75 percent of all literate Pakistanis and 95 percent of city dwellers understand Urdu.<sup>44</sup>

Chinese efforts to expand the relationships between Xinhua and public and private Pakistani media organizations is still in a nascent stage, but this push appears to be more successful in helping Beijing reach a wider subset of the population. In December 2019, Xinhua agreed to provide Pakistani news agencies and media organizations access to all its news service content, including photos, text, and videos for print and electronic media in English and Urdu. The Pakistani media services who signed this agreement stood to receive Xinhua's news services free for the first six months.<sup>45</sup>

Even before this agreement, Xinhua launched a Xinhua Pakistan Service in October 2019 in partnership with Independent News Pakistan, a local media organization. According to the agreement, Independent News Pakistan has agreed to translate Xinhua's English service news into Urdu and then disseminate these stories into the country's wider media ecosystem. Independent News Pakistan's website has a specific section devoted to the Xinhua Pakistan Service, and the local Pakistani media outfit maintains bilateral news exchange arrangements with Xinhua and China Radio International that involves translating and publishing.<sup>46</sup> The expansion of Xinhua's Urdu service is significant, as Urdu news audiences account for much of the domestic market. This move seems to be in sync with

Beijing's broader strategy of localizing information and disseminating it through partners within the country.

According to the paraphrasing of one media account, Firdous Ashiq Awan, a special assistant to Pakistani Prime Minister Imran Khan on information and broadcasting, has stated that “close coordination among Pakistani and Chinese media outlets [is] vital in defense of national and economic interests of both countries and [for] defeat[ing] the negative propaganda against projects that are proving [to be a] game changer for the entire region.”<sup>47</sup> Some media actors view the Xinhua agreement as an opportunity to actively combat what they see as negative Western propaganda on China-Pakistan relations and the CPEC. Others see the agreement as a means of reducing what they consider to be Western influence over Pakistani people and media houses.<sup>48</sup>

Leading Pakistani media houses and outlets—including the Jang Group, the *Daily Pakistan*, *Nawa-i-Waqt*, the Associated Press of Pakistan, the *Daily Times*, Hum News, and *Pakistan Today*—have signed on to Xinhua's subscription services. Furthermore, the *China Daily* has placed its newsfeed prominently on *Dawn's* homepage.<sup>49</sup> The news stories do not focus on Pakistan exclusively but also highlight China's views on key issues of global interest, China's technological achievements, and its ongoing support for developing countries in dealing with the coronavirus pandemic. Other leading newspapers like the *Express Tribune* regularly print stories on the benefits of the CPEC and China's economic support to Pakistan. Many of these stories originally appeared in China Economic Net, an initiative of the Chinese state-affiliated *Economic Daily*.<sup>50</sup> It was designated one of China's eight key media websites by the Information Office of the State Council in 2003.<sup>51</sup>

For local Pakistani media houses, commercial reasons are the main drivers of these bilateral news agreements. Xinhua's news reports and other resources cost less than content from U.S. and European wire services like Reuters, the Associated Press, and Agence France-Presse. Many private media houses in Pakistan rely on government-derived advertising revenue to sustain their businesses, but reductions in this important revenue stream in recent years have negatively impacted the financial sustainability of many media houses.<sup>52</sup> Given this financial distress, Pakistani private media houses are more receptive to Xinhua's overtures.

The agreement to translate Xinhua's stories into Urdu highlights an effort by Chinese actors to understand and work within local Pakistani realities. The decision to partner with local news agencies for translation services offers a financial lifeline to local media outlets like the Independent News Pakistan. Providing news stories in Urdu to domestic audiences allows them to reach a wider local audience and presents China's perspectives on different issues to Pakistani readers and viewers.

## Forging Direct Ties With Pakistani Journalists

Beyond content-sharing agreements between news services, Chinese and Pakistani reporters are also participating in Chinese-hosted training sessions. As part of this outreach campaign, journalists from Pakistan's public news agencies and private media houses regularly attend short-term or extended training programs in China. By training Pakistani journalists and developing and fostering relationships with them, China can encourage these local actors to write positive narratives about the CPEC and its positive impact on people's lives.

The Chinese Embassy in Pakistan sponsors local Pakistani journalists to participate in short-term training courses at leading Chinese universities like Renmin University of China.<sup>53</sup> In 2018 alone, more than twenty media delegations from Pakistan visited Chinese outlets and universities.<sup>54</sup> These media visits and training sessions in China stressed close collaboration between Chinese and Pakistani media organizations, ultimately strengthening government ties and people-to-people understandings on topics such as trade, energy infrastructure, and culture.<sup>55</sup>

Nominations for such training programs and foreign tours are sought after by many Pakistani journalists for both the opportunities to develop connections with Chinese government officials and other sources and as a means of gaining marketable skills. Although many universities in Pakistan have mass communication departments, there is a lack of the expertise and cutting-edge technologies needed to produce professional and skilled media personnel.<sup>56</sup> The trainings focus on equipping visiting journalists with modern technical skills and teaching them about China's development model.<sup>57</sup>

The increasing interactions between Pakistani media houses and Chinese news agencies and training programs for Pakistani journalists in China have important implications for the broader China-Pakistan relationship. It raises questions about the objectivity of reporting by the Pakistani media regarding CPEC projects and their impact on local people and the economy, thereby reducing the space for dissenting views.<sup>58</sup> Despite these challenges, the Pakistani media continues at times to raise concerns about the opacity that surrounds the CPEC and the impact of some of its projects on long-term environmental sustainability.<sup>59</sup>

## Social Media Outreach on the Rise

Chinese and local Pakistani media actors are making concerted efforts to develop a positive image of the CPEC and the China-Pakistan relationship on social media platforms as well. A majority of Pakistan's (predominantly male) social media users are between thirteen to forty-four years old.<sup>60</sup> In April 2021, approximately 16 percent of the Pakistanis using social media use Twitter. Although about 79 percent of Pakistani social media users use Facebook, this number is declining while the number of Twitter users is growing.<sup>61</sup>

Pakistan's young population means that social media has emerged as an ideal medium for Chinese entities to spread positive messages about the China-Pakistan relationship and the CPEC, spread Chinese perspectives, and encourage public engagement.<sup>62</sup> No person illustrates this approach better than the aforementioned Chinese diplomat Zhao, who served at the Chinese Embassy in Pakistan from 2015 to 2019. A pioneer in Chinese digital diplomacy, he was one the first Chinese diplomats to create a Twitter account and become a prolific user.<sup>63</sup> Zhao rose to prominence in Pakistan in 2017 using the hashtag “#AskLijianZhao,” which he created to correct misconceptions about the CPEC.<sup>64</sup> Through live Q&A sessions on Twitter, Zhao made himself accessible to questions from ordinary Pakistanis and promoted Chinese CPEC-related interests.

Unlike many Chinese diplomats who continue to exercise caution and restraint on social media, Zhao has actively defended what he sees as legitimate Chinese national interests.<sup>65</sup> During his stay in Islamabad, Zhao got into quite a few public fracasas with well-known local journalists and diplomats from the United States.<sup>66</sup> Although Zhao is viewed in the West and by Pakistani liberals as an example of China's increasingly muscular “wolf-warrior” diplomacy, he developed a loyal following among Pakistani social media users.<sup>67</sup> Many of these followers are young Pakistani Twitter users, for whom Zhao represents a figure that stands up to what they consider to be Western propaganda against Pakistan and China.

His presence and public engagement on social media during and after his stay in Pakistan has allowed Zhao to become a household name, and he still enjoys a loyal following in Pakistan. As a spokesperson for the Chinese Ministry of Foreign Affairs, Zhao continues to tweet about his attachment to Pakistan. For example, on Pakistan's National Day in 2021, Zhao tweeted, “As a diplomat, I stayed twice in #Pakistan for over 8 years. Pakistan has won my heart. May I wish you a happy #PakistanDay! Chin-Pakistan dosti zindabad! [Long live Pakistan-China friendship!]”<sup>68</sup> As of mid-May 2021, he has roughly 950,000 followers on Twitter.<sup>69</sup>

Chinese firms, especially SOEs working on CPEC projects in Pakistan, have adapted to using social media platforms like Facebook, LinkedIn, and especially Twitter. These companies share regular updates about projects that are under construction and highlight the positive impact of the projects for Pakistan's domestic economy and nearby local populations. Employees from local Chinese firms also routinely use LinkedIn and Twitter to showcase their work and contributions to Pakistan's economy. Chinese media outlets including Xinhua's Urdu service and Dosti Channel FM 98 also tweet regularly in Urdu.<sup>70</sup> Similar to the Xinhua News Agency's content-sharing agreements and partnerships with local media houses, the Dosti Channel FM 98 is a joint venture between Radio Pakistan and China Radio International. Launched in 2017, it has daily Urdu broadcasts for local listeners.

Likewise, the Pakistani government has actively engaged on social media to create a positive perception of the CPEC.<sup>71</sup> Government officials; ministries like the Ministry of Planning, Development and Special Initiatives; and Radio Pakistan have used Twitter to positively frame the CPEC while promoting Chinese goodwill by highlighting the benefits of the economic corridor's investment in Pakistan's development of human capital and infrastructure.

Meanwhile, during the pandemic, the Chinese Embassy and Chinese firms have increasingly taken to Twitter to highlight their material support for Pakistani authorities. They regularly share posts of Chinese Embassy officials or Chinese SOE executives handing over masks and other personal protective equipment to their Pakistani counterparts. Pakistan has also been an early recipient of Chinese-manufactured COVID-19 vaccines.<sup>72</sup> The Chinese Embassy has routinely touted this support on Twitter, and such news has been widely shared by local social media users.<sup>73</sup>

Ultimately, media ties between China and Pakistan are likely to keep expanding as the CPEC enters its second phase. China will continue to cultivate relations with local Pakistani media houses and journalists. For the Chinese side, these relationships are important as a means of not only countering negative perceptions regarding the CPEC but also helping reach wider segments of the local population with Chinese viewpoints on international issues. For local Pakistani media houses, their relationships with Chinese organizations like Xinhua are primarily commercial as they seek to improve their financial condition. The Chinese Embassy in Pakistan, Chinese SOEs operating in Pakistan, Pakistani journalists, and Pakistani government ministries all have incentives to continue strengthening the CPEC's image through social media and other channels.

## Chinese Capital in Pakistan's Energy Sector

As important as it is not to overlook the impact of the CPEC on understudied sectors like education and the media, it is also vital to gauge the effects of the bulk of the economic corridor's investment to date, which has been concentrated in energy projects. During the CPEC's first phase from 2015 to 2020, most of the Chinese investment flowed to address infrastructure bottlenecks, especially power generation projects. Unlike transportation infrastructure, where projects have been built with government-to-government loans, projects in the energy sector tend to be driven by private foreign investment and offer more lucrative returns. Pakistan has been encouraging private investment in the power sector since the mid-1990s, and it approved the first private sector policy on electricity generation in 1994. Under the policy, investors were offered various incentives including generous dollar-indexed returns backed by sovereign guarantees provided by the Pakistani government.<sup>74</sup> Subsequent power policies have continued to offer generous returns, which continue to be backed by the government's sovereign guarantees.

Under the CPEC framework that guides energy-sector cooperation between China and Pakistan, local firms, especially conglomerates with experience in Pakistan's energy sector, have partnered with Chinese SOEs to build power plants. Local Pakistani firms have commercial incentives to partner with Chinese SOEs. Through these partnerships, local firms have gained access to capital sources that were previously unavailable. Such arrangements have facilitated investments in projects that other external actors have been unwilling to invest in due to environmental, political, and economic sustainability concerns. Local firms have been actively engaged in negotiations between the two governments and have lobbied the Pakistani government to ensure that their interests are addressed.

### Addressing Pakistan's Long-Standing Power Crisis

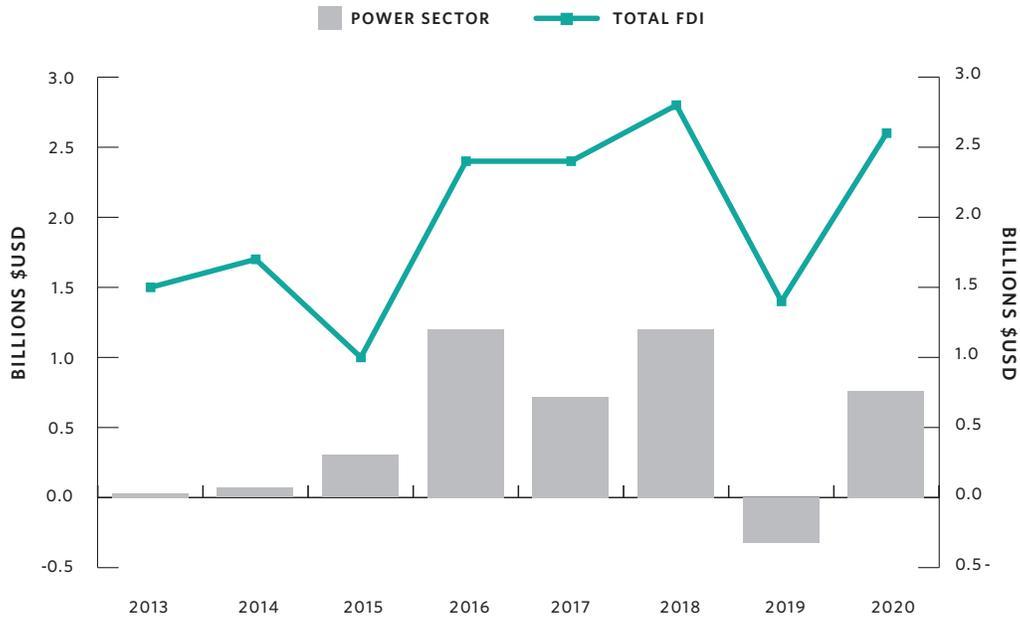
Pakistan's power sector has provided opportunities to expand cooperation with China under the CPEC. Prior to that, Pakistan had been facing a worsening power shortage crisis since 2009. Over the following few years, the situation became worse, leading to debilitating power cuts throughout the country. In 2011, the gap between supply and demand peaked at around 7,000 megawatts.<sup>75</sup> A year later, the Pakistani government estimated that, during peak demand periods, the shortage reached 5,000 megawatts. Around this time, major urban areas faced power cuts of up to fourteen hours in a day, while rural areas faced power outages of twenty hours per day.<sup>76</sup>

These crippling power shortages predictably had adverse effects on employment, hampered the competitiveness of local industry, and prompted a decline in exports from Pakistan. Amid slowing growth, the government had to also augment poverty alleviation measures.<sup>77</sup> Some estimates suggest that the country's frequent electricity shortages contributed to a reduction in gross domestic product (GDP) of between 2 and 2.5 percent.<sup>78</sup> The Pakistani government estimated the losses due to power shortages at a staggering 7 percent of GDP per year.<sup>79</sup> The situation in 2012 was so dire that, despite Pakistani government incentives to induce investment, local and foreign investors alike shied away from bankrolling new power-generation capacity.<sup>80</sup>

The focus on Pakistan's energy sector in the first phase of the CPEC was driven by a congruence between the interests of all stakeholders including Pakistani officials, local firms, Chinese policymakers, and Chinese SOEs. For Pakistani policymakers, Chinese investment in the country's power sector represented perhaps the only opportunity to quickly confront its chronic power shortages and counter its faltering economy (see figure 2).<sup>81</sup> For local Pakistani firms, the CPEC provided access to long-term sources of external capital and let them expand their operations in the electricity sector, which they had been unable to do due to capital constraints. Figure 2 shows the overall levels of foreign direct investment in Pakistan, including the country's power sector, since 2013.

Meanwhile, despite the inherent risks, investment in Pakistan's power sector was a chance for Chinese SOEs to enhance their presence in foreign markets as part of Chinese firms' Go Global strategy.<sup>82</sup>

FIGURE 2  
**Net Foreign Direct Investment in Pakistan's Power Sector**



**SOURCE:** "Foreign Investment," Pakistani Prime Minister's Office, Board of Investment, <https://invest.gov.pk/statistics>.

The Pakistani power sector also presented Chinese SOEs with an opportunity to make high returns. Pakistan's national electricity regulator, the National Electric Power Regulatory Authority (NEPRA), offered upfront tariffs for new power plants in 2014 that guaranteed an equity-based internal rate of return ranging from 17 to 20 percent over the project's lifetime (thirty years).<sup>83</sup> These returns are indexed to the U.S. dollar. The CPEC's Long Term Plan calls for cooperation across the electricity sector, including in the construction of power grids and the upgrading of the country's transmission and distribution network, but the initial stages of cooperation have focused on augmenting the country's generation capacity.<sup>84</sup> Over the last five years, the value of CPEC energy projects, either completed or under construction, stands at around \$18.9 billion.<sup>85</sup>

### Joint Ventures in the Energy Sector

Under the terms of the CPEC, potential power projects need to be approved by both countries' governments. Local Pakistani firms and Chinese firms have lobbied their respective governments to ensure that their projects are added to the list of actively promoted projects. Having a project added to this list allows firms to apply for financing from Chinese policy banks, especially the China Development Bank and the Export-Import Bank of China.

The decision to include or exclude a project from the list is jointly made by the Joint Coordination Committee (JCC), the CPEC’s highest decisionmaking body. It is co-chaired by the vice-chairman of China’s National Development and Reform Commission and Pakistan’s federal minister of planning, development, and special initiatives. The advantage of developing joint ventures between firms from both countries is that they can prod their respective governments to ensure timely decisions on the project list (see table 1).<sup>86</sup> In some cases, projects that were not initially prioritized later have been added to the list and have had their implementation fast-tracked.<sup>87</sup>

TABLE 1  
**China and Pakistan’s Joint Venture Power Projects**

<b>Project</b>	<b>Lender(s)</b>	<b>Power Source</b>	<b>Mode</b>	<b>Investor(s)</b>	<b>Current Status</b>
China Power Hub Generation Company (Private) Limited Two 660-Megawatt Coal-Fired Power Plants (in the town of Hub)	China Development Bank (CDB); Export-Import Bank of China (CHEXIM); Industrial and Commercial Bank of China (ICBC); China Construction Bank (CCB); Bank of Communications <sup>88</sup>	Imported coal	Joint venture (local)	China Power International Holding; Hub Power Company (HUBCO)	Operational
Sindh Engro Coal Mining Company Thar Block-II	CDB; CCB; ICBC; Habib Bank Limited (HBL); United Bank Limited; Bank Alfalah Limited; National Bank of Pakistan; Faysal Bank Limited <sup>89</sup>	Coal mining	Public-private partnership	Government of Sindh; Engro Energy Limited; <sup>90</sup> Thal Ltd. (House of Habib); HUBCO; HBL; China Machinery Engineering Corporation (CMEC); State Power International Mendong <sup>91</sup>	Operational
Engro Powergen Thar Private Limited Two 330-Megawatt Coal-Fired Power Plants	CDB; CCB; ICBC; and a consortium of local banks <sup>92</sup>	Local coal	Joint venture (local)	Engro Energy Limited; <sup>93</sup> CMEC; HBL; Liberty Mills Limited <sup>94</sup>	Operational
Thar Energy Limited (330 Megawatts) Coal Power Project	CDB (lead arranger for the foreign consortium); HBL (lead arranger for the local consortium) <sup>95</sup>	Local coal	Joint venture (local)	HUBCO; Fauji Fertilizer Company; CMEC <sup>96</sup>	Under construction
ThalNova Power Thar (Private) Limited 330-Megawatt Coal-Fired Power Plant	CDB (lead arranger); HBL (lead arranger) <sup>97</sup>	Local coal	Joint venture (local)	HUBCO; Thal Power (Private) Limited; Novatex Limited; CMEC; Descon Engineering Limited. <sup>98</sup>	Under construction
Sachal Energy Development (Private) Limited 49.5-Megawatt Wind Farm	ICBC <sup>99</sup>	Wind power	Local (Pakistani) firm	Arif Habib Corporation <sup>100</sup>	Operational

HydroChina Dawood Power (Private) Limited 49.5-Megawatt Wind Farm	ICBC <sup>101</sup>	Wind power	Joint venture (local)	PowerChina; Dawood Power <sup>102</sup>	Operational
Karot Power Company 720-Megawatt Hydropower Station	CDB; CHEXIM; International Finance Corporation; Silk Road Fund <sup>103</sup>	Hydropower	Joint venture (local)	China Three Gorges South Asia Investment Limited (a subsidiary of China Three Gorges Corporation); Associated Technologies Private Limited <sup>104</sup>	Under construction
Suki Kinari Hydro 870-Megawatt Hydropower Station	CHEXIM; ICBC <sup>105</sup>	Hydropower	Joint venture (local)	China Gezhouba Group Overseas Investment Company Limited; China Gezhouba Group International Engineering Company Limited; Haseeb Khan (Private) Limited <sup>106</sup>	Under construction
Azad Pattan Power Private Limited 701-Megawatt Hydropower Station	CDB, CCB; ICBC; Bank of China <sup>107</sup>	Hydropower	Joint venture (local)	China Gezhouba Group Company Limited; Laraib Group <sup>108</sup>	Under construction

**SOURCE:** Various news and corporate sources (see endnotes).

One of the key constraints facing local firms interested in undertaking energy projects has been the lack of access to external capital. Pakistani firms have seen China's expanding interest in power generation as an opportunity to resolve their capital constraints by developing partnerships with Chinese firms. Local firms like Engro, one of Pakistan's largest conglomerates with operations in several different sectors, had previously raised capital from external sources like the World Bank-linked International Finance Corporation (IFC).<sup>109</sup> The IFC and other multilateral lenders were unwilling to invest in Engro's coal-based ventures, which combined plans for open-pit mining and an integrated power generation project in Sindh Province, due to concerns about environmental sustainability. By contrast, Chinese actors expressed interest in the project. Chinese firms and banks were the only ones willing to invest in the project in partnership with a consortium of local firms and Sindh's provincial government.<sup>110</sup> Similarly, Chinese firms are investing in large hydropower projects, which had been part of the Pakistani government's power generation plans for a long time but had not previously been implemented because of a lack of funding.

The lack of a viable alternative source of external financing, the limited availability of local financing, and the close ties between China and Pakistan has made partnering with Chinese SOEs a natural

choice for large conglomerates like Engro.<sup>111</sup> Furthermore, large Chinese firms like CMEC, which has been constructing power stations in Pakistan since 1983, has played a role in the Chinese-Pakistani joint ventures that have developed.<sup>112</sup>

Domestic Pakistani firms also have played a pivotal role in lobbying the Pakistani government for higher tariffs, which have benefited both local Pakistani investors and their Chinese partners. Engro, for example, was closely involved in determining the fuel pricing mechanisms for local coal-based power generation. NEPRA relied on Engro's technical support to determine the pricing of local lignite-based coal and some other critical technical parameters that went into the pricing formula. These large local firms also received a seat at the negotiating table and were involved in negotiations between Chinese and Pakistani policymakers on investments in the power sector. Their close involvement with CPEC negotiations has meant that these firms have been able to lobby the Pakistani government and the electricity regulator to offer higher rates of return for local coal-based power projects as opposed to those offered to plants using imported coal.<sup>113</sup>

Pakistani firms actively negotiate with Chinese firms. While substantial asymmetries in their respective resources and capabilities mean that Chinese firms usually have the upper hand in these negotiations, Pakistani firms' understanding of the country's domestic political economy often works to their advantage. Local firms are accustomed to dealing with the problems and peculiarities of Pakistan's power sector, especially the circular debt issue. They can navigate this system better than foreign investors can. Access to local knowledge, networks, and a history of operating in a challenging operating environment all give Pakistani firms an advantage. Chinese firms have been able to limit their exposure to these problems by operating through their local partners to deal with Pakistan's public sector and the intricacies of the country's domestic political economy.<sup>114</sup>

In some cases, firms such as the Hub Power Company (HUBCO), Pakistan's largest independent power producer, actively negotiated with Chinese partners on the projects' financial and technical specifications. In the case of a major 1,320-megawatt power plant project (a joint venture between Power China and HUBCO), the local partner convinced Power China to opt for equipment made by General Electric (GE)—including supercritical steam turbines, boilers, and generators—rather than Chinese equipment.<sup>115</sup> This also has been the case with other CPEC power projects. The Engro Powergen Thar (Private) Limited power project—a joint venture between Engro Energy Limited, the Habib Group, Liberty Mills, and CMEC—is the first project to use local lignite coal as fuel.<sup>116</sup> The lead local Pakistani partner, Engro Energy, played an important role in selecting GE/Alstom boilers that were technologically superior to ones manufactured by Chinese firms.<sup>117</sup> Rather than being a one-way street where local actors automatically accede to their Chinese partners' demands, several of the CPEC's energy projects involve active discussions and negotiations between firms from both countries.<sup>118</sup>

In other cases, Chinese firms have adapted their business models to local conditions in other ways. In a large integrated mining and electricity generation project that uses local coal, CMEC is the engineering, procurement, and construction contractor for both the open-pit mine and the power plant. The Chinese firm, as a subsidiary of Sinomach (a large diversified Chinese SOE), has also taken a minority equity stake in the venture. This is the first time that CMEC has taken a minority equity stake in downstream mine and power plant operations as the company seeks to expand its operations. The company has also taken an equity stake in two other power plants that are being supplied by the open pit mine. Developing such business models also indicates long-term interest in the project to local partners.<sup>119</sup>

To function within the complex Pakistani energy sector, Chinese actors have developed relationships with large Pakistani conglomerates. These partnerships help Chinese firms adapt to and navigate local rules and regulations in Pakistan. As a result, it has made them more amenable to joint ventures that substantially benefit both parties. Pakistan's power sector faces certain structural problems that Chinese firms have limited experience managing. An example of one structural issue that affects independent power producers in the country is delayed payments from the government as the sole electricity purchaser. Pakistani firms understand the nuances of how the system works, making them invaluable partners for Chinese SOEs operating in the power sector and seeking to adapt to local conditions.

## Conclusion

The launch of the CPEC in 2015 has provided an impetus for closer relations between China and Pakistan. China has deployed and adapted different tools to enhance linkages with a diverse range of Pakistani stakeholders. The CPEC and the broader China-Pakistan partnership are driven by both sides. China's engagement with Pakistani political elites and in Pakistan's education, media, and energy sectors comes in response to local demands and conditions. By adapting to these conditions and working through local institutions, China will continue to seek to appeal to broader audiences and maximize its influence in the country. Most existing studies on the China-Pakistan relationship do not engage with these local drivers of the expanding relationship between the two countries.

As the CPEC enters its second phase, relations between different stakeholders in the two countries are likely to expand further. The growth in these relationships is, however, contingent on multiple factors. For one, much of the investment during the CPEC's first phase (2015–2020) was made by Chinese SOEs in the power sector with limited investment by private Chinese firms in the industrial sector. It remains to be seen whether private Chinese firms will invest in Pakistan and relocate their industries to the country as envisaged by policymakers during the CPEC's second phase (2021–2025). The planned SEZs that are part of the plans for the second phase of the CPEC are still under construction. Whether Chinese firms relocate their production to these SEZs will be an important

test for policymakers in the two countries and will have an impact on the CPEC's long-term sustainability. In the absence of these deeper economic linkages between the two countries, there are likely to be limited returns for local people even as the CPEC continues to evolve and expand.

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