

## Interview - Siegfried O. Wolf

Written by E-International Relations

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Dr. Siegfried O. Wolf is Director of Research at the South Asia Democratic Forum (SADF). He was educated at the Institute of Political Science (IPW) and South Asia Institute (SAI), both at Heidelberg University. Additionally, he is a senior researcher in International Relations and Comparative Politics at SAI as well as a former research fellow at IPW and the Centre de Sciences Humaines (New Delhi, India). Before starting his academic career, Dr. Siegfried O. Wolf worked for various consultancies specializing in political communication, e.g. promoting the interaction and cooperation between academic, political and economic spheres. He is the co-author of 'A Political and Economic Dictionary of South Asia' (Routledge: London, 2006), and Deputy Editor of the 'Heidelberg Papers in South Asian and Comparative Politics' (HPSACP). Furthermore, he has worked as a consultant for the Federal Ministry for Economic Cooperation and Development (BMZ), Germany.

### **What do you think the benefits of the China-Pakistan Economic Corridor are?**

The China-Pakistan Economic Corridor (CPEC) is a significant part of a regional initiative led by China, known as 'One Belt, One Road' (OBOR) or the New Silk Road Economic Development Corridor. Basically the OBOR plan aims to revive ancient trade routes connecting Asia with Europe and Africa. This was a vision of Chinese President Xi Jinping in 2013. Since its announcement Xi's vision has made headway and has become a major focus of Chinese diplomacy. Led by Beijing, the OBOR concept refers to two ambitious development proposals – the Silk Road Economic Belt (SREB) and the 21st Century Maritime Silk Road. The SREB seeks to revive the ancient Silk Road that once connected China with Europe by land via high-speed railroads, highways, energy and distribution networks, as well as fibre optic networks. The CPEC must be understood as a crucial part of the China's OBOR' initiative aiming at the establishment of an overland Silk Road Economic Belt and the Maritime Silk Road through Pakistani port facilities.

Praised as a new economic lifeline, the CPEC is supposed to provide the essential link between the 'land based belt and the sea road'. In order to do so, the CPEC will connect Kashgar in China's Xinjiang Uygur Autonomous Region with Gwadar Port on the Balochistan coast in Pakistan's south-west. According to the plan, the CPEC will be implemented through a '1+4' cooperation structure: the Economic Corridor at the center and the Gwadar Port, energy, infrastructure and industrial collaboration as the four key areas. In order to operationalize this endeavor, the corridor is a combination of cross-sectional components: Infrastructure, trade, connectivity, transport, energy, services among others. More concrete, it consists of different infrastructure measures foremost roads, railways (supposed to complement the road network), and pipelines for oil & gas, the upgrading and extension of Gwadar including construction of an international airport and a hospital. In this context, besides building complete new elements to create connectivity, major upgrades of existing, but outdated infrastructure system, is required.

Besides infrastructure the major focus will be on the increase of energy capacities including renewable and non-renewable namely solar, wind, hydro-power (dams) and coal. Through the planned pipeline projects it is also expected to improve the imports of gas and oil. Additionally, all the projects are flanked by substantial security measures to guarantee a secure environment for the CPEC development. As such there are hopes, that the CPEC helps Pakistan to boost its economy, uplift the social conditions for the people –nationwide-, lead to more political harmony within the country and improves Pakistan's role and position in the region. Furthermore, it is expected that a successful implementation of the CPEC project will increase regional connectivity and cooperation and subsequently also the

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neighboring countries are benefitting from the new economic corridor.

### **What are Pakistan's interests in developing this corridor and how do you think it will impact the country?**

From an economic point of view, Pakistan's main interest is to attract foreign capital. Islamabad hopes, when the respective CPEC projects are getting successfully implemented, the infrastructure and energy situation will improve leading to positive spill-over effects on all other economic sectors. Through the identification of economic nodes located in established industrialised-urban centers as well as disadvantaged rural areas, serving as center for trade and production, a nationwide economic boost is expected, also in Pakistan's poorer provinces. Furthermore, Islamabad hopes that the problem of unemployment, lack of know-how, and insufficient use and unfortunate structure of trade capabilities will be addressed. Having this in mind, the CPEC might also initiate an impetus to reverse negative processes of brain drain and capital flight which is at the moment at a remarkably high level. Regarding this rationale, the CPEC could have positive ramifications in the form of changed mindsets: On one side among educated youths abroad as well as those planning to leave the country trying to get them (re-)engaged in Pakistan, and on the other side to convince non-state investors to provide venture capital. In the context of Pakistan's overall financial indicators there are hopes that the foreign exchange reserves will increase significantly.

Another crucial aspect is Pakistan's search for a diversification of its foreign aid- and investment portfolio. Traditionally the US financial support was the major source for inflow of financial assets. However, the provision of capital by the US (as well as by Europeans) is usually linked with political conditions or prerequisites. After the US-Pakistan relationship turned again sour and Washington is reducing its engagement in the region (subsequently losing its interest in Pakistan), Islamabad is looking for a replacement for US money.

There are no doubts that the above mentioned tremendous economic opportunities have also significant far reaching political and social impacts. These include among others following expectations: Firstly, the harmonising of the relations between the different provinces as well as improving centre-state relations. Secondly, the notion that a successful (complete) implementation of the CPEC will improve the credibility and capacities of the (civilian) government and as such strengthen processes of (good) governance. Thirdly, it could lead to a new international positioning and regional standing of Pakistan based on the emergence of a "new economic self-confidence". Having this in mind, Islamabad's decision-makers are aiming to overcome the country's regional 'diplomatic isolation' and a subsequent improvement of economic and political cooperation with Afghanistan, Iran, Central Asian States and Russia.

Finally, one can state that the forecasted extraordinary growth of the country's economy has momentous positive ramifications for the social uplift of the common people. In this context, there are tremendous hopes that the subsequent improvement of the living conditions will also help to contain political radicalization, Islamisation, militancy, and jihadism. Or in brief, the CPEC might help to make Pakistan 'terror free'.

### **What are China's interests in developing this corridor and how do you think it will impact it?**

China is convinced that because of the security problems, Pakistan is in need for major development projects to bring stability to the country. In Beijing's perspective, these will not only protect Chinese economic interests but also reduce the terrorist threat towards China originating in Pakistan. Beijing is convinced that sustainable economic prosperity in Pakistan will help to contain terrorism which challenged in the past Chinese economic interests, territory and security too. In other words, aims to eradicate the threat of Pakistan as a launch pad for anti-Chinese activities as well as to protect its economic interests in the country. Therefore, China demands a clear Pakistani commitment and concrete activities to protect the sovereignty and territorial integrity of the People's Republic as well as its citizens on Pakistani soil. Namely, to undermine all efforts from Pakistan-based terrorists and separatists to destabilize 'mainland China', foremost Xinjiang province. Furthermore, Beijing expects that Pakistan continues its diplomatic support for its 'one-China policy'.

Besides this, the land-based CPEC provides China with another access route to the Indian Ocean and allows to bypass the Malacca straits to reach Africa and the Middle East which could be blocked in times of tensions. The

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increasing severe tensions in the South China Sea are exemplary for the likelihood of such a scenario. This so called 'Malacca-Dilemma' for Beijing is gaining significance if one takes into account that around 80 percent of Chinese energy imports flow through the Malacca route.

China hopes that the CPEC gives not only Pakistan an economic boost but also too China's slackening economy, especially in its western, landlocked province Xinjiang. The project should help to bridge the imbalance in development between the prosperous eastern and underdeveloped western part of China. Beijing expects that with an improvement of the economic conditions in Xinjiang, the whole western periphery will be also politically more stable, one of Beijing's top domestic security priorities. Against this backdrop, China expects that because of an improvement of the economic conditions in Xinjiang, the whole western periphery will also stabilize socio-politically and subsequently help undermine the 'three evils' in China: Separatism, terrorism, religious fundamentalism.

### **Do you think the socio-political and/or the security landscape of Baluchistan will detrimentally impact the China-Pakistan Economic Corridor?**

The lack of security is worrisome. Among many others, there are two major challenges towards the implementation of the CPEC: As already indicated, Islamist militancy in its domestic and global dimension and the unrest in Balochistan province. Due to the fact that Gwadar port as the central piece of the CPEC is located in the province of Balochistan, the ongoing insurgency in the province determines the most crucial challenge for a successful implementation of the CPEC project. In this context, it is important to note that the Baloch people have had strained relations with the Pakistani state since its inception. Feeling militarily oppressed, economically exploited and socially and politically marginalized, the Baloch people have been involved in several armed upheavals against the central government.

One major flashpoint is, that despite being rich in energy and mineral resources, as well as strategically well placed, Balochistan remains as the country's least developed and industrialised region with the lowest level of literacy and income with over 52% of the population living beneath the poverty line. Having this in mind, the Baloch insurgents identify the CPEC as a foreign occupation of their homeland and an attempt to marginalize the native Baloch people in the name of economic development. Furthermore, the Economic Corridor is seen as Punjabi expansionism and a strategy by the central government to strengthen their grip over Baloch resources. As such, concern is rising over speculation that the project will benefit only Islamabad and serve Chinese interests, with little to offer the Baloch people. At the moment it seems that there are some improvements of the security situation especially in the "risky areas" like restive areas of Balochistan. However, they are still on a very high level determining a severe threat for quick establishing and smooth running of the CPEC.

### **Given the realities of Pakistan's security landscape, do you think Pakistan can guarantee a secure and stable environment for the CPEC?**

In this context we have to differentiate between a short and long term perspective. I am firmly convinced that due to massive military operations like Zarb-e-Azb and the creation of new Special Forces to protect CPEC, the implementation of infrastructure and energy projects (early harvest projects) will continue more or less smoothly, most likely with some delays because of temporary militant and/or political disturbances, administrative hurdles and lack of civilian management capacities. However, the major problem regarding the security environment lies in the persistent and overall protection of the CPEC in the long run, for several reasons:

Firstly, it will be most unlikely that Pakistan can maintain the current level of combat troops to protect the CPEC permanently. In this context, one must state that the number of terrorist attacks went down because of the major military operation of Zarb-e-Azb. But when the army returns to the barrack or reduces its engagement/shifting the responsibility to civilian law enforcing agencies (which should be the norm and not the exception) and/or concentrate on other areas, the number of attacks might increase again.

Secondly, for the initial implementation period of CPEC projects, Pakistan's security forces can afford to concentrate just on major flashpoints, the ongoing construction sites and militant 'hot spots'. But after completion of road network, and finalizing middle (long) term projects, the security forces must take the whole network into account

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including the connected special economic zones (SEZs) and hubs. The massive security measures in Gwadar (port and SEZ) gives already an indication about upcoming tasks in the several dozens of new industrial and manufacturing nodes Pakistan is planning to set up along the route. By having said this, one should recall the experiences in protecting the NATO convoys for Afghanistan. Besides all the efforts of Pakistan's Army and paramilitary troops to ensure a safety passage for a certain route within a concrete timeframe, it was not possible to establish a secure supply line for the international forces in Afghanistan. On numerous occasions, the transport of military vehicles and supply containers for NATO through Pakistan end up in a disaster. Another example for the difficulties to protect road and transit routes is the Karakorum Highway (KKH) which determines the most northern part of the CPEC. Despite security measures, the KKH turned into one of the most dangerous routes in Pakistan. The numerous and manifold attacks, especially with a terrorist and religious-ethnic background, gives a rather grim perspective for a safe environment for the CPEC in the Himalayan region.

In sum, to turn the CPEC into a real, functioning economic corridor the security and law and order situation in the whole country must be stable. By reviewing the unfortunate record of the country's security forces in dealing with the sources of instability compared with the growth and resilience of anti-state actors, one must wonder if Pakistan is able to provide an appropriate security environment for an effective functioning Economic Corridor.

**Can you please talk a little about the political, administrative, and environmental hurdles that Pakistan will have in regards to the corridor?**

The CPEC has to deal with severe geographical obstacles & natural calamities affecting negatively the Northern Route of the CPEC. Despite the fact that several significant geographical obstacles, especially in the mountainous areas of northern Pakistan, are being overcome, some others must be still addressed.

First of all, the CPEC has to face the major problem that the Khunjerab Pass remains closed during the winter season (from November to May because of heavy snow). Furthermore, the CPEC implementation has to deal with a lack of time and insufficient management capacities of Pakistani authorities. Having this in mind, an important puzzle appears: how realistic is the implementation of such a mega-project in an underdeveloped, politically unstable country with an extraordinary weak institutional, political-administrative infrastructure. Furthermore, endemic corruption, lack in planning and management, for example the problem of land acquisition and slow progress on numerous projects have already increased the costs tremendously. Pakistani authorities already admitted that some envisaged projects signed earlier by China and Pakistan in 2010 might not reach completion.

Subsequently, many observers are stating that the Chinese investments "are being distributed inefficiently". Ongoing energy shortages and false planning will make the implementation of the CPEC not impossible but continue to hamper the CPEC and make individual projects more costly. In this context one has to understand the genesis of the course and consequences of the energy shortages. There is no doubt about the urgent need for energy supply and production. However, the reason for the insufficient capacities is mainly because of the disastrous payment practice, behaviour and moral. When this will not change, even with the significant increase of new energy production, the energy shortage will be not solved in the long run. In result, many of the on-going CPEC projects are already delayed and much more costly, which provoked additional domestic critic.

**What do you think the geopolitical impact of the corridor will be and do you think it will enhance regional cooperation on a wider level?**

How far the CPEC produces positive impacts on regionalisation depends on its ability to increase regional connectivity as much as possible. Therefore, it is most important that the CPEC will be integrated in transport, energy and trade infrastructure networks beyond the Pakistan-China nexus. It will be most important that Pakistan includes its neighbours which would unquestionably also benefit. Subsequently Pakistan should open up the CPEC to the West (Iran and Afghanistan) and to the East (India). Only then it can make a significant impact on regional connectivity and is able to function as a game changer for regional cooperation.

In order to give such a meaningful input, a normalisation of Pakistan-India relations and a constructive Pakistan-Iran

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relationship are essential preconditions. Furthermore, a fundamental reassessment of Pakistan's predominantly-security based approach towards Afghanistan and India is needed. However, this requires a decisive change in the mind-set of regional decision-makers, especially in Islamabad and New Delhi. The tensed India-Pakistan relationship is until today the major roadblock for any noteworthy regional collaboration. Most important is that Pakistan needs to redefine its regional profile by normalising its relations with its neighbours. Therefore, it must develop a foreign policy free from ideological parameters which allows rational behaviour in its bilateral relations. More concrete, Pakistan needs a greater emphasis on trade and economic cooperation instead of security oriented parameters.

**Do you see a comprehensive policy emerging aimed at controlling terrorism in Pakistan and what do you think the dynamics will be?**

Only partly! Despite tremendous efforts of the security forces in fighting terrorism there are still clear indications that Pakistan is still following its traditional 'double game' or 'two-track diplomacy'. This is gaining significance not only in the context of Pakistan's proclaimed participation in the 'global war on terror' but also the CPEC project. Against this backdrop, one must state, that only due to heavy pressure of the US administration, Pakistan turned against al-Qaeda, the Taliban, and affiliates. But the efforts to fight al-Qaeda were rather supposed to calm Washington but not to crush seriously the terror organizations. Pakistan's campaign against cross-border terrorist groups remain half-hearted, fitful at best. Regarding the Country Reports on Terrorism (2014) by the U.S. State Department, the Pakistani military undertook operations against groups that conducted attacks within Pakistan such as Tehrik-i-Taliban Pakistan (TTP), but did not take action against other groups such as Lashkar-e-Taiba or the Haqqani network, which continued to operate, train, rally, propagandize, and fundraise in Pakistan and facilitate attacks in Afghanistan or India. In contrast, Pakistan's conservative military and intelligence seems still to side with the Taliban and other cross-border terrorists operation abroad, identifying them as a strategy asset and instrument to achieve foreign policy goals.

**Can you please speak a little about Indian objections to the corridor?**

Actually there are severe Indian concerns related to Chinese development projects in Pakistan in general and the CPEC in particular.

Firstly, in order to push the CPEC, China invests significantly in Gilgit-Baltistan and in an area known in Pakistan as 'Azad Kashmir', both regions are disputed territory between Pakistan and India. Islamabad claims that it has semi-autonomous control over both areas. But Gilgit-Baltistan and 'Azad Kashmir' are parts of the former princely state of Jammu & Kashmir on which India also lays claim to it. In this context, it is worrying for New Delhi, that Islamabad is mulling upgrading the constitutional status of Gilgit-Baltistan and is absorbing the area as the fifth province of Pakistan. Additionally, the fact that these major projects involving several thousand Chinese personnel belonging to the construction corps of the People's Liberation Army (PLA) is creating another threat among India's security circles, Beijing is planning to build-up military presence in the disputed areas.

Secondly, the prospect that Gwadar may one day become a Chinese naval base and increasing Pakistan-China security cooperation alongside the CPEC. As such, the CPEC will help Beijing to expand its maritime capabilities particularly in the Indian Ocean Region, which will increase its influence and control over key maritime trade routes, to improve access to sources of energy, and massively extend its influence in central and south Asia. This is fostering fears in New Delhi of a Chinese encirclement of India by a so called 'string of pearls' or 'pincer strategy', understood as a series of strategic naval ports.

Thirdly, CPEC heightens the notion that the Sino-Pakistani partnership poses a challenge to India's regional standing. Besides cooperation in economic fields, Pakistan and China will also increase its collaboration in strategic and security matters in order to ensure the safety of CPEC and related projects. To deepen the security-military cooperation, Islamabad and Beijing agreed to intensify collaboration in defence, counter-terrorism, and space and maritime technology which is perceived in New Delhi as a serious threat towards its own national security.

**The heads of various Central Asian states have expressed interest in connecting their infrastructure**

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### **networks to the China-Pakistan Economic Corridor. How do you think this will play out?**

The major key to integrate Central Asia will be the growing Special Economic Zone (SEZ) of Kashgar in the country's western Xinjiang Autonomous Region. The SEZs of China urban areas which enjoy more liberal policies especially towards trade and investment than the rest of the People's Republic. For example Shenzhen, China's most famous SEZ, has proved to be an enormous economic success story and a significant engine for regional cooperation. However, one can't compare Kashgar with Shenzhen, which has a tremendous geostrategic location with its access to the sea and proximity to Hong Kong. In contrast, Kashgar is landlocked and separated from the prosperous eastern seaboard by the vast Taklamakan Desert. Additionally, ethnic tension simmers. Muslim Uighurs, who make up the vast majority of Kashgar's urban and rural population, feel like socially suppressed and politically sidelined in their own homeland. However, Kashgar determines the central linkage between CPEC and other economic corridors with other Chinese initiated economic corridors. By adjoining not only Pakistan but also Afghanistan, Kazakhstan, Kyrgyzstan and Tajikistan it promises a high level of connectivity between East Asia and Central Asian States, Russia and Europe.

### **The corridor will open new doors of economic opportunities in the region, including new routes to the oil-rich Middle East. Do you think that Iran will want to connect to this corridor and if so how would the dynamics evolve?**

Iran is already part of the 'One Belt, One Road' initiative in the framework of the so called *Central Corridor* which connects China to Europe via Iran. It starts from Shanghai and links the country to Tashkent, Tehran and onwards to Bandar Imam Khomeini Port of Iran on the Persian Gulf. One of this Iranian port branches goes up towards Europe. This is the longer route but could be an option in case the CPEC will be not implemented in time by Pakistan or appears not be operational because of security risks or lack of management capacities. By having said this, there is no doubt that Iran is interested to be integrated into the CPEC, especially into a potential pipeline network.

However, for obvious reasons Tehran identifies the build-up of Gwadar port as a competition to its own Chabahar port. Iran is aware that Beijing is largely concerned over Islamabad's handling of the CPEC, especially regarding the ongoing political conflicts over the project implementation, security problems, and delays among others. By observing Chinese unease and Iran's new room to manoeuvre internationally, Tehran offers the establishment of an alternative corridor. Iran's main argument is that it has the functional port Chabahar, only 36 km away from Gwadar which lies in a remote and restive area. In contrast to Gwadar, Chabahar is well connected in the country's infrastructure and Iran can guarantee security for Chinese investment and workers. In this context it is interesting to mention that China offered to invest \$51 billion to Iran, more than for Pakistan to implement the CPEC.

In sum, there is the imminent threat that a potential Iran-China Corridor turn into a competition for the CPEC. However, taken Pakistan's "strategic location" (which is the country's major asset) and Chinese interests into account, one can state that an 'Iran option' will function as an additional option for Beijing but not as a substitute for the CPEC. Consequently, at the moment it seems that it is not clear how far Iran might turn in to a competitor or collaborative partner of the CPEC. However, from the Pakistani side, it is far more complex. Any substantial cooperation between Tehran and Islamabad has to take the special relations between Pakistan and Saudi Arabia as well as Riyadh's sentiments towards Teheran into account. Riyadh and Islamabad have long cooperated closely in the field of defence and security, and Saudi Arabia has often helped Pakistan in precarious financial situations. The CPEC may nevertheless reflect the beginning of a gradual shift in Pakistan's regional outlook and its relations to Iran and Saudi Arabia.

On the one hand, Pakistan considers Iran a potential partner which can help overcome its dire energy needs, and on the other, it does not want to offend further Saudi Arabia by getting too close to Tehran. This will be a difficult task for Islamabad due to the growing Saudi-Iranian hostility in the Middle East. Against this backdrop, Pakistan will take most likely a careful approach towards Iran in order to not alienate further its relations with Saudi Arabia.

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*This interview was conducted by Satgin Hamrah. Satgin is an Editor-at-large with E-IR.*