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Unmasking the China-Pakistan Economic Corridor

Engro dairy farm in Nara; Facebook page Engro Dairy Farm Nara

In 2018, China's biggest agrochemical corporation, Sinochem Group Co, announced that it had conducted field trials of hybrid wheat varieties in 230 locations in Pakistan. Since intellectual property rights prevent farmers from saving hybrid seeds, the results of this would be unprecedented for a country where 50% of arable land is destined to this staple crop. As farmers worried about the risks this would have on their livelihoods, the governments of China and Pakistan were celebrating. This operation was a key step in boosting ties between the two countries under the China-Pakistan Economic Corridor (CPEC), itself part of a bigger endeavour called the Belt and Road Initiative.[1] The introduction of hybrid wheat paved the way for bigger things to come. A year later, on his visit to Beijing for the second phase of this project, Pakistan's Prime Minister Imran Khan took agriculture from CPEC's margins to the centre.

CPEC is an essential component of the Belt and Road Initiative (BRI), the modern silk road project envisioned by Chinese President Xi Jinping, intended on creating new production sites and trade routes to connect China better with the rest of the world. In this scheme, Pakistan is China's gateway to Central Asia and the Middle East. CPEC's transportation corridor will create a low-cost path and substantially increase trade capacity between China with Europe, the Middle East and North African countries. This will be achieved through a network of roads, railways and other infrastructure that will connect south-west China to Pakistan's port of Gwadar in the Arabian Sea. Along the way, CPEC plans to open up new mines, mills and communication systems.

But, despite a focus on massive industrial and infrastructure investments, agriculture has become a serious bargaining chip in the deal, particularly for Pakistan, since it is the country's economic backbone.[2]Even before Imran Khan's proposal to include industrial agriculture development in CPEC, the plan already laid out a large number of projects with big implications for agriculture. CPEC's agricultural plan covers all parts of food production and distribution, from the provision of agriculture input like seeds and fertilisers, to farms and processing , to storage and transportation. It also includes plans for cold-water fish farming in Northern Pakistan areas with an abundant variety of freshwater fish habitats.[3]

Reality tells a different story

More than five years after CPEC was first signed, and over a year since its second phase, the Pakistani government claims that CPEC's industrial agriculture projects are helping the country's food production and productivity as well as advancing the economic condition of Pakistani farmers.

Evidence on the ground speaks differently. There are few indications that CPEC agriculture projects are being carried out. China is dragging its feet to get things rolling, with little infrastructure work happening. The promises to boost Pakistani farmers out of poverty by linking them to international markets seem to have vanished into thin air. But, this is unsurprising as CPEC has almost nothing to do with small-scale farmers from Pakistan or China, and is mainly led by the private sector with the two governments merely acting as facilitators. The agricultural projects are all actually about Chinese private corporations forming joint ventures with Pakistani companies.

The agriculture projects within CPEC are relying on the development of infrastructure such as road, storage and processing facilities that could connect different agricultural zones from the port of Gwadar all the way to Gilgit near the Chinese border. This would also boost the link between these zones and China, who has pledged to open its markets to Pakistani agriculture products such as rice and fish, Halal food products, and to provide modern agricultural technology.[4] With a long-term plan to establish high-tech farming, marketing systems and a large-scale agroindustrial complex, nine special economic zones (SEZ) are planned to host investors in Pakistan. From these nine SEZ, two have been launched: Rashakai and Faisalabad SEZs. Rashakai SEZ covers an area of over 404 hectares, foreseeing investment in fruit and food processing industries.[5] Pakistan's government promised to exempt custom duties and taxes for all capital goods imported for the development, operations, and maintenance of industry inside SEZ. A similar grace has been given in regards to taxes: foreigners working in food processing and beverage industries in these SEZs are exempt from all income taxes for ten years.[6]

The second SEZ, Allama Iqbal was launched in March 2021 in Faisalabad. Here the Pakistani government has approved 15 investors' applications and allotted them land within the SEZ area. Among the 15 investors is the Chinese firm Zhengbang Agriculture Pakistan Private Limited, that plans to invest US$ 5.1 million in the area. The firm is a wholly-owned subsidiary of Zhengbang Crop Protection Co Ltd - one of China leading agrochemical companies. The Zhengbang Group itself is listed among China's top 500 corporations. The firm has been dedicated to importing and selling pesticides and fertilisers in the Punjab area. Within the SEZ, it plans to set up its own agrochemical plants that are expected to start operating by June 2022.[7]

Away from the spotlight, farmers and communities in unrest

The irony is that the development of roads and infrastructure to support these agriculture-oriented Special Economic Zones is hurting food producers. The SEZs are grabbing much of the fertile farmland that has been in the hands of Pakistani farmers for generations. In Balochistan, more than 15, 300 hectares of land will be taken under the Kachhi Canal Development project, while in Peshawar, farmers have been protesting since 2015 against the development of the Northern Bypass Road that is taking their homes and farmland without compensation.[8]

In the last two years, fisherfolk in the Gwadar area have held strikes and large demonstrations against the development of the Gwadar port and the industrial complex under CPEC. A 19-kilometre expressway which provides a direct link for cargo traffic to and from Gwadar Port, is blocking 4.3 kilometres of the coastline - cutting off old fisherfolks' neighbourhoods and limiting the access of fishing boats to the sea. This has sparked waves of protests among the local population. Hailed as the success of the two countries' development cooperation, the Gwadar industrial complex has stirred much conflict with local communities. "We are not against development that includes economic and social growth for us and does not destroy our homes and livelihood, but we are against development that excludes us and leaves us empty-handed,"[9] say the people of Gwadar.

In addition, the CPEC project has never been properly assessed on its possible negative impacts on local biodiversity. Concerns have been raised that this project is likely to cause heavy pollution, degradation, and habitat loss, particularly in Northern Pakistan, where it has become an important gateway for CPEC.[10] China's response to criticism over the environmental impact of BRI-related projects by trying to "green" CPEC, has been more hype than reality . Most of the agriculture projects being developed are industrial and export-oriented, despite the fact that industrial food systems are already responsible for over a third of global greenhouse gas emissions. In addition to this, CPEC's energy projects focus disproportionately on fossil fuels. Despite its pledges to cut coal use at home, China is opening new mines and building several large-scale coal power plants abroad. In Pakistan alone, Chinese coal investments have reached more than US$10 billion.[11]

CPEC funding problem

Initially valued at US$46 billion, CPEC projects are now said to be worth US$62 billion. The funding is 20% debt-based and Pakistan is taking out big loans for it, while 80% is relying on investments in joint ventures between Pakistani and Chinese companies. China made an initial $26.5 billion investment that Pakistan needs to repay at almost double the value in the next 20 years, including dividends to the investors. Pakistan also received a loan from the Asian Development Bank of around US$2.4 billion a year between 2020 and 2022, and a US$2.5 million technical assistance grant to modernise Punjabi agriculture.[12]As Pakistan's public debt has increased to $113.8 billion in the 2020 fiscal year, complaints over Beijing's lack of support have put a big question mark on the continuation of CPEC. In February 2021, Pakistan's Special Committee on CPEC announced that China had not funded any infrastructure project under the scheme since 2017. Instead, CPEC has led Pakistan to taking out ever-increasing external loans and relying disproportionately on foreign investment to continue funding CPEC projects.

Taking over Pakistan's agriculture

With over 43 per cent of the Pakistani labour force engaged in agriculture, this sector represents a big pillar of the country's economy. The majority of those working the land are small farmers with less than one hectare to no land ownership, with a few landlords holding a tight grip on large tracts of arable land.

There is little doubt that for CPEC's ambitions in the agriculture sector, these small farmers and producers are a mere obstacle. Pakistan's prime minister himself makes this clear when he repeatedly highlights that the aim of CPEC is to industrialise Pakistan's agriculture and to transform and upgrade traditional agriculture, to make room for economic growth. CPEC is paving the way for private corporations to gain access to Pakistan's economy, granting them important agricultural sectors. In return, Pakistan's agriculture market will be open to the seeds and agrochemicals of Chinese corporations, while those companies investing in CPEC are secured exports to China.[13]

There are two agricultural products in Pakistan that are seen as its most important staples: wheat and dairy. The dairy sector is still mostly managed by small and subsistence farmers. With little to no money to spare, these farmers refer to livestock as their 'bank account' since many of them lack access to banks and sell their livestock whenever they need cash. For women farmers, the sale of milk assures them a daily household income, while livestock and their produce are a vital asset for big expenditures such as weddings, funerals and other emergencies.[14]

Large corporations such as Friesland Campina Engro Pakistan – a subsidiary of Dutch multinational FrieslandCampina, one of the world's top five dairy giants - are moving in on this important agriculture sector. "We want to become the largest exporter of Pakistan by supplying to the China market. We would like to lead CPEC 2.0" said Ghias Khan, Engro Corp's president and chief executive officer (CEO).[15]

Launched in 2005, Engro Foods Ltd is now Pakistan's second largest producer of processed milk, with a hand as well in the processing and sale of juice and frozen desserts. In 2010, Engro received US$80 million from the World Bank Group's International Finance Corporation (IFC) to establish village level milk collection centres for milk produced by small backyard dairy farms. Meanwhile, in 2017, the IFC and Dutch development bank FMO helped Friesland Campina acquire a 51 per cent majority share of Engro Foods. This move led to the creation of a massive 101-acre dairy farm and processing plant in Sindh with 6,500 Australian breed cows.[16]

Friesland Campina is expanding its market in Asia and has been selling dairy in Hong Kong for one hundred years. Its acquisition of Engro Foods has two objectives : The first is to benefit from the recent ban of loose milk by the Pakistani government. In a country where 95 per cent of the total milk produced is still marketed raw via informal market chains, this shift to packaged milk will severely impact small dairy farmers.[17] The second objective is to increase their sales in mainland China - currently the world's largest dairy market - under the Friso Prestige brand. Although China's main dairy imports are currently from New Zealand and European countries (with close to 38 per cent of import shares from the first and 47.6 per cent from the latter), China has stated that it will import more milk from Pakistan due to its high quality dairy products and low prices. Nestle Pakistan has been the first to jump at this opportunity in partnership with the Chinese Huiyu group,. but Friesland Campina is not far behind. To support this endeavour, the company has appointed the former managing director of Friesland Campina Malaysia, who is also responsible for Singapore, Hong Kong and China, to be the CEO of Friesland Engro.[18]

Rolling out wheat patents

Dairy, however, is not the only sector of Pakistan's agriculture that is threatened by corporate grabbing under the CPEC. Wheat, one of Pakistan's main staples, is also at risk, particularly the wheat seed. Nearly 50 per cent of available farmland is used to grow wheat, and China-Pakistan cooperation in seeds is high on the CPEC's second phase agenda.[19]

Under CPEC, plans to commercially produce hybrid wheat in vast areas of Pakistan by 2022, is a natural outcome, it seems, of cooperation between China and Pakistan on hybrid seeds that goes back to 2012. A few years before CPEC was officially kicked off, the Beijing Academy of Agricultural and Forestry Sciences developed a drought-resistance hybrid wheat for Pakistan, and the Beijing Engineering Research Center for Hybrid Wheat has also reportedly supported Pakistan with 12,000 kg of hybrid wheat seeds free of charge.

In August 2012, Sinoseeds Hybrid Wheat, the first professional hybrid seed company in China jointly built by the China National Seed Group (a subsidiary of Sinochem Group) and the Beijing Engineering Research Center for Hybrid Wheat, signed a cooperation agreement with the Pakistan-owned Guard Agri for the promotion and application of China's two-line hybrid wheat in Pakistan. In 2018, the China-Pakistan hybrid wheat joint research and development centre was built in Peshawar under the CPEC for the promotion of China's hybrid wheat in Pakistan. Song Weibo, vice-president of the agriculture business unit at Sinochem and general manager of the China National Seed Group Co, said they would continue efforts to promote hybrid wheat in Belt and Road countries and regions.

Civil society groups such as Roots for Equity worry that the new Chinese hybrid wheat varieties will be accompanied with Sinochem's fertilisers and pesticides, putting more economic pressure on local peasants and farmers and unnecessarily increasing Pakistani wheat production cost. Unable to save hybrid seeds and forced to acquire them from the market every planting season, farmers will lose control over their seeds. What's more, with wheat being one of Pakistan's main staples, local communities fear these developments will hurt small farmers, destroy local seed varieties and lead to Chinese control over the country's food supply.[20]

Conclusion

The China Pakistan Economic Corridor is built on infrastructure-driven economic growth and is based on land and resource grabbing. With this model, the destruction of traditional livelihoods, backyard dairy farms and small-scale fisheries is certain. The industrial agriculture model that is being championed under CPEC leaves the rural economy in the hands of multinational corporations like Sinochem, Nestle or Friesland Campina. There are also risks to biodiversity and our climate from this and other export-oriented BRI schemes.

Pakistan is chasing the myth of agricultural modernisation and industrialisation which has already failed and caused much destruction in many other places in the world. Now is the time to break farmers' dependency on the seeds, toxic chemicals and inputs of multinational companies. It's high time to start listening to people affected by large-scale industrial projects. Supporting small-scale farmers and urban and rural communities with decentralised food, energy and transport systems is what people and the planet need.

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