

CHINA-PAKISTAN ECONOMIC CORRIDOR

Abdul Waheed Parry



INSAMER
İHH İNSANİ VE SOSYAL ARAŞTIRMALAR MERKEZİ
IHH HUMANITARIAN AND SOCIAL RESEARCH CENTER
مركز البحوث الإنسانية و الاجتماعية

To cite this article: Parry, Abdul Waheed. 'China-Pakistan Economic Corridor', INSAMER, 06.11.2019.

 Analysis

Introduction:

China is one of the biggest economic powers in the world today. It has started a series of projects to further strengthen the country's economy. China's Belt and Road Initiative (BRI) is China's biggest project that interconnects Southeast Asia, Eurasia, South Asia and Africa in a way that attracts many countries to be working towards their long-term benefits by using the project's unique design of roadways, railway lines, maritime routes and energy infrastructures. A research by the Shanghai Banking Corporation in 2015 shows that states involved in the BRI comprise 63 percent of the world's population and 29 percent of global Gross Domestic Product (GDP). The two main components of the BRI are known as the land-based "Silk Road Economic Belt" and ocean-based "21st Century Maritime Silk Road".

China-Pakistan Economic Corridor:

The China-Pakistan Economic Corridor (CPEC) is a land-based part of the BRI project that connects its oceanic routes at the point of Gwadar Port in Pakistan. It is situated at a strategic location hence may be regarded as a key project of the BRI. International analysts regard CPEC as a game-changer project for the region. Under this extravagant project, China has established a connection with Pakistan from the Western province of Xinjiang to the Northern areas of Pakistan through the Khunjerab Pass that leads to Southern Pakistan (Gwadar Port), framing a communication network as well as energy infrastructure of approximately 2,500 miles. CPEC is actually a series of energy and infrastructure projects. Some of these projects connect China's Western Uighur Autonomous Region of Xinjiang to the Arabian Seacoast of Pakistan's Balochistan province.



INSAMER
İHH İNSANİ VE SOSYAL ARAŞTIRMALAR MERKEZİ
IHH HUMANITARIAN AND SOCIAL RESEARCH CENTER
مركز البحوث الإنسانية و الاجتماعية

CPEC was first initiated in mid 2013 but was formally launched in April 2015. It is a multi-billion dollar project as Pakistani officials claimed that the total budget for the project had reached \$62 billion by April 2017.

New dimensions of China-Pakistan Relations:

CPEC is a pioneer project aiming to bolster economic ties between Beijing and Islamabad. During the 1950s, relations between the two countries were frosty, given Pakistan's alignment with the West during the Cold War. However, Pakistan became the first Muslim country to recognize the People's Republic of China in this period. The 1962 war between China and India and the 1965 war between India and Pakistan initiated the cooperation between the two states and set the seeds for what is now, six decades later, a firm strategic partnership. Both China and Pakistan share rivalry with India. On top of that, Pakistan's view in the unreliability of the United States as an ally pushed Beijing and Islamabad closer together.

Economic ties between the two countries were not strong at the start. The Free Trade Agreement (FTA) signed in 2006 did increase the bilateral trade volume, but China was the primary beneficiary of the FTA. Pakistan saw a trade deficit with China. Until today, the land route between the two countries shows little traffic in terms of bilateral trade. The territories on either side of the border are low in both population and industrial activity as most of China's industrial and population centers are concentrated along its Eastern coast, while Pakistan's industrial and population centers are mainly located in its Central-Southern region. Although the distance by sea is considerable, sea freight is far cheaper transportation means than truck freight. CPEC comes into force as the one-way trade gap widens and cross-border trade by land is minimal.

Benefits

CPEC is said to be the morale booster for Pakistan, whose economy has lagged behind other South Asian states. CPEC is the most

significant economic development in the recent history of Pakistan. Previously, China-Pakistan relations were more focused on security cooperation. But as we can see, there is a policy shift taking place nowadays. Economic cooperation has become an alternative for security cooperation. The power dynamics in the region are also changing. Today, Sino-Pakistani relations seem to be intensifying while the U.S. engagement in the region seems to be slithering from Pakistan to India. CPEC is actually a project of China's "Belt and Road Initiative". The project aims to connect China to Europe, the Middle East and Africa. Geopolitical movements are being made at this significant time, where CPEC has added a new dimension to the friendship between Pakistan and China. This project is raising the hope of economic cooperation among countries in the region. China and Pakistan will remain partners in strategic and security cooperation, and there seems to be no end to that dimension. But China-Pakistan relations has now also touched upon a dynamic economic and commercial partnership as well. China considers CPEC a "flagship project" to be completed by 2030. Many elements are involved in the project.

Infrastructure is among such things. Infrastructure projects include roads, ports, airports, railways, mass transits as well as information and communication connectivity. The second important element is energy generating initiatives. It is expected that the CPEC's energy projects will be completed by 2020, infrastructure by 2025 and industrial zones by 2025-2030. The major share of investment in this project will be spent on energy projects. Surveys say that Pakistan loses 2 percent of its GDP each year to energy shortages. With the establishment of CPEC's energy projects it is expected that Pakistan could potentially add more than 2 percent annually to the current GDP level. The addition to energy projects will yield the result in the next five years.

Similarly, exports from Pakistan are expected to rise because of the increased economic activity in Gwadar. There are also some Special

Economic Zones and the planned industrial zones, through joint ventures between Chinese and Pakistani businesses. It is expected that CPEC would generate positive spillovers for Pakistan's trade ties with neighboring countries through a modern network of roads, highways, railways and ports. CPEC has the ability to unlock Pakistan's trade potential with its neighboring countries through this improved connectivity. Studies suggest that Gwadar could offer the cheapest option for imports and exports.

Challenges

This is not to say that the CPEC project does not pose any strategic challenges. India's hostility towards CPEC is worth mentioning. India was quick to express its opposition to CPEC. India is even condemning the CPEC projects in the Gilgit-Baltistan region —where both India and Pakistan claim as legal territory. Another concern is the corridor's potential to facilitate a more robust Chinese military presence in the Indian Ocean. One more concern India suggests is that an economically empowered Pakistan will no longer rely on Western aid. It also suggests that the improved trade and more integrated Pakistan in the Sino-centric geo-economic space could become emboldened in its strategic decision-making.

India itself is a rising economy; its inclusion into the CPEC would certainly be beneficial to all parties involved. India is opposing the

project without even considering its own potential advantages. Since the beginning the Indian government remained hostile to the idea and their argument for it lies only on the route, which passes Gilgit Baltistan. India's official stand revolves around the assertion that CPEC is a violation of its territorial integrity. India is currently taking all traditional and nontraditional means to disrupt the project. This is evident by the capture of Indian spy Kalbhushan Yadhav. India is clearly funding and sponsoring the activities aimed to sabotage the CPEC project.

Yet even after such painstaking efforts, a large number of countries have expressed their wish to join the project including Saudi Arabia, Iran, Turkey, Malaysia, Russia and the Central Asian Republics.

The Baloch insurgency inside the borders of Pakistan is another major challenge for CPEC. Instability in Balochistan will be disastrous for the projects of CPEC. Pakistan needs to check this issue prior to the operational of the CPEC projects. Pakistan not only should take the security measures but also other means to settle the issue with the Baloch population. Military solution alone will not be a solution to the insurgency. Grievances of the People of Balochistan must also be taken into consideration and addressed. Military and political solutions must be put forth together to solve the issue so that the country can move forward with the grand project.