China-Pakistan Economic Corridor (CPEC) as an integral part of the ambitious Belt and Road Initiative (BRI) is a package aimed at Pakistan economic revitalization through a vast network of energy, infrastructure and communication projects to boost Pakistan’s crumbling economy. The project is scheduled to finish by 2030. The CPEC project begins at Kashgar in Xinjiang, China, and reaches Karachi and Gwadar, southern coastal cities in Pakistan and other areas.

China on one hand is working closely with Pakistan in areas of investments and partnerships. On the other hand China’s interest in Pakistan could be seen as an increasing threat by India. The resulting dynamic could further influence US foreign policy in South Asia. It could further deepen the US-India alignment to face a threat from China and Pakistan. The US might offer support to Pakistan to contain China’s influence in the backdrop of CPEC or sees it as an opportunity to stabilize Pakistan and incentivize it.

CPEC is an extensively debated project for its impact on Pakistan in particular and South Asia in general. There are particular concerns in Pakistan about the project. Similarly, there is a divide in opinion of South Asian countries. Some South Asian states look at CPEC as an economic opportunity. Countries like India assess CPEC as an alliance against India’s interests. This paper is proposed to analyze all these perceptions and present the facts. It would also question about India’s threat perception and concerns about the project, and analyze the project in the perspective of international relations theories.

BRI was conceived by Xi Jingping in 2013 to revive the ancient Silk Road through a new avatar consisting of road and train networks
construction across Southeast Asia, South Asia, and Europe with a network of sea routes extended to Middle East and Africa. In essence, BRI can be termed to be China’s aspirational bid, which had gained tremendous economic power since opening up to the world economy in the 1980’s; particularly when China emerged unscathed from the subprime mortgage triggering the 2008-09 global financial crisis. It grew reasonably well while unemployment and the slowed economy created problems in the Western world with deeper ramifications for their socio-political system, ripple effects of which are continuing until today.

The CPEC was designed as BRI’s flagship program. Pakistan, being China’s oldest and long standing strategic and defense partner, in addition to its strategic location as the ‘zipper’ of Eurasia, was slated to play an important role in the project.

CPEC is envisaged to be a multifaceted project. Its planned corridor constitutes an array of different projects pertaining to energy, road infrastructure for transportation, and economic free zones within Pakistan. The investment is part of China’s BRI strategy which includes the Silk Road Economic Belt and the 21st Century Maritime Silk Road. The investment was initially estimated at $46 billion, though subsequent commitments increased the initial estimate, primarily to upgrade Pakistan’s existing transportation infrastructure, as well as boosting Pakistan’s energy generation sector to fix the country’s chronic energy shortages, and to provide sufficient energy to fulfill its existing and future energy needs. The special economic zones (SEZs) are supposed to be built on successful accomplishment of early harvest energy and infrastructure projects. CPEC links the strategically significant city of Kashgar in China’s Xinjiang province to the Gwadar port in Pakistan’s Baluchistan province. The proposed route will allow seamless movement of goods and services between China and Pakistan. It also gives China access to the Middle East given Gwadar’s proximity to the Arabian Sea.

**CPEC Components:**

**Energy**

Energy sector and investments therein constitutes prioritized component of CPEC. Both countries have sought to build a large number of coal, gas, wind, nuclear and hydroelectric power projects across Pakistan. Many of these projects have been completed and work is going on others. Every year new projects are brought under CPEC with its current focus at the production of cheap indigenous electricity with more environment friendly sources to mitigate the impact of climate change. For example, the Quaid-e-Azam solar park with 900MW capacity is Pakistan’s first mega solar power project.

**Transportation Infrastructure**

Another important component of CPEC is investment in transportation network within Pakistan. Initially, around a quarter of the proposed initial investment of $46 billion ($11 billion) has been directed toward enhancing Pakistan’s transportation infrastructure, including highways and railway networks. The CPEC envisions an extensive overhaul of Pakistan’s existing transportation infrastructure, laying out new routes for the facilitation of the transit trade and enhancement of market access. The CPEC consists of Eastern, Western and Central route; motorways on these routes have been either completed or are under construction, with the Eastern route and Central route to be completed by 2023 from Kashgar to Gwadar. Furthermore, a major infrastructure project aimed at the modernization and upgrade of Pakistan railways including vita LML-1 may commence soon after formal agreement between the two countries. The EXIM Bank, the China Development Bank, and the Industrial and Commercial Bank of China are among the major financial institutions providing
subsidized concessionary loans to finance these infrastructure projects.

Special Economic Zones (SEZ)

Along the routes and adjoining areas of the CPEC motorways, various SEZs have been planned in order to boost economic growth through industrial development to create job opportunities for the Pakistani people. The SEZ will facilitate international and national investors by providing special facilities like energy, infrastructure and other tax incentives. It is hoped that Chinese companies would relocate to these SEZs. Apart from relocation, Greenfield investments are also expected in these SEZs. The Gawadar free zone, Allama Iqbal industrial city, Dhabeji special economic zone and Rakashakai economic zone are the four prioritized SEZs to be completed and operationalized in the first phase.

Gawadar Port

As part of the CPEC and the whole BRI project, Gawadar port is of pivotal importance. The port city of Gawadar is a hub of connectivity, and an indispensable interchange for the silk route. The port construction project was transferred to a Chinese company from a Singapore-based company after Pakistan terminated the contract on account of slow construction progress. The Gawadar port will enable China to export its goods to the Middle East and Africa in a shorter time, import oil and gas from the Middle East, all the while providing tremendous opportunity to Pakistan to develop its own industrial base as well as becoming a transit hub for Chinese trade and trading activities of other landlocked Central Asian countries.

Other Projects

High-speed internet connectivity is sought to be achieved by Pak-China optical fiber cable project under CPEC. China’s Huawei installed a $44 million, 820-km (510-mile) fiber-optic line from Kashgar to Islamabad in January 2019. This new connection is a direct cross-border connection that will greatly benefit Pakistan, particularly coupled with the installation of enhanced surveillance and data collection regimes under a Huawei sponsored ‘smart cities’ program. It will provide China with an alternate and shorter access to transit telecom traffic to Europe, Middle East and Africa while improving Pakistan’s internet connectivity.

The Imran Khan government sought to widen the ambit of the CPEC to agricultural sector and a framework agreement was signed by both countries to enhance agricultural productivity and market access for Pakistan’s agricultural goods in China.

CPEC’s Theoretical background

In order to understand the CPEC in terms of international relations theories, we must realize that for China CPEC is an integral component of BRI aimed at promoting economic growth and regional connectivity while reinforcing its status as a global player. The motivation for BRI and CPEC can be explained through both realist and liberal internationalist theories of geopolitics because there are elements of competition and cooperation driving state behavior. On the other hand there is a strong possibility that the United States could offer support to Pakistan. This could be analyzed in the framework of ‘imprudent aggressiveness’ dimension of US liberal foreign policy. Previously, the US contained powerful nonliberal USSR and kept Pakistan from joining the communist bloc. This tactic could be used to keep track on China. Similarly, US-India’s recent past relations could be explained in this framework.

CPEC solely being an economic investment project within the boundaries of Pakistan is strange in the sense that, it is effectively influencing the political relations of some regional and international actors like Indo-Pak, US-Pak and Indo-US relations. The liberal theory of international relations lays emphasis upon cooperation between states. It maintains that rather than crude hard power,
soft power manifested by economic, social and cultural interactions between nations with mutual benefits define international politics and emphasizes the overarching role of international organizations and institutions in defining and shaping the interstate relations.

This theory suggests that China’s motives are benign and the CPEC is the manifestation of China-Pakistan special relationship. Also, its foreign policy principles of non-interference and non-aggression are in line with Zhou En Lai’s *Five Principles of Peaceful Coexistence*, one of them being “equality and cooperation for mutual benefit.” In line with this principle, China’s mutual benefits and the degree of utility in establishing goodwill with Pakistan to promote China’s soft power image - as its investments in Pakistan aimed at uplifting the country’s ailing economy - will go in a long way in lifting China’s status as a great global power. It invests in countries while at the same time reinforcing its image as a country that cooperates with other states by investing in human capital, businesses, and infrastructure without violating state sovereignty or undue interference in the internal affairs of other countries.

Realist theory of international relations maintains that achieving and maintaining power is the sole motivation of states, though the instruments to achieve and maintain power vary in time and space. In essence, realism emphasizes self-interest in guiding the actions of a state. This theory may also be China’s motivations of its actions. By constructing the proposed corridor linking Kashgar to Gwadar, China would be able to get the shortest possible access to the Arabian Sea through Pakistan. China’s geographical contiguity with Pakistan and the special strategic relationship between the two states and the disputes with other neighbors including India and Southeast Asian countries makes the proposed Gwadar port the only viable and secure route for China to access the Arabian sea. Attaining access to the Middle East through a shorter, secure and reliable route gives China the opportunity to import petroleum and natural gas from the resource rich region and export its goods and services to new markets in Asia, Africa and Europe. The Arabian Sea acts as a component of the Maritime Silk Route under the BRI umbrella, allowing China to connect economically and politically with the Middle East and possibly African nations through Pakistan.

**CPEC Impact on Pakistan**

The CPEC is likely to provide immense benefits and opportunities while at the same time posing challenges for Pakistan. Some benefits of the project have accrued to the country and are quite visible in less than a decade since commencement of the project. When the project was launched, Pakistan was reeling under chronic power shortage with long duration load shedding for domestic as well as industrial consumers, which had compelled many industrialists to relocate to other countries, creating problems in attracting new investments in industries.

Due to the completion of early harvest power projects, thousands of MW’S of power have been added to the system resulting in effective end of load shedding as supply side constraints have been removed. These projects have also created many direct and indirect jobs in the country. The western route will result in better connectivity across neglected regions of southern Punjab, Khyber Pakhtunkhwa (KPK) and Baluchistan province, which will go a long way to bring prosperity in those areas. The activities pertaining to particularly the Gwadar port project will result in the development of Baluchistan and will bring the separatists in the alienated region into national mainstream.

The second phase of the CPEC is expected to bring large investments into Pakistan as many greenfield projects as well as industries will relocate into the region given developed infrastructure and connectivity will be established in the proposed SEZs. This will likely result in billions of dollars of investment in the region.
of the project has prompted many analysts to term it as the ‘Marshall Plan’ for Pakistan as the country will look for economic recovery and prosperity through modernization and industrialization after suffering from the impacts of 9/11. The recent agreements and MOU’s under the CPEC framework for cooperation in agriculture will help Pakistan in increasing productivity in agriculture by the use of modern seeds, techniques, irrigation and value addition. Similarly the cyber infrastructure built under CPEC has laid the foundation for the fourth industrial revolution like Robotics and Artificial Intelligence. So the CPEC has proved to be quite helpful to Pakistan in overcoming its infrastructural constraints in growth, as well as laying foundation for long-term socio-economic development of the country.

On the other hand, CPEC has also given rise to many challenges and apprehensions or exacerbated already existing challenges in the country. The pivotal importance of Baluchistan in the project has prompted India to give flip insurgency raging in the province. There are also apprehensions that Pakistan might face challenges from the already hostile US - in case of a great power rivalry between US and China. Pakistan is also likely to be at the forefront of China if the bipolar world comes into existence.

CPEC and American Geo-Strategic Interests and Concerns:

The end of world history theory and the preeminence of liberal democracy as future national and international order was put forward by Francis Fukuyama, which underscored the invincibility of liberal democratic order spearheaded by America. The global financial crisis of 2008-09 however challenged that assumption. China emerged from the crisis with little impact on its economy. Russia, meanwhile, quietly rebuild its national power and its 2008 war with West-backed Georgia declared its unmistakable intention of foraying back into arena of geo-political competition and great power games.

The strengthening of Chinese and Russian power will help us understand the geo-strategic implications of non-US led international or regional projects for America and its concerns about it. CPEC as the flagship program of BRI is an epitome of the Pak-China strategic cooperation. The much touted friendship has matured from defense and strategic cooperation to cooperation on economic and developmental fronts. The US views the project both as an opportunity as well as challenge. The disruptive Trump administration have made it difficult to predict US definite response towards the project, although over the years the various think tanks having links with the American establishment have come up with policy papers and publications which sounded at least skeptical and at worst belligerent to the resurgence of Russia and emergence of China on geo-political horizons; some have even termed these developments as far greater threat than terrorism.

America still hasn’t figure out its response to the BRI although it is quite evident that it feels threatened by the strategic implications of the CPEC-BRI particularly the Gawadar port. In case of any future escalation, China would be susceptible to American naval blockade and America would view Gawadar port as part of large ports being built by China - in accordance with the so called ‘string of pearls’ theory - in order to encircle India as America’s major strategic partner. The project is also viewed by India as a violation of its sovereign territory as the port passes through Jammu and Kashmir. Also, India’s heightened tensions with both China and Pakistan strategically challenges America as it might be forced to rescue India in case of a collusive Chinese threat. This could pose a dilemma to US strategic community, as it seeks to avoid being trapped in hostilities abroad, but at the same time its inaction or timid response may be viewed as retreat by its strategic competitors.

America is also wary of the future linking of Central Asia through CPEC given the growing cooperation between China and Russia as the
US views both countries as strategic challengers. CPEC’s Gawadar port particularly provides easy access for China to the markets and resources of the Middle East and Africa, thus increasing China’s geo strategic heft and reach, which has successfully established itself in the region.

Besides, America also views the CPEC as a strategic opportunity and a common ground for cooperation and consensus with China, as China’s huge investments in the region will ensure its strategic stability and curtail violent extremists’ threats to regional and global peace in the region. China and America can ensure that the region doesn’t harbor extremist elements. Pakistan also has increased the stakes in curbing such elements as improved security situation and strategic stability will further accentuate the investments, and eventually prosperity.

**CPEC Geostrategic implications with special focus on INDO-PAK relations**

The CPEC-BRI project, despite being focused on connectivity and infrastructure, has undeniable geopolitical and geo-strategic underpinnings. The project was launched after China achieved tremendous socio-economic progress and became the second-largest economy of the world. China also emerged miraculously unscathed from the 2008-09 global financial crisis that wreaked havoc across the developed world as the worst global crisis since the Great Depression. The market-friendly reforms initiated by Deng Xiaoping, the famous Chinese president, enabled China to lay foundations of a strong economy and integrate it with the global economy. China in essence became economically capitalist despite politically still being communist. Until the launch of the ambitious BRI, China’s guiding principle was strategic restraint, exemplified by the famous saying of Deng Xiaoping, “bide your time, hide your strength.”

China’s tremendous growth over the decades, coupled with its effective insulation from the 2008-09 global financial crisis, prompted the country to shun its reluctance and give up its risk-averse strategic restraint by aggressively pushing through its BRI project. Xi Jinping promoted a vision of connectivity, trade, poverty alleviation and development through BRI. The investments and projects envisaged prosperity to all without any ideological commitment and was itself a unique proposition in the modern era. This is because unlike former USSR’s promotion of communism through aid, and Western world’s sensitivity towards liberal democracy and human rights, Chinese investments didn’t come with indulgence in domestic spheres of other countries. It is thus China’s practical manifestation of much touted third way, which lays emphasis upon ‘cooperation for benefit to all without violating sovereignty of each other’.

China’s moves were being closely followed by the US, as President Barrack Obama announced his Asia-pacific pivot policy as a countermeasure to integrate its economy closely to that of its allies in Asia-pacific. Consequently the Trans-Pacific Partnership (TPP) deal was signed and the partnership was supposed to be further strengthened in the future. A major break in the policy came when president Trump pulled out of the TPP deal on his first day in office, declaring it to be harmful to US national interests. The isolationist policies pursued by the Trump administration emboldened China to further accelerate the process of coming at the forefront of global politics. Although Covid-19 emerged from the China’s Wuhan city, it swiftly moved to contain the pandemic that ravaged global economy and set countries into deep recession with China being the only major economy in the world, which is slated to post positive growth. China touted it as a major success of its governance system and aggressively defended its role during the pandemic, out rightly denying allegations of its role or irresponsible attitude in the pandemic. China’s economy is poised to overtake the US in 2028, making it the number 1 economy of the world. The unapologetic aggressive posturing by Chinese diplomats across the world has been termed as “wolf warrior diplomacy”. Covid-19
has changed the world, perhaps forever. Though
the changes are yet to be noticeably discernable,
but the uninspiring attitude of US authorities has
dented its soft power almost irretrievably, while
at the same time increasing China’s geo political
weight, which announced to fund the WHO after
the US left it.

India has been critical since the commencement
of both BRI as well as CPEC projects. It termed
BRI as shrouded in secrecy and called for a
transparent mechanism for pushing through
connectivity and infrastructure projects based on
partnership between the countries. In essence,
it was disturbed by the fact that China was
spearheading the project and it will have to join
as a junior subservient nation with no or little
say in critical decision making. On the other
hand, CPEC passed through the internationally
recognized disputed region of Jammu and Kashmir; administered by Pakistan, claimed as
part of India’s territory. China maintained that its
investments in any region are purely economic
with no political underpinnings and aimed at the
development and prosperity of people living in
these areas. Despite India’s opposition, China
continued to push through its projects and
maintained that it will resolve all its disputes
with India peacefully.

India is strongly opposed to CPEC’s involvement
in Gilgit-Baltistan region because India considers
it to be a disputed territory. Gilgit-Baltistan
has the status of a disputed territory as per the
Pakistan constitution and the local population
has harbored for not getting the territory a formal
provincial status. China also has persuaded
Pakistan to change the constitutional status
of Gilgit-Baltistan, but Islamabad refrained
do so until recently, since it would weaken
Pakistan’s stand on the Kashmir issue. Pakistan
decided to amend Gilgit-Baltistan’s status given
India’s August 2019 constitutional amendment
to change the status of Jammu and Kashmir, by
revoking semi-autonomous status of disputed
territory under Indian control. A permanent status
for any part of the disputed area is a violation
of the UN resolutions on Kashmir dispute. The
wide-ranging implications of such constitutional
amendments will impact the very nature of the
internationally recognized Kashmir dispute.

India came closer to the US and became - for
all practical purposes - its military ally without
any formal agreement. China’s containment was
the main objective of both countries as they
had shared concerns about it. The isolationist
policies pursued by Trump ensured that the
partnership between the two would not morph
into outright hostility or tensions with China.
Trump was more interested in securing an
advantageous trade deal with China rather than
indulging in geopolitical gimmicks, although he
became more aggressive towards China after the
Covid-19 outbreak. Meanwhile, border clashes
in Himalayas in 2020 between China and India
is believed to be spurred by China’s reaction
towards India’s unilateral decision in altering the
status of Jammu and Kashmir, which Chinese
officials had strongly objected. Although the
USA supported India diplomatically and blamed
China for the tensions, it did little practically to
help India.

Meanwhile 2020 turned out to be quite eventful
in geopolitical arena as developments regionally
and internationally could have deep long term
ramifications. The US-Taliban deal that paved
the way for intra-Afghan dialogue, and eventual
withdrawal of NATO troops from Afghanistan,
could go a long way either in stabilizing
the region or spurring new geopolitical
competition. China, Russia, Iran and Pakistan
being Afghanistan’s immediate neighbors, have
resolved to help ensure peace and stability in the
country, and have pinned hopes upon the success
of intra-Afghan dialogue, resulting in formation
of broad based indigenous Afghan political
system that represents all the major ethnicities
of the country.

Another important development in 2020 was the
signing of Regional Economic Comprehensive
Partnership (RCEP) consisting China, ASEAN
countries, Japan, Australia and South Korea.
This bloc constitutes 30 percent of the world
population. Similarly China and the EU finalized
comprehensive investment agreement on 28 December 2020, paving the way of broad based cooperation between the union and China. There are also reports about finalization of agreement between China and Iran.

Pakistan finalized a trade agreement with Uzbekistan through Afghanistan with other central Asian countries expected to join the bloc as China has expressed its interest to extend CPEC to Central Asian countries through Afghanistan. These landlocked countries will benefit immensely from Gawadar port’s import and export access. Similarly Turkey-China rail service has started and the Istanbul-Tehran-Pakistan cargo rail service revived.

These developments point to the undeniable fact that the scope and magnitude of BRI and CPEC keeps expanding and increasing and the CPEC can become an important link between BRI and Russia’s envisaged Greater Eurasian partnership (GUP). GUP aimed at closer Asia-Europa economic partnership and trade, as Pakistan can be a connecting link between China and the Middle East, and China to Europe through Central Asia thus acting as a ‘zipper’.

Biden’s presidency could impact the future course of international relations. It is safe to say that the US under Biden will continue to rely upon international institutions and agreements. While remaining a competitor to China, the US will not go for complete decoupling of relations as this is neither desirable, practically possible or useful.

Although there are disputes pertaining to territorial or maritime boundaries between China and ASEAN countries as well as Japan, and serious differences between China and Australia and South Korea, the RCEP agreement has shown that serious political or ideological differences could not be an excuse to keep economic or trade relations on backburner and complex interdependence on each other. Because in this globalized world, remaining isolated or indulgence in zero sum protectionist policies is neither possible nor feasible.

India’s refusal to join BRI and its hostile attitude towards it and CPEC might have prompted China to assume aggressive posturing on the border, resulting in heightened tensions and fatal causalities after 50 years on line of actual control in Ladakh. Meanwhile tensions between India and Pakistan were already high since 2019 air force skirmishes between both countries following a Kashmiri car bomb attack, where India blamed Pakistan for the matter. Recent developments have incubated further military cooperation between China and Pakistan including frequent joint exercises and shifting of Pakistan military communication system on Chinese satellite system, enabling greater interoperability between the forces of two countries. If India continues to exhibit hostile attitude towards Pakistan and China, its worst nightmare of facing a two-front war might come true. There are slim chances of any practical American aid reaching India in case of land war, given the peculiar topography of the area. The new post-Covid-19 world order, whether India likes it or not, is in the making with China as its pivot. The spate of agreements signed in recent months clearly depicts which way the wind is blowing. India now is faced with two clear choices:

1. Join BRI and address the concerns of the 2019 Mamallapuram Summit when president Xi proposed to Prime Minister Modi a trilateral dialogue between India, China and Pakistan for resolving the outstanding issues between the two countries and become a partner in growth and prosperity;

2. To continue its hostile and belligerent posturing towards China and Pakistan with a hope to enlist support from the US and other countries having issues with China. But as depicted by RCEP and EU-China investment deal, other countries and forums - though having differences with China - are not quite interested in pursuing zero-sum games with it. This will leave India as an outlier as even its neighbor Bangladesh with whom India enjoyed quite close relations is lured into China’s investments and is developing close relations with it.
Another option for India might be to placate and accommodate China by de-hyphenating the relationship strategy, but it has already failed in Gawadar, where Pakistan has become a pivot in China’s strategy. It is unrealistic to assume that when push comes to shove, it will not stand by its iron brother. India’s belligerent attitude towards Pakistan is believed to be the major contributory factor in Ladakh crisis.

Thus it can be easily concluded that CPEC has brought China and Pakistan closer and any future war between India and Pakistan would invoke China’s interference on the side of Pakistan as CPEC and BRI has tied their destinies together. India’s kinetic options with respect to Pakistan are getting increasingly impossible. This increasing bonhomie between China and Pakistan could be an assuring factor in guaranteeing strategic stability in the region, particularly when a regime inspired by revisionist RSS, Nazi Hitler, and Italy’s fascist party is at the helm in India. CPEC and BRI in addition to economic growth could be harbingers of political and strategic stability in the volatile South Asian region.

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