

## CPEC: A mega project; Prospects and challenges

Sajid Hussain \*

Dr. Muhammad Ayaz Khan\*\*

### Abstract

Under “one belt one road” policy of the Chinese government, CPEC is one of the largest foreign direct investment of China. The relations between China and Pakistan would be intensified due to this huge amount of investment on one hand, but on the other hand, it would shatter the relations between India and Pakistan as the project will pass through a disputed territory (Kashmir). This project may add to the already tense relation between the two neighbouring or even may settle this dispute once for all. Greater Eurasia has warmly welcomed the project, including Russia, Central Asia, UK, Western Europe and Iran. The corridor is an excellent opportunity of economic development not only for Pakistan but also for its neighbours. Even though the major financiers of this project are Chinese financial institutions however Pakistan would also invest \$ 15 billion. Relevance of soft power, economic connectivity, regional cooperation and integration would be caused by this project. This paper is an attempt to highlight the policy measures necessary for success CPEC and to avoid any situation that led to tension in the region. It will also highlight the reaction of India and Bangladesh to the project and the opportunities, challenges and impacts of this mega project on peace and security of the region.

**Key words:** China, CPEC, Economic development,

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\* PhD Scholar, Department of Political Science Hazara University, Mansehra.

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**Introduction:**

The CPEC project was announced in Pakistan on July 2013. Probably no policy initiative has received more attention than CPEC in Pakistan. Prime Minister of Pakistan has repeated on numerous occasions that the CPEC could be a game changer not only for the country but for the entire region as well.<sup>1</sup> Similarly, CPEC was described as the “flagship project” of the One Belt One Road initiative by the Foreign Minister of China, Wang Yi. Furthermore, consensus has also been developed among the Pakistani political parties, military and society at large on the enormous potential of the CPEC for spurring economic growth in the country.

Certainly, projects contained in the US\$46 billion package of CPEC offers an exceptional opportunity for Pakistan to tackle some of the major hurdles impeding its economic development: energy shortage, poor connectivity and limited attraction for foreign investors. According to the CPEC agreement which was signed on November 8, 2014 between the Government of China and Pakistan; 61 % of the allocated money will be used for energy projects. Its main aim would be to improve energy-system capacity and the distribution and transmission network. Thus, Pakistan would be able to lay off with what a Wilson Centre report branded “Pakistan’s Interminable Energy Crisis”, which, according to their estimates, has cost its economy 2 per cent to 2.5 per cent of GDP per year. It is expected that CPEC projects would add 10,400MW to the energy system of Pakistan only in the early harvest phases (2017-18).

International trade has been considered as a main pillar of remuneration since ages. Certain strategies have been adopted by states to facilitate each other in the field of trade. Currently, world trade corridors are being considered significant for strengthening economic relations and integration. “Trade and industry corridors are defined as the culture of trade contracts and pacts, status, delegated legislation, and customs that administer and guide trade relations, organisations and arrangements, or movement of products, facilities and statistics in a geographic locality among people in and across borders.” These corridors are considered as link between several economic players in a specific geography. New ways for development are initiated and economic activities are expedited by such corridors in its regions. These economic corridor serves economic purposes. They have social, political and even strategic implications for the region as well.

Pakistan and China strengthen their relations with the initiation of CPEC following the concept of “trade as the backbone of regional development”. A long history of friendly relations between the two sides resulted in the speedy implementation of CPEC project. The vision of the project was floated by China under its “go global” policy backed by Musharaf and later on by Zardari but in Feb 2013, the project receives a boost when the then president Asif Ali Zardari handed over the Gwadar port to Chinese authorities. Gwadar is the heart of PEC project and bridges South, Central Asia and Middle East. Located at the gateway of oil transportation. Where 20 % of world oil transported.

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In his visit to Pakistan in 2013 Chinese premier Li Keqiang urged CPEC project. Though the project was announced in August 2013. Numerous high official visits took place between the two states. Mamnoon Hussain (Pakistani President) visited China in Feb 2014 to meet President and Prime minister of China while Mr. Nawaz Shareef met Premier Li after two months to firm up CPEC project. President Xi Jinping visited Pakistan to attend the groundbreaking Ceremony of five(5) energy projects and signed fiftyone(51) pacts and MoUs of US \$46 billion in April 2015. The biggest FDI in Pakistan, enhanced trade and economic relations between the two.

### **Historical perspective:**

In April 2015 China's president signed an agreement with Pakistan starting construction on the future China-Pakistan economic corridor. This project is a series of roads railways and gas and oil pipelines they run roughly 1,800 miles between the two countries giving China a direct path to the Indian Ocean. For decades the two countries have supported each other politically, economically and militarily with so much cooperation. In order to know about the friendly relations between the two countries we have to go back to the Chinese Civil War where communist forces took over mainland China while the existing government fled to Taiwan. Pakistan was the first Muslim country to recognize the new Chinese government and to break ties with the one in Taiwan. Since that time China and Pakistan have forged an important regional relationship. On one side Pakistan provides an important link for China with the United States by facilitating President Richard Nixon's first visit to China in 1972. This visit shifted the balance of the Cold War and allied Communist China with the US and against the Soviet Union. On the other side China provides a cultural and political barrier against India in the region preventing it from gaining too much influence in East and Central Asia. In addition to linking foreign relations, the two powers militarily depend on each other with a free trade agreement. Pakistan buys more Chinese weapons than any other country accounting for half of China's arms sales in April 2015. China sold eight submarines to Pakistan for five billion dollars China's largest military sale ever additionally some including Chinese diplomats have compared their relationship to that of the US and Israel in international relations. The two countries support each other unilaterally while China backs Pakistan's claim in the Kashmir region against India Pakistan advocates for China's authority in regions like Tibet and Taiwan. A Pakistani ambassador described their friendship as higher than the mountains deeper than the oceans stronger than steel, sweeter than honey.

China is second largest trade partner of Pakistan and a huge investor in Pakistani infrastructure and shipping routes. The two countries trade roughly 10 to 12 billion dollars a year as of 2013 but in particular Pakistan is the only Muslim nation known to possess nuclear weapons and the majority of its missile and nuclear materials have reportedly come from China. Clearly, China and Pakistan's relationship is mutually beneficial. In fact, more Pakistanis hold a favorable view of China than any other foreign country. Throughout their mutual histories the two have relied on and

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strengthen each other. In the coming years their developmental goals will be intertwined with billions in shared development together both China and Pakistan are expected to grow fueled by one another.

### **From ancient silk route to economic corridor:**

Since ancient times, international trade has been considered a mainstay for remuneration. Long-distance trade of goods and services through sea and some other mediums had been common around the globe even during the lack of monetary or financial mechanisms. In order to facilitate trade and commercial activities for each other, states employ some strategies and instruments which could smooth and expand their economic relations. In present world, the development of economic corridors is considered very important to facilitate trade as well as for expanding economic relations and regional integration. Economic corridors are defined as the culture of trade agreements and treaties, status, delegated legislation, and customs that govern and guide trade relations, institutions and structures, or movement of products, services and information in a geographic vicinity among people in and across borders. These corridors are meant to provide links between various economic actors along a definite geography. The central theme of building economic corridors is to accelerate commercial activities in the region and to create new opportunities for the regional development. While an economic corridor is meant to serve economic purposes, it also entails political, strategic, and even social implications for the region.

As trade has become a backbone of regional development, Pakistan and China are building economic relations on more strong grounds by initiating CPEC. The commencement and efforts of speedy implementation of CPEC are reflection of long lasting congeniality between the two countries. The vision of establishing CPEC was floated during President Musharaf's regime, which was later taken further by the former President Zardari. The project received a boost when in February 2013, President Zardari handed over the contract of operation of Gwadar port to China after the agreement was transferred from the Port of Singapore Authority to a Chinese company. Gwadar port that is the terminal of CPEC is strategically located in Arabian Sea and occupies a key position between South Asia, Central Asia, and the Middle East and lies close to the Strait of *Hormuz* – gateway for around twenty percent of the world's oil. The present government has taken on a speedy approach regarding this project. During the visit of Chinese Premier Li Keqiang in May 2013, he emphasized the construction of CPEC. The project was formally announced in August 2013, wherein CPEC Secretariat was inaugurated in Islamabad for promoting the connections, thus putting the vision into reality. Several high-level visits between Pakistan and China during the past years further shaped the whole idea of the corridor. In February 2014, President of Pakistan, Mamnoon Hussain, visited China and discussed plans for the economic corridor in Pakistan with the President and Premier of China. Two months later, PM Nawaz Sharif met with Premier Li in China to converse further and firm up plans for CPEC. Then in the historic month of April 2015, Chinese President Xi

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Jinping's visit to Pakistan made a gigantic push in this regard. PM Nawaz Sharif and President Xi performed the ground-breaking of five major energy projects and signed 51 agreements and memorandums of understanding (MOUs) worth US \$46 billion – the largest investment by China in a foreign country. CPEC is believed to be a much-needed stepping stone in enhancing strong economic and trade relations between Pakistan and China. **(but but)**

At present, Pakistan and China are building economic relations on strong grounds by initiating CPEC. The commencement and efforts of speedy implementation of CPEC is a reflection of long lasting congeniality between the two countries. CPEC is of immense importance, as it shall run through one of the most essential geo-strategic locations in South Asia. It shall mainly act as a trade bridge between China, the Middle East and Europe through Pakistan. The corridor will connect Kashgar, China's Northwestern autonomous region of Xinjiang to Pakistan's Southern Port of Gwadar in Baluchistan by a crisscrossed network of railways, highways, airports, and energy pipelines for trade and tourism purposes. This will be the longest land corridor, which will run approximately 2,500–3,000 km from Kashgar to Gwadar, expected to be completed by 2030. The CPEC is highly significant megaproject that links the two projects; a land route in Eurasia and a maritime route in South East Asia; and thus, it is a central plank of China's One Belt, One Road (OBOR) concept. OBOR is aimed at connecting sixty countries to enhance economic integration between Asia, Europe, and Africa, which would definitely bring unprecedented economic results. Hence, CPEC is the crown jewel project by China aimed at introducing a new economic paradigm in the region. (CPEC 1)

### **OBOR:**

The "One Belt One Road" concept has international strategic importance. The One Belt One Road initiative covers countries and regions with a total population of 4.4 billion and a total economic volume of US\$ 21 trillion, 63 percent and 29 percent respectively of the World's total. According to the assessment of the Corridor, the plan is involved in laying the foundation for regional cooperation, improving economic growth, offering trade diversifications, investing in transportation, mining and energy sectors and creating political flexibility. It is a vision with world-changing implications, an unfolding plan that would weave much of Asia, Europe, Africa, Oceania and the Middle East much more closely together through a patchwork of diplomacy, new infrastructure and free trade zones.

The "One Belt one Road" Project consists of three routes, southern, central and northern route. The southern corridor begins from Guangzhou, which is the third largest city of China in South Central China. This route moves towards western parts of China and connects Kashgar with Pakistan at Kunjarab – a point from where China wants to link to Gwadar port in the Arabian Sea. It is the shortest and the most feasible option for China. The second Chinese option is the Central Corridor that starts from Shanghai and links the country to Tashkent, Tehran and onwards to Bandar Imam Khomeini Port

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of Iran on the Persian Gulf. One of its branches goes up towards Europe. This is the longer route but could be an option, if Pakistan does not deliver on the timelines of completing its road network to become a beneficiary of the New Silk Road Economic Belt. The third Chinese option is the Northern Corridor that starts from Beijing, passes through Russia, and links it to European cities.<sup>7</sup> (Artical-7\_v16\_2\_2015)

### **CPEC from concept to project:**

The vision for an economic route between China and Pakistan stretches as far back as the Musharraf era. This idea speculated for many years, gained traction in May 2013 when Chinese Premier Li Keqiang emphasized the construction of the CPEC during his visit to Pakistan. He signed the landmark CPEC agreement at that time. In the same year, Pakistani Prime Minister Nawaz Sharif visited Beijing and signed eight agreements approximately costing \$18 billion that included building around 200 kilometers tunnels for the CPEC. Pakistan's President Mamnoon Hussain visited China in February 2014 to discuss the plans of the corridor. In the same year, Pakistan's Prime Minister Nawaz Sharif again visited China and signed 19 agreements with China. At that time, the Chinese banks and companies pledged over US\$ 45.6 billion for energy and infrastructure projects along the corridor. The agreements proved a deepening strategic linkage between the two countries. Chinese President Xi Jinping visited Pakistan in April 2015. This was the second visit of a Chinese leader in Pakistan in 21st century after Hu Jintao's visit to Pakistan in 2006. Xi was to visit Pakistan in 2014 during his South Asia trip to Maldives, Sri Lanka and India. It was postponed due to political unrest in Pakistan. During his visit, a total of 51 agreements were signed between China and Pakistan having worth of \$46 billion which also included the development of China Pakistan Economic Corridor. The \$46 billion investment China intends to commit to Pakistan under the CPEC is impressive. The amount exceeds all foreign direct investment Pakistan has received in the past several years, and is considerably more than all the aid Pakistan has received from the US since 9/11. (Artical-7\_v16\_2\_2015)

### **Challenges:**

Pakistan faces several challenges in the implementation of the China Pakistan Economic Corridor (CPEC) project. These challenges can be identified as external and internal. The Vice Director General of Policy Research Office at the International Department of the Central Committee Communist Party of China, Dr. Luan Jianzhang is of the view that political unrest, security situation and administrative issues are some of the greatest challenges in the way of successful completion of the corridor. The construction of the corridor has been defined as a strategic moment such that Pakistan has assumed the position of economic pivot for the whole region. This paradigm shift in circumstances is a cause of great worry for the enemies of Pakistan both within and outside. India, Israel and the US are unhappy. For India, CPEC is a thorn in its paw. They have put their heads together to work out new strategies to block the project forward march. RAW has opened a special office in Delhi and has been allotted \$300

million to disrupt CPEC. Already one can notice sudden upsurge in the acts of terror in the three restive regions and activation of certain NGOs and think tanks all trying to air misgivings and create fear psychosis. In Pakistan, some political parties like ANP, Baloch nationalists, PkMAP raised serious objections to the CPEC project. Even PTI and JUI (F) showed inclinations to climb the bandwagon of anti-CPEC forces. Objections were being raised despite assurances by the government that this project will provide equal opportunities to all the provinces. There are numerous internal and external challenges for Pakistan over Pakistan China One Belt One Road Project. Here some very serious challenges have been described.

### **Balochistan Factor**

Balochistan is one of the most important areas of Pakistan; a surprising location for what officials hope will become one of the world's great trade routes, linking the deepwater port of Gwadar with the city of Kashgar. This province has been dogged for over a decade by a bloody separatist insurgency. Baloch insurgents, who oppose Balochistan specially Gwadar's development have blown up numerous gas pipelines and trains and have attacked Chinese engineers. They do not want to see Balochistan to develop as an economic and trade hub unless it becomes independent. They fear that if Balochistan develops and Gwadar port becomes a thriving port, then outsiders would move in. That could weigh the province's demographic balance even further against the Baloch people. Ethno-sectarian is another important cause of insurgency in Balochistan as if this was not enough for keeping Balochistan tense, controversy over China Pakistan Economic Corridor project (CPEC) has added more fuel to the blaze. Going by the history of the earlier Balochistan related mega projects, the CPEC is likely to become increasingly contentious. Muhammad Ali Talpur in an article under the caption 'A few questions answered' wrote: "The China Pakistan Economic Corridor is the centre of interest for China, Pakistan and, naturally the world, as all perceive it according to the strategic and economic advantages and disadvantages it holds for them, whatever importance it may hold for others, it is extremely important for the Baloch whose lives it will destroy in the name of development." Various separatist leaders of the Balochistan province are opposing the China-Pakistan Economic Corridor (CPEC). In this respect, Brahamdagh Bugti, the leader of the outlawed Baloch Republican Party (BRP), criticized the CPEC and Gwadar port projects and called for an UN-sponsored referendum in Balochistan to decide its future. He alleged the military equipment and funds obtained by Pakistan from the US and other western countries for combating terrorists and extremist groups were also being used against the democratic and political struggle of the Baloch people. There have been occasional kidnappings and killings of Chinese workers in Balochistan. Baloch separatists attacked tankers carrying fuel to a Chinese company working on a mining project. Gwadar port, which was recently put under the management of a Chinese state-owned company, is a particular target. Militants do not want to see it developed.

Siddiq Baloch, editor of the Balochistan Express newspaper, said the rebels want to scare off investors and developers who are working with the Pakistani government such as the Chinese. He further said that there is the thinking that by doing this, they want to disrupt the working of the economy, disrupt the administration and challenge the administration in the area. It is high time that concerns of Balochistan are addressed prudently. For a project as big as the CPEC, which is a game-changer for the economy of all the provinces, the nation cannot afford to fall in the trap of spoilers.

**Khyber Pakhtunkhwa Factor** Some political parties in Khyber Pakhtunkhwa are also opposed to China Pakistan Economic Corridor which is a big challenge for this multibillion dollars project. The reason behind this opposition is changes being made in the original plan of this corridor by the federal government which will divert economic benefits to Punjab only. The Western route as the original route would be followed by building a road from Khunjerab to Gwadar via Mianwali, Dera Ismail Khan, Dera Ghazi Khan, Khuzdar and Turbat. However, China is most interested to work on Eastern route first because of some security concerns. It is in fact a long term plan and will cover some parts of interior Sindh, and southern, central and northern regions of Punjab. The political parties of Khyber Pakhtunkhwa are against changing the original Gwadar-Kashgar route and demanded that government should desist from modifying the project, warning that the move would divide the nation on the issue. The Qaumi Watan Party parliamentary leader Sikander Sherpao tabled the resolution in the provincial assembly which was supported by all parties. According to the resolution, any change in original plan of the project will be sheer injustice with the people of Khyber Pakhtunkhwa who have already been adversely affected due to terrorism. They believe that the original route will connect the under developed areas of Khyber Pakhtunkhwa and Fata to the Corridor and will generate economic activities in the entire region but with adoption of new the alignment, these areas would remain ignored. The lack of political harmony would be the major challenge towards the implementation of the China Pakistan Economic Corridor (CPEC) project in Pakistan. Some sub nationalist parties in all the provinces have expressed deep reservations about the CPEC, claiming there a change in the routes by the Federal Government would only favor the eastern provinces of Pakistan and deprive the western provinces. Since these allegations fail to meet the facts on the ground, the Pakistani and Chinese governments have tried to allay the fears, by interacting with the political parties that are making the allegations.

The 18th Amendment to Pakistan's Constitution has delegated numerous powers to the provinces, which has strengthened the provinces but at times is detrimental to evolving consensus on vital national issues such as the CPEC. Both the underdeveloped provinces of Balochistan and Khyber Pakhtunkhwa have expressed reservations over the proposed new route of the corridor, which may hamper the completion of the project. Moreover, security situation in these provinces is another impediment towards the smooth construction of the corridor. Additionally, Pakistan's unstable political system carries the potential to delay the implementation of the CPEC. Failure to address

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these irritants will continue to affect Pakistan China Economic Corridor project. There is a need to bring political harmony in all the provinces of Pakistan because it is important at present, when Pakistan is going to join the race for economic development and regional connectivity.

Security concerns Security concerns have been the most critical challenge to the CPEC and both Pakistan and China have been trying to meet these. An arc of militancy stretches from Xinjiang to Gwadar consisting of groups like the East Turkestan Islamic Movement (ETIM), Tehreek-e-Taliban Pakistan (TTP), Lashkar-e-Jhangvi (LeJ), Daesh (ISIS), Balochistan Liberation Army (BLA), Balochistan Liberation Front (BLF) and the militant wings of some political parties. Most of these groups may not have an enmity with China itself but rather intend to attacks the Chinese interests like the CPEC as a means to deal with the Pakistani state. Gwadar is the tail of the Silk belt, which will connect at Kashgar through different communication networks. The security of the whole corridor and Gwadar is a real concern for China. After the military operation in different parts of Pakistan, the terrorist infrastructure still exists inside and outside of the borders which will continue to pose a threat.

The support of American CIA, Israeli Mossad and Indian RAW has continuously been assisting the militant groups and Sub-Nationalists in all the provinces to conduct subversive acts-and using terrorist elements in the whole country to threaten the Pak-Chinese plans of developing the CPEC. In the past few years, they kidnapped and killed many Chinese nationals in Pakistan despite Pakistan's efforts to provide best possible security. The army has announced the creation of 10,000 man special force for protecting the development projects. The new force, named the Special Security Division, will comprise nine army battalion and six wings of paramilitary forces, the Rangers and the Frontier Corps.

There are major concerns about the Kunar and Nuristan provinces of Afghanistan, where multiple terrorist groups including Al Qaeda, the self-styled Islamic State, the Tehreek-i-Taliban Pakistan, the Movement of Islamic Uzbekistan and the Turkmenistan Islamic Party, etc are concentrated. These groups can pose a direct threat to the CPEC in Pakistan's northern region. A better understanding between Islamabad and Kabul is imperative to achieve border security.

Economic Factor As an economic enterprise, for the CPEC, the greatest challenge comes from competitors. The most significant is the Iranian port of Chabahar. India intends to invest significantly (\$85 million) in the development of Chabahar, which lies a few miles away from Gwadar and is part of its efforts for access to landlocked Afghanistan and Central Asia while bypassing rival Pakistan. Chabahar will effectively be a way station for energy imports coming from the Gulf region and destined for Afghanistan and Central Asia. It will also be a gateway to the Middle East, and possibly Europe, for exports origination from Afghanistan and Central Asia.

While the Chabahar project has not yet been started due to the ongoing talks on the Iranian nuclear issue, the Gwadar port has already become functional. However, there is no need for contention between these two ports. Iran has a stake in the CPEC through the proposal to link the Iran–Pakistan gas pipeline with China, which has been described as a “common interest” between the three countries. Indian involvement in Chabahar is linked to Pakistan’s refusal to allow India access of transit to and from Afghanistan, so India sees Iran as the next-best option. If Pakistan extends transit facilities to India, and then India may not be interested in building up Chabahar. In recent years, India has been particularly active in engaging Central Asian states for the sake of pursuing energy deals. India can be easily accommodated via the CPEC itself through eastern interface in Punjab and Sind and transformed into a stakeholder in the success of both Gwadar and the CPEC.

Tax and Power Tariff Issues China has raised serious concerns over the issue of tax, power tariff and electricity price with Pakistan along with the implementation process of the China Pakistan Economic Corridor (CPEC) energy projects in Pakistan. According to sources, China has expressed serious reservations over the hurdles and delaying tactics purportedly being employed by the Federal Board of Revenue (FBR). According to the agreement, under the CPEC, the imported equipment would be exempt from sales tax and withholding tax. However, the approval procedure from FBR is proving time consuming, which is negatively impacting on project construction timelines in Pakistan.

The Chinese authorities have pointed out that the decrease in tariff for renewable energy will have negative impacts on the cost-effectiveness of project implementation. It will dampen zeal of the investment. It will also affect projects implementation based on China-Pakistan Inter-governmental Agreement. The Pakistan side replied that renewable energy tariff will not remain the same in the future and the tariff decreasing range is closely related to the cost of the project at the time of application for tariff. The cost of renewable energy is declining in the international market; besides National Electric Power Regulatory Authority (NEPRA) determines tariff which is independent of the Pakistan government. NEPRA reviews the tariff on all fuels after a certain time frame considering the international benchmarks and cost of power for common consumers.

Indian Concerns The dice of connectivity loaded by China has left India confused and bewildered. India is also concerned about China’s huge investment in Pakistan, particularly its recent decision to fund for China Pakistan Economic Corridor. China is also helping Pakistan in producing plutonium at the Chinese built Kyushu reactor and will also sell 8 submarines worth \$5 billion, which will give a quantum jump to Pak Navy’s sea capability.

After the completion of CPEC, Pakistan may become a trade hub in the region after Gwadar Port starts functioning fully and duty-free economic zones are set up. Many Central Asian states have also expressed interest in becoming part of the corridor.

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This strategic partnership between Pakistan and China has upset India that openly voiced its opposition and even premier Narendra Modi pressed the president of China during his visit to Beijing to drop the plan of developing the corridor. However, China did not cave in to the pressure and vowed to push ahead with work on the project.

India is also not happy with the handing over of Gwadar Port development and its operations to China. There have long been reports that Delhi is fuelling insurgency in Balochistan, which is rich in oil and gas resources. Poor law and order in the province has halted work on exploration activities there. Experts believe the India-UAE nexus will try to challenge the Gwadar Port development project and create hurdles in the way of exploration activities in Balochistan.

With Chinese clout growing and Russia flexing muscles to regain control over Central Asia, India is struggling to make some headway and spread its sphere of influence in the region. Delhi has bet on Iran and Afghanistan to reach the Central Asian states via land route as Pakistan and China have control over many land links that provide access to the resource-rich region. India hopes it will be able to reach Central Asia through the Iranian port of Chabahar and build a north-south corridor that will run to Afghanistan and eventually stretch to Central Asia. (Artical-7\_v16\_2\_2015)

### **Central Asian Republics (CARs)**

The geo-strategic location of CARs is extremely vital. They are rich in oil and natural gas. All regional and international states including Pakistan and China are wants to get access to the natural resources of these states. On the other hand, all of the five landlocked countries of Central Asia wants to get access to sea and diversification of energy channel that CPEC project can fulfill. For the export of their natural energy resources, CARs can be facilitated with transit trade and pipeline routes by Pakistan, and their goods can be smoothly exported to Middle East and European states via Gwadar Port. In addition, these energy rich states have a fine chance to come out from Russian control and export their natural resources through CPEC. Furthermore, Central Asian countries especially Kyrgyzstan and Tajikistan attach great importance to the transport infrastructure, the lack of which remains a chief hurdle for their slow cooperation with the international markets; however, CPEC will relatively overcome the issue. If the China-Pakistan railway is completed, Tajikistan could access to the Indian Ocean directly though connecting with it. Pakistan has already intended to be connected with Central Asia through Termez (southern city of Uzbekistan). In this way, the landlocked CARs can greatly benefit from an access route to the world market through CPEC.

### **Iran:**

Initially, the corridor faced resistance from Iran who perceived it to be a competition and is working with India to develop its port of *Chabahar*. However, recently in September 2015, Iran has considered options of participation in the CPEC,

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the aim being to improve connectivity through road and railway networks to expand the scope of trade and transportation. Good news for Iran is that as part of CPEC, China and Pakistan will construct the liquid natural gas (LNG) terminal at Gwadar and the 700 km long pipelines to import LNG from China which can become the Iran-Pakistan pipeline as well. All that Pakistan has to do now is to link Gwadar with the Iranian border, which is a distance of some 80 kms. The proposed Iran-Pakistan pipeline will then run from Asaluyeh in Iran to the Pakistani port of Gwadar, which is the nerve centre of the CPEC and from there onward to Nawabshah in Sindh to the north of Karachi. This way Pakistan can become the transit country for an Iranian mega gas pipeline leading to China. It would also be the shortest route connecting China with Iran's tremendous gas fields. At present, the trilateral of Pakistan-China-Iran in the region is improving which is a positive sign for CPEC as it promises huge benefits in inter-regional trade.

### **The United States:**

Unlike the commonly held perception, the most influential world power, the U.S. has not opposed CPEC so far instead U.S. State Department has made supportive statements regarding the project and wished that CPEC will include other neighbors like Afghanistan as well. With the changing geo-politics, it seems that the U.S. influence may recede notably from this region at least in the short run as it is apparently providing the opportunity to China to act as a balancer in the region mainly due to the worsening of its relations with Russia. By encouraging Sino-Pak economic ties, the U.S. can use their increasing economic reliance to address some key concerns in the region with the help of China, such as the menace of terrorism and extremism. Nonetheless, in the long run, the construction of CPEC may face some objection from the US as the Gwadar seaport port has important geostrategic and political implications for U.S. interests in the region. Chinese may use it as a naval base. The U.S. had reportedly made attempts in vain to persuade Pakistan against handing over the management of Gwadar port to China. CPEC may also challenge the U.S. interests in resource-rich region of the Middle East, the Persian Gulf and in Central Asian states. Eventually, the U.S. may be working on strategies to cope with the expansion of China in the region, e.g., it has also given its own version of the New Silk Road Project seeking to enlarge its control in rapidly growing Central and East Asian regions. However, if it could settle down with the idea of China to play a primary role in Asia, the U.S. can manage to safeguard some of its foreign policy interests, including its policy to eliminate terrorism and its human rights efforts. (CPEC 1)

### **Opportunities:**

For a state like Pakistan, which faces severe economic and political challenges, CPEC can prove to be a wildcard which will provide a big opportunity to stabilize its economy while refining relations with its neighbors and by making Gwadar a trade and economic hub of the region. For an unstable economy of Pakistan, the corridor will offer a panacea to its problems and will open new horizons of development by improving socio-economic conditions of the people and by uplifting their quality of

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life. Many Special Economic Zones are conceived to be established in Punjab, Gilgit-Baltistan, KPK, Baluchistan, and Sindh. This will eventually bring affluence with the investment from the potential international investors and will help Pakistan drive its economic growth. CPEC that includes the construction of roads, railway tracks, energy pipeline routes, and Gwadar's international airport, promises Pakistan to provide a novel asset in the shape of infrastructure. With CPEC, Pakistan will acquire the most advanced infrastructure which will be beneficial for Pakistan. For this, China is lending billions of dollars of loans at low interest rates with extended grace periods so that Pakistan does not have to ask other International Financial Institutions for higher rate interest loans. According to planning minister of Pakistan out of \$46 billion Chinese investment, \$11 billion will be spending for infrastructure work on the economic corridor. (but but)

For China, the corridor will expand the number of trade routes between China and other regional counties. Gwadar-Xinjiang route can serve as an alternative to the Malacca straits for the transportation of energy. It will be time and cost effective and will enable China to increase its energy security by reducing reliance on the Malacca route. The same route is already a possible flashpoint of blockade by the American or Indian navy. Moreover, once CPEC will be operational, China will find new markets for its products in Central Asia, Africa, and Middle East. Xinjiang will get access to the warm waters of Arabian Sea. CPEC will initiate more economic activities in this less developed province and will help China in the execution of its Western Development Strategy (WDS). In view of Obama's 2012 regional strategy, 'Pivot to East Asia', the corridor signifies an attempt by China to prevent the US from expanding its influence in Southeast Asia. Thus the project bears enormous implications for Sino-US strategic rivalry in Southeast Asian region. For a country like Pakistan, which faces significant economic and political challenges, the CPEC will provide a big opportunity to stabilize its economy while refining ties with its neighbors and making Gwadar a trade and economic hub of the region. Furthermore, CPEC that includes the construction of roads, railway tracks, energy pipeline routes, and Gwadar's international airport, promises Pakistan a novel asset in the form of infrastructure. Enhancement of the security cooperation between China and Pakistan to overcome the problem of extremism, terrorism and separatism will be an additional benefit for Pakistan along the economic benefits of CPEC.

Through CPEC, Pakistan and China would also get an opportunity to augment their naval cooperation in the form of joint exercises, trainings, and counter piracy measures at high seas. This would contribute for the balance of power in the whole region. (CPEC 1)

Traditionally, the academics in International Relations have argued that conflict and war can be managed by cultivating cooperation in socio-economic and technical areas of mutual interest across the territorial boundaries of states. Such type of cooperation among the states can be cultivated if the power elite and politically relevant

sections of population learn from experience that there are tangible economic rewards in cooperation within a region and beyond. Cooperation across the territorial boundaries of different countries can increase from one area of cooperation to another, provided the experience of the interacting states is equally give equal benefit to all. However, if the outcome of interaction is not rewarding for all the interacting states in economic and societal domains, or such an interaction creates hegemony of one over the other, there will hardly cooperation. Rather, the process of cooperation among states will be stalled. The multifaceted interaction among numerous countries has to be carefully managed so as to ensure expansion of cooperation over time. The states can increase their mutual relevance and build a cooperative and positive environment by greater economic activity. There will be cooperation in the field of trade, cooperation in technical fields and social sector, coping jointly with natural calamities, and non-official societal interaction.

In the post-Cold War period, internal political harmony and economic flexibility have become more relevant to the role of the state at international level. In the modern globalized system, the greater emphasis is on privatisation, free economy and movement of goods, services and people across the territorial boundaries of the states. This pattern of international interaction has continued in the second decade of the 21<sup>st</sup> century when multiple pivots of power developed in different parts of the world. The principle of regional or sub-regional economic groups and cooperation is emphasised more than ever. The concept of ‘soft power’ as a policy instrument is also a matter in discussion which gives greater attention to the economy. There is also a diversified modern media, and societal and cultural connections instead of a sole reliance on traditional military power.

New realities of global and regional politics has been recognized by the proposed China-Pakistan Economic Corridor by cultivating a more up-graded, systematic and need-based interaction for social, economic, energy, industrial and trade development. This also provides an opportunity to China and Pakistan to improve their interaction with Central Asia, West Asia, the Middle East and Europe. Both Pakistan and China are expected to gain from the proposed connectivity through highways, railways, sea lanes, energy pipelines and electricity transmission lines. They will equally contribute to social and economic development of those countries that become part of the new arrangements of China. They are not expected to face any political problem in expanding their mutual connectivity. These two countries have developed strong mutual trust through the multifaceted bilateral interaction over the last six decades. This experience shows that over the years their relationship is mutually rewarding. There is unanimity of views of various political parties of Pakistan to strengthen Pakistan’s ties with China. Pakistan is expected to “maintain this tradition and take our relations and friendship to new heights”.

The decision of China to pursue the CPEC project shows its strong commitment to Pakistan’s stability and economic development. It also reveals the confidence of

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China in the future of Pakistan. It rejects the propaganda by some countries at the world level that articulates reservations about Pakistan's future as a coherent and stable political state. This is a new game of interdependence in international and regional politics and positive connectivity between the immediate neighbours. This will need changes in foreign policy of Pakistan that has, in the past, preferred closer economic, trade and security ties with the friends located faraway. This will give a major boost to the economy of Pakistan. There will be a major economic uplift in the areas adjacent to the Corridor.

The project will give equal benefits to China. It provides a road and sea link to the Xinjiang region. It will connect it with the Middle East and the Arabian Sea and the rest of the world. Xinjiang region's economy will be substantially improved if these roads, pipelines and sea ports become functional. China gets a new access to sea which is free of conflict that unlike the South China Sea outlet and reduces its dependence on the Strait of Malacca. China's notion of economic connectivity through highways and sea access, energy transfer and trade has to be viewed as its expanding global role that has become visible during the last couple of years. China is also working with Afghanistan for ensuring the latter's internal political stability and economic development. An analyst describes this as the coming of age of Chinese foreign policy and that China "is behaving more and more like a normal great power." (CPEC 3)

**Conclusion:**

The two governments had been working on the development of this project for a long time (almost two decades). They tried to move on gradually and smooth the process to implement the final phase. Joint. After the visit of President Musharraf, deceleration of 2003, is first document, which outlined the future cooperation plans of two neighbouring states. Later on, in 2006, Free Trade Agreement was signed which helped in boosting the trade. Trade between the two countries reached to \$15.15 billion in 2015 from \$1 billion in 1998 (VANDEWALLE, 2015). Moreover, both the countries have plans to increase the trade up to \$18 billion in 2018.

To Pakistan the CPEC provides an opportunity to strengthen its economic structure, particularly, through the development of its energy sector. Unluckily, the huge potential of the CPEC for promoting social and economic development in Pakistan has sometimes led to over expectations and to an uncritical approach to the project. The project is at a very early stage. Currently, it is impossible to confirm the actual impacts of the project. In this context, this paper presented different scenarios of the eventual impacts of CPEC on Pakistan in order to promote a debate on ways and means to maximize its benefits in terms of prosperity and stability.

There are hopes that Pakistan will gain economic benefits through CPEC. It remains unclear that to what will be the actual benefits of the project of Pakistan. There has always been a gap between theory and practice. Nonetheless, in the medium to long-term CPEC might have positive effects on the economic development of Pakistan;

example by easing its chronic energy shortage and contributing to improve its infrastructure.

CPEC is called as the game changer project which will build a 2,000 kilometer transport link between Kashgar to the Gwadar port on the Arabian Sea near the border with Iran. After its completion, it would be easy to off load oil at Gwadar port from the Middle East. The port is located just outside the mouth of the Gulf. Then the same oil will be transported to China through CPEC. For the implementation of the project, Pakistan has to face numerous challenges. But at the same time it will also have numerous benefits from this corridor.

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