Prospects of China-Pakistan Economic Corridor: A Critical Appraisal

Mubeen Rafay¹, Zain Ul Abiden Malik², He Zhilong³, Hani Fatima⁴
¹ Masters in International Relations, University of Sargodha, Pakistan.
² Ph. D Scholar, Major in World History School of History and Civilization Shaanxi Normal University Shaanxi, Xi’an, China
³ Professor, School Of History and Civilization Shaanxi Normal University, Shaanxi, Xia’n, China
⁴ Ph.D. Scholar, Center of Experimental Economics in Education, Shaanxi Normal University, Shaanxi, Xia’n, China

Abstract: Changes in geopolitical and geo-strategic regional and global whirlwinds have forced states to rethink and re-conceptualize their functions and positions. Mutual economic-political and strategic importance propels them to form new alliances and sign new pacts and protocols. New ways of global and inter-regional economic cooperation and exchange in the contemporary world have acquired the centrality at the international relations level. The China Pakistan Economic Corridor (CPEC), a joint Sino-Pak initiative, has become the flagship inter-regional connectivity and integration project. The CPEC would connect the regions in order to encourage regional and inter-regional trade and trade cooperation, which would improve the economic activities that would become useful in sealing off the vicious cycle of poverty. Some regional and non-regional states have, however, expressed their reservations about CPEC.

Keywords: Mutual cooperation, CPEC, South Asia, regionalism

Introduction

In today's world, economic priorities are more important to structure foreign affairs than political commitments. Mutual partnership and coordination have become a new determinant of the national interest, rather than dependency. The states are fostering and encouraging multidimensional cooperation to solve the problems and conflicts to save the people from the misery and misery of wars. They reframe and update strategies for elevating the socio-economic conditions of the masses by making full use of the available material resources. It is signing new alliances and pacts to boost and stabilize the economy. However, this idea can be done better through joint economic undertakings based on mutual interest, strengthened and enhanced political and socio-cultural relations, and inclusive and vibrant media (Rizvi, 2015). It needs strong political will, committed leadership, continuity of policy, inclusive society, and non-violent and diplomatic mechanisms to resolve differences between States.
The methods of cross-regional trade:
Economic corridors have become important in a globalized world, and influence variables of regional and inter-regional connectivity and cooperation. The Greater Mekong Sub-region's successful and positive progress (GMS) has opened new avenues for the construction of more transregional trade routes for convergence of national and inter-regional economies. Similar policies are being introduced worldwide to stimulate economic development by establishing land-sea routes to provide connectivity to undeveloped regions with hubs and nodes that are industrialized and technologically advanced. These initiatives are designed not only to move subsistence farming gradually to more diversified economies but also to provide viable and easy access to enhance cross-border trade, investment, and mobility ("Greater Mekong Subregion Overview," n.d.). Brunner claims that economic corridors have multifaceted links between various economic hubs and nodes mainly based in the urban landscape. Besides, he proposed the following set of indicators as foundations on which to create an economic corridor (Brunner, 2013).
• Structural Features
• Network and Geographical Coherence
• Accessibility and versatility
• Regional Growth and Integration
However, the African Development Bank (AFDB) describes the economic corridor from a wider perspective i.e. "Economic corridor approach looks at regional transport routes not only as a means of transport but also as a mechanism to promote social and economic growth in the areas surrounding the route" (Amir, 2016).

China-Pakistan Corridor for Economic Affairs:
With the end of the cold war, states have stressed redesigning their geo-economic and geostrategic goals to allow full use of their resources and get optimum benefits from mutual cooperation and collaboration. These developments have put Pakistan and China closer together and improved their ties in all areas (Azhar& Muhammad, 2018). Both countries achieved a milestone in 2013 when, under China's BRI initiative, they signed an agreement via mutual consensus to create a China-Pakistan Economic Corridor. This multidimensional and multibillion-dollar project was designed to establish a comprehensive, efficient, successful, and positive link between the developing and developed economies of the regional and extra-regional regions. Land-sea and railroad routes will be built to link maximum economic zones under the scheme. Also, an overwhelming portion of the investment will be invested in the energy sector to solve Pakistan's energy crisis. The operational CPEC will provide new investment avenues and regional connectivity that will gradually bring development and opulence to neighboring states (Ejaz&Ejaz, 2016; "How will CPEC improve the economy of Pakistan?," 2015; Khan, 2015; Zholdasbekova&Levaggi, 2016). Operational and efficient CPEC will thus become a "vital ingredient for achieving global connectivity prospects and boosting trade with regions such as the Middle East, Central Asia, and Africa" (Butt & Butt, 2015).

CPEC: Pakistan's Chances:
In the 21st century, the planet is witnessing a number of suddenly and increasingly evolving global developments, unpredicted and undesired. Such developments have drawn the attention of the world, and States are concentrating on redefining their political-economic strategies. Old loyalties are shifting and at international canvas new alliances are forming. Multifaceted and multidimensional economic importance, geostrategic and diplomatic cooperation and partnership have been established at the sub-national, national, and inter-regional levels (Khan, 2016). forward to deal with these new trends and is
focusing on liberalizing its economy. An uninterrupted, time-efficient, and cost-effective supply of energy has become China's lifeline. As a result, under the Belt and Road Initiative (BRI), it is expanding its connectivity with the rest of the world. CPEC, one of China's mega initiatives, has been a project of flagships. The project has been a test case for the dream of Xi Jinping (Khan, 2016). CPEC would become the “game-changer” not only for Pakistan but also for China, South Asia, and the Central Asian Republics (CARs) if completed in the proposed manner. Investment in billions of dollars would build advanced infrastructure, eradicate the challenge of energy shortages, improve time and cost-effective regional and domestic connectivity, and alleviate poverty through connecting states.

China-Pakistan Strategic Relations:
Because of its strategic position, Pakistan became an important state for the world after 9/11 and subsequently faced numerous issues. 'External interference, intra-regional conflicts, unresolved political disputes, the tide of extremism and terrorism' adversely affected the country's cultural, legal and order situation (Imtiaz, Salman, Kamal, Shamraiz, & Hinai, 2016). Particularly in the 21st century, the globe experiences dynamic changes. States are unraveling new avenues for establishing regional connectivity, exploiting and defending geo-economic interests, and taking advantage of their geostrategic position to protect their national interests and uplift their masses' socio-economic conditions. All of these proposals made Pakistan an important player in exploring Central Asia, South Asia, South West Asia, and China's economic potential. Both China and Pakistan caught the beat and began a mega multidimensional project, CPEC. Because of its geostrategic position the proposed project would help Pakistan become a significant strategic country in the region. Through the initiative, China will be able to establish a naval base at Gwadar port, thus becoming a powerful state in the region to combat the US and India's hegemonic designs. China's multidimensional engagement with Pakistan is part of its strategy to "battle the US attempts to deepen Asia-Pacific alliances" (Iqbal, 2015). In the longer term, CPEC would make China a genuine stakeholder in the security and stability of Pakistan. Enhanced mutual defense and strategic cooperation to combat the strategic gap in South Asia and resolve non-traditional security challenges would be more beneficial for Pakistan. Joint drills and multidimensional military preparation will create new possibilities for strategic cooperation. These capacity-building initiatives would help both States to eliminate the threat of piracy at sea.

Foreign Direct Investment:
Operational CPEC will be the fate-changer for the dooming economy of Pakistan because it would carry massive quantities of foreign investment into Pakistan. The direct foreign investment involved in CPEC is expected to surpass all past such investments in Pakistan since 1970. It will be 17 percent of the 2017 Gross Domestic Product (GDP) of Pakistan. It will be creating new job opportunities in Pakistan. More than 0.7 million jobs are estimated to be created during the period 2015-2030. Besides, the operational CPEC will add up to 2.5 percent to the country's growth rate (“How will CPEC boost Pakistan economy?” 2015). Investment of multi-billion dollars under CPEC projects will bring dramatic infrastructural changes and resulting in new places of employment that will bring about socio-economic change in Pakistan. The proposed Special Economic Zones (SEZs) would bring about the industrial revolution, and dramatically change the economic structure of the linked areas.

Pakistan's worst energy crisis:
Pakistan faces the worst energy crisis affecting its economic development, industrial production (the industry is moving to other countries), capital outflows, rising unemployment, and poverty. Pakistan stands at the 133rd of 142 countries in terms of electricity supply (Schwab, 2017). Pakistan will face a
supply and demand gap of 8000 MW in 2018, due to increased domestic and commercial demand(CPEC: Long Term Plan for China-Pakistan Economic Corridor (2017-2030), 2017). Both Pakistan and China prioritized this sector and allocated a significant proportion of capital ($33.8 billion) to hold Pakistan out from this vicious cycle of the energy crisis. CPEC will close this gap by generating about 17000 MWs from different resources mainly from coal. More than 81 percent of electricity, in Pakistan, is being generated from thermal sources which not only have become the overburden to the national exchequer but at the same time depleting her national resources. CPEC will become a paradigm shift in power production from thermal sources to coal, solar, and wind which will not only cut the import bill but also make a proportional reduction in the price of electricity, making it affordable to domestic and industrial customers. The planned mega projects would produce 13005 MWs, 1000 MWs, 1590 MWs, and 350 MWs electricity from gas, solar, hydro, and wind respectively. The share of coal would rise from 6 percent to 48 percent. Pakistan's economy is facing several problems, including energy shortages and poor infrastructure. Pakistan's real GDP growth is much lower than in other countries (Kazmi, 2017). The uninterrupted power supply to the intensive consumer industries would open new avenues of industrial growth and employment. Textile and leather industries should be able to work at their full capacity. Uninterrupted power supply and infrastructural growth would attract foreign investors to build a new industry in Pakistan. All these measures will boost Pakistan’s economic growth (“overview of the Economy 2016-17,” 2017).

**Infrastructural Growth:**

An appropriate and well-constructed infrastructure has become an enticing consideration for investors to invest in any state. Time and cost-effective connectivity between different regions and economic hubs not only drive business and trade but also create interregional peace and interdependence. Unfortunately, Pakistan ranks 119th out of 142 States in terms of infrastructure (Schwab, 2017). The present road density in Pakistan is 33.78 kilometers per 100 square kilometers, which ranks Pakistan 63rd among 125 states (“Countries Compared by Transport,” 2016). Focusing on inter-provincial and inter-regional connectivity, the current road network would add 829 kilometers of the multi-lane new road network, which will lead to the alleviation of poverty-stricken regions of Pakistan. Also, the completion of three major routes under CPEC would share Karachi-Peshawar's traffic load through the Lahore motorway, which facilitates more than 80% of Pakistan's urban population and transports more than 65% of intercity traffic (“Transport and Communication,” 2018). Developing the north-south road network would multiply the prospects of linking the east-west route between South Asia and Central Asia. The transit fee earned from those trade routes would make a significant contribution to the kitty of Pakistan.

**Rehabilitation of Railway Line:**

Pakistan Railway shares not more than 10% of passengers and 4% of freight traffic in the presence of railway lines covering nearly 7791 kilometers and 6 dry ports inland (Imtiaz et al., 2016; Schwab, 2017; “Transport and Communication,” 2018). Fast and cost-effective delivery of goods and services have achieved the centrality of the CPEC through the construction of land-sea and railroad tracks. In order to promote vigorous economic activity across the board and deliver its results outside the region, Pakistan and China have developed a policy of upgrading/reconstruction of the existing railway line under the ML-1 project to resolve excessive transport delays due to outdated and weak railway infrastructure. (Pakistan Railways, 2017). CPEC has proposed the construction of Gwadar-Karachi (700 Km), Gwadar-Sukkur (1048 Km), and Havelian-Khunjrab (652 Km) railway tracks for the creation of a separate freight corridor. In addition, Havelian's dry port would be a productive addition to handling the freight (“CPEC Infrastructure Projects,” 2018).
Gwadar Port Enabling:
In Pakistan, the bulk of cargo handling is handled mainly via Karachi and Port Qasim. Although the traffic of Pakistan's containers has seen three jumps in the last decade (2,645 million 20-foot equivalent units), the traffic in the area is still very small. (“Pakistan - Container port traffic (TEU: 20-foot equivalent units),” 2017). Under CPEC, both countries have agreed to upgrade the infrastructure and operational ability of the Gwadar port, and establish connectivity routes to deliver time and cost-effectively to and from the port. Proposed mega-projects for the port and town of Gwadar, if mature, would turn the Gwadar into an international city and the port will be the region's leading one. Established port would be more capable of handling container traffic, contributing substantial amounts to the national kitty. Operational Gwadar harbor will be the Makran coast's fate changer by allowing tourists to enjoy the heart-touching sights. It will become the shortest transit route between South Asia and Central Asia, saving not only the time but also the shipping costs. In addition, these proposed projects would draw foreign direct investment into the existing special economic zones (SEZs). If Pakistan succeeds in expanding the gas pipeline project Iran-Pakistan (IP) and Turkmenistan, Afghanistan, Pakistan, and India (TAPI) to Gwadar, it will become the hub of trade and oil. Both of these changes would elevate the socio-economic situation of the poverty-stricken province of Baluchistan. Gwadar, as an active maritime port, will provide Pakistan with a strategic leverage vis-à-vis other countries in the region due to its close proximity to Sea Lines of Communications (SLOCs) originating from the Persian Gulf and the Hormuz Strait (Amir, 2016; Imtiaz et al., 2016).

Unjustified Concerns of External Powers:
India raised and expressed its concerns about CPEC to China and called it "unacceptable" (Shah, 2017). India claims that Gilgit-Baltistan is a disputed region, and its sovereignty will be undermined by the passage of CPEC within Gilgit-Baltistan. On January 17, 2017, India's Prime Minister Narendra Modi said, "only by respecting the sovereignty of the countries concerned can regional connectivity corridors fulfill their pledge and avoid discord and differences" ("china-Pakistan economic corridor: US should not look at CPEC from India’s perspective,” 2017; “Don’t look at CPEC from Indian perspective, Pakistan urges US,” 2017). In addition, India is worried that it will become a "trade boom" for Pakistan if CPEC becomes operational. The project fate-changer would transform Pakistan into an economic center. The functional maritime port of Gwadar will become a junction of naval traffic and will consequently strengthen the relations between Sino-Pak. For India, the CPEC will be a serious obstacle in the implementation of its national hegemonic doctrine ("CPEC Presents Serious Concern for U.S. and India," 2016). The troika of Indo-US and Israel was very unhappy about the success of the corridor and put their heads together to chalk out plans to bulldoze it by generating internal instability and funding centrifugal anti-state powers (Azhar& Muhammad, 2018; Butt & Butt, 2015; Imtiaz et al., 2016). To combat the increasing impact of Beijing in the area, India managed to take onboard Iran and Afghanistan to upgrade the port of Chabahar. The internal turmoil of Afghanistan, and its over-inclination towards India, is a declared effort to dematerialize CPEC's proposed benefits.

Security Problems:
One of the most significant challenges facing the CPEC is the challenges of stability. A large network of militant groups ranging from Xinjiang to Gwadar including East Turkmenistan Movement, Tehreek-e-Taliban Pakistan, Daesh (ISIS), Balochistan Liberation Army, Balochistan Liberation Front, etc. are playing the cards to materialize their desires through terrorist operations, kidnapping and threatening Chinese engineers and workers. Most of these groups may not have a strong enmity with China, but they are doing all these things to induce Pakistani authorities to fulfill their nefarious designs (Abid&Ashfaq,
In Pakistan, centrifugal powers use different narratives to condemn the CPEC. In addition, the bombing of gas pipes, roads, and railroad tracks, the abduction of Chinese employees and engineers, and the assault on law enforcement agencies are some big moves aimed at sabotaging the CPEC internally. These forces do not want Balochistan, and particularly Gwadar, to become Pakistan's well-developed and growing economic center. The local elements in Balochistan fear that the transformation and influx of the outsiders into the region caused by the CPEC will adversely affect their socio-economic and political hegemony (“Pakistan and China-Dark corridor,” 2015). Political uncertainty and lack of inter-provincial unity in its real sense will constitute a major challenge to the implementation of CPEC. Ethno-centric provincial political parties and small federating units have already expressed their concerns about the obscure ways and means by which all of the planned CPEC projects are being realized in Pakistan. The aggrieved parties have proposed a host of "conspiracy theories" due to the disproportionate preference given to the CPEC’s eastern routes and a belated creation of its western routes by Islamabad's political elites. The smaller federating units have reported their reservations and dissatisfaction with the federal government as a result of the rumors about modifying the planned CPEC routes. Such apprehensions have not so far become real, though. Islamabad and Beijing are both making every effort to tackle these grievances by using all available channels to establish sophisticated contact with the aggrieved political parties and provincial authorities (Falak, 2015).

Domestic Industry:
Asia in general, and South Asia specifically, the current political-economic landscape is witnessing a new age of economic revival, bilateral and multilateral trade, and regional connectivity. CPEC has undeniably brought hope and optimism to regional growth, progress, and prosperity, but at the same time mega-projects costing billions of dollars have become a potential threat to the survival of small-scale industries in Pakistan that have already suffered greatly as a result of the prolonged energy crisis and war on terrorism. The influx of Chinese goods at comparatively cheaper rates will be a real problem for the domestic industry and its survival will be a challenge for both businessmen and the government (Ibrar et al., 2017). In addition, it is feared that Pakistan's economy will have to suffer a great deal while repaying loans from Chinese banks; voices are being raised that Pakistan should formulate a comprehensive plan to save its economy from these CPEC aftershocks.

Conclusion:
Infrastructural and industrial growth through CPEC will bring economic stability which will ultimately improve the socio-political situation in Pakistan and the region in particular. Via CPEC both Pakistan and China struggle to resolve Pakistan's energy crisis. Via CPEC both Pakistan and China struggle to resolve Pakistan's energy crisis. If implemented in the proposed way, the proposed projects would increase the national grid, and Pakistan will be able to resolve the danger of unplanned shedding of the load. Comparatively cheaper and uninterrupted electricity can alter the fate of the industry. Huge foreign direct investment will revolutionize the industry and create new sources of jobs in Pakistan. Increasing CPEC-led strategic cooperation and collaboration between the two countries would help Pakistan combat the region's hegemonic and nefarious Indian designs. Strategic cooperation and interdependence between Pak-China would rectify the strategic imbalance created by the growing strategic and economic partnership between Indo-US and South Asia. Closed relations between Pak China and South Asia will be strategically balanced following the withdrawal of the USA from Afghanistan. However, both Pakistan and China should carefully read the strength of internal and external challenges to achieve these ends and formulate a holistic plan to resolve all of these problems. The Pakistan federal government will take concrete measures required to foster and improve inter-provincial harmony. All stakeholders should
be made informed in a straightforward way regarding all the pros and cons of the mega project. Some of the critical concerns ranging from political instability in Afghanistan mistrusted inter-provincial peace in Pakistan and deteriorating law and order situation in Baluchistan need urgent attention to be addressed in order to optimize the performance of the CPEC. The CPEC would deliver safer and simpler inter-regional transport of goods and services, thus improving the respective regional economy.

References:


Lahore: Department of Political Science, Centre of Excellence China Studies GC University Lahore, Pakistan.


