China Pakistan Economic Corridor: A Game Changer Project

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ARTICLE DETAILS

ABSTRACT

Pakistan and China has a long history of bilateral relations but the period from 2002 – 2005 witnessed boosts in economic ties and leadership of both the countries carried out frequent visits in order to address various economic and strategic challenges. The location of Pakistan on the World map considered as geo-strategic was now also being seen as geo-economic through Chinese perspective. China driven by market forces, development of western provinces, and its energy security concerns, started thinking to expand westwards. China Pakistan Economic Corridor (CPEC) being a subset of “One Belt One Road” (OBOR) was formally launched in 2013. This mega project has a potential to become a “game changer” for the region in general and Pakistan in particular. The opportune project faces a number of challenges which needs to be tackled in a timely and effective manner. Strategic location of Gwadar signifies its position in CPEC in many ways for Pakistan-China as well as for other regional countries.

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1. Introduction

Friendship between Pakistan and China has been termed as time-tested companionship, the one which is beyond the Himalayas, profound than the oceans and sweeten than honey. China has not only been a boundary sharing country for us but a bountiful and caring neighbor in our nation’s difficult times. During investment-laden visit by Mr. Xi Jinping, President of The People’s Republic of China to Pakistan in 2013, foundation of this friendship has further been reinforced and strengthened. Memorandum of Understanding (MoU) was signed between Pakistan and China in May 2013 (known as China – Pakistan Economic Corridor (CPEC) (Star, 2007). Since her emergence, China has proven to be an unwavering support to Pakistan, in terms of economic development, military assistance and political support on global diplomacy and international forums, especially by advocating our stance over the Kashmir and terrorism issues.

Gwadar has been a source of connectivity between Pakistan and China since decades. China agreed to investments of worth $46 Billion in Pakistan to upgrade the infrastructure for “China-Pakistan Economic Corridor” from Gwadar to Kashghar and to fortify the energy sector by directing $35 Billion in different power projects (Pakistan
The plan, if well-executed and saved from political victimization, foreign interference, security issue and corruption, has huge potential of generating massive economic activities in the country (Pakistan Today, 2017).

CPEC, being part of Beijing’s OBOR initiative apart from creating opportunities also presents various challenges for Pakistan to make it a success. Integration of Iran and Afghanistan into the project on one end and depriving India any chance to spoil the broth at the other stems out to be the main challenges. Another most important challenge is to create a win-win situation for major regional as well as international players in order to ensure a “bandwagoning” effect in the project. This paper will highlight all the major opportunities and challenges with regards to CPEC and proffer a suitable way forward in order to get maximum out of this venture (Malik, 2012).

Aims and Objectives of this study is to analyze the strategic and economic significance of “China Pakistan Economic Corridor”, its implications for Pakistan – China and the Region and to proffer suitable recommendations.

2. China-Pakistan Economic Corridor

This project aims linking the Arabian Sea with China through a series of 2,442 km of road networks, railways and oil and gas pipeline running from Gwadar in the southwest of Pakistan to Kashgar in China surpassing the great Himalayas on its way. Chinese President in his recent visit promised a magnanimous $46 bn. for this project. In this mutual cooperation deal, 51 Memorandum of Understandings (MoUs) were signed, 8 unvewelling of plaques and inauguration of 5 power projects was carried out. It is so far, the biggest overseas investment by China which will change the fate of Pakistan’s Economy. It will also improve Pakistan’s telecommunication and energy infrastructure by adding 10,400 Megawatts to our national grid through coal, wind, solar and hydro power plants. A division size security force under Major General of Pakistan Army named as the Economic Corridor Support Force has also been established for the on ground protection of Chinese Engineers and staff working on the projects throughout the country. Few of the projects carrying significant value are as under (Star, 2007).

Second phase up gradation of Gwadar Port
  a) Up-gradation of Gwadar International Airport
  b) Hazara Motorway
  c) Lahore Karachi Motorway
  d) Up-gradation of Karachi Peshawar mainline
  e) Havelian to Khunijrab rail track
  f) Orange Line (Lahore Metro)
  g) Havelian Dry Port
  h) Iran Pakistan gas pipeline
  i) GwadarNawab Shah LNG terminal and pipeline project
  j) China Pakistan joint Cotton Bio-tech Laboratory
  k) Cross-border Fiber Optic Data Communication System Project

3. Pakistan China – Time Tested and All-Weather Friends

Since their independence, Pakistan and China have remained allies. Pakistan was amongst the first few nations which recognized China as an independent state in 1950 and immediately settled its border issues with China. Similarly, China extended economic, militarily and technical assistance to Pakistan. To refresh our knowledge few considerable assistance rendered by China to Pakistan are listed below:

a) China has always strongly backed Pakistan by adding up to our security assets. When Pakistan was in the midst of testing times during 1966 because of the sanctions imposed by the US on defence exports, China supported Pakistan by equipping 2 Army divisions and provided MiG aircrafts to Pakistan air force.

b) In 1971, Pakistan launched mega project of Heavy Industries Taxila with heavy technological as well as monetary assistance from China. The weapon industry is thriving since then and its now indigenously producing a long list of sophisticated weaponry to the defence forces including Al-Khalid and Al-Zarrar tanks.
c) In 1980s, China helped Pakistan in establishing Nuclear Weapons and Ballistic Program and in 1989 Prime Minister Li Peng’s visit brought the elating news of setting up of a nuclear power plant in Pakistan.

d) The Chengdu Aircraft Industry and Pakistan Aeronautical Complex jointly started manufacturing JF-17 Thunder Fighter plane in 2003, a deal worth $ 5 bn. Tests show that it is equal in capabilities to Mirage 2000 and F-7s. Other contributions of China include K-8 Jet Trainers, F-22P Frigates with Helicopters, T-85 Tanks, F-7 Aircraft and multiple other gadgetries.

e) Now Pakistan is exporting indigenously produced weapons and equipment to many countries.

4. Gwadar Port Significance

Gwadar once used to be known as Sea food village at the shore of Arabian Sea. The hammer head shaped Gwadar enclave was first regarded as a potential port in 1954, when it was still under the control of the State of Oman. Later, Pakistan formally purchased this area for $3 Million in 1958. In 2002, General Pervez Musharraf took the initiative to exploit this place in the economic and strategic favor of Pakistan and began the construction of Gwadar Port. The port was planned to be constructed in two phases. In 2002 Phase-I was started and successfully accomplished in 2006 (Holmes, 2013). In this phase, 3 adaptable 200m wharfs were constructed with about 5 km long approach channels (Wikipedia). Phase 2, however, started in 2007 and blue prints of 4 container berths along with terminals for bulk cargo, grain and oil were sketched (Wikipedia). Initially Gwadar port was functioned upon by the Port of Singapore Authority International (PSA) on certain terms and conditions. Presently, the onus of responsibility of the port lies on the state-run organization called the Gwadar Port Authority but all management and operational tasks were handed over to the Chinese firm namely China Overseas Port Holding Company (COPHC) in 2013. The milestone of functioning of the port was achieved when the first ship “Pos Glory” anchored here in March 2008 bringing wheat weighing 75,000 metric tons (Dawn News).

5. Strategic Importance of Gwadar

Gwadar geographical location holds an advantage to keep watch on regional and extra-regional powers (marines) of the zone and also on shipping operation from Strait of Hormuz (Dawn News). The significance of the location is serious concern for policy designers of Western countries and India. Regardless that mere developed as commercial port it also beneficial to strengthen Pakistan’s nautical security. After Soviet Union disintegration there was abrupt haste to seize precious natural resource especially hydrocarbons. Following few decades there be tussle between powers to protect resources transportation routes. There is already a visible control competition at choke-points, connecting routes, and ports which could exaggerate in future. Gwadar located at distinctive position of the North Arabian Sea a ‘strategic heart’. It at Indian Ocean connect to Persian Gulf due to which already hold geopolitical significance since there exploration of natural resources and regional power emergence. Gwadar connects with imperative and resources enriched regions which included Arabia, Persia, China, Central Asia and South Asia, having slight geographical connection with Central Asian Republics (CARs) and Russia. This regional connectivity multiplies cultural, economic and security activities of Pakistan.

In 1991, the decision was taken to construct Gwadar port when hydrocarbon-laden and mineral-rich CARs were in process to gain independence since they were dependent on Russia for goods and resources transportation. It was need of the time to opt for feasible and shortest access via North Arabian sea hot waters---either through Pakistan or Iran. Iran had hostile relationships with West and Gulf countries so to get connected with CARs’Gwadar was the desired choice. During post 9/11 period and Afghanistan evasion the security environment of the region was not feasible due to which Gwadar port construction could not emerge. For CARs, Gwadar port is sustainable entrance to the globe. For sea access, Afghanistan is dependent on Karachi Port of Pakistan. Gwadar will emerge as more feasible approach once there bemandatory connectivity and enhanced services provision. Due to security risks and political scenario Afghanistan is into trading via Iran which is unreliable, expensive and longer route (Reuters.com).
6. Challenges to Gwadar Project

The project entails a lot of challenges both for Pakistan and China. Some of the challenges, interests and benefits for both the nations are discussed in subsequent paragraphs.

6.1 Chinese Interests

The colossal Chinese investment on any foreign land worth Billions of dollars, for getting direct access to the Arabia Sea, speaks volumes about the importance of Gwadar and its significance for the Chinese nation (Times of Islamabad, 2016). About 80% of the world trade to America (Tribune, 2015). European Union and Middle East including oil and industrial raw materials transit through the Arabian Sea. China is the biggest exporter of variety of commodities to the world. Presently she is using the trade corridor emanating from Shanghai Port through the China Sea till the Strait of Malacca and then trespassing the whole Indian Ocean to supply to the emerging consumer market of Middle East and Europe which is costing her a lot of exchequer (Din et al., 2009). Gwadar basically curtails this route and reduces the expenditure on trade by more than half (Garver, 2012).

i. Another aspect is that for running her industries, China depends upon the 6.3 million barrels of oil per day which is brought home after covering a route of 9,912 miles from the Middle East through the above mentioned route. This very long journey costs China $ 18 million every day. After having direct access from Kashgar to Gwadar, the distance will be reduced to only 3,623 miles which will save China enormous opulence daily (Hussain et al., 2014).

ii. China desires to maintain a robust control in these warm waters to keep a continuous watch over naval activities of India and United States. In this scenario, China can play a decisive role by potentially withholding or affecting this trade route. India has shown her concern over Chinese presence at Gwadar, as it gives India a sense of insecurity by the multiple Chinese built ports around the Indian Ocean.

6.2 Pakistan’s Interest

Pakistan is a multi-resource country. It provides thousands of opportunities for any kind of investment. The challenges being faced by Pakistan have kept investors at the bay including power shortage, low infrastructure, deteriorating law and order situation coupled with high inflation rates. The Government of Pakistan is endeavoring hard to bring the confidence of foreign investors back to Pakistan (Khan et al., 2012). The recent Chinese investment plan in the form of “CPEC” project has kindled a big hope in Pakistani nation which can prove to be very beneficial. This project can improve our economy to great extent (Takreem, 2013). The projects can benefit Pakistan in following fields:

6.2.1 Power and Energy Projects

Despite having many cost-effective resources for power generation in the country, Pakistan could not fully exploit any major energy projects in last 10 years. This has led Pakistan to face extreme power shortage directly affecting its industrial sector.

However, the Chinese investors have agreed to spend $33.7 Billion in strengthening the power sector in our country. The agreement includes multiple power generating projects all around the country based upon wind, coal, hydro and solar energy. In total 16520 MW electricity will be generated in 7 years, out of which 10,400 MW will be made available in first 3 years. This will surely amplify the activities in the industrial sector of Pakistan.

6.2.2 Communication Infrastructure Development and its Effects

Rail and Road infrastructure is a clear indicator of the level of development in a country. It is imperative for an agricultural country where a reliable highway infrastructure allows the commodities to reach till the grass roots level. It gives a direct access to smaller farmer in reaching to the greater markets. Hence, for an agricultural state like us, construction of mega road and rail network through CPEC will undoubtedly bring green economic revolution in our country.

6.2.3 Pakistan Possesses the Prospects Of Increasing Its Growth In Industrial Sector

In addition, Pakistan possesses the prospects of increasing its growth in industrial sector, where it can provide an open opportunity for foreign direct investment (FDI) in the form of cheap labor and low expense Industrial Zones.
Construction and operation of Gwadar port and economic corridor will subsequently sanction the government to establish free trade zones, industrial parks and other investment friendly projects along the corridor. Such incentives will ultimately attract immense FDI and Pakistan will soon be brought at par with the other tycoons of the developed world.

6.2.4 National Security Challenges
After construction of the project, China will rely on this trade route for its maximum power imports and exports and will not allow this route to be neutralized by anyone. This economic corridor will further intensify the Chinese concerns over any Indian adventure in Pakistan. Security issues will be dealt by both China and Pakistan collectively.

6.2.5 Opening of Trade Routes for CARs
The disintegration of former USSR has led the mineral rich CARs to look out for trade routes towards South Asia, Middle East, Turkey, Europe and China. In the event of being fully functional, CPEC will provide huge advantages to these countries when compared to the ports of Iran. Gwadar, in contrast to Iran and Dubai, will be a free trade port levying minimal taxes upon the vessels berthing on this port.

7. Role of Major Regional Countries
Various countries in the region have their roles to play with various challenges and opportunities. Roles of Major countries in the region are discussed hereunder:

7.1 Role of Pakistan in Game Changer Project
Role of Pakistan in Game Changer Project Pakistan is confronting manifolds challenges i.e. security issues, poverty, unemployment, shortage of infrastructure for industrial zones and rural and urban migration compounding a lot of problems in main cities. There is need to realize the changing certainties and through endeavors by adopting a composed tactic in monetary and fiscal policy to discover and capitalize all prospects so that economy progress may not get marred beneath strong powers benefits for creating job opportunities, developing industrial zone, rural and urban balance in provision of facilities. The CPEC will serve as a game changer if Pakistan overcomes security issues with its Western and Eastern neighbors which are substantial for security of Pakistan. There is also a need to stabilize political situation and resolve terrorist threat and its internal differences. This will help in organizing its own economy considering numerous industrial and sectors in all the provinces, so that the corridor may be utilized in promising way for developing road network, railway connections, energy sectors, industrial zone creating job opportunities and trade with central Asian countries.

7.2 Role of China as a Game Changer
The world scenario has changed after USSR’s disintegration into various states and due to current USA policies in the World. Consequently China has assumed the role of strategic power in Asia that can reserve peace and power stability in Asia and the globe. China can play a vibrant role to bring economic evolution of other countries of South Asia, Africa and Middle East. CPEC will be a game changer by creating collaboration between China and South Asia to diffuse other powers influence which included India and U.S. which are opposing CPEC and making efforts to exploit / cause damage to CPEC. China will enhance trade opportunities by reducing present route due to Gwadar-Kashghar route and will extend oil and gas pipeline to its underdeveloped province Xinjiang. It will support economic revitalization and well-being of South Asian region. Russian interest in the regional economic activities and improved relations with China are very beneficial for the region.

7.3 Role of Iran in CPEC
Regional environment has changed the scenario consequently In the world economy, Iran holds significant position and India is involved in Chabahar too. It will be a sensible approach if Iran get advantage and through CPEC reinforce Pakistan and China position. To the east of the country, Iran should provide access to the east zone being part of this venture which could enhance economy across the Sistan-Balochistan province through business and trade connections between Pakistan and China. Iran could offer lucrative access to Gulf region to states like India and Russia. This will be an open opportunity to have Iran-Pakistan gas pipeline in the region including central Asia. China has already engaged Iran in various trade activities which is good for regional economic environment.
7.4 Role of UAE
In the world scenario UAE is insignificant market. It would not acquire long term remunerations out of pretended strategic alliance with India. It is also a fact that India will not disrupt relations with key oil supplier who is partner in developing a port with Iran (long-8 standing opponent of UAE). The Gwadar Port and CPEC projects would be an act mainly in Chinese benefits and would have deep impacts on UAE’s relations with Pakistan.

UAE must weigh its options of joining this mega project thereby, creating a win-win situation for both Pakistan and UAE.

7.5 Role of Central Asian states
Central Asian States had hailed the CPEC, therefore Pakistan and China policy makers must embrace innovative strategies to influence CARs to be resilient with the idea of the future different projects. Pakistan, China and CARs may organize combined exhibitions to endorse business and trade by industrial linkages. Moreover, Pakistan and China both need to defuse the hostility for CPEC from Russian as it has dominance over the CARs to whom it would not like to modify its position. The government of Pakistan should opt for concrete steps for establishing strategic relationship with Russia in order to acquire the confidence of Russia for the CPEC that will also assist in reducing the US hegemonic plans in the region which is evidently in contradiction of Russia’s interests. On the basis of this ground reality it can be said that CPEC project is a game changer for the region and World trade/economic activity.

Figure 1: CPEC Routes

8. Recommendations
Great opportunity like CPEC might not be possible again in near future, hence, in order to gain maximum benefits from these projects, and also for its survivability, there are few recommendations which merit due attention:
a) The Government has to make concrete decisions over prevailing security situation to improve law and order in the country. In this regard, few issues having Strategic implications i.e. Terrorist Threats, Balochistan and FATA must be addressed and solution sought at high priority. The representation should include government representatives, military leadership, religious scholars and local notables who after being given full liberty and executive authorities, should be tasked to negotiate with all the armed groups and parties to abandon the spread of unlawful militancy and fundamentalism. Lot of work in this direction is already in process which needs to be expedited. In the same context, at foreign policy level, steps must be taken to find solution with Afghanistan to reduce /neutralize terrorist threats.

b) The major part of CPEC lies in Balochistan, therefore a stable social and security situation here requisites top priority. This would not be possible until the sense of ownership of this project is prevailed amongst the local population of Balochistan. The masses need to be enlightened about the benefits this project would herald in their province. This calls for a lot of efforts sincerely on part of the Government. In this regards, following recommendations are proffered:

i. The Federal Government should engage all stake holders including military and civil and keep them engaged /involved for reforms and steps being taken to address Balochistan issues. Special developmental funds be allocated for the Balochistan which should be spent in true letter and spirit.

ii. Political leadership must give special attention by spending appropriate time in Balochistan to personally monitor the development projects and law and order situation specially talks by military /civil to resolve issues with sub nationalists groups must continue. Policy must be devised to deal with the exile leaders who are promoting anti-Pakistan sentiments and creating law and order situation through foreign funding must be stopped.

iii. Construction of schools, hospitals and water pipelines to the far flung areas of Balochistan. More industries should be established to create more jobs and meet basic requirements of food, clothing and other basic products. Basic needs of people must be addressed at high priority.

iv. Recruitment of local population for all the development projects and other economic activities. Maximum people must be trained in Vocational and Poly Technology Schools and Colleges to overcome unemployment and be useful part of local industry.

v. To give sizeable representation in government, civil and military departments, the existing quota needs to be increased for Balochistan.

vi. Workable solution of issues like Gas royalty, Missing persons etc and probable solution should be urgently sought.

vii. Intelligence network should be widened to counter any foreign involvement in the province.

viii. Border management must be made more effective and workable so that no unwanted persons succeed to visit Pakistan for creating law and order situation in Pakistan.

ix. Engagement with Afghanistan and Iran Government must be made at highest possible to minimize the negative role of India through these countries for creating law and order situation to de-stabilize Pakistan.

c) A series of recently held visits by the top leadership of both Afghanistan and Pakistan show positive spirits in pursuits to Pak-Afgh relationship. Pakistan with its high ambitions for economic revolution, cannot achieve desired goals till it has too many foes around. Iran – Pakistan Pipeline Projects may also add colors in the bilateral relationship between both the countries. Pakistan has to reappraise its foreign policy largely based upon brotherly relations with neighboring countries, especially Afghanistan and Iran.
d) As far as India is concerned, the government should accumulate solid evidence against Indian Intelligence Agency RAW’s involvement in creating insurgency in Balochistan, Karachi and other areas and produce these evidence at all the international forums to play their part in bringing peace in the region. Specially, Indian in the garb of trade with Afghanistan and using Pakistan territory must be checked strictly. Few major breakthroughs in the shape of apprehending Indian Spys have already been brought in the notice of the UN and rest of the world.

e) Construction of roads and rail alone will not change the fate of the country, but might offer temporary jobs during the construction of said infrastructure. It calls for a full commitment and involvement by the Government to reimburse full benefits from these endeavors, such as:

   i. Rising of multiple export processing zones in Gwadar especially and many economic zones in different parts of the country.
   ii. Linking of regional highways with the economic corridor/motorways.
   iii. Creation of business friendly environment for small/local investors.
   iv. Projection of positive image of the country in term of security to attract more FDI.
   iv. People of Balochistan’s interaction on long term basis must be increased with rest of the country for better understanding and good working relations.

9. Conclusion
Pakistan has been struggling to improve its economy since long, but due to law and order/security situation and many allied issues like political instability barred the advancement ventures and kept the foreign direct investments away from our soil. CPEC has provided us great opportunity to get optimum benefits. Indeed Pakistan was in dire need of any such investment/business opportunity, which could service in heightening the country’s economy. Nevertheless, opportunity in hands must be used to optimum and now responsibility lies on our shoulder how to fully expedite this great break to make a firm base for acceleration of its struggling economy. The success of this project may turn our geo-strategic dimension into a geo-economic dimension and may provide a suitable platform to settle our disputes with our regional neighbours. It will trigger a wave of self-reliance, spreading a domino effect in uprooting all obstacles in formulation of independent policy making. With nation determined to strive for better bright future, economy will improve and CPEC will be a “Game Changer” and a “Destiny Changer” for Pakistan and the Region.

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