

Academic Session: CPEC: Regional Perspective

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IMPACT OF CPEC ON REGIONAL AND EXTRA-REGIONAL ACTORS: ANALYSIS OF BENEFITS AND CHALLENGES

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Abstract: *Over the years, the two ‘all-weather friends’ – China and Pakistan – have developed strong political, defense, and strategic relations. Since the beginning of this decade, both states have been giving much importance to strengthen their economic ties that have remained shallow in the past. In this regard, the year 2015 proved to be a milestone as both countries decided to move ahead with their plan to establish China-Pakistan Economic Corridor (CPEC), which has given a new stimulus to both states for improving their economic relations. CPEC is a comprehensive development deal which not only establishes economic and strategic connectivity between Pakistan and China but is also having the potential of integrating other sub regions of Asia and could play a key role in improving economic and strategic environment. However, for some regional and extra-regional actors, CPEC is like an awful dream that has met some criticism mainly because it affects business for some countries and threatens the political interests of some others. In the view of foregoing, this paper attempts to answer the following questions: What are the potential benefits of the CPEC for different regional actors? What challenges CPEC could face in the region? How the regional and extra regional actors view this project? In the end, the authors have tried to figure out some solutions to the potential challenges for CPEC.*

Keywords: China-Pakistan Economic Corridor (CPEC), Regional Integration, Gwadar Port, Middle East, Central Asia

Introduction

With changing regional and global trends, in which the states have started creating frameworks and platforms for enhanced economic cooperation, Pakistan and China also felt the necessity to increase and further strengthen their mutual economic relationship in order to give momentum to their evolving progress. In this regard, a major milestone was achieved in 2013 when an agreement was signed between both countries to establish the China-Pakistan Economic Corridor (CPEC), which certainly took off their strategic and economic partnership to a new height. CPEC is a crucial and a mutually beneficial venture that fulfills the objectives and interests of both the countries and is being considered a vital ingredient in realizing the prospective of regional connectivity and improving trade with the regions like the Middle East, Central Asia, and Africa. “CPEC will connect economic agents along a defined geography. It will provide connection between economic nodes or hubs, centered on urban landscapes, in which large amount of economic resources and actors are concentrated.”¹ As CPEC is composed of roads, routes, and offshoots, it would eventually have immense impact on all neighboring countries. No doubt, CPEC is a geo-strategic plan which can become an economic blessing for the whole region. Yet some regional and extra-regional actors are worrisome and may view this project as dangerous for their political and strategic interests.

China-Pakistan Economic Corridor: Concept and Significance

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.”² These corridors are meant to provide connections among various economic actors along a defined geography. The central idea of the economic corridors is to accelerate commercial activities in the region and to create new opportunities for the regional development. 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.”³ 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, aimed at connecting sixty countries to enhance economic integration between Asia, Europe, and Africa, which would definitely bring

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unprecedented economic results.⁴ Hence, CPEC is the ‘crown jewel’ project by China aimed at introducing a new economic paradigm in the region.

Prospects for China and Pakistan

For China, the corridor will expand the number of trade routes between China and other regional countries. Gwadar-Xingjian route can serve as an alternative to the Malacca straits for the transportation of energy, which will be time and cost effective and will enable China to increase its energy security by reducing reliance on the Malacca route, as it is already a possible flashpoint of blockade by the US or Indian navy. Further to this, 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 North-western province and help China in the execution of its Western Development Strategy (WDS). Moreover, in the 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, and thus bears enormous implications for Sino-US strategic rivalry in Southeast Asia.

For a state like Pakistan, which faces severe 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.

Additional economic benefits of CPEC will enhance security cooperation between China and Pakistan and overcome problems like terrorism, extremism, and separatism. 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.

Impact on Regional and Extra-Regional Actors

In coming years, CPEC will radically change the overall geo-political and strategic landscape of Asia and has enormous potential to reshape the economic outlook of the regional states. It is expected that millions of people of the region will benefit from this corridor as the project has the capacity to boost economic activities, increase trade linkages, enhance technical cooperation, generate new financial opportunities, and amplify socio-cultural connectivity among people in the region. However, putting the idea of CPEC into reality is still facing some challenges as some regional and extra regional actors may see the project with critical eyes and as a threat to their interests, which can hinder the peaceful completion of the project.

Afghanistan: For a landlocked country like Afghanistan, CPEC is of vital importance in geo-strategic sense. With the extension of CPEC to Afghanistan, the country can be a major beneficiary of this project as in future the corridor will contribute to the economic development of this brittle country by enhancing economic activities in the area, which can bring the fragile economy of Afghanistan back to normalcy. “For it, Islamabad pledged to construct 265 km long Peshawar to Kabul motorway in order to link up Afghanistan with CPEC. This connection will integrate Afghanistan with other regions and also allow her to start commercial activities through Indian Ocean.”⁵ Furthermore, the western and eastern alignments of the corridor will provide additional connectivity to link Afghanistan and Pakistan through improved roads and motorways. Once the network of motorways is completed, it will not only facilitate and encourage trade but will immensely help in reducing distance and travelling time between the two neighbors. In this way, Afghanistan will be in position to benefit from the rising economic opportunities as a result of development of the corridor.

Central Asian Republics (CARs) Due to vital geo-strategic location of CARs and their richness in oil and natural gas resources with major reservoirs in Uzbekistan, Kazakhstan, and Turkmenistan, all regional and international states including Pakistan and China are desirous to get into closer interaction with these states. For CARs, all of the five landlocked countries wish 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 via Termez (southern city of Uzbekistan). In this way, the landlocked CARs can greatly benefit from an access route to the world market through CPEC.⁶

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, 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.”⁷ 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.

United Arab Emirates (UAE): Another country seems unhappy with the idea of CPEC is UAE. It is a fact that ports play main role in economy of UAE and once Gwadar port becomes fully operational it will directly affect Dubai port, which can lose some 70% of its business. Moreover, recently the relations between Pakistan and the UAE has been affected by the former’s refusal to send forces to fight along UAE and Saudi Arabia troops with *Houthi* rebels in Yemen. These factors prompted UAE to search for new strategic partners to work against Pakistan and India seems to be an apparent option. However, UAE should understand the ground realities which indicate that the drawback of CPEC and Gwadar for UAE are not for longer period. In future, if UAE make investment in real estate and construction in Gwadar, it can generate huge profit for UAE. But lining up with India to halt the construction of CPEC, will sever UAE’s relations with Pakistan.

India: The CPEC which is still a bilateral initiative between Pakistan and China has increased Indian mania, creating some sovereignty concerns for India as the corridor can counter hegemonic designs of India in the Indian Ocean, Arabian Sea and the Persian Gulf. In addition, CPEC will have a direct land route access to the CARs with Afghanistan and Iran which India does not have. Thus India, the preeminent power of South Asia, is visibly upset over the plan of CPEC and has explicitly voiced its opposition. Even Indian PM Modi during his visit to China tried to propose the Chinese President to drop the plan of the corridor as India found the very idea ‘unacceptable’ however, China is determined to move ahead with the project. This impelled India not to lag behind and to discover new strategic partners around to balance its political rivalry with the two countries:

Indo-Iranian Nexus: An important initiative taken by India to curtail the value of CPEC route is to build *Chabahar* port in the southeast of Iranian land, located 72 km west of Pakistan’s Gwadar port. Now as the international sanctions against Iran are over, the cooperation between Iran and India has visibly increased. Besides other significant agreements, “the Modi government has decided to invest \$ 85.21 million in developing the strategically important Chabahar port in Iran, allowing India to circumvent Pakistan and open up a route to landlocked Afghanistan where it has developed close security ties and economic interests.”⁸ India has funded and constructed link roads to establish this seaport which holds immense strategic significance for India as its presence in *Chabahar* will counterbalance Chinese presence in Gwadar and it will also get access to landlocked CARs through this port.

India-Afghanistan: Another development which made India vary is China’s increasing role in Afghanistan as it is funding a range of projects for reconstruction in the country. India which has invested in Afghanistan and is eager to play a key role there, is now adopting political and unconventional tactics to derail the development of the corridor. Nevertheless, CPEC can open up trade doors for both, Afghanistan and India. The geographical stationing of Pakistan makes it costly for both India and Afghanistan to take up other routes for bilateral trade. “The alternate channel for Indo-Afghan transit trade can be carried out through Iranian *Chabahar* Port; however that land-sea route would not be cost-effective much as compared to the land-based path through Pakistan.”⁹ Thus due to this geographical compulsion, at present India needs to soften its rigidity in order to abolish long lasting barrier between economic cooperation and to let Afghanistan get the benefits of CPEC.

India-UAE Partnership: In its efforts to counter CPEC, India has also turned to the UAE. “During Modi’s visit in mid-August, India and the UAE were able to establish an infrastructure investment fund, with the aim of reaching the target of \$75 billion, to support investments in the rapid expansion of next-generation infrastructure in India, especially railways, ports, roads, airports, industrial corridors and parks. Also, they agreed to facilitate the participation of Indian companies in infrastructure development in the UAE and promote strategic partnership in the energy sector.” Furthermore, as India does not seem happy with the handing over of Gwadar Port development and its operations to China due to its security concerns, therefore, there is possibility that “India-UAE nexus will attempt to fail the Gwadar Port development project and create obstructions in the way of exploration activities in the resource rich province of Balochistan by fuelling insurgency in the same.”¹⁰

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.¹¹ 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

U.S. as the Gwadar seaport port has important geostrategic and political implications for U.S. interests in the region which may be used as a Chinese naval base. “The U.S. had reportedly made attempts in vain to persuade Pakistan against handing over the management of Gwadar port to China.”¹² 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.

Conclusion and Suggestions

Where CPEC, on the one hand, has led to develop fresh avenues for cooperation in which regional actors can get the opportunities of capitalizing their economic interests through this mega project, on the other side, it has also increased the likelihood of clash between the interests of various regional actors. Growing Indian bonhomie with the U.S., the budding US-Iran relations after the nuclear deal, the rising Indo-Iranian partnership and Indian sways in Afghanistan may be a cause for concern for both Pakistan and China. With all these speedy changes, both countries should be fully equipped to respond to the emerging geo-political dynamics of Asia and act in accordance to what best serves their mutual interest particularly in the prospects of this corridor.

- ✓ **Pakistan’s Role:** At present, Pakistan should comprehend the shifting ground realities and through diplomatic endeavors it should adopt a balanced approach in its foreign policy towards both China and the West and should explore and capitalize on all opportunities so that its economy does not get trampled beneath the interests of strong powers. Pakistan should also make attempts to decrease tension with its Eastern and Western neighbors which are significant countries for Pakistan’s security and thriving economy in the foreseeable future. Moreover, to reap the fruits of this mega deal by China, at present, Pakistan needs to resolve its internal differences and to organize its own economy including various industrial and trade sectors so that the corridor will be utilized in the best possible way.
- ✓ **China’s Role:** In contemporary scenario, China is the key power of Asia that cannot only preserve balance of power and maintain peace and stability in Asia but can play a vigorous role in the economic progress of other countries of South Asia which due to many complicated reasons has remained shallow. To further cooperation between China and South Asia, it is essential to nullify the influence of other major powers like U.S. and even India which may try to exploit its love affair with the former to inflict damage to CPEC. At present, China should help in the economic revival and prosperity of South Asian region because with politically and economically stable South Asia, and with strongly connected to it; China can maintain and expand its economic influence on whole Asia and Africa.
- ✓ **Peace and Stability in Afghanistan:** Afghanistan possesses immense importance in the geo strategic calculus of Pakistan and China as it is a bridge linking other sub regions of Asia. Thus, peace and stability in Afghanistan is of vital significance not only for Pakistan and China but for the security of whole region. In view of the emerging positive economic condition, it is high time for Pakistan and Afghanistan to join hands for the economic development for their respective countries and capitalize on the economic opportunities to be generated by the CPEC. For this, the governments of both countries should stop the blame game and have serious and meaningful dialogues to resolve their differences to overcome cross boarder terrorism, challenges of militancy and socio-economic hardships faced by the both. China is also required to take some practical steps in this regard and carefully design its policy for the stabilization of Afghanistan through its investment in socio-economic sectors and reconstruction efforts.
- ✓ **Benefits for India:** India can also extract benefits out of this venture by opening up trade channels through Pakistan as Indian aspiration is to reach out to Afghanistan and CARs to widen access for its market, however, problem dwells where the two South Asian key players, India and Pakistan because of their animosity and long-inflicted mistrust are hesitant to lighten up their policies for each other. At present, both countries should resolve their outstanding issues through talks for the collective benefit of the billion-plus populace of this region. If both countries concur with the idea, then CPEC can be extended to India through subsidiary links from Punjab and even Kashmir thus turning the mutual security threat suspicion to benefit. Moreover, CPEC as well has the capacity to materialize a faster culmination of Iran-Pak-India gas pipeline to fulfill the energy needs of India.
- ✓ **Iran’s Involvement:** In the changing regional environment where Iran has recently resumed its position in the world economy and India has involved in Chabahar, it will be a sensible policy to involve Iran in this deal as this will ultimately benefit and strengthen the position of Pakistan and China. For Iran, the corridor would provide the country with much required openness to the east. In addition, Iran’s entrance in this venture

would lead to an era of improved economic development across the Sistan-Baluchistan province by enhancing trade between Pakistan, China, and Iran and would offer a cost-effective gateway to the Gulf region for states like Russia and India. Presently, the need for Pakistan is to take into account the concerns of Iran especially if Pakistan wants to balance India's influence in the region and wishes to fulfill the old dream of Iran-Pakistan gas pipeline.

- ✓ **UAE's Reaction:** UAE which is just a small hospitality market should realize that it might not get any long term benefit out of it so-called strategic coalition with India, as India will surely not break relations with its key oil supplier and now a partner in developing a port, Iran, UAE's old adversary. If the leaders of UAE choose to join India on bandwagon to halt the Gwadar Port and CPEC project then ultimately it would be an act mainly against Chinese interests and would sever its relations with Pakistan as they are not ready to retreat on the plan of CPEC. Thus, in the current scenario, UAE should focus on securing its future through Gwadar and CPEC which are eventually the future of this region.
- ✓ **Strategy of Central Asia:** Although, all landlocked Central Asian States have welcomed the advent of CPEC, the policy makers of Pakistan and China should adopt innovative tactics to persuade CARs to stay strong with the idea of the proposed project and for this, Pakistan, China and CARs should hold joint exhibitions to promote trade and industrial links. Further to this, Pakistan and China are required to neutralize the opposition for CPEC which may come from Russian side as it has monopoly over the CARs and it may not like to change its position. Pakistan should take concrete steps to have close strategic terms with Russia to gain the confidence of Russia for establishment of CPEC which may also help in nullifying the US hegemonic designs in the region which obviously go against Russian interests.
- ✓ **US Support:** The U.S. should support the CPEC as it will bring stability and prosperity in the region which is healthy for the interests of U.S. that seems tired of fighting the challenges of terrorism and extremism in this region. The U.S. has always provided assistance for Pakistan's efforts in eradicating terrorism; however, permanent feeding of Pakistan is not in the long term interests of US. Meanwhile, It is also fact that China's OBOR plan and creation of CPEC will increase Chinese influence in the region and U.S. may scramble to get an upper hand in Asia at some point but it's a reality check for the U.S. that for the collective development and peace of this region it should let this region stand on its own by accepting the fact: 'Asia for Asians.' China and Pakistan should have communication with US to provide the understanding of CPEC to avoid any potential conflict.

With combined efforts, the comprehensive and cooperative partnership of Pakistan and China will surely reinforce in a strong and solid way to overcome the challenges posed by the regional environment. For appeasing the opponents of CPEC, both China and Pakistan need to engage in exterior diplomatic maneuvers and should promote dialogues to enhance the collective understanding among regional countries. To materialize the vision of CPEC, the need of the hour is to engage with the concerned regional actors rationally and strategically and make them partners instead of enemies. Thus Pakistan and China should adopt a policy of inclusion instead of exclusion; taking other stakeholders along will be beneficial for the success of the project and for durable peace and progress of the region. If implemented in a transparent manner by keeping in view the aspirations of all key stakeholders, CPEC possesses the latent talent to uplift the economic condition and alter the economic spectrum of the whole region for the better.

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CPEC 2015: A REVIEW OF PROPOSED OPPORTUNITIES AND SIGNIFICANCE

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Abstract: Regional connectivity and progress is related to the vision of shared development. This is the philosophy behind the development of China-Pakistan Economic Corridor. Building new transport infrastructure, energy resources and Gwadar Port Projects, as being core projects of CPEC, Pakistan and China have proved “All Weather Strategic Friendship. China’s “One Belt, One Road” is the master plan behind CPEC. CPEC is expected to resolve the energy problems of Pakistan on one hand and it will provide a shorter route to China to approach Persian Gulf on the other. The GDP growth rate of Pakistan is expected to be 6% for FY 2016-2018. Short term projects of CPEC will be completed by 2017, medium term projects by 2025 and the long term projects by 2030. Besides CPEC’s proposed opportunities of economic progress, there are some political and security threats in Pakistan. This is what Pakistan will have to be careful about.

Keywords: CPEC, South Asia, strategic friendship, Special Economic Zones (SEZ), Silk Road Economic Belt (SREB)

Introduction

The region of South Asia has witnessed a great deal of world’s attention by achieving rapid GDP growth since 1980. On average GDP growth rate is about to reach 6 percent per annum. Besides being on the way to economic growth, South Asian Region has much to deal with innate problems of agricultural economies, high level of poverty rate and regional conflicts. Trade between countries of South Asia is only 5 percent of total official trade; it is signifying the consequences of lack of intraregional activities and cooperation.¹ Cooperation among nations for common horizons of development leads towards obvious evidence of stability and strength of region. Doors of shared development between south Asia and southeast Asia were opened in May 2013 when Pakistan and China visualized developing an Economic Corridor for mutual benefit, during China’s Premier Li Keqiang’s visit to Pakistan. However, this visualization went to the form of operational terms, plans and agreements in April 2015, when both nations signed Memorandum of Understanding and fifty-one (51) agreements to show the enhanced commitment of two nations for shared development.² Pakistan’s geostrategic position has played a vital role in determining Pakistan as a first choice of establishing economic corridor with. On one side Pakistan is connected with oil producing countries, on the other it shares a border with landlocked countries. Moreover, Pakistan is surrounded by two substantially emerging economies China and India, hot water Arab sea and world’s fourth largest oil producer and second largest natural gas producer country, Iran.³ Thus becoming the transit between proficient and deficient countries makes Pakistan more vulnerable to become a partner in economic corridors.

Economic Corridors

The concept of Economic Corridor takes its roots from transport corridor. Transport Corridors are the routes, channels or ways which connect one economic center to another either within one country or between two countries. When Transport Corridors are extended to a region, economies of the whole region can witness the benefit of increased multilateral trade and investment. Maintaining and improving transportation network within a region requires a great deal of energy and infrastructure. Thus, a Transport Corridor with an increased focus on improved infrastructure is developed as an Economic Corridor. Improved transportation system, enhanced logistics and infrastructural development among countries promotes not only economic well-being, like increased trade and investment among nations but also consider social and socio-economic relations due to increased connectivity.⁴

Economic Corridors function as the source of connectivity among demand and supply of countries’ markets. There are no specific rules to define and develop economic corridor, each economic corridor is different in terms of its development and implementation, the reason being the differences in geographical position of countries.⁵ Economic Corridor’s plan is developed in four different incremental stages, where every previous stage is being added to the next in a more advanced approach. It starts with transport and infrastructure development and moves towards the logistic corridor. Logistic corridor further merges itself in trade corridor. Trade corridor leads towards the development of economic corridor and finally with coordination of non-economic elements, economic corridor results in economic growth⁶. Pakistan and China’s friendly relations are revolving around four common areas; economic cooperation, energy security concerns, security concerns and geostrategic concerns⁷

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Sino-Pak Agreement

Pakistan and China signed a contract named Sino-Pak Agreement on March 2, 1963. The purpose of this agreement was to delimitate and demark the common border, while enhancing the sense of neighborly between both the countries. There were several reasons that agitate the need for formulating an agreement of deciding geographical boundaries. The two most common of these are, firstly Hindi-Chini Bhai Bhai slogan was started in 1961 due to the clash of Sino-India boundary clash. Due to normal neighborly interaction with China, Pakistan also has to prove that the sense of insecurity is arising from India and not from China. Moreover, Pakistan joined Western Sponsored Defense Alliance. Secondly, Pakistan has felt China's appreciative role towards Kashmir Dispute and also towards Pakistan's participation in SEATO. In comparison to Soviets, China has a more sensible and cooperative role towards Pakistan's stance of Kashmir⁸

China Pakistan Economic Corridor (CPEC)

The volume of trade between Pakistan and China is increased by 124% from the year 2006-07 to 2012-13. China's export increased by 1 %, while Pakistan's exports increased by 400% from \$600 Million in the year 2006-07 to \$2.6 Billion in the year 2012-13⁹ The atmosphere of "all weather" friendship between Pakistan and China have been in action since 1963's Sino-Pak Agreement, Chinese Premier Li Keqiang's visit to Pakistan as his first foreign trip in May, 2013 worked as catalyst to blow the wind of sisterly relations between both nations. The timing of his visit was more important in the aspect of nearly simultaneously changed leadership of both countries. Li Keqiang's invited Muhammad Nawaz Sharif-the then Prime Minister of Pakistan, to visit China for strengthening the sense of cooperation between both the countries. In response to his invitation, Pakistan's Prime Minister took China's visit as his first official foreign trip on 3rd July, 2013. By putting China's visit of Prime Minister at first preference, Pakistan's attitude strengthened the atmosphere of friendly relations with an attempt to enhance the mutually concerned economic, social and political well-being of both countries. During Nawaz Shareef's visit to China, a Joint Statement termed "A Common Vision Deepening Pakistan-China Strategic Partnership in the New Era" was issued. The purpose of Joint Statement was to ensure the durable concern of both countries for increased commitment towards strategic cooperation. Along with Joint Statement, a total of eight (8) Memorandum of Understanding and two Letters of Exchange were signed by both leaders. One of the most important MoU, named "MoU on establishing China-Pak Economic Corridor" formed the basis of new perspective of mutual coordination and development¹⁰. CPEC is not merely a road track, rather it is a combination of several dimensional projects ranging from road and railways, operationalization of Gwadar Port, several energy projects and fiber optic cables across borders¹¹. Expected cost of CPEC is US \$46,013M (\$46 Billion), among this total investment the domestic share is US \$18.1billion¹²

MoU on Pak-China Economic Corridor

The aim of MoU is to facilitate the concerned governments to ensure increased level of economic activities. It contemplates the development of long-term plan of economic corridor up to 2030. According to MoU, Ministry of Planning, Development and Reform (MPD&R) is named as Focal Ministry of Pakistan and National Development and Reform Commission of China (NDRC) as its counterpart (Ministry of Planning, CPEC n.d.)¹³. To facilitate the vast vision of Pak-China economic integration, NDRC established a Joint Cooperation Committee (JCC), a ministerial level formal body for developing and ensuring various developmental projects of Transport Infrastructure, Energy and Gwadar Projects between Pakistan and China. Subsidiary working groups of JCC have been formulated to ensure implementation and continuous monitoring of performance; members of JCC have been nominated by both countries¹⁴.

Projects of CPEC

Subsequent to the series of three JCC meetings 27th August 2013, 19th February 2014 and 27th August 2014, fifty one (51) Memorandums of Understanding for several developmental projects were signed between Govt. of People's Republic of China and Govt. of Islamic Republic of Pakistan on April 21st 2014 during Chinese President Xi Jinping's visit to Pakistan. With reference to time, CPEC Projects are categorized into three phases, short term projects also called Early Harvest Projects are intended to be completed till 2017, medium term projects are intended to be completed by 2025 and long term projects by 2030¹⁵. Early Harvest Projects include upgrading of the Karakoram Highway to Islamabad, Karachi-Lahore Motorway, establishment of New Gwadar Airport, hospital and vocational training institutes, Orange Line Metro Train, development of Dry Port, construction of East Bay Expressway in Gwadar and development of Special Economic Zones on CPEC¹⁶. Focus of JCC's second meeting was on Early Harvest Projects (EHP)¹⁷. The spectrum of CPEC is not limited to Early Harvest Projects only¹⁸.

Transport Infrastructure

Transportation network from Kashgar of Xinjiang (China) to Gwadar of Pakistan have been the most prominent project among others. The route is proposed as Kashgar, Khunjerab, Islamabad, Lahore, Multan, Sukkur, Karachi and Gwadar. Highway and Railways include construction of KKH Phase -II Thakot to Havelian(45M US \$), Karachi-Lahore

Motorway and up gradation of ML1. For improving Pakistan's access to international networks of communication, a project of fiber-optic cable is designed from border of China to Rawalpindi. For this project 85% of total financing (\$44 Million) is provided by China and it is expected to be completed in three-years period.¹⁹

Gwadar Projects

In CPEC, special attention is being paid on the development of Gwadar sea port such as exchange of feasibility study of Gwadar Hospital, provision of Chinese governmental concessional loan for Gwadar port East Bay Expressway Project (US\$4 Million) and Gwadar International Airport Project (US\$1.5 Million).

Energy

Pakistan and Chinese governments have put energy projects on prioritized basis to evacuate the energy crisis in Pakistan. A framework agreement for categorizing the power and energy projects took place on 8th November, 2014. The first category includes 14 projects of 10,400 MW to be completed till 2017/2018 and is named as "Prioritized Projects." 2nd category includes 7 projects of 6,645 MW to be completed beyond 2018 and is named as "Actively Promoted." However, there is a combination of three types of Power and Energy Projects, Hydro-Electric Suki Kinari Hydropower Project, Port Qasim coal-fired Power Plant, Karot Hydropower Project, Solar Project in Punjab, Jhimpir Wind power Project, Thar Block II Sindh's coal mining project, Thar Block II Coal-Fired Power Project, Facilitation agreement for Dawood Wind Power Project, a special framework for agreement of CPEC's Energy Cooperation, Thar Coalfield Block I Coal-Power Project, Sahiwal Coal-fired power project, agreement for Hubco coal-fired Power project and facilitation agreement for Salt-Range coal-fired power project.

Economic Dimensions of CPEC

CPEC can be regarded as a subset of China's master plan for "One belt-One road," through which China is interested to develop network of infrastructure and oil pipelines towards Central Asia. This network can also increase China's influence in the region. On the other hand, for Pakistan, the most critical factor and need of the hour is generation and disbursement of cheaper energy. Hence, CPEC is considerably important for both the countries. According to BMA, as a matter of the direct impact of CPEC, GDP of Pakistan is expected to uplift up to 6% for FY16-18. This increase is caused by 2.1% annual addition to GDP Growth Rate. In CPEC special attention is being given to energy projects particularly production of less costly electricity. In this regard, a total of 16, 845 MW electricity producing capacity is planned, which is 74% total increase in existing electricity level. In 2015, Pakistan's GDP was 287 USD bn, with a new investment of 46 USD bn, here is a total increase of 16% in total size of investment of Pakistan, and thus, it is also a green signal for Pakistan's economic progress.

As CPEC is based on the philosophical background of mutual coordination for a common vision of progress, therefore, it opens new horizons of progress for China too. Railway, roads and port infrastructure projects constitute 22% of total investment of CPEC. Connection of Kashgar City of Xinjiang Province of China to Gwadar of Pakistan by a road of 2000 KM will significantly reduce China's distance from Oil providing Persian Gulf countries.

Proposed Opportunities and Significance of CPEC

For China, the most promising reward for developing Economic Corridor with Pakistan is a considerable reduction in the distance of China from Persian Gulf. Before the development of Economic Corridor with Pakistan, China was having the problem of long travel of 12,900 KM from Beijing to Persian Gulf. CPEC is expected to reduce this distance to 2,500 KM only²⁰. Time of transit will be reduced from 45 days to 10 days only. According to CPEC China's less developed western part Kashgar is going to be attached to warm water of Arabian sea by the way of Gwadar City of Balochistan province of Pakistan. Hence, China is developing Kashgar to a Special Economic Zone, which is crucial for development of western China. CPEC is playing an important role in connecting China to Europe through Central Asia by Silk Road Economic Belt (SREB).

By adopting the Kashgar-Gwadar Route instead of Maritime Silk Route, China can save around \$6 Million per day for meeting 50% of its current level of oil importing, thus contributing nearly \$2 Billion annually²¹. Along with the construction of road and railway track, an oil pipeline of 2,500 KM from Gwadar to Kashgar is anticipated in near future²². CPEC can put Pakistan and China in a better strategic position with the Arabian Sea. China has already involved in ports of Hambantota in Sri-Lanka, Sittwe in Myanmar and Chittagong in Bangladesh²³. The existing distance between China (Beijing) and Persian Gulf is 13,000 KM and 45 days shipping time. By adopting trade route proposed by CPEC China can reduce the distance from Kashgar to Persian Gulf to 2,500 KM only, while Kashgar is 4,376 KM away from Beijing. Number of shipping days would be reduced to 10 only²⁴. Pakistan can increase its exports, especially gemstones, to China by producing at full capacity and by adopting the route of CPEC. China is being the largest consumer market for gemstones whereas Pakistan has an export capacity of 800,000 carats of Ruby, 875,000 carats of Emerald and 5 Million carats of Peridot. At present, Pakistan is not producing gemstones at its full capacity²⁵. As a result of CPEC, GDP of Pakistan is expected to outreach 6% due to an

addition of 2.1% in the growth rate of GDP. Business communities of both the nations are of the belief that due to CPEC, agriculture sector will not remain unblest of the mutual cooperation by transfer of technology²⁶. For successful completion of CPEC Projects, security happens to be the priority. In order to ensure security stability in Balochistan, a special force of 10,000 constabulary force composed of 6,000 new personnel plus 4,000 reserve police personnels is planned with a total cost of Rs.5.2 Billion by Executive Committee of the National Economic Council (ECNEC)²⁷. The two routes designed for connecting Gwadar to Kashgar are Eastern Route and Western Route. Both routes remain same till Abbottabad. The difference lies after this city. Eastern route is Kashgar-Aliabad-Gilgit-Muzaffarabad-Abbottabad-Islamabad-Rawalpindi-Lahore-Faisalabad-Multan-Rahim Yar Khan-Sukkur-Khuzdar-Turbat-Gwadar. Eastern Route is (after Abbottabad) Peshawer-Kohat-Dera Ismail Khan-Zhob-Quetta-Kalat-Turbat-Gwadar²⁸. Analysts argue that federal government has to suffer tough time from Baloch and KPK leadership for not adopting western route for CPEC. For under developed areas of Balochistan and KPK, it may create a sense of being deprived of benefits and opportunities of CPEC among officials and public. Leaders of opposition parties criticized route of CPEC by emphasizing the exclusion of Baloch-Pakhtoon areas in senate (Kiani 2014). Federal Government announced that the original western route must be constructed later. Adopting eastern route is need of the hour as the eastern route is more secure and comparatively more developed.²⁹ According to data provided by Pakistan Institute for Peace Studies, the number of terrorism attacks, numbers of people injured and killed are depicted in bar charts for CPEC related cities. Among these charts, it is evident that the eastern route is less prone to terrorism activities in Pakistan. Secondly, Chinese companies are adopting Project Financing on the basis of Build-Operate-Transfer (BOT) and they are not willing to invest in western route.³⁰ As this series of mega projects is going to create hundreds of thousands of job opportunities, Govt. of Pakistan affords no excuse in timely completion of CPEC³¹. Senator Mushahid Hussain remarked that Parliamentary Committee of CPEC should ensure that less developed areas of Balochistan and KPK must enjoy the benefits of western route of CPEC³². Pakistan's geostrategic importance is enhanced by involving in CPEC and by providing a route to China, Pakistan is able to play the role of a bridge between European, Asian and African regions³³. Pakistan Daily Times claims that World Bank has expected increase of 15.4% of GDP in Investment of Pakistan till the year 2017 as a result of CPEC projects performance³⁴. Chinese investment in Pakistan in several projects has significant positive impact on the overall economy. The sectors which are supposed to get a considerable level of improvement are energy and power generation, Steel and Cement³⁵.

Challenges

One of the officials of China's prominent political party warned that political instability, security threats, lack of administrative machinery and skill level of Pakistani workforce are hurdles for successful completion and operationalization of CPEC agreements³⁶. Gwadar to Ratodero (M-8) has been subject to delay in the past due to adverse security situation in sensitive areas of Balochistan³⁷. Controversial views about selection of longer route (Eastern Route) are witnessed in Pakistan. It is argued by opposition parties that Punjab Province is taken into account rather than less developed cities of province of Balochistan and KPK.³⁸ One of the leaders of a regional political party has threatened the government for not considering the undeveloped areas of Balochistan and KPK in CPEC.³⁹

Conclusion

The shared vision of Pakistan and China brought the idea of developing an economic corridor that is not merely a road rather a combination of roads, railways, energy and power projects and operationalization of Gwadar port. CPEC is offering high fruits of mutual cooperation. Increased GDP, solution to energy crisis, developmental projects of infrastructure and fiber optic cable are expected to change the fate of the country. The greatest advantage to China is the shorter route to Persian Gulf. China can save 35 transit days from 45 to 10 only by connecting Kashgar to Gwadar. Geostrategic importance of both countries for regional connectivity and shortened trade routes will be increased in significant terms. In total 51 MoUs are signed for several projects, among these Early Harvest Projects can suppose to be a measure of evaluation of CPEC projects. However for successful completion of CPEC projects in Pakistan, a politically stable and secured environment is required on priority basis. Pakistan would be facing challenges of security and political instability during the execution and completion of the projects under CPEC.

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IRAN-CHINA-USA TRIANGLE: A GAME BASED ON NUCLEAR CRISES

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***Abstract:** Iran's possible pursuit of a nuclear capability represents a serious challenge to the interests of the USA in the Middle East. At a same time understanding the nature and range of Chinese-Iranian cooperation is significant to crafting a successful US strategy towards Iran. This paper analysis the complex relationship among Iran-China and USA on the nuclear issue. In what follows, after a thorough analysis, focus will be on the two key areas; to investigate that why China 's policy vis-à-vis Iran depends on the state of its relationship with USA ? And to examine that how far China is using Iran as a bargaining chip with the USA on key security issues? In order to explain different dynamics of nuclear issue, patterns of game theory as an instrument for the study are used. It describes elementary game theoretical assumptions with its present calculations. In conclusion, the paper sums up with some remarks on the subject matter.*

Keywords: Nuclear crises, strategic relations, game theory, political bargaining, national interest

Introduction

The complex relationship between china Iran and USA on nuclear issue determines the policies they are going to make on particular nuclear issue. China is the mediator between the USA and Iran. Its policy towards Iran reflects the type of relation with USA, as Iran is a mean used by china to promote its own global interest. From the outbreak of nuclear crisis in Iran, the United States has tried to adopt the united front, gathering the five nations under its leadership which has a great threat to Tehran's regime on international collective non-proliferation security. Thus china has stumbled between US and Iran either to show support to US or proximate with Iran. The triangular relationship depends upon china, the more strained relationship between china and USA, the better relation between china and Iran. In this regard the relationship between china and USA can be explained in neoliberal contextual structure of conflicting a strategic rival USA on one hand and on the other hand to maintain good relations with Iran which is a key player in Middle East.

China has great economic interest in Middle East from which it gets its oil imports and, therefore, is a crucial region for this emerging world power. Tehran is a major source of vital oil supplies and a close friend among developing nations. The relationship of china with Iran is ambiguous, on one hand china wants Iran to proliferate nuclear energy but on the same time it is skeptic about Iran policy of proliferation of nuclear energy, it will destabilize the arms race in the Middle East and a war of balance of power will start.

China has basically adopted the policy of limited relationship with Iran from recent years so that it can attain its economic interest from Iran as well as main positive relations with USA. Iran's nuclear program poses china's own interest in the Middle East. Its relationship is characterized by the US analyst that it has two central features:

1. A desire by PRC to seize economic opportunities, especially in the oil and gas sectors.
2. An opposing need not to upset relation with USA.

As economic opportunities sought by PRC in recent years, as in oil exports despite fluctuations over the past few years as Iran remains a key supplier to china. "The average purchase of china in 2011 was 555,000 barrels per day (bpd) and in 2012 this figure reduced to 345,000 due to contract disputes. China has been a key investor in oil exploration and excavation activities, expanding its involvement in petrochemical sector especially in methanol production."¹

Analyst also point out strategic rationale of china's continuing energy for relationship with Iran. As Harold and Nader argue, "Iran may be supplier unlikely to be intimidated into cutting oil exports to china in the event of a US-Chinese military conflict."² Aside from Chinese trade from energy sector, much of its growth occurred in Chinese sale of manufactured goods such as electronic toys and clothing. In addition to this china is a key supplier of gasoline to Iran and has also contributed to several key infrastructure projects in Iran, like subway system, as well as dams, bridges, and other infrastructure.

China's involvement in Iran's nuclear program was formally ceased in 1990's. John graver writes that "china may have motive to facilitate a nuclear Iran since this could be a valuable check on US influence in Persian Gulf and move the world I the direction of multipolarity."³ International sanctions were imposed on china for facilitating Iran with nuclear energy. Chinese economic interest in Iran has posed challenges in international cooperation. On approval of US sanctions china has always reluctant that target Iran's economy, including Iran's access to capital market. John graver concludes that China's ties with Iran as second order relationship surpassed an importance by its primary relationship with USA.

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As evidence, “graver chronicles how china’s broader goals of economic and political cooperation with US led Beijing to eliminate formal cooperation in nuclear and missile program with Iran in mid 1990s, more recently US influence on china’s decision was apparent in UN security council sanctions against Iran in 2010. In 2009 when Iran’s nuclear program stalled, after the inter negotiations US took measures to trail the fourth round of UN security council sanctions that were intended to pressure Tehran to comply with IAEA verification requirements.”⁴

The advancement of Chinese interests in the Middle East depends upon the good relations with Iran, which is viewed as an important country as a link between middle east and central Asia, with huge energy supplies, a well educated public, and an ambitious political leadership possessing regional aspirations, Iran is viewed by Beijing as a rising power with considerable potential influence over the future political makeup and orientation of a vast area of critical importance to china. Of particular significance from a strategic perspective, given its existing policies, Iran stands as a potential counterweight to excessive US influence in them, a check on US unilateralism on various issues relevant to the region and a possible source of leverage in support of Chinese interests.

More broadly, as a major developing power, Iran stands as a key partner in china’s ongoing effort to present itself as key ally of the interests of the developing world. Hence, good relations with Iran potentially contribute to china’s expanding global influence beyond the west.

In particular china does not want to be seen as direct rival of USA and undermining US interest and policies, in Ares Washington regards as of critical strategic importance. This certainly includes Iran’s nuclear program and its support for adversaries in the Middle East and beyond.

In mid march 2010, president Obama involved personally to gain china’s support for sanctions. Greater alarm in Beijing, the rise of arms race in the Middle East and resultantly the chances of air strikes by USA may also affect china’s acceptance of international sanctions. There arises a debate in china about how to assess the risks associated with Iran’s nuclear program. After surveying the views of PRC analyst have views “there may be opportunities for US and others to continue to persuade Chinese interlocutors of the risks that Iran’s behavior could pose to regional security and thus to china’s own interest in Iran and the region.”⁵ In this regard only a few Chinese analysts have view that Iran will develop nuclear capability. One prominent Middle East expert once interviewed in Beijing in 2012 argued that Iran is developing an “Islamic bomb” which allows it to claim the mantle of the “#1 power in the middle east.”

We should add that, for some Chinese and foreign observers, Beijing’s efforts to follow closer energy-related ties with Tehran also derive from a disbelief that the United States (and possibly other Western countries) ask for to deny China access to energy resources in other more conventional countries or regions. For other observers, China’s energy policies toward Iran and other so-called scoundrel nations are designed to offset Western political leverage over China in general.

In other words, from this perspective, China’s economic links with Iran are driven in part by perceived hostile U.S. actions, or Chinese suspicion toward the United States. A less portentous explanation for China’s drive for energy-related investment deals with Iran is the notion that Beijing is simply a latecomer in the global energy production game. Moreover, it is possibly the case that Beijing has predetermined or slowed some of its Economic deals with Iran as a result of U.S pressure. In Particular, some outside analysts believe that Chinese fears concerning the economic impact of existing and likely sanctions against Iran regarding the nuclear entanglement

Along with a general desire to avoid appearing as if China is resisting the will of the international community, have together contributed to the slow progress or lack of progress on some of the above investment deals. Perhaps the most notable likely example of this behavior has been Beijing’s delay in developing the Yadavaran oil field, which some analysts attribute in part to U.S. pressure.

The question arises here that what would be the possible strategy of china? How possibly can she deal with Iran for its economic purposes and how it will use Iran for security regarding issues with USA??And what game it will play to maintain its peaceful relations with Iran and USA. We will use a game theory to solve these questions.

Methodology

Situations involving interdependent decisions arise in all walks of life, it also happens in the international relations of countries. Game theory is then applied to solve the problems arise among different countries. International relations as commonly denoted relate with the interaction of different actors of different states which also include different organizations and corporations. International relations are the strategic and interdependent methods that how one entity’s decision or act affect other entity’s decision and vice versa. Therefore, it followed the game theory whose main objective is the formalized analysis of decision making procedures and relationship among two or more actors. Game theory not only provides specific means not only for understanding different realities but also provide means in order to influence interactions with broader benefits.

In real life, sometimes it happens that we may have to choose best from several options. Sometimes we choose and sometimes we may not, it depends upon the need and decision we make on that time. For instance you want chocolate flavor ice-cream, but the shopkeeper just have strawberry flavor. Now it depends upon your choice, you will take strawberry flavor if you really want ice-cream, or you will not if you are concerned about flavor.

Game theory is the branch of decision making theory related to interdependent decisions.as it arise from the competitive situations, therefore, the participants of the games are called players and the problems to be solved by game theory are called games. The problem or the game involves multiple participants each of whom has individual objectives related to common problem. Game theory not only deals with the competitive situation but any strategy in which one player's action depends upon others.

Situations arise in the game theory call for strategic thinking which involves the devise of best plan to achieve one's objective with the use of available information. In the game theory sometimes you are already informed with the assessing cost and benefit in order to make informed decisions at several points. This concept is further extended towards interdependent decisions, in which the options being evaluated are the functions of the player's choices. The techniques involve in game theory related to interdependent decisions are different from those of individual decisions. To begin with, the object in this game is not to win; even in the most competitive games the only objective is to identify the optimal strategy of the player. Our only concern in this methodology is the use of optimal strategy.

In gamming the actions the **players** are called "**moves**" and the role of analysis is to identify the sequence of moves and that "**sequence of moves**" is called as "**strategy**." In this way an optimal strategy the sequence of your moves that results in best outcomes.

Sequential Games

To analyze sequential games, a game tree is first to be construct which map out all the possible situations. In which the basic rule is followed "**look ahead and reason back**"

1. Look ahead to last decision and and consider that if it comes to the point, what will be the optimal outcome.
2. Back to the second last decision and assume that what will the next player choose as his best outcome.(because we have already decided that what that player will pick if it come to that)
3. Continue reasoning back in this way all decisions have been fixed.

By playing the game you simply have to identify the choices at each of your decision. The only time you have to look is that when you think that other player has made mistake and you have to look back to change your optimal strategy. In this procedure we have to be careful that the other player is also smart. In this case we have to make our best possible decision.

Zero-sum Game

A game is the constant sum, if the sum of the pay-offs are the same to the players for all of the strategies. In this game one player gains if and only the other player losses. A constant sum game can be changed into zero-sum game by subtracting a fixed value from the pay-offs, leaving their relative order unchanged.

Chicken Game

In this game two players are involved, it has both geopolitical and military applications, in this game "the outcome where neither players yield, is the worst possible for both players."

Simultaneous Games

These games are different and handled in a different manner because there is not any last move. In this game, decisions are to be taken at the spot. Therefore, best decision should be taken for the best outcome. A very simple example of the simultaneous games is 'prisoner dilemma' in which two suspected felons are interrogated by the police in different rooms.

This game have several remarkable features, firstly the players have the dominant strategies. This game greatly simplifies the decision because in this game, if you have a dominant strategy; use it because there is no other way to do better. There is an important theme in this game that maximizing the benefit of individual does not necessarily aggregate to welfare of group.

The strategies used in simultaneous games are that:

- ✓ If you have dominant strategy, use it.
- ✓ Otherwise, look for any dominated strategies, and eliminate them.

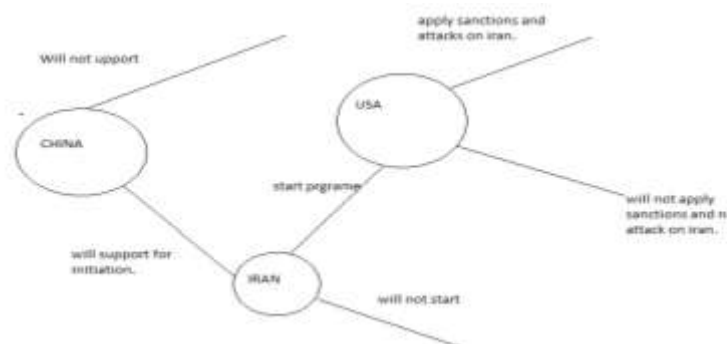
Many games can only be solved by using these steps. Accordingly if you eliminate the dominant strategy you can choose another, (there may have been one originally, use them, or you may have created one) you can keep iterating in this way until you find a dominant strategy, or the game cannot be reduced any further.

What happens if the games cannot be reduced and there is no dominated strategy? There is an equilibrium solution that maintains stability and is usually the best solution. (This state of equilibrium may not be acceptable to all, stability does not necessitate, compensation may be necessary. This is the advanced form of game theory).

If there are multiple equilibrium points or none, in either case mixed strategy is the optimal choice, in which players strategically switch between non dominated strategies. To conclude that game theory is much exciting because it involves simple principle and far reaching applications. Interdependent decisions are everywhere, perhaps the most interesting games are those which involve communication because then it involves various strategies then. Game theory can be used to design various credible commitments threats or promises, or to assess statements offered by others.

Game theory can be applied in triangular relationship of USA, China and Iran. If Iran will start the nuclear program then US will apply the economic sanction on Iran and will possibly take military action. If Iran do not start nuclear program it will not have to bear the sanctions and no military action will be taken against it. Thus it has two options either to start the nuclear program or not to start. In the same way china has also two strategies either to support Iran for its nuclear program and suffer the security issue from USA or not to support Iran for the nuclear program and make good relations with USA and do not suffer from security issue.

Sequential game can be applied on the nuclear issue regarding the three countries, the countries included in it are called players, and the actions they use are called strategies. In this every player has two dominant strategies; every player will try to use the best optimal strategy. We can solve the problem by using a game tree. The actions of all players are interdependent, if one player use the one dominant strategy which is best possible for it and take the decision, the second and the third player will use the respective dominant strategy which is best according to them and will take the decision accordingly. Using this sequential game we can sort out the problem and will consider the decisions they made according to their best optimal strategy.



This figure describes the whole situation in the best way, basically china has economic interests in Iran, therefore, its best optimal strategy will be to support Iran for the initiation of nuclear issue and its other non dominant strategy will be not to support nuclear initiation program of Iran. Accordingly Iran will take the decision, its best optimal strategy will be to start the nuclear program and if china does not support, it will not start the nuclear program but if it will start the optimal strategy of USA will be to apply sanctions on Iran and will take action against it. And if Iran does not start the nuclear program then USA will not apply sanctions on it, though it will be its non dominated strategy.

The strategy of “**look ahead and reason back**” is also applied in this situation. By knowing the last possible action of the third player USA, the other two players will take the respective actions. The last action of USA is to apply sanctions, therefore, Iran will reason back and will change the strategy and will not start the nuclear program. Consequently china will change the strategy and will not support Iran for initiation of nuclear program.

When the **zero-sum game** is applied to all three USA, China and Iran, the gains of Iran and china should be equal to the losses of USA while the Gains of USA should be equal to the losses of China and ran combined. In the zero sum game, the loss of one becomes the gain of others. For example if Iran had succeed in acquiring nuclear technology, this would have been the combined gain of Iran and China as China was Iran’s facilitator, on the other hand USA would have lost as being unable to stop Iran, it would have lost its creditability as the controller of world’s nuclear technology. But on the same hand Iran would also have lost a lot as it would have been under immense economical sanctions etc for going against the will of the international community. This could have strained China’s relations with other nations as well. In this way the gains of one would have the losses of others. Thus the sum of gains and losses of both equals zero.

Chicken game can be applied in the case of Iran and USA, this conflict is modeled as non cooperative game name chicken game. In this one player can win by threatening the other. Now, in this case US stated goal is to prevent Iran from having the capability of reducing nuclear weapons. The strategies are sanctions and the use of force for US and continuation of enrichment and suspension for Iran.

four possible outcomes of Iran and USA

IRAN		USA	
Continuation of nuclear program	suspension	sanctions	use of force

There are four possible outcomes. The first one is to implementation of sanctions on Iran, this forces Iran to compromise and terminate its nuclear program.

The other scenario can be that Iran doesn't stop its nuclear program despite the sanctions and succeeds in acquiring nuclear power. In this way it over come America's threats

There is another possibility that Iran suspends its nuclear deal, bur USA attacks Iran anyway. In this way Ian loses everything. It loses its nuclear capability and faces a defeat.

It is also a possibility that Iran doesn't suspend its nuclear program, US attacks. This will be disastrous for both to begin with. But in longer run it will be more harmful for USA as Iran knows that USA is already engaged in war in Iraq, so its military sources are also engaged. Also a full scale war in the Middle East will affect the oil prices worldwide and this will also affect America more. So in a way this option could have been the most rational option for Iran. Because in longer run, USA loses more than Iran does.

Conclusion

After seeing all this it's evident that game theory can be applied to this situation very well. By applying it we can determine the steps that could have been taken by the players to reach the end product. All the steps were covered in a sequential manner. As in any game theory, first of all we looked at the result. and then we traced our steps back to the origin of the problem. Now out of whatever we have seen, I tried to evaluate the best possible strategies for all the three nations.

We can see the optimal strategies of all the three Players. The end result of all this game in reality is that that Iran gave up its nuclear program to avoid sanctions from USA and other western nations and in a way it also avoided the possibility of an American invasion. This termination of nuclear program has allowed Iran to re enter the world trade. But at same time it was not able to achieve the status of the major power of Middle East.

It seems the like the best strategy that Iran could have adopted. Because if we compare the military might of Iran and USA, Iran doesn't stand a chance. It also had seen what happened to Iraq when it didn't give in to USA's will.

China is the player in this game that perhaps lost the least. But it's losses combined with Iran's losses make it equal to USA's gain. The optimal strategy for the china would have been to keep on assisting Iran. Because nuclear proliferation can be a profitable business. And it in a way asserts China as major power of Asia which has got the power to even control the spread of nuclear technology in Asia but had China kept on doing it, this would have strained it's relations with major powers like USA. It might not have led to a direct confrontation, but it would have damaged the trade links between the two nations.

It seems that USA is the player that actually gained in this game. It made it clear to the world that it has got the power to impose its decision upon others. By stopping Iran from making nuclear weapons, according to USA it has ensured that these weapons don't fall into wrong hands. The optimal strategy for the USA would have the one it adopted it used its political influence and its might in the world economy to get the job done without actually using force.

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CHINA-PAKISTAN ECONOMIC CORRIDOR: CHANGING SCENARIO OF SOCIO-ECONOMIC AND HUMAN DEVELOPMENT

Insha Idrees *

Abstract: *Modernization and development process often sought to steamroll, flatten and secularise the diverse visions of a desirable society into a single monolithic vision. China-Pakistan Economic Corridor is no doubt bridled with so many metaphors of their all-time friendship but the disparity in the Chinese and Pakistani economies can lead to the creation of trade patterns that can positively or negatively impact the latter's economy. This Paper attempts to have an insight on the various economic and Infrastructural changes which China Pakistan Economic Corridor sought to bring and their impact on the human development. The paper attempts to analyse whether the development projects like CPEC would be prudent for empowering the human capabilities of the people of Gwadar. This paper also attempts to have an insight on the pros and cons of China Pakistan Economic Corridor. It also deals with the crucial questions like: Whether these huge projects of massive investment put Gwadar at an advantageous stage or tend to bring Marginalization and Social exclusion of the people and can Pakistan makes its position politically and diplomatically strong rather than being a bridge state only.*

Keywords: CPEC, social exclusion, marginalization, economic inequality and local capture

Introduction

South-Asia is known as a region that is marred by instability, economic underdevelopment and conflict. It is one of the most troubled regions of the world. The nations of this region time and again sought the avenues of cooperation leading to development. The China-Pakistan Economic Corridor (CPEC) is one such initiative to accelerate economic growth by linking backward regions with more developed Industrial centres, and to improve access to markets through the integration of trans-border production networks. The China-Pakistan Economic Corridor (CPEC) has been a point of attention in the national and International media. This ambitious joint infrastructure project between Beijing and Islamabad aims to give energy hungry china an alternative route to the resource rich Middle-East. It will connect Western China with the strategically viable country in the region. The economic corridor is being considered central to China –Pakistan relations and will run about 3000 km's from Gwadar (South –Western Pakistan) to Kashgar (North –Western China). The Corridor is an extension of China's proposed 21st century Silk-Road Initiative.

According to First Post Report, “this is the biggest overseas investment by China announced yet and the corridor is expected to be operational within three years and will be a strategic game –changer in the region.(...first post 22 April,2015).

The China-Pakistan Economic Corridor (CPEC) is a significant bilateral agreement which has the potential to configure the geopolitics of the south-Asian region. China is set to invest \$46 billion in the economic corridor which runs from Gwadar, a deep sea port in the province of Baluchistan in Pakistan to Kashgar in China's north-western province of Xinxiang with rails, roads and pipelines. The CPEC is being called a game-changer, despite apprehensions about potential security challenges as the route passes through the volatile regions of both countries and the impoverishment of the province is as true as broad day light.

The multi–billion dollar agreement between Pakistan and China to develop the port of Gwadar does not present a very promising picture for the people of Gwadar, still living in atrocious conditions and serious security threats. Gwadar is one of the poorest cities in the impoverished province of Baluchistan, which is the wreck by a decade old separatist insurgency. The coastal community survives on fishing in the Arabian Sea, which is the only major occupation of this province. After the construction of a port in the area, this occupation will be on the verge of extinction and the people who are engaged in this occupation might be forced to migrate and thus losing their traditional culture¹. Through this Corridor, the Pakistan Government with promised Chinese investment looks forward to make Pakistan China's newest superhighway to Europe, Africa and Middle-East.

The China-Pakistan Economic Corridor (CPEC) is expected to further strengthen trade and economic cooperation between the two countries. Chinese Premier Li Keqiang emphasized the construction of the CPEC during his May 2013 visit to Pakistan (Tiezzi, 2014). The incumbent Pakistani government has also shown much enthusiasm for the project since then. The corridor will make Gwadar not only fully operational but also transport it into a significant deep sea port in the region. The port was opened for operations in 2007, its control was transferred to China's state-owned China Overseas Ports Holding in February 2013. Since then, Gwadar is undergoing a major expansion to turn it into a full-fledged, deep-water commercial port (South China Morning Post, 2014). When the corridor is constructed, it will serve as a primary gateway for trade between China and the Middle East and Africa.²The corridor is expected to cut the 12,000-kilometre route that Middle East oil supplies

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must now take to reach Chinese ports.³ Besides meeting China's needs in energy and developing its far west region and upgrading Pakistan's economy, the CPEC is expected to benefit the people of countries in South Asia, contributing towards maintaining regional stability as well as economic integration.

Although it has been argued that modernization and development is a way of looking at what is desirable or undesirable in a polity. Attempts to "steamroll, flatten and secularise the diverse visions of a desirable society...into a single monolithic vision" (Nandy, 2012)⁴, forms though the moot point in development and modernization. Crucially connected to this analysis, it has been well recognized that "small-scale societies have been confronted by development forces and incorporated more fully all over the globe often on terms unfavourable to them."⁵ There is a consensus among analysts that these projects could bring prosperity to Baluchistan in general and Gwadar in particular only if it includes local people and addresses their needs.

Project Goals

The motivation behind China's promised investments in Pakistan are primarily three-fold, in order of global relevance; providing economic support to a long-time ally and strategic hedge, facilitating trade and building linkages to the west by which China can expand its influence.

China's most parochial motivation for the China Pakistan Economic Corridor (CPEC) is to provide economic support to flagging ally struggling with political instability. Pakistan and China, as mentioned have historically viewed each other as balances vis-à-vis their shared rival, India. Now, with the United States explicitly turning its attention towards India to counter Chinese regional influence, and with India's economy primed to grow, it is logical that Beijing would seek to apply a formidable counterweight.

China's second interest in the China Pakistan Economic Corridor (CPEC) is the growing Insurgency in both the countries. China has a real cause to be concerned about Pakistan's susceptibility to terrorism and insurgency. Elements of China's own Muslim Uyghur Insurgency in its western most Xinjiang Uyghur Autonomous region are reportedly tied to extremist networks in Pakistan and use the Country's lawless western regions as a base for operation. Beijing hopes that a massive economic infusion will promote economic growth and stability both at home and abroad while strengthening its struggling ally.

China's third interest in the China Pakistan Economic Corridor (CPEC) is its potential to diversify energy trade routes to and from the Middle-East. China has worked hard to develop linkages to the energy rich central Asian states as a way to reduce its dependence on imports through the Indian Ocean and South-China Sea regions, where a strong naval US presence could allow for blockades at choke points, such as the strait of Mallaca, in the event of confrontation between the two powers. The CPEC intends to make full use of the Chinese constructed and operated Gwadar port, situated along the Strait of Hormuz in Pakistan's western Baluchistan province.⁶

These reasons alone, however, do not justify such a massive investment in a single country facing as many challenges as Pakistan. China's geopolitical goals are increasingly global expanding beyond its immediate neighbour and the decision to announce its massive investment in the China Pakistan Economic Corridor (CPEC) is a clear indication that Beijing views Pakistan as an important partner in meeting its ambitious economic and political goals. China views its investment in Pakistan particularly its goal of a rail corridor between the two countries as a "flagship project" of its "**One Belt One Road Initiative.**" This initiative seeks to link china's economic partners in South-East Asia to Europe by means of overland and maritime trade routes, including Key Middle-East energy resources and emerging African markets. Pakistan by virtue of its status as a long-term ally and its geographic position, linking western China to Sea routes through the Middle-East, Africa and most importantly Europe, could serve as central cross-roads for Beijing expanding its global ambitions. The potential for Gwadar to be used in support of future Chinese naval operations is also very real, although the nature of this usage is the source of on-going debate. Regardless, when viewed in the context of China's broader strategic aims, it is clear that the ambitions behind the CPEC go far beyond strengthening bilateral ties⁷. It's quite pertinent to say that China's real focus is on Middle-East rather than Pakistan. It does not imply that Pakistan is irreverent or not dear to china but the question is whether Pakistan would make its position politically and diplomatically strong rather than being a bridge state only.

Political and Socio-Economic Elements

Although Pakistan regards China as an "all-weather friend," bilateral relations between the two countries have never been easy over the course of history; yet it is important to assess the factors that can affect Pakistan's political and economic capacity and response to implement the Communication, Collaboration, devolution elements of the larger CPEC projects over a longer period of time.

Two key factors of this Corridor, which can shape the course of national and International politics of Pakistan, are Endogenous and Exogenous factors.

Endogenous factors

Endogenous factors include (a) Pakistan's political stability and policy consistency. (b) The present situation of Pakistan's Economic and social scenarios.

With regard to the first factor, a positive aspect is that there is almost consensus among Pakistan's political parties on maintaining friendly relations with China, which suggests that in principle there should be no major political impediment in the way of the construction of the China-Pakistan Economic Corridor. With an exception of minor sections among nationalist parties in Baluchistan⁸, Pakistan's regional parties look towards China in a positive manner to preserve bilateral ties. Similarly Pakistan's military establishment, which is also a key stakeholder in policy-making processes in Pakistan, considers China a trusted and valuable partner in bilateral military, economic and strategic areas of engagement and cooperation. Every political party that comes into power in Pakistan holds frequent high-level meetings with the Chinese government to discuss the political and strategic prospects that are helpful in strengthening bilateral relations and cooperation. The relationship between the two countries mainly hinges on four shared areas of interest that include "economic cooperation, energy security concerns of both countries, shared internal security concerns and largely converging geostrategic interests"⁹

All these factors indicate that a change of government in Pakistan is less likely to reverse or halt the CPEC project as successive future governments are expected to maintain consistency in Pakistan's foreign policy towards China. For example, the incumbent Pakistan Muslim League-Nawaz (PML-N) government in Pakistan restarted the country's political and economic engagement with China from the point where the outgoing Pakistan People's Party (PPP)-led government had left it.

Apart from that, long-term political stability will be required in Pakistan to smoothly implement projects such as the CPEC. In the past, Pakistan has faced many phases of political instability and turmoil that weakened the country's development roadmap and also affected policy consistency. The segments in Baluchistan that oppose these projects due to their apprehensions of being marginalized will overcome only by enhancing cooperation and collaboration between national and regional governments of Baluchistan in a true democratic and participatory manner.

Coming to the second aspect of endogenous factor, Economic growth and development are linked to political stability to a great extent "Lack of access to markets and to employment, educational, health and socialization opportunities in some areas leads to regional Inequality and in most cases constitute the basis of disaffection and insurgency creating conditions for higher security costs."¹⁰

At present Pakistan's economic outlook although not so bright, but looks positive and improving. Following the ancient Chinese proverb-"To get rich one must build roads," China Pakistan Economic Corridor aims to link politically sensitive but resource rich region of Xinjiang in China to Baluchistan in Pakistan. Before setting up this project there are several previous initiatives taken by the two governments like Opening of Karakoram Highway or entering into various preferential trade agreements etc. So there are reasons to infer that despite these various bilateral arrangements which were ostensibly built to ensure development of the region by enhancing local trade, it has largely failed to do so.

Socio-economic statistics of the region show that the locals have not been benefited despite the on-going bilateral border trade since 1970's. For instance, the per capita per annum income of Gilgit-Baltistan is only one-fourth of Pakistan's national average and more than half 1.3 million of its inhabitants still live below the poverty line. Further, the literacy rate also remains very low at 15 per cent for males and 5 per cent for females¹¹.

According to statistics provided in Pakistan Economic Survey 2013-14, the volume of trade between Pakistan and China has increased from \$ 4.1 billion in the year 2006-07 to \$ 9.2 billion in 2012-13, representing an increase of 124%. While China's export to Pakistan increased by one per cent during this period, Pakistan's exports increased by 400 per cent from around \$600 million in 2006-07 to \$2.6 billion in 2012-13. As a result, China's share in Pakistan's total export has gradually picked up from 4 per cent in 2008-09 to 10 per cent during the fiscal year 2013-14.¹²

The objective of any development project like CPEC is always to bring economic growth and development and ultimately to resurrect the prosperity, but there are always apprehensions of modulatory effect where the results do not come as conceived. As clear from the above mentioned statistical data, the socio-economic status of the local population has not improved despite bilateral trade between the two countries. The deep-seated military establishment of Pakistan in past has used this region for strategic purposes and has not paid any heed to the local needs of people.

The per capita per annum income of Gilgit-Baltistan is only one-fourth of Pakistan's national average and more than half 1.3 million of its inhabitants still live below the poverty line. This is substantiated by Putting it another way, Gwadar holds a central place in the utility of CPEC. So, without making Gwadar fully functional, it would be difficult for China to see the anticipated Corridor as an energy corridor. Gwadar could play a key role in ensuring China's energy security as it provides much shorter route than the current 12,900 Km one. However, there is a view that construction of CPEC will place Gwadar on the matrix of intense geo-strategic competitions (CPGS, 2014).

It's expected that the project will be financially viable for both Chinese companies, especially state-owned enterprises and Pakistani government, because the revenues generated by the project would cover its cost and provide sufficient return on investment. A top-down notion of development ignores crucial elements of well-being. The dominant approach to economic development regards people primarily as means to desirable ends. Policies have tended to see "Production and Prosperity as the essence of progress (and)... economic growth as the characteristics of successful development." (Sen. 1990, quoted from Alkire, 2010). People are valued in so far as they advance growth and prosperity.

Baluchistan a region rich in gas, gold and copper as well as untapped reserves of oil and Uranium has been rife with economic instability and political turmoil. The underdeveloped province's problem stem from unfair state policies that largely ignore the region while continuing to exploit its natural resources. According to official statistics, Gwadar is among the worst performing regions, if not the worst in the areas covered by the Millennium Development Goals..... (The Dawn, 2015). The residents near the port are deprived of their natural resources like water. Due to the lack of substantial planning, the city has been facing an extreme water shortage for decades. Dr.Kaiser Bengali opines that Gwadar will develop not another Dubai, not even another Karachi, but it will develop more as a transient and transshipment port. There are doubts that this project can cause displacement of the people of Gwadar from their ancestral occupations. This is further substantiated by Parasuraman (1996) who argues "development projects.....induce displacement of people from their ancestral habitats and cause large-scale loss of traditional occupations."¹³

The prime focus of the two countries is indeed the resurrection of economic development and growth but that should in no case lead to the marginalization of masses. The major investments to be made in this project are from the public sector (Public sector, according to the claims made by local people, also include natural resources like land and forests). The government of Pakistan has to be very conscious while fixing the terms of bargain and have to bear in mind the building up of human capabilities.

Many scholars and political analysts are hopeful about CPEC that it will contribute towards maintaining regional stability as well as economic integration on the social plane. Nonetheless, the fact cannot be denied that regional literacy rate of Baluchistan has dropped to 58%, in 2013-14 from 60% in 2012-13. While there has been a decrease in literacy, as the Pakistan Social and Living Standards Measurement (PSLM) confirms, over 90% of the youth are unemployed in the city¹⁴. On the other hand, the residents of this region suffer a virtual drought of water shortage from the last two decades. The energy consumption rate of the locals is almost ten times lower (5 watts per capita) compared to Pakistan's national per capita average of 48 watts.¹⁵

The corridor is likely to speed up the development but the lack of employment and, more importantly the right kind of employment may cause social exclusion of local masses due to pressures from globalization, technological shifts or changing power relations within society and work place. The local residents oppose the project and consider it a conspiracy because they believe that the project will convert the Baloch's into a minority in their own homeland. Syed Essa Noori, a leader of the Baluchistan Nationalist party Mengal believes that the people of Gwadar are being denied Jobs at Port and labourers are brought from Sindh, Punjab and other parts of Pakistan.¹⁶ Therefore, the denial or non-realization of the civil or political life or isolation and lack of public involvement are some key factors that could lead to marginalization.

As per Arjun Sengupta, the right to development is an alienable right which cannot be bargained away and all people in the process of development are entitled to participate in, contribute to and enjoy the processes of development. This development includes economic, social political and cultural development. In this process of development, all human rights and fundamental freedoms should be fully realised.¹⁷Therefore, without this the proposed development cannot lead to eradication of poverty and indignity in Baluchistan. The development process must integrate growth and distribution while breaking systematically the social barriers of discrimination and prejudices based on ethnicity, gender, region and language.

Mahbub Ul Haq emphasizes that "Human Development paradigm is concerned both with building up human capabilities (through investment in people) and with using those capabilities fully (through an enabling framework for growth and employment)" (Haq, 1995). Therefore, the government of Pakistan has to see this project through different prisms. Apart from focusing on economic growth and market expansion, the objective of development should be the expansion of people's capabilities, their opportunities to achieve the desired ends by devolution of the definite share of revenues from these projects.

The CPEC is an important development in whole South Asia and is expected to settle the energy crises in Pakistan. For all of their fanfare, the announced investment projects face significant hurdles, including a fractured Pakistani political environment, in which an apparent change in the CPEC route has already sparked protests from local and provincial leaders in Pakistan's underdeveloped western provinces of Baluchistan and Khyber Pakhtunkhwa. Given both countries penchants for opacity, corruption appears to be an inevitable challenge. Additionally, the fact that Chinese companies, employing primarily Chinese workers, will carry out many of the projects may only serve to increase political resistance.

Although, both the countries have made commitments of billions of dollars in aid to resurrect the fragile economy of Pakistan but the government of Pakistan has to be politically and diplomatically conscious while investing in key areas like infrastructure and empowerment of people.

Exogenous Factors

The endogenous factors discussed above finally shape the exogenous factors.

Growing global influence of the china by making huge investments in south-Asia obviously presents challenges to United States that are best met by continuing to engage with regional partners (including India) and allies. However, the growing reliance of Pakistan on China may strain the relations between US and Pakistan which may have serious implications on the prospects of Pakistan's foreign policies in future.

The CPEC marks a further shifting away of Pakistan towards China, affecting its ability to influence Pakistan's policies. The interest of China is more in sustaining the utility of Pakistan as a strategic drag against India than promoting and strengthening democracy in Pakistan.

China's growing ambitions as well as their expansionist moves in the south-china sea provides China a way to sustain its aggressive posturing on the border dispute with India without fearing a naval blockade are bringing it into confrontations with almost all its neighbours and has forced Japan to revise its military policies... (South-Asia monitor, May, 2015).

The entire region of Pakistan, China and India has been shadowed by the alarming apprehensions of security concerns, cross-border conflicts and poor connectivity. Growing Chinese presence in Gilgit-Baltistan region of POK appears to have gained an unspoken control of the region by snow-balling investments and subsidizing various development projects. Chinese physical presence in the region and India-Pakistan fragile situation projects the frightening situation and seeks an International intervention on priority basis in order to prevent the "clash of civilizations" between the trio.

Externalities

There are positive as well as negative externalities:

The project that consists of construction and up-gradation of roads, oil and gas pipelines, railway tracks and an international airport in Gwadar, promises to make Pakistan an economic power in the world, and Gwadar a trade and economic hub of the region. The project does not merely promise wonders for Pakistan but China will also have huge dividends from this initiative in the form of getting easier access to the Middle East and Africa through shorter routes and lesser costs. A land-locked Western China will become economically vibrant, and subsequently eliminate militancy and unrest caused by movements like Uyghur's Xinjiang conflict

Greater economic growth, foreign investments will have important externalities in the form of good literacy rate, male-female ratio and healthier labor force. The government of Pakistan has already allocated over 73 billion as the budget for the Public Sector Development Program (PSDP) under the CPEC which can be used for job allocation and poverty alleviation.

Such projects need to be strengthened as it would bolster the development activity in the true sense, rather than culminating in resource drainage by a bigger power that would lead to more deprivation and exploitation in the guise of aid and assistance.

The undertaking of government to make CPEC "Economically and environmentally sustainable" is being questioned from many quarters because there are potential threats to fragile ecosystem particularly in Pakistan's north which is home to some 5000 glaciers and dozens of rivers that fed the Indus River.

The commitment Chinese have made are quite difficult to achieve rather will they provide any Jobs to locals is doubtful, since the past practices of china are not viable for local capture. In African countries, Chinese have invested billions of US dollars and did not contribute significantly to job creation, Instead it brought its own people for most of the work it did.

Economic prosperity is vital to solving important issues and challenges in South Asia. Through CPEC, states in South-Asia can converge their interests. Once their interests are combined, they will have an incentive to sit together to create solutions to regional problems. CPEC may act as an incentive to enhance the intra-regional trade that will eventually resurrect the economic prosperity of the whole South-Asian region. South Asia is one of the least economically integrated regions of the world-Sub-Saharan Africa, the Middle East and North Africa all has a higher intra-regional trade. Intra-regional trade is only 3-5 % of the total trade of the region, representing just over 1% of regional GDP, while this percentage is 7% in East Asia. India's trade with its neighbours is less than 3% of its total trade. The regions salient features are under -development, increasing population, energy scarcity, struggling economies, extremism, militancy, terrorism, water scarcity and climate change. These challenges have an immense impact on South Asia's economies. The CPEC can be professed as a boon to influence the economies in the region.

Conclusion

CPEC is a step forward towards Chinese dominance in the whole South Asia, there is no doubt that from this economic relationship China will be more benefitted than Pakistan. The development projects like Infrastructure take time to

materialise, but the immediate worry for Pakistan is dumping of Chinese cheap goods, driving local entrepreneurs out of business. Therefore, Pakistan has to be very pragmatic in order to check this trend so that this economic corridor could bring peace, prosperity and well-being of the people in the region and the world at large.

Pakistan can also boost the friendly relations in the region by diverting its attention from traditional destinations like Dubai and U.K. and diversify its export destinations. The CPEC can also act as a bridge between Pakistan administered Kashmir and India administered Kashmir and can have a spill over effect on the fragile economies of these two conflict-ridden zones. Amassing conventional military weapons and going into direct wars with rivals is a less popular option today than establishing new and mutually beneficial trade patterns and economic policies. Evolution of European Economic Community (EEC) into a successful European Union (EU) shows that economics outmanoeuvres politics.

The development of CPEC is pregnant with implications for regional, economic, political inequalities and cultural prejudices. The earlier developmental processes have denied local populace from participating in the mainstream activities, thus leading to social exclusion and ultimately, to marginalization. However, CPEC seems to play an important role in the social development as it allocates 73 billion for the public sector development programs (PSDM). This economic corridor can be seen as a medium through which people from all social stratas could improve their well-being on the basis of their active, free and meaningful participation in the development and fair distribution of benefits.

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CHINA-PAKISTAN ECONOMIC CORRIDOR (CPEC): A SOURCE OF COMPETITION AND COOPERATION IN SOUTH ASIA

Muhammad Ahsan Jamil *

Abstract: *China-Pakistan Economic Corridor (CPEC)-the flagship project between China and Pakistan for economic cooperation and transit trade-holds immense geo-strategic and geo-economic importance. The corridor has future potential to link China and the landlocked Afghanistan and Central Asian Republics (CARs) with South Asia and further south with Indian Ocean and Persian Gulf. Moreover, Iranian port of Chabahar has potential to provide another pathway for India to access Afghanistan and the CARs from the Persian Gulf via Iran bypassing the territories of Pakistan. CPEC and Indian strategy vis-à-vis Chabahar will shape future competition between Pakistan and India in their quest for energy security. However, prospects for cooperation on CPEC between India and Pakistan also exist which can have a transformative effect in integrating the South Asian region as a whole.*

Keywords: CPEC, Gwadar, Chabahar, South Asia, corridor, energy security, Indian Ocean

Introduction

Trade and transport routes are the pre-requisites for modern economic integration. Transport corridors act as the key for connecting sub-regional and regional markets. Upgradation of transport and energy infrastructure supports connectivity and boosts economic investment to a region. Thereby, transport corridors pave way for economic corridors by creating a multimodal network effect. Corridor approach correspondingly also incorporates efforts to enhance social and cultural outcomes of increased connectivity.¹ Srivastava (2011) discusses the process of development of economic corridors through five inter-related stages including— transport corridor, transport and trade facilitation corridor, logistics corridor, urban development corridor, and, finally the economic corridor.²

Project	Details
Gwadar Port	Completed, handed over to China for 40 years starting 2015. ³
Karachi – Lahore Motorway (KLM)	Approved, under construction 2015. ⁸ Expected to be completed by end of 2017. The network of Pakistan motorways will be connected to Karakorum Highway near Rawalpindi/ Islamabad. Hazara Motorway will be connected to M-1 and M-2 near the capital.
Hazara Motorway (Also known as E35expressway)	Under construction. Connect with M-1 and M-2 at Burhan, near Islamabad/ Rawalpindi. Expected to be completed before end of 2016. ⁸
Iran–Pakistan gas pipeline	Under construction, Iran's part of the pipeline is complete. ⁸
Gwadar-Ratodero Motorway	Under construction, approx. 820-km long, expected completion Dec, 2015. ⁸
Havelian Dry Port	Feasibility study underway for the container port
Orange Line (Lahore Metro)	Approved. ⁸ The work has been started. Expected to be completed towards end of 2017
Upgrading of Gwadar International Airport	Approved. ⁸ Work has been started and project is expected to be completed by December 2017
China-Pakistan Joint Cotton Bio-Tech Laboratory	Approved ⁸
Gwadar-Nawabshah LNG Terminal and Pipeline Project	Approved ⁸
700 MW Hydro-Electric Suki Kinari Hydropower Project	Approved ⁸
Port Qasim 2x660MW Coal-fired Power Plants	Approved ⁸
720MW Karot Hydropower Project	Approved ⁸
Zonergy 9x100 MW solar project in Punjab	Approved ⁸
Jhampir wind Power project	Approved ⁸
Thar Block II 3.8Mt/a mining Project	Approved ⁸
Thar Block II 2x330MW Coal Fired Power project	Approved ⁸
Development of Private Hydro Power Projects	Approved ⁸
Dawood Wind Power Project	Approved ⁸

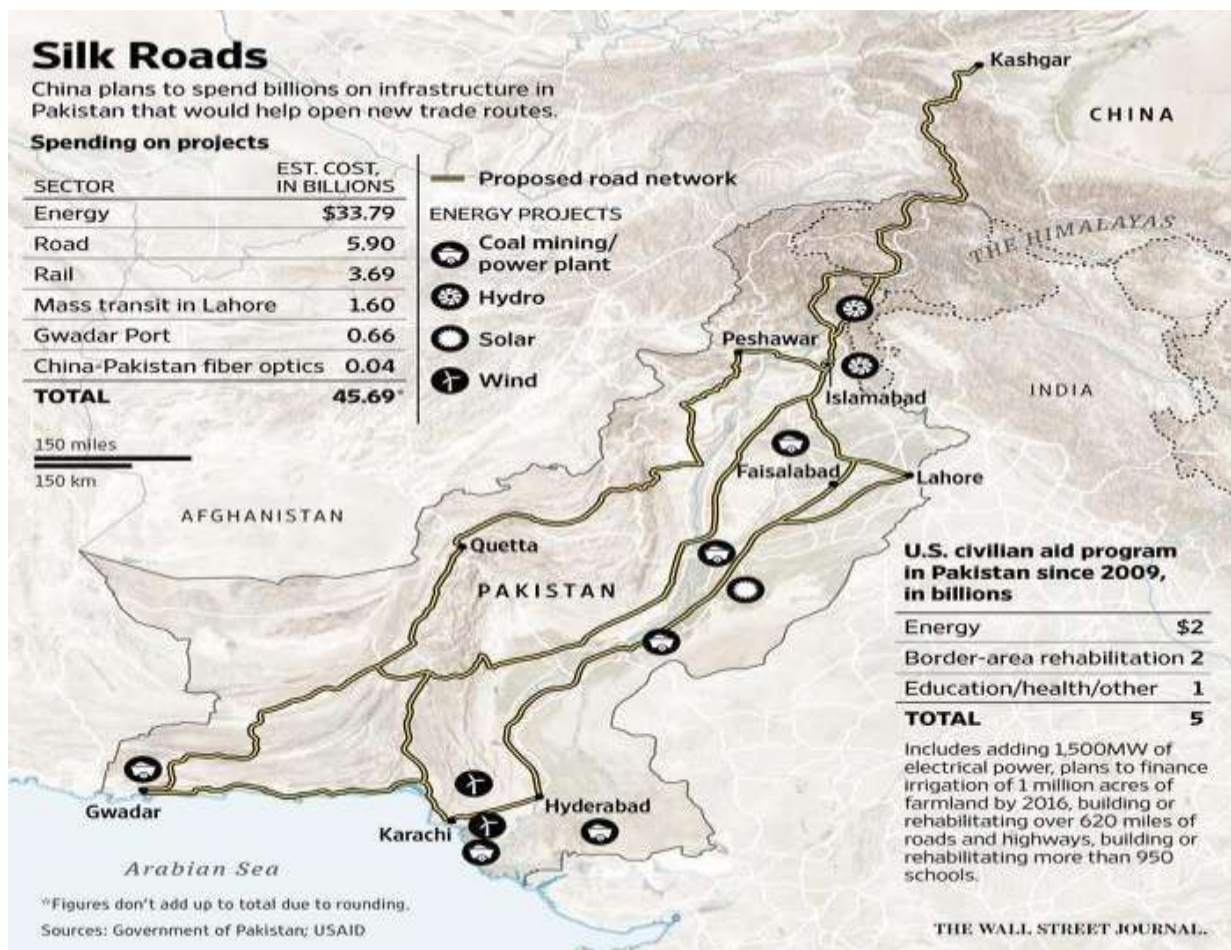
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Hubco Coal-fired Power Plant Project	Approved ⁸
Cross-border fibre optic data communication system project, a digital terrestrial multimedia broadcast pilot project at Murree	Approved ⁸
Havelian to Khunjerab Rail track	Approved ⁴
Upgrading of Karachi–Peshawar Main Line	Feasibility study underway ⁵
Khunjerab Railway	Feasibility study underway ⁶
Economic Corridor Support Force	Completed, armed division of the army for security of workforce, cost \$250 million. ⁷

In the Vision 2025 document unveiled by the Government of Pakistan, regional connectivity for trade and transit with the member states of South Asian Association for Regional Cooperation (SAARC), Association of South-East Asian Nations (ASEAN), Economic Cooperation Organization (ECO) and Central Asia Regional Economic Cooperation (CAREC) has been stressed as development priorities. China-Pakistan Economic Corridor (CPEC) – a landmark project which will connect China’s Kashgar in the western province of Xinjiang with Pakistan’s Gwadar along the country’s southern coast – can be called an effort towards achieving that goal⁸. China’s ultimate objective is to connect its continental, underdeveloped Western regions with the warm waters of Arabian Sea and Persian Gulf which will greatly help it in offsetting the time and energy consumed in trading through the Strait of Malacca⁹.

Four main areas of cooperation under the CPEC are transport, energy, infrastructure and industrial cooperation.¹⁰ The project’s cost has been initially approximated up to \$46 billion.¹¹ Following table enlists the projects finalized under the CPEC framework.

Table 1: List of Projects as Part of CPEC Signed Between China and Pakistan



Map 1: CPEC Routes

Source: Wall Street Journal (2015).¹²

China, India and Pakistan’s Interests and Concerns regarding CPEC

China, Pakistan and India hold a variety of congruent as well as dissonant interests in economic and strategic realms. The successful materialization of CPEC would to some extent remain contingent on streamlining these interests under a mutually cooperative framework.

China

In the closely interconnected world of today, the dynamics of economic interaction often acquire significance beyond the calculus of military prowess. Barry Buzan has defined economic security as obtaining access to “resources, finances and markets necessary to sustain acceptable levels of welfare and state power.”¹³ In order to sustain its economy, China requires constant supply of energy resources from Middle East and elsewhere.

Table 2: Oil Reserves*, Production** and Consumption** for China over Last Few Years

Entity	2000	2005	2010	2013
Reserves (R)	24,000	18,250	20,350	24,376
Production (P)	3,261	3,638	4,078	4,177
R / P Ratio***	20	14	14	16
Consumption (C)	4,642	6,748	8,930	10,099
P / C Ratio	0.70	0.54	0.46	0.41

*Million Barrels. **Thousand Barrels per day. ***In Years.

Source: ENI World Oil and Gas Review (2014)

Table 3: Natural Gas Reserves*, Production* and Consumption* for China over Last Few Years

Entity	2000	2005	2010	2013
Reserves (R)	1,515	2,200	2,853	3,275
Production (P)	27.15	49.23	94.67	114.82
R / P Ratio**	56	45	30	29
Consumption (C)	24.75	46.26	105.66	159.29
P / C Ratio	1.10	1.06	0.90	0.72

*Billion Cubic Meters. **In Years.

Source: ENI World Oil and Gas Review (2014)¹⁴

Tables 2 and 3 above clearly show that China’s demand for oil and gas has been accelerating in the last decade. Its reserves and production levels cannot meet its rising demands. Hence, securitizing its import routes and diversifying its import partners is a major interest of China. Following map shows how the CPEC is going to help China in reducing its pathway through the Strait of Malacca by a great distance and assisting in connecting China with its oil and gas exporters in West Asia.¹⁵ Hence, CPEC is a great means for China to ensure its energy security.

Moreover, for a country that is going to be the world’s biggest economy by 2025, access to strategic waters of Persian Gulf and Indian Ocean is critically important in multiple ways.

- ✓ The tail end of the CPEC is located at the Gwadar port which will not only provide China an entry point into Indian Ocean and Persian Gulf but also serve as a pathway to the Strait of Hormuz. This would be potentially a major strategic achievement for China in the long-run. By accessing Indian Ocean through a mere distance of 2,500 km, China will be able to counteract the supposed “Indo-US monopoly” over the Indian Ocean.¹⁶ A standing Chinese Navy just a few hundred kilometers away from Indian naval bases at Mumbai and Gujrat may provide huge strategic leverage to China.¹⁷ By accessing Indian Ocean via Gwadar, China will be laying its most valued strategic ‘pearl’ into its ‘string of pearls’ and may even serve as a counterbalance to American line of military bases along the Gulf of Aden.¹⁸
- ✓ The CPEC will reduce China’s trade distance from the Middle East by leaps and bounds from a mammoth 12,900 km to a mere 2,500 km (albeit from western China).¹⁹ China’s maritime trade route through the Strait of Malacca and Andaman Sea (under Indian influence) caters for 80% of its oil imports. A circumvented route through Pakistan and Gwadar port will be extremely helpful for Chinese energy security.²⁰
- ✓ CPEC will provide means for economic upliftment of China’s sparsely populated and economically weak province of Xinjiang bordering Afghanistan, Pakistan and Central Asia.²¹
- ✓ Bilateral relations with Pakistan holds exceptional significance for China on many counts. Firstly, it, along with Afghanistan, borders China’s ethno-religiously disturbed region of Xinjiang where Pakistan’s cooperation is

imperative for China to keep things stable. Secondly, Pakistan can provide geostrategic leverage to China over the US and India in the Indian Ocean. Thirdly, China’s interests in the development of Central Asia can be further safeguarded if Pakistan also contributes. Lastly, Pakistan can play important role in bringing peace in Afghanistan and the region to great interest of China. Hence, CPEC will further cement China’s relations with Pakistan for its own benefits.²²

Pakistan

Pakistan has following reasons to take great interest in CPEC.

1. China has always been a close friend of Pakistan since 1950s. The bilateral cooperation between the two countries has encompassed trade, defense, strategic, and geopolitical manoeuvring. With China being one of the greatest economic and political powers in the world, Pakistan’s interest lies in enhancing its already robust ties with China.²³
2. CPEC would act as a Foreign Direct Investment (FDI) of extraordinary magnitude for Pakistan given Pakistan’s abysmal investment profile in the post-9/11 scenario. It fell from \$5.4 billion in 2007-08 to \$1.6 billion in 2013-14.²⁴
3. Following tables show that Pakistan is a net importer of oil and gas. In the wake of increasing demands of oil and gas, it would be in Pakistan’s interest to boost up its access to energy resources.

Table 4: Oil Reserves, Production** and Consumption** for Pakistan over Last Few Years*

Entity	2000	2005	2010	2013
Reserves (R)	208	289	313	342
Production (P)	58	66	66	63
R / P Ratio***	10	12	13	15
Consumption (C)	374	326	426	454
P / C Ratio	0.15	0.19	0.15	0.14

*Million Barrels. **Thousand Barrels per day. ***In Years.

Source: ENI World Oil and Gas Review (2014)

Table 5: Natural Gas Reserves, Production* and Consumption* for Pakistan over Last Few Years*

Entity	2000	2005	2010	2013
Reserves (R)	677	852	810	803
Production (P)	19.88	30.59	32.18	30.26
R / P Ratio**	34	28	25	27
Consumption (C)	19.88	30.59	32.17	30.27
P / C Ratio	1.00	1.00	1.00	1.00

*Billion Cubic Meters. **In Years.

Source: ENI World Oil and Gas Review (2014)

Pakistan uses natural gas to fulfill around 49% of its energy needs. After Brazil and Argentina, it is the third country that relies greatly on natural gas for fueling motor engines. In wake of its ever falling domestic gas resources, Pakistan looks out to the outside world for gas imports. Iran-Pakistan (IP) gas pipeline has been delayed for quite some time. The construction of pipelines within Pakistan would be a critical segment of CPEC.²⁵ Other than IP pipeline, Pakistan also seeks to import gas from Turkmenistan through TAPI gas pipeline.²⁶

4. Through CPEC, Pakistan would also be able to act as a transit for energy resources of land-locked Central Asian Republics (CARs). Connecting CARs with the Indian Ocean and Persian Gulf would be a great step forward towards multi-nodal integration between South Asia and Central Asia.²⁷
5. Pakistan sees CPEC as a gateway towards achieving greater regional stability by partnering with neighbors such as India, Afghanistan and Iran through subsequent networks of economic corridors. This project would prove to be a major confidence-building measure for regional cooperation in South Asia.

India

India has already officially expressed its concerns over CPEC’s passage. India’s concerns, which appear to be rooted in a geostrategic implications of Chinese presence in the Indian Ocean, are summarized below.²⁸

- ✓ The planned CPEC route passes through Gilgit-Baltistan which India believes lies within the disputed territory of Pakistan-controlled Kashmir. India has publicly expressed its concerns in this regard.²⁹
- ✓ For many years, there has been a phenomenal rise in India’s consumption of energy. Following table demonstrates that India is not only a net importer of oil and gas but its demands are quickly increasing compelling it to pursue a robust energy security strategy.

Table 6: Oil Reserves*, Production** and Consumption** for India over Last Few Years

Entity	2000	2005	2010	2013
Reserves (R)	4,728	5,615	5,533	5,654
Production (P)	770	771	905	898
R / P Ratio***	17	20	17	17
Consumption (C)	2,350	2,573	3,119	3,368
P / C Ratio	0.33	0.30	0.29	0.27

*Million Barrels. **Thousand Barrels per day. ***In Years

Source: ENI World Oil and Gas Review (2014)

Table 7: Natural Gas Reserves*, Production* and Consumption* for India over Last Few Years

Entity	2000	2005	2010	2013
Reserves (R)	760	1,101	1,149	1,355
Production (P)	27.51	30.94	51.24	34.45
R / P Ratio**	28	36	22	39
Consumption (C)	27.51	37.94	64.88	51.07
P / C Ratio	1.00	0.82	0.79	0.67

*Billion Cubic Meters. **In Years.

Source: ENI World Oil and Gas Review (2014)

India is very much interested in building energy and trade relations with Iran and the Central Asian Republics (CARs). Therefore, India has invested in developing Iranian port of Chabahar located near Iran-Pakistan border in order to access CARs via Iran and Afghanistan.³⁰

Chabahar Port

India initiated its “Connect Central Asia policy” (2012), which was followed by India-Central Asia strategic talks, high-level visits, and multiple partnerships agreements concerning the development of energy and natural resources.³¹ Currently, India is carrying out trade operations with Afghanistan via Pakistan’s Karachi port. However, given its unpredictable and hostile relations with Pakistan, India is interested in looking out for alternate options to get connected with Afghanistan and CARs.³² An under-construction Chabahar port in Iran near Pakistan-Iran border can provide India an opportunity to access Afghanistan and CARs territorially bypassing Pakistan. This will facilitate India in ensuring energy security and diversifying energy sources.³³

Analysis

Given the size of the investment and China, Pakistan and India’s overlapping economic and energy security interests, and myriad geopolitical and geostrategic factors, CPEC can easily be regarded a ‘game-changer’ for the region. Pakistan’s geostrategic location is such that it is located at the junction of South Asia, West Asia and Central Asia. Moreover, the port of Gwadar lies close to the Strait of Hormuz through which around 35% of world’s sea-bound oil trade occurs. China being second largest oil consumer and a huge net oil-importer from Middle East and North Africa considers the operationalization of Gwadar port and development of CPEC as immensely important for its trade and energy security.³⁴ Owing to the mutual rivalries between India and Pakistan, their underwhelming record of economic cooperation, clashing territorial and strategic interests, CPEC can also become a source of competition in South Asian region.

CPEC as a Source of Cooperation in South Asia: Indian economy has shown substantial growth during the last decade. This growth can spread out to new levels if India and Pakistan evolve a cooperative relationship with regards to construction of region-wide transport and economic corridors. This would encourage production networks throughout South Asia, enhance region’s economic integration and increase regional and global trade.³⁵ In the past, regional and interstate cooperation in South Asia has not lived upto to its true potential. Pakistan³⁶ and China³⁷ have both shown interest in incorporating India into the emblem of CPEC through a synergized network. This approach will make CPEC a source of much-needed cooperation in the region especially between Pakistan and India in South Asia.

Though, India has historically remained a major factor behind the development of Sino-Pak strategic ties, India may not remain such an impetus with the transformational impact brought about by CPEC. In the post 2008 Mumbai attacks' scenario, China pursues the policy of bridging gap between India and Pakistan to promote economic and security cooperation for regional development. China's approach towards relations with India has greatly shifted toward economic cooperation and regional stability.³⁸ With such a policy, joining of CPEC by India would be in the interest of China.

CPEC as a Source of Competition in South Asia: If India insists on carving out its own route through Iran to Afghanistan and Central Asia to address its needs independent of China and Pakistan (through the port of Chabahar in Iran), then the CPEC will be seen as a source of competition between not only China and India but also India and Pakistan in South Asia. On the other hand, China aims at attaching other regional countries with CPEC in order to consolidate its efforts at enhancing and synergizing regional trade and its political leverage in the region. India's reservations vis-à-vis CPEC and clash of its interests with those of Pakistan and, particularly, China can turn this mega project a source of competition in the region.

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