

IMPACT OF CPEC ON REGIONAL AND EXTRA-REGIONAL ACTORS

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Abstract: *China-Pakistan Economic Corridor (CPEC) is a comprehensive development deal that not only establishes economic and strategic connectivity between Pakistan and China but also has 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 and has met criticism as it affects business of some countries and threatens the political interests of some others. Nonetheless, if implemented as planned, CPEC can offer infinite bounties to many countries that can provide benefits in the long run. At present, Pakistan and China need to engage the concerned regional actors strategically and should counter the threats to CPEC rationally in order to make this project a success. Therefore, the paper attempts to answer the following questions: What are the potential benefits of CPEC for Pakistan and China and 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 will try to figure out some solutions for the potential challenges.*

Keywords: China-Pakistan Economic Corridor, regional integration, Gwadar port, Middle East, Central Asia, Afghanistan, India

Introduction

With end of the Cold War, the process of economic globalization gained much impetus, and geo-strategic priorities were

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drawn on new lines to allow states to get benefits from economic synergy and collaborate in managing their socio-political and economic challenges. With changing regional and global trends in which the states have started creating frameworks and platforms for enhanced economic cooperation, Pakistan and China – the traditional time-tested friends – also felt the need to increase and further strengthen their mutual economic relationship. Since 2000, the stakeholders of both sides have been firmly focusing to catch up the beat and increase their economic cooperation to an advanced level that is equivalent to their diplomatic and military relations. The two countries have developed adequate institutional-framework for a sustainable economic partnership. 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 would certainly take off their strategic and economic partnership to a new height.

CPEC is crucial and mutually beneficial venture that fulfills the objectives and interests of both the countries and is also expected to enhance financial and economic cooperation between various regional actors for common development. While explaining the importance of CPEC, President Jinping said, “The China-Pakistan Economic Corridor is a focal point of our joint efforts to achieve common development, and we should use this economic corridor to drive our practical cooperation with focus on Gwadar Port, energy, infrastructure development, and industrial cooperation.”¹ Besides its importance for Pakistan and China, this ambitious project will connect other economic agents on the regional landscape; and hence, 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. As CPEC is composed of roads, routes, and offshoots, therefore, it would eventually have immense impact on all neighboring countries coming into the connection. While showing his desire to spread the benefits of CPEC President Jinping said, “The planning and layout of the Economic

¹ “Text of President Jinping’s Speech to the Parliament in Pakistan,” April 21, 2015, http://issi.org.pk/wp-content/uploads/2015/07/Pak-China_Year_of_Friendly_Exchange_Doc-1.docx.pdf.

Corridor should cover other parts of Pakistan as well so that the fruits of its development will reach both all the people in Pakistan and the people of other countries in our region.”² 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.

CPEC: Concept, History, and Significance

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

As trade has become a backbone of regional development, Pakistan and China are building economic relations on more strong grounds by initiating CPEC. The commencement and efforts of speedy implementation of CPEC are reflection of long lasting congeniality between the two countries. The vision of establishing CPEC was floated during President Musharaf’s regime, which was

² Ibid.

later taken further by the former President Zardari. The project received a boost when in February 2013, President Zardari handed over the contract of operation of Gwadar port to China after the agreement was transferred from the Port of Singapore Authority to a Chinese company. Gwadar port that is the terminus of CPEC is strategically located in Arabian Sea and occupies a key position between South Asia, Central Asia, and the Middle East and lies close to the Strait of *Hormuz* – gateway for around twenty percent of the world's oil. The present government has taken on a speedy approach regarding this project. During the visit of Chinese Premier Li Keqiang in May 2013, he emphasized the construction of CPEC. The project was formally announced in August 2013, wherein CPEC Secretariat was inaugurated in Islamabad for promoting the connections, thus putting the vision into reality. Several high-level visits between Pakistan and China during the past years further shaped the whole idea of the corridor. In February 2014, President of Pakistan, Mamnoon Hussain, visited China and discussed plans for the economic corridor in Pakistan with the President and Premier of China. Two months later, PM Nawaz Sharif met with Premier Li in China to converse further and firm up plans for CPEC. Then in the historic month of April 2015, Chinese President Xi Jinping's visit to Pakistan made a gigantic push in this regard. PM Nawaz Sharif and President Xi performed the ground-breaking of five major energy projects and signed 51 agreements and memorandums of understanding (MOUs) worth US \$46 billion – the largest investment by China in a foreign country. CPEC is believed to be a much-needed stepping stone in enhancing strong economic and trade relations between Pakistan and China.

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 and will generate thousands

of jobs and revenue worth billions for both countries.”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. Ambassador Masood Khalid described CPEC as “a catalyst of regional economic integration and a vital bridge at the confluence of the Road and the Belt, being located at the crossroads of Central Asia, the Middle East, and South Asia.”⁴ This highly significant mega project links 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 that aims to connect sixty countries to enhance economic integration between Asia, Europe and Africa, which would definitely bring unprecedented economic results.⁵ Hence, CPEC is the ‘crown jewel’ project to introduce a new economic paradigm in the region, which has the potential to not merely further the strong bond between the two countries but the whole region in the years to come. The terms of CPEC between the interlinked regions can increase trade and boost economic engine in geo-strategic regions by attracting investment from regional and extra regional states.

Prospects of CPEC for China and Pakistan

³ Hassan Khan, “Is China-Pakistan Economic Corridor really a game changer?,” *Pakistan Today*, <http://www.pakistantoday.com.pk/2015/06/13/comment/is-china-pakistan-economic-corridor-really-a-game-changer/>.

⁴ Ambassador Masood Khalid’s statement at Symposium on CPEC at Peaking University, Nihao-Salam, accessed November, 20, 2015, <http://www.nihao-salam.com/news-detail.php?id=NzUzNw>.

⁵ “The China-Pakistan Economic Corridor: India’s Dual Dilemma,” *China-US Forum*, accessed November 14, 2015, <http://www.chinausfocus.com/finance-economy/the-china-pakistan-economic-corridor-indias-dual-dilemma/#sthash.C6DNCVnU.dpuf>.

Expansion of Trade Routes for China: From a strategic viewpoint, the corridor will bring unlimited benefits to China; as after completion, it will expand the number of trade routes between China and other regional countries. China imports 60 percent of its oil from the Middle East and 80 percent of that is transported to China through the long, expensive, and dangerous piracy-rife maritime Malacca Strait route through the South China, East China, and Yellow Seas. At present, transportation of energy through the Strait of Malacca takes around 45 days, which could be easily abridged to less than 10 days if done via Gwadar port as it provides the best possible land and sea routes for this purpose. Thus Gwadar-Xinjiang route can serve as an alternative to the Malacca straits for the transportation of energy which will be time and cost effective. It will also enable China to import energy and find new markets for its products in Central Asia, Africa, and Middle East.

Development of Xinjiang: Currently, China's foremost internal challenge is the east-west development gap between its developed eastern region and western region of Xinjiang. In late 1990s, China designed a major uplift strategy for its western region, which is vital for steady development of other regions of China. This strategy was intended to assist this neglected region to establish the industrialized areas. After CPEC will be operational, it will initiate more economic activities in the North-western Xinjiang province and will help China in the execution of its Western Development Strategy (WDS). The physical proximity of Xinjiang with Pakistan takes this less-developed part of China to the warm waters of Arabian Sea; therefore, in this way CPEC would also enable China to increase its energy security by reducing reliance on the Malacca route, as it is already a possible breaking point of blockade by the US or Indian navy in periods of major hostility in East and South China Sea.

Sino-US Strategic Rivalry: CPEC will also help China to counter US influence in Asia. In view of President Obama's 2012 regional strategy, 'Pivot to East Asia strategy', which stresses on "strengthening bilateral security alliances; deepening working relationships with emerging powers, including China; engaging with regional multilateral institutions; expanding trade and investment; forging a broad-based military presence; and advancing democracy

and human rights,”⁶ Chinese policy makers are pretty conscious and consider it as a part of US policy to contain and confine the military power and economic expansion of China. “Proponents of this theory in China’s ruling circle believe that United States needs a militarily, economically, and socially weak and divided China so that US can continue its martial hegemony in Asia and Africa.”⁷ Thus in the view of foregoing, the corridor signifies an attempt by China to prevent the US from expanding its influence in Southeast Asia and thus bears enormous implication in the perspective of Sino-US strategic rivalry in Southeast Asia.

Economic Stability of Pakistan: For a state like Pakistan, which faces severe economic and political challenges, CPEC can prove to be a wildcard which will provide a big opportunity to stabilize its economy while refining relations with its neighbors and by making Gwadar a trade and economic hub of the region. For an unstable economy of Pakistan, the corridor will offer a panacea to its problems and will open new horizons of development by improving socio-economic conditions of the people and by uplifting their quality of life. Many Special Economic Zones are conceived to be established in Punjab, Gilgit-Baltistan, KPK, Baluchistan, and Sindh. This will eventually bring affluence with the investment from the potential international investors and will help Pakistan drive its economic growth.

Infrastructure Development: CPEC that includes the construction of roads, railway tracks, energy pipeline routes, and Gwadar’s international airport, promises Pakistan to provide a novel asset in the form of infrastructure. With CPEC, Pakistan will acquire the most advanced infrastructure which will be beneficial for Pakistan. For this, China is lending billions of dollars of loans at low interest rates with extended grace periods so that Pakistan does not have to ask other International Financial Institutions for higher rate interest loans. According to planning minister of Pakistan out of \$46

⁶ “Changing Geostrategic Realities: Pakistan-China Economic Corridor,” *Pak Tea House*, accessed December 19, 2015, <http://pakteahouse.net/2015/04/28/changing-geostrategic-realities/>

⁷ Ibid.

billion Chinese investment, \$11 billion will be spending for infrastructure work on the economic corridor.⁸

Enhancement of Security Cooperation: An additional benefit of CPEC will be enhanced security cooperation between China and Pakistan which is of primary importance for both countries. Since the War on Terror, Pakistan is plagued by terrorist activities and similarly China is also concerned over the situation of Xinjiang where secessionist movement of Muslim *Uighurs* and rising terrorist activities by East Turkestan Islamic Movement (ETIM) are creating a hazardous situation. This is where CPEC comes in as broad based security cooperation between two sides is needed to stabilize the situation in Xinjiang and the adjacent region. Both of the countries are united in the fight against the evils of terrorism, extremism, and separatism, which are hindering progress on both sides. The improvement in security condition as a result of CPEC cooperation would contribute to the peace and stability of the whole region.

Augmenting Naval Partnership: Through CPEC, Pakistan and China would also get an opportunity to augment their naval cooperation in fields as joint exercises and training against counter piracy at high seas.

The US is courting India with the declared purpose of assigning the lead role in the Indian Ocean, which is unacceptable to both China and Pakistan. In fact, India's cozying up to powers that China is suspicious of, compels China and Pakistan to strengthen their alliance further. China-Pakistan strategic naval partnership centered on Gwadar will scuttle the Indo-US ambition of dominating the Indian Ocean.⁹

⁸ Ali Salman, "Pak-China Economic Corridor: A Cost-benefit Analysis," *The Express Tribune*, May 03, 2015, <http://tribune.com.pk/story/880259/pakistan-china-economic-corridor-a-cost-benefit-analysis/>.

⁹ "The China-Pakistan Economic Corridor: India's Dual Dilemma," *China-US Forum*, accessed November 14, 2015,

China's right to manage the Gwadar Port has strong military potentials for the country as it provides China a way into Gulf countries and a chance to consider establishing a naval base on the Arabian Sea in the future.¹⁰ Thus the improvement in China-Pakistan naval partnership as a result of CPEC cooperation would contribute to the balance of power in the whole region.

Promotion of People-to-People Contact: Another important prospect of CPEC for both countries will be enhancing people-to-people contacts and increasing cultural cooperation among the people from both sides which is of foremost importance to reinforce this project and to build a harmonious neighborhood. In the words of President Xi Jinping:

It is the people who advance progress of nations and history. The support of our peoples is an inexhaustible source of force fostering China-Pakistan all-weather friendship and all-round cooperation. We should use the platforms of sister cities, cultural centers and media organizations to conduct diverse events of celebration. China and Pakistan should continue to send 100-member youth groups to visit each other's country and encourage more contacts and exchanges between young Chinese and Pakistanis. In the next five years, China will provide 2,000 training opportunities for Pakistan and train 1,000 Chinese language teachers for Pakistan.¹¹

<http://www.chinausfocus.com/finance-economy/the-china-pakistan-economic-corridor-indias-dual-dilemma/#sthash.C6DNCVnU.dpuf>.

¹⁰ "China gets 40 years management," *The Express Tribune*, April 15, 2015, <http://tribune.com.pk/story/870183/china-gets-40-year-management-rights-on-gwadar-port-access-to-arabian-sea/>.

¹¹ "Text of President Jinping's Speech to the Parliament in Pakistan," April 21, 2015, http://issi.org.pk/wp-content/uploads/2015/07/Pak-China_Year_of_Friendly_Exchange_Doc-1.docx.pdf.

President Jinping also encouraged Pakistan's partaking in the people-to-people and cultural exchange programs between China and South Asia to reinforce people's support for Pak-China friendship.

Impact on Regional and Extra-Regional Actors

In coming years, CPEC, the mega land-sea project, 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. The execution of this inclusive project would bring economic revolution that can transform the fate of the regional states in a positive way. This way CPEC has a greater regional and economic value as it would provide opportunity to all regional actors to make South Asia a seamless integrated region. Although there exist many advantages for enhancing economic collaboration and establishing regional interconnection, to put the idea of CPEC into reality is still facing some challenges. The divergent and conflicting interests of some regional and extra-regional actors are threat to the construction and success of CPEC. Since the proclamation of CPEC, the regional scenario has already started to change as many countries have begun to see the project with critical eyes and as a thread to their interest, 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 become 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.¹²

The western alignment of the corridor, which originates from Gwadar and runs through *Khuzdar*, *Zhob* and finally reaches Islamabad via D.I. Khan, will have an additional connectivity to link Afghanistan through *Chaman*. This route will provide an easy and short access to Afghanistan to reach to the sea port of Gwadar which is almost 600 kilometer shorter than the existing transit route being used by the traders and people of Afghanistan. Likewise, the eastern alignment of the corridor which will pass through the motorways starting from Karachi to Lahore and onward to Islamabad and Abbottabad, will also improve road connectivity between both countries.¹³

So both alignments will further 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. 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): The Central Asian States are situated in the heart of Eurasia, which presents exclusive benefit as key transport passage. Due to their vital geo-strategic location 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

¹² “CPEC – a Possible Peace Broker,” *Foreign Policy News*, November 18, 2015, <http://foreignpolicynews.org/2015/06/09/cpec-a-possible-peace-broker/>.

¹³ “China-Pakistan Economic Corridor: Benefits for Afghanistan,” *Outlook Afghanistan*, November 18, 2015, http://outlookafghanistan.net/topics.php?post_id=12836.

landlocked countries wish to get access to the sea and diversification of energy channel which CPEC project can fulfill. The project can also help in bringing immense opportunities for the CARs in the economic fields. For the transportation 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.¹⁴ In addition, these energy rich states of Uzbekistan, Azerbaijan, and Turkmenistan have a fine chance to come out from Russian control and export their natural resources through CPEC.

Further to this, 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 through connecting with it. Tajikistan seems desirous to participate in CPEC and Ambassador Sherali S. Jononov said, "The Central Asian States fully support CPEC project... It will narrow down the distance among the regional countries through road and rail links for their socio-economic uplift. This project is of our common benefit."¹⁵ The Kazakh regime has also showed its deep interest to become part of CPEC project and has offered for an alternative access route to the sea; whereas, Pakistan has already intended to be connected with Central Asia via *Termez* – the southern city of Uzbekistan. Once the project is completed, the landlocked CARs can greatly benefit from an access route to the world market through CPEC.¹⁶

¹⁴ "Strategic Importance of Gwadar Port for Pakistan," *International Relations*, accessed December 4, 2015, <https://muhammadalamgir.wordpress.com/>.

¹⁵ "Central Asian States back CPEC," *The Frontier Post*, November 14, 2015, <http://www.thefrontierpost.com/article/302322/central-asian-states-back-cpec/>.

¹⁶ "Prospects of Development," *Pakistan Today*, November 14, 2015, <http://www.pakistantoday.com.pk/2015/09/04/comment/prospects-of-development/>.

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 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 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.¹⁷

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 that 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 have been affected by the former's refusal to send forces to fight along UAE and Saudi Arabia with *Houthi* rebels in Yemen. These factors prompted UAE to search for new strategic partners to work against Pakistan – India seems to be an apparent option. However, UAE should understand the ground realities which

¹⁷ "Iran's Look East Policy takes Wings," *Asian Times*, November 27, 2015, <http://atimes.com/2015/07/irans-look-east-policy-takes-wings/>.

indicate that the drawback of CPEC and Gwadar for UAE are not for longer period. In future, if UAE makes 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: 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 its hegemonic designs 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 that India does not have. Moreover, while China is one of India's largest trading partners, India may have long-term security concerns about Chinese control of the Pakistani seaport of Gwadar. "For India, CPEC means that China shall have the upper hand in the Arabian Sea as it will have complete control over the Strait of Hormuz through Gwadar's seaport. This will likely have adverse effects on India's trade route."¹⁸ Thus the increasing strategic relationship between the two countries in the form of CPEC is a major concern for India – the preeminent power of South Asia, which 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:

First one is this regard is 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. Both countries have signed MoU for increasing bilateral

¹⁸ "Is China-Pakistan Economic Corridor really a game changer?," *Pakistan Today*, November 15, 2015, <http://www.pakistantoday.com.pk/2015/06/13/comment/is-china-pakistan-economic-corridor-really-a-game-changer/>.

trade to \$30 billion and an air-services agreement was inked to increase the number of flights between the two nations and allowing each other's airlines to fly to additional destinations. Plans are taking place for greater maritime cooperation, and Iran has already joined the annual Indian Ocean Naval Symposium, which provides a forum for the navies of the Indian Ocean littoral states to engage each other.¹⁹ Most significantly, "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."²⁰ 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.

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."²¹ Thus, due to this geographical compulsion, at present India needs to soften its rigidity and to let Afghanistan get the benefits of CPEC.

In its efforts to counter CPEC, India has also turned to the UAE which appears to become its new strategic partner in the region.

¹⁹ "New Openings for India in US-Iran Thaw," *The Diplomat*, accessed November 18, 2015, <http://thediplomat.com/2015/04/new-openings-for-india-in-the-us-iran-thaw/>.

²⁰ "Iran's Look East Policy takes Wings," *Asian Times*, November 27, 2015, <http://atimes.com/2015/07/irans-look-east-policy-takes-wings/>.

²¹ "Possible Peace Broker."

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.²²

Furthermore, India does not seem pleased with the handing over of Gwadar Port 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 Baluchistan by fuelling insurgency in the same."²³

The United States: Unlike the commonly held perception, the most influential world power, the US has not opposed CPEC so far; instead US State Department has made encouraging statements regarding the project and wished that CPEC will become multilateral eventually. A US State Department official said:

The plan of corridor is one we very much support and is aligned with a shared vision of regional economic connectivity. Fundamentally, we hope that in the end it will not only be Pakistan and China. We hope eventually that will include other neighbors as well, particularly Afghanistan, where we and the Chinese are also making common efforts.²⁴

²² "India bids to halt Pakistan Project Fails," *The Tribune*, November 21, 2015, <http://tribune.com.pk/story/947720/india-bid-to-halt-pakistan-project>.

²³ Ibid.

²⁴ Dr Ahmad Rashid Malik, "All-Weather Friendship," *The Diplomatic Insight* 8, Issue 5 (May 2015): 15.

Although CPEC has not faced any resistance from the US, yet in the long run it cannot remain fully unconcerned with the strategic implications of CPEC as the proposed corridor may have important geostrategic and political effects for US policy and interests in the region. With the changing geo-politics, it seems that the US 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 US 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, one must not ignore the rules of this game of international politics where nations have interests, and those interests transform with the changing geo-political realities. In the long run, there is possibility that the US may view the corridor as ‘zero sum game’ with China and then the interests of both powers may collide ultimately. Thus the construction of CPEC may face some opposition from the US as the influence of China in the region and its strategic access to Arabian Sea may not be acceptable to the US. Moreover the Gwadar seaport, which may be used as a Chinese naval base, has important geostrategic implications for US in the region. “The US had reportedly made attempts in vain to persuade Pakistan against handing over the management of Gwadar port to China.”²⁵

CPEC may also challenge US interests in resource-rich region of the Middle East, the Persian Gulf, and in CARs. Eventually, the US may be working on strategies to cope with the expansion of China in the region; for example, 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 US can manage to safeguard some of its foreign policy interests including its policy to eliminate terrorism and its human rights efforts.

²⁵ “The Strategic Importance of Pak-China Economic Corridor,” *Siasat*, accessed November 23, 2015, <http://www.siasat.pk/forum/showthread.php?366928-The-Strategic-Importance-of-China-Pak-Economic-Corridor>.

Conclusion and Suggestions

The multidimensional CPEC project is financially beautiful plan that can serve as a bridge to link up the whole Asian region together to make it integrated and collaborative in the Asian Century. However, whereas CPEC 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 US, the budding US-Iran relations after the nuclear deal, the rising Indo-Iranian partnership, and Indian sways in Afghanistan may be reasons for concern for both Pakistan and China. At present, it is apparent that regional coalitions are going through some speedy changes; and with this changing scenario, both countries need to understand this situation and form policies accordingly to keep their house in order. Both 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. Following are some suggestions for the stakeholders of CPEC which may help in further cementing the project and in reducing tension between various regional actors.

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 under 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. A balanced Pakistan would gain more in terms of economy, strategic value, and improved amount of security. Therefore, to realize the long-term trade goals of CPEC, Pakistani government and people need to resolve their internal differences and realize that this project is beneficial for Pakistan, which has now the opportunity to attain a better bargaining position and some freedom to act beyond US influence. At the same time, the growing Chinese role in international economic affairs must be considered in a wider regional and global

context. China is a major economic power and should be treated in a careful way, that is to say Pakistan should not barter away its own interests and free will in any situation. Moreover, to reap the fruits of this mega deal by China, Pakistan needs 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 the present century, the balance of political and economic power is appeared to be shifting from West to the East and "China as the pre-eminent Asian power is re-writing the rules – to use President Obama's phrase – in what is the world's fastest growing continent, Asia."²⁶ China is the key power of Asia in this contemporary scenario 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 the US and even India, which may try to exploit its love affair with the former to encircle China and 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 China strongly connected to it, China can maintain and expand its economic influence on whole Asia and Africa with the help of its strong ally – Pakistan.

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 conditions, it is high time for Pakistan and Afghanistan to join hands for the economic development and capitalize on the economic opportunities to be generated by CPEC. For this, the governments of both countries should stop the blame game and have serious and meaningful

²⁶ "CPEC: Asia for Asian," *Daily Times*, November 24, 2015, <http://www.dailytimes.com.pk/opinion/04-May-2015/the-cpec-asia-for-asians>.

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 should accept the fact that it does not have many options at its disposal to affect the development of CPEC, although at present it is trying to exploit all narrow windows to counter the project. If it shows positive gesture towards CPEC, India can 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 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 for 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 cooperative exhibitions to promote trade and industrial links. Furthermore to get them away from Iranian and Indian grip, CARs should be offered lucrative and partnership-based proposals instead of dependency option. These states are long waiting for a channel towards warm waters and apparently they will choose the option which will be more economically advantageous for them in the long run.

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 her confidence for establishment of CPEC, which may also help in nullifying the US hegemonic designs in the region.

US Support: The US should support CPEC as it would bring stability and prosperity in the region, which is healthy for the interests of the US that seems tired of fighting the challenges of terrorism and extremism in the region. The US has always provided assistance for Pakistan's efforts in eradicating terrorism; however, permanent feeding of Pakistan is not in the long term interests of the US. China's OBOR plan and creation of CPEC will increase Chinese influence in the region. The US may scramble to get an upper hand in

Asia at some point; but it's a reality check for the US 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 the US to provide the understanding of CPEC to avoid any potential conflict.

Comprehensive and cooperative partnership of Pakistan and China will surely overcome the challenges posed by the regional environment. The way to satisfy the concerns and nullify the hegemonic designs of some regional powers is to make them realize that CPEC will not only strengthen the economic conditions of Pakistan but will help in the economic recovery of the whole region. 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 has the potential to uplift the economic condition and alter the economic spectrum of the whole region for the better.