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# CPEC: Challenges and Opportunities for Pakistan

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## Abstract

China and Pakistan have agreed to build One Belt One Road project more commonly known as China-Pakistan Economic Corridor is expected to bring about both peace and prosperity in South Asia. This corridor will incorporate 2,000 kilometer transport link between Kashgar in north-western China to Pakistan's Gwadar port on the Arabian Sea near the border with Iran via roads, railways and pipelines. There are many internal and external challenges for Pakistan government to implement this multi-dollars project. However, it is a game changer project which will transform the fate of Pakistan and will help Pakistan modernize. It will improve the economy and trade, enhance regional connectivity, overcome energy crises, develop infrastructure and establish people to people contacts in both the countries. This study helps to analyze the challenges and benefits for Pakistan associated with the implementation of China-Pakistan Economic Corridor.

## Introduction

The 21st century has seen the establishment of regional and global strategic environment around the world. This

strategic environment encourages geo-economical and geo-strategic partnership among countries. Both the state interests and national security are important parameters of this partnership. States have defined their interests and have reshaped their policies because they have realized that it is not possible for them to defend their interests with their own capacities. High-level talks and diplomatic consultations are the hallmark of ever-growing cooperation among states in multi-faceted fields such as industrial ventures, infrastructure and development programmes, defense, commerce and related area of the economy.<sup>1</sup>

China was regarded as a sleeping giant in earlier decades. But now, China is playing a core role not only in the Asian region but in the entire world. Being the largest country in the world population-wise and fast becoming economically as big as it is demographically, it has finally succumbed to the charms of multilateral diplomacy which it had been known to ignore during the earlier decades. The other reason behind the changes in the Chinese foreign strategy is economic stemming from its rising energy demands.<sup>2</sup>

The Chinese President, Hu Jintao, who took office in 2003, explained his country's "Good Neighbour Policy" as part of a new strategy of peaceful development which China sought to promote as an interdependent, rather than competitive, relationship with its neighboring countries and the world. In cynic with this strategy, China has turned its nearest regions into a new regional trade hub.

Regional connectivity is one of the most important aspects of Pakistan foreign policy. Pakistan has also been trying to cultivate good relations with its neighboring countries. Maintaining worthy and good relationship with China has been an integral part of Pakistan's foreign policy objectives, as China is Pakistan's strategic partner; it helps Pakistan in maintaining balance of power in the region.

Pak-China ties have kept growing and have strengthened ever since 1951 when their friendship began. China has always been a key component of Pakistan's foreign policy so

much so that in 1970, Pakistan played a key role in arranging Nixon's visit to Beijing.

With the support of China, Pakistan has gained significant importance not only in the region but the entire world. In recent years, both China and Pakistan have been making concerted efforts to revive the historic Silk Road which is one of the oldest known trade route in the world and will provide a route for trade from Kashgar (China) to Gwadar (Pakistan). China-Pakistan Economic Corridor plan will help Pakistan to become one of the most strategically important countries in the region. It will also provide an opportunity to China to build a naval base on Gwadar port that will increase influence of China in the region and also counter US influence in the Asia-Pacific region. The CBS News quoted some Western diplomats on Pakistan-China partnership. According to them, China's increasing economic engagement with Pakistan should be seen in the context of Beijing's "efforts to counter the US efforts to deepen alliances around the Asia-Pacific region".<sup>3</sup>

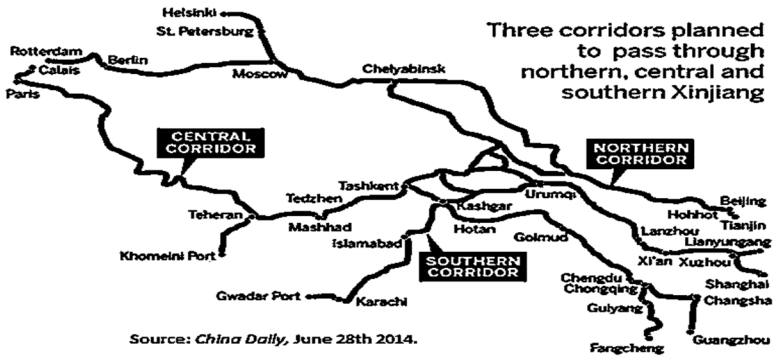
### The Concept of One Belt and One Road

The "One Belt One Road" concept has international strategic importance. The One Belt One Road initiative covers countries and regions with a total population of 4.4 billion and a total economic volume of US\$ 21 trillion, 63 percent and 29 percent respectively of the World's total.<sup>4</sup>

According to the assessment of the Corridor, the plan is involved in laying the foundation for regional cooperation, improving economic growth, offering trade diversifications, investing in transportation, mining and energy sectors and creating political flexibility. It is a vision with world-changing implications, an unfolding plan that would weave much of Asia, Europe, Africa, Oceania and the Middle East much more closely together through a patchwork of diplomacy, new infrastructure and free trade zones.<sup>5</sup>

The “One Belt one Road” Project consists of three routes, southern, central and northern route. The southern corridor begins from Guangzhou, which is the third largest city of China in South Central China. This route moves towards western parts of China and connects Kashgar with Pakistan at Kunjarab – a point from where China wants to link to Gwadar port in the Arabian Sea. It is the shortest and the most feasible option for China.<sup>6</sup>

The second Chinese option is the Central Corridor that starts from Shanghai and links the country to Tashkent, Tehran and onwards to Bandar Imam Khomeini Port of Iran on the Persian Gulf. One of its branches goes up towards Europe. This is the longer route but could be an option, if Pakistan does not deliver on the timelines of completing its road network to become a beneficiary of the New Silk Road Economic Belt. The third Chinese option is the Northern Corridor that starts from Beijing, passes through Russia, and links it to European cities.<sup>7</sup>



## China Pakistan Economic Corridor

Recognizing the fact that regional integration is an inevitable measure to meet the demands of economically globalized world, the notion of Silk Road was reformulated and rephrased by China in 2013 under ‘one road, one belt’ initiative i.e., Economic Belt along the Silk Road and the Maritime Silk Road.<sup>8</sup>

Pakistan is a significant partner for China as it links China to the Central Asia, Southern Asian region and Middle East and its major deep-sea port Gwadar offers direct access to the Indian Ocean and beyond. Both countries have been working on enhancing their coordination and strategic communication to safeguard common interests. China Pakistan Economic Corridor (CPEC) represents a new model of Pakistan and China cooperation which will serve against the backdrop of complex and changing regional and international situations.

China and Pakistan have developed strong bilateral trade and economic ties and cooperation over the years. China has gradually emerged as Pakistan's major trading partner both in terms of exports and imports. Bilateral trade and commercial links between the two countries were established in January 1963 when both signed the first bilateral long-term trade agreement.<sup>9</sup> Both countries signed Free Trade Agreement (FTA) on November 24, 2006 and implemented from July 1, 2007. Later on, both signed the FTA on Trade in Services on February 21, 2009 that became active from October 10 that year.

CPEC is an under-construction mega-project which will achieve the political and economic objectives through trade and development and will also strengthen the economic and trade cooperation between the two countries. This corridor will also be helpful in creating regional stability in South Asia.

After completion of the corridor, it will function as a primary gateway for trade between China and Africa and the Middle East. It is expected that this corridor will help cut the 12,000 kilometer route which Middle East oil supplies must now take to reach the Chinese ports.

### Historical perspective

The vision for an economic route between China and Pakistan stretches as far back as the Musharraf era. This idea

speculated for many years, gained traction in May 2013 when Chinese Premier Li Keqiang emphasized the construction of the CPEC during his visit to Pakistan. He signed the landmark CPEC agreement at that time. In the same year, Pakistani Prime Minister Nawaz Sharif visited Beijing and signed eight agreements approximately costing \$18 billion that included building around 200 kilometers tunnels for the CPEC. Pakistan's President Mamnoon Hussain visited China in February 2014 to discuss the plans of the corridor. In the same year, Pakistan's Prime Minister Nawaz Sharif again visited China and signed 19 agreements with China. At that time, the Chinese banks and companies pledged over US\$ 45.6 billion for energy and infrastructure-projects along the corridor. The agreements proved a deepening strategic linkage between the two countries.

Chinese President Xi Jinping visited Pakistan in April 2015. This was the second visit of a Chinese leader in Pakistan in 21st century after Hu Jintao's visit to Pakistan in 2006. Xi was to visit Pakistan in 2014 during his South Asia trip to Maldives, Sri Lanka and India. It was postponed due to political unrest in Pakistan. During his visit, a total of 51 agreements were signed between China and Pakistan having worth of \$46 billion which also included the development of China Pakistan Economic Corridor. The \$46 billion investment China intends to commit to Pakistan under the CPEC is impressive. The amount exceeds all foreign direct investment Pakistan has received in the past several years, and is considerably more than all the aid Pakistan has received from the US since 9/11.<sup>10</sup>

### Infrastructure

The CPEC, the construction period for which is from 2014 to 2030, has integrated links with the Chinese One Belt, One Road and an extension of China's proposed 21st century Silk Road initiative. Implementation of the projects under the CPEC has been divided into three phases. The short-term projects are estimated to be completed by 2017;

midterm-term by 2025, and the long-term by 2030.<sup>11</sup> The overall construction costs are estimated at \$46 billion. It is the network of highways, railways and pipelines to transport oil and gas.

The first phase comprises development at Gwadar Port and the construction of an international airport. It will be completed in 2017. The Karakoram Highway connecting the two countries will also be widened, while the rail network between Peshawar in the north and Karachi in southern Pakistan will be upgraded. The two countries also have a plan of fiber-optic communication links.

### Gwadar port

Gwadar is actually the tail of the silk belt, which will connect Kashgar through different communication networks. Gwadar holds central place in the project of the China-Pakistan Economic Corridor because without making the Gwadar Port fully functional, it would be difficult to see the anticipated corridor as an energy corridor that appears as one of its main objectives behind the construction of the CPEC. Located near the Strait of Hormuz, which channels about one third of the world's oil trade, Gwadar could play a key role in ensuring China's energy security as it provides a much shorter route than the current 12,900km route from the Persian Gulf through the Strait of Malacca to China's eastern seaboard.<sup>12</sup>

It has been said that Gwadar will also put China and Pakistan in a strategically advantageous position along the Arabian Sea compounding the existing Indian concerns that stem from 'China's involvement in nearby ports such as Hambantota in Sri Lanka, Sittwe in Myanmar and Chittagong in Bangladesh.'<sup>13</sup>

On the other hand, as India is also energy hungry it looks forward to developing Iran's Chabahar Port. In October 2014, India decided to develop Chabahar Port, which many believe is to open up a route to landlocked

Afghanistan, where India has developed close security ties and economic interests.<sup>14</sup>

The port has the potential to serve as a secure outlet as well as a storage and trans-shipment hub for the Middle East and Central Asia oil and gas suppliers through a well-defined corridor passing through Pakistan.<sup>15</sup>

The operational control of the port will enable China's access to the Indian Ocean, which is strategically important for China as it expands its influence across the region. Gwadar port will be connected with China's western province of Xingjiang through rail and road links. China eastern seaboard is 3,500 km away from the city of Kashgar in western China while the distance from Kashgar to Gwadar port is only 1500 km.<sup>16</sup>

### Geography of China Pakistan Economic Corridor in Pakistan

This project will run through most of Pakistan starting from Gwadar in Balochistan and ending in Kashgar in western China, while passing through parts of Punjab, Sindh, Balochistan, Khyber Pakhtunkhwa provinces and Gilgit-Baltistan in northern Pakistan to reach the Khunjrab Pass and beyond to China.

Pakistan has prepared a plan to construct three corridors after active consultation with the Chinese authorities; these are the eastern alignment, the central alignment and the western alignment.

The eastern alignment of the corridor originates from Gwadar, travels parallel to the Makran Coastal Highway eastwards (towards Karachi), and then after passing through parts of interior Sindh, and southern, central and northern regions of Punjab, it reaches Islamabad. From Islamabad, it extends to Haripur, Abbottabad and Mansehra districts of the relatively peaceful Hazara Division in KP –this part of the corridor will also run through Muzaffarabad, the capital of Azad Jammu and Kashmir—and reaches Khunjrab after



passing through Diامر and Gilgit areas in northern Pakistan. The corridor will also run through the Pamir Plateau and Karakoram mountains. A link from Taxila through Peshawar and Torkhum will connect the eastern alignment of the corridor to Jalalabad in Afghanistan. Regional connectivity with India through the eastern alignment is designed to be provided through the Hyderabad-Mirpurkhas-Khokhrapar-Zero Point link and the Wagha border, Lahore.<sup>17</sup>

Western alignment was the original alignment which the government says has been deferred until the eastern alignment of the corridor is completed. According to the western alignment plan, the economic corridor (highway and railway) starts from Gwadar and runs through some southern and eastern districts of Balochistan (Khuzdar and Dera Bugti, respectively), and some districts in South Punjab to reach D.I. Khan in KP. From D.I. Khan, it further extends to Islamabad and Abbottabad and from there onwards, the route is the same as in the eastern alignment. The western alignment will have an additional regional connectivity link to Afghanistan through Chaman and will connect with Iran through Quetta-Kho-e-Taftan link.<sup>18</sup>



The work on central alignment will be completed later whereas construction on some parts of Gwadar-Dera Ismail Khan via Quetta route. The argument that some parts of the country are being deprived of the corridor's benefits may be true in the short-term but, in the longer term all these cities will be connected to the corridor. All provincial capitals are included as nodes, the key corner stones of CPEC on which it will be constructed. These nodes are at Peshawar, Islamabad, Lahore, Sukkar, Karachi, Gwadar and Quetta.<sup>19</sup>

### Challenges for Pakistan

Pakistan faces several challenges in the implementation of the China Pakistan Economic Corridor (CPEC) project. These challenges can be identified as external and internal. The Vice Director General of Policy Research Office at the International Department of the Central Committee Communist Party of China, Dr. Luan Jianzhang is of the view that political unrest, security situation and administrative issues are some of the greatest challenges in the way of successful completion of the corridor.

The construction of the corridor has been defined by many as a strategic moment such that Pakistan has assumed the position of economic pivot for the whole region. This paradigm shift in circumstances is a cause of great worry for the enemies of Pakistan both within and outside. India, Israel and the US are unhappy. For India, CPEC is a thorn in its paw. They have put their heads together to work out new strategies to block the project forward march. RAW has opened a special office in Delhi and has been allotted \$300 million to disrupt CPEC. Already one can notice sudden upsurge in the acts of terror in the three restive regions and activation of certain NGOs and think tanks all trying to air misgivings and create fear psychosis.<sup>20</sup>

In Pakistan, some political parties like ANP, Baloch nationalists, PkMAP raised serious objections to the CPEC project. Even PTI and JUI (F) showed inclinations to climb

the bandwagon of anti-CPEC forces. Objections were being raised despite assurances by the government that this project will provide equal opportunities to all the provinces.<sup>21</sup>

There are numerous internal and external challenges for Pakistan over Pakistan China One Belt One Road Project. Here some very serious challenges have been described.

### CPEC and Balochistan Factor

Balochistan is one of the most important areas of Pakistan; a surprising location for what officials hope will become one of the world's great trade routes, linking the deepwater port of Gwadar with the city of Kashgar.<sup>22</sup> This province has been dogged for over a decade by a bloody separatist insurgency. Baloch insurgents, who oppose Balochistan specially Gwadar's development have blown up numerous gas pipelines and trains and have attacked Chinese engineers.<sup>23</sup> They do not want to see Balochistan to develop as an economic and trade hub unless it becomes independent. They fear that if Balochistan develops and Gwadar port becomes a thriving port, then outsiders would move in. That could weigh the province's demographic balance even further against the Balochs.<sup>24</sup>

Ethno-sectarian is another important cause of insurgency in Balochistan as if this was not enough for keeping Balochistan tense, controversy over China Pakistan Economic Corridor project (CPEC) has added more fuel to the blaze. Going by the history of the earlier Balochistan related mega projects, the CPEC is likely to become increasingly contentious.<sup>25</sup> Muhammad Ali Talpur in an article under the caption 'A few questions answered' wrote: "The China Pakistan Economic Corridor is the center of interest for China, Pakistan and, naturally the world, as all perceive it according to the strategic and economic advantages and disadvantages it holds for them, whatever importance it may hold for others, it is extremely important

for the Baloch whose lives it will destroy in the name of development.<sup>26</sup>

Various separatist leaders of the Balochistan province are opposing the China-Pakistan Economic Corridor (CPEC). In this respect, Brahamdagh Bugti, the leader of the outlawed Baloch Republican Party (BRP), criticized the CPEC and Gwadar port projects and called for an UN-sponsored referendum in Balochistan to decide its future. He alleged the military equipment and funds obtained by Pakistan from the US and other western countries for combating terrorists and extremist groups were also being used against the democratic and political struggle of the Baloch people.<sup>27</sup>

There have been occasional kidnappings and killings of Chinese workers in Balochistan. Baloch separatists attacked tankers carrying fuel to a Chinese company working on a mining project. Gwadar port, which was recently put under the management of a Chinese state-owned company, is a particular target. Militants do not want to see it developed.<sup>28</sup> Siddiq Baloch, editor of the Balochistan Express newspaper, said the rebels want to scare off investors and developers who are working with the Pakistani government – such as the Chinese. He further said that there is the thinking that by doing this, they want to disrupt the working of the economy, disrupt the administration and challenge the administration in the area.<sup>29</sup>

It is high time that concerns of Balochistan are addressed prudently. For a project as big as the CPEC, which is potentially a game-changer for the economy of all the provinces, the nation cannot afford to fall in the trap of spoilers.<sup>30</sup>

## CPEC and Khyber Pakhtunkhwa Factor

Some political parties in Khyber Pakhtunkhwa are also opposed to China Pakistan Economic Corridor which is a big challenge for this multibillion dollars project. The reason

behind this opposition is changes being made in the original plan of this corridor by the federal government which will divert economic benefits to Punjab only. The Western route as the original route would be followed by building a road from Khunjerab to Gwadar via Mianwali, Dera Ismail Khan, Dera Ghazi Khan, Khuzdar and Turbat.<sup>31</sup> However, China is most interested to work on Eastern route first because of some security concerns. It is in fact a long term plan and will cover some parts of interior Sindh, and southern, central and northern regions of Punjab. The political parties of Khyber Pakhtunkhwa are against changing the original Gwadar-Kashgar route and demanded that government should desist from modifying the project, warning that the move would divide the nation on the issue.<sup>32</sup> The Qaumi Watan Party parliamentary leader Sikander Sherpao tabled the resolution in the provincial assembly which was supported by all parties. According to the resolution, any change in original plan of the project will be sheer injustice with the people of Khyber Pakhtunkhwa who have already been adversely affected due to terrorism.<sup>33</sup> They believe that the original route will connect the under developed areas of Khyber Pakhtunkhwa and Fata to the Corridor and will generate economic activities in the entire region but with adoption of new the alignment, these areas would remain ignored.<sup>34</sup>

The lack of political harmony would be the major challenge towards the implementation of the China Pakistan Economic Corridor (CPEC) project in Pakistan. Some sub-nationalist parties in all the provinces have expressed deep reservations about the CPEC, claiming there a change in the routes by the Federal Government would only favor the eastern provinces of Pakistan and deprive the western provinces. Since these allegations fail to meet the facts on the ground, the Pakistani and Chinese governments have tried to allay the fears, by interacting with the political parties that are making the allegations.<sup>35</sup>

The 18th Amendment to Pakistan's Constitution has delegated numerous powers to the provinces, which has strengthened the provinces but at times is detrimental to evolving consensus on vital national issues such as the CPEC. Both the underdeveloped provinces of Balochistan and Khyber Pakhtunkhwa have expressed reservations over the proposed new route of the corridor, which may hamper the completion of the project. Moreover, security situation in these provinces is another impediment towards the smooth construction of the corridor. Additionally, Pakistan's unstable political system carries the potential to delay the implementation of the CPEC.<sup>36</sup> Failure to address these irritants will continue to affect Pakistan China Economic Corridor project. There is a need to bring political harmony in all the provinces of Pakistan because it is important at present, when Pakistan is going to join the race for economic development and regional connectivity.

### Security concerns

Security concerns have been the most critical challenge to the CPEC and both Pakistan and China have been trying to meet these. An arc of militancy stretches from Xinjiang to Gwadar consisting of groups like the East Turkestan Islamic Movement (ETIM), Tehreek-e-Taliban Pakistan (TTP), Lashkar-e-Jhangvi (LeJ), Daesh (ISIS), Balochistan Liberation Army (BLA), Balochistan Liberation Front (BLF) and the militant wings of some political parties. Most of these groups may not have an enmity with China itself but rather intend to attacks the Chinese interests like the CPEC as a means to deal with the Pakistani state.<sup>37</sup>

Gwadar is the tail of the Silk belt, which will connect at Kashgar through different communication networks. The security of the whole corridor and Gwadar is a real concern for China. After the military operation in different parts of Pakistan, the terrorist infrastructure still exists inside and outside of the borders which will continue to pose a threat.<sup>38</sup>

The support of American CIA, Israeli Mossad and Indian RAW has continuously been assisting the militant groups and Sub-Nationalists in all the provinces to conduct subversive acts-and using terrorist elements in the whole country to threaten the Pak-Chinese plans of developing the CPEC. In the past few years, they kidnapped and killed many Chinese nationals in Pakistan despite Pakistan's efforts to provide best possible security. The army has announced the creation of 10,000 man special force for protecting the development projects. The new force, named the Special Security Division, will comprise nine army battalion and six wings of paramilitary forces, the Rangers and the Frontier Corps.<sup>39</sup>

There are major concerns about the Kunar and Nuristan provinces of Afghanistan, where multiple terrorist groups including Al Qaeda, the self-styled Islamic State, the Tehreek-i-Taliban Pakistan, the Movement of Islamic Uzbekistan and the Turkmenistan Islamic Party, etc are concentrated. These groups can pose a direct threat to the CPEC in Pakistan's northern region. A better understanding between Islamabad and Kabul is imperative to achieve border security.<sup>40</sup>

### CPEC and Economic Factor

As an economic enterprise, for the CPEC, the greatest challenge comes from competitors. The most significant is the Iranian port of Chabahar. India intends to invest significantly (\$85 million) in the development of Chabahar, which lies a few miles away from Gwadar and is part of its efforts for access to landlocked Afghanistan and Central Asia while bypassing rival Pakistan. Chabahar will effectively be a way station for energy imports coming from the Gulf region and destined for Afghanistan and Central Asia. It will also be a gateway to the Middle East, and possibly Europe, for exports originating from Afghanistan and Central Asia.<sup>41</sup>

While the Chabahar project has not yet been started due to the ongoing talks on the Iranian nuclear issue, the Gwadar port has already become functional. However, there is no need for contention between these two ports. Iran has a stake in the CPEC through the proposal to link the Iran–Pakistan gas pipeline with China, which has been described as a “common interest” between the three countries.<sup>42</sup>

Indian involvement in Chabahar is linked to Pakistan’s refusal to allow India access of transit to and from Afghanistan, so India sees Iran as the next-best option. If Pakistan extends transit facilities to India, and then India may not be interested in building up Chabahar. In recent years, India has been particularly active in engaging Central Asian states for the sake of pursuing energy deals. India can be easily accommodated via the CPEC itself through eastern interface in Punjab and Sind and transformed into a stakeholder in the success of both Gwadar and the CPEC.<sup>43</sup>

### CPEC and Tax and Power Tariff Issues

China has raised serious concerns over the issue of tax, power tariff and electricity price with Pakistan along with the implementation process of the China Pakistan Economic Corridor (CPEC) energy projects in Pakistan. According to sources, China has expressed serious reservations over the hurdles and delaying tactics purportedly being employed by the Federal Board of Revenue (FBR). According to the agreement, under the CPEC, the imported equipment would be exempt from sales tax and withholding tax. However, the approval procedure from FBR is proving time-consuming, which is negatively impacting on project construction timelines in Pakistan.<sup>44</sup>

The Chinese authorities have pointed out that the decrease in tariff for renewable energy will negatively impact on the cost-effectiveness of project implementation, dampen investment enthusiasm and affect projects implementation based on China-Pakistan Inter-governmental Agreement.



The Pakistan side replied that renewable energy tariff will not remain the same in the future and the tariff decreasing range is closely related to the cost of the project at the time of application for tariff. The cost of renewable energy is declining in the international market; besides National Electric Power Regulatory Authority (NEPRA) determines tariff which is independent of the Pakistan government. NEPRA reviews the tariff on all fuels after a certain time frame considering the international benchmarks and cost of power for common consumers.<sup>45</sup>

### Indian Concerns

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

After the completion of CPEC, Pakistan may become a trade hub in the region after Gwadar Port starts functioning fully and duty-free economic zones are set up. Many Central Asian states have also expressed interest in becoming part of the corridor. This strategic partnership between Pakistan and China has upset India that openly voiced its opposition and even premier Narendra Modi pressed the president of China during his visit to Beijing to drop the plan of developing the corridor. However, China did not cave in to the pressure and vowed to push ahead with work on the project.

India is also not happy with the handing over of Gwadar Port development and its operations to China. There have long been reports that Delhi is fuelling insurgency in Balochistan, which is rich in oil and gas resources, but poor law and order conditions have halted work on exploration

activities there. Experts believe the India-UAE nexus will try to fail the Gwadar Port development project and create hurdles in the way of exploration activities in Balochistan.<sup>46</sup>

With Chinese clout growing and Russia flexing muscles to regain control over Central Asia, India is struggling to make some headway and spread its sphere of influence in the region. Delhi has bet on Iran and Afghanistan to reach the Central Asian states via land route as Pakistan and China have control over many land links that provide access to the resource-rich region. India hopes it will be able to reach Central Asia through the Iranian port of Chabahar and build a north-south corridor that will run to Afghanistan and eventually stretch to Central Asia.<sup>47</sup>

### CPEC Benefits for Pakistan

Pakistan has been playing a significant role in South Asia. After the completion of China Pakistan Economic Corridor; economic, commercial as well as geostrategic environment will improve in Pakistan. It will help Pakistan in dealing with the problems of poverty, unemployment and inequities of undeveloped provinces. During his meeting with President Xi Jinping, President Mamnoon Hussain said the China Pakistan economic Corridor would prove to be a game-changer in the whole region by generating massive trade and economic activity and opening new vistas of progress and prosperity for the people of the two countries and about three billion people of the region.<sup>48</sup>

CPEC from all counts will prove a game changer and will make China a real stakeholder in Pakistan's stability and security. It is a win-win situation for both. It will greatly expand the scope for the sustainable and stable development of China's economic development. Investments by China will boost Pakistan's \$274 billion GDP by over 15 %.Corresponding progress and prosperity in Pakistan and China's patronage will help Pakistan in getting rid of the decade old labels of 'epicenter of terrorism', 'most

dangerous country' and a 'failing state'. Pakistan enjoys a more favorable fiscal situation compared to India by reducing its budget deficit to 4.7% of GDP in 2014 (as against India's 7%) and Pakistan is both competitive and cheaper as an emerging market. China's economic and military assistance will help Pakistan a great deal in narrowing its ever widening gap in economic-military-nuclear fields with India and in bettering its defense potential.<sup>49</sup>

Ambassador of China to Pakistan Sun Weidong while talking about the corridor said that the setting up of energy, transport, infrastructure and industrial projects under China Pakistan Economic Corridor (CPEC) would benefit all the provinces of Pakistan. He said that the CPEC was not limited to just a road but it will connect the country with a number of motorways and infrastructure projects. He explained that infrastructure projects included Gwadar port, the second phase of the upgrading project of Karakoram Highway, motorway project between Karachi and Lahore, Thakot-Havelian motorway, Gwadar port expressway, Gwadar international airport and Karachi Sukkur motorway, adding further that the project will increase collaboration in areas of energy, finance, commerce, banking, industry and education.<sup>50</sup>

Here are some benefits which Pakistan will take after the completion of CPEC.

### Overcoming Energy crises

Energy is described as life line of the economy of any country. It is most vibrant instrument of socioeconomic development of a country. Due to population growth and industrial demand, there have been severe energy crises in Pakistan. The major reason behind Pakistan's poor power generation is the political instability and the exponentially increasing demand for power and lack of efficiency. No significant solution to the problem has yet been found and it continues to torment the citizens as power supply is one of

the basic necessities in this era of modern technology. Power blackouts and load shedding (deliberate blackouts) are common in every area around Pakistan especially the major cities. Wapda and KESC have failed to tackle the problem that exposes the failure of the system of the state.<sup>51</sup>

CPEC is the ideal project which will help rid country of the energy crises. Energy availability in country will revive existing industries, such as textile to full production and add an estimated 2 percent to Pakistan's GDP growth.<sup>52</sup>

Chief Minister Punjab, Shahbaz Sharif said that China is extending great economic cooperation to Pakistan and that the government is making serious effort for resolving the energy crisis and a number of projects with Chinese cooperation would start producing electricity.<sup>53</sup>

Planning Development and Reforms Minister Ahsan Iqbal said CPEC framework will cover four major areas and energy zone is one of them. In the energy sector, project totaling 10,400 megawatts had been included in the early harvest (first priority) programme, which could be completed by 2018. In all, Chinese firms will put up \$35 to \$37bn in the foreign direct investment for independent power production (IPP) under an investment policy that was available to all investors.<sup>54</sup>

These projects would be based on wind, solar, coal and hydropower generation of 16,400 MW as well as the transmission system and would be located in all the provinces and Azad Kashmir. He further said China would be setting up 10 projects of 6,600MW in the Thar Desert that would transform this remote and underdeveloped region into Pakistan's energy capital and open up economic opportunities for the people.<sup>55</sup>

## Infrastructure development

Infrastructure development – including the development of roads, ports and highways is another important segment of CPEC. This project basically will improve Pakistan's

infrastructure connection with all sub regions in Asia, and between Europe Asia and Africa step by step and will remove all investment and trade barriers for the creation of a sound business environment within the region and in all related countries.<sup>56</sup> After the complementation of this Project, Pakistan will become modernize and then by spreading out markets for manufactured good. The areas adjacent to the corridor would become attractive locations for manufacturing, agricultural and services industries, Small and medium enterprises would be special beneficiaries. Employment and economic growth expand significantly.<sup>57</sup> It will also attract whole world for economic and trade assistances. under which the Karakoram Highway had been identified for the first phase and Khunjerab-Havelian-Islamabad section of the road was expected to be completed in three years, moreover, CPEC route would be utilized for the creation of economic and industrial free zones, for which a fresh economic zone working group would be created soon after the upcoming visit to link all the four provinces, AJK, Fata and Gilgit-Baltistan to expand benefits of the initiative across the country.<sup>58</sup>

## Economic Development

China Pakistan Economic Corridor will help build a robust and stable economy in Pakistan and will create a significant opportunity for Pakistan to revive its industry and advance its economic interests. It will also help in overcoming the psychological barriers to flows of foreign investment from other sources. Despite its restrictive economic regime, over 150 private equity funds, foreign and domestic, are active in India. Only three or four such funds are dedicated to investing government, with the participation of the private sector, to encourage foreign direct investment in Pakistan is indispensable.<sup>59</sup> Finance Minister Ishaq Dar said war phobia can also be defeated through economic

development. Peace and prosperity can be achieved with economic advancement.<sup>60</sup>

This project will go beyond regional ambit to bring about enormous changes not only to the national economies of the benefiting states but also to the economics of the people at the grassroots level.

### Balanced environment in South Asia

CPEC is the crown jewel in the new Pakistan economic paradigm because Pakistan has the opportunity to act independently of the western influence especially the US influence as it has proved of late, an irritant factor. CPEC Project will also bring an opportunity to Pakistan for normalization of ties with India, Iran and Afghanistan which will keep balance, strengthen prospects of peace and improve socio-economic status of the people of the region.

### Removal of poverty

CPEC is a game changer project which will lift millions of Pakistanis out of poverty and misery. The project embraces the construction of textile garment, industrial park projects, construction of dams, the installation of nuclear reactors and creating networks of road, railway line which will generate employment and people will also take ownership of these projects. <sup>61</sup>Fully equipped hospitals, technical and vocational training institutes, water supply and distribution in undeveloped areas will also improve the quality of life of people.

### Peace and prosperity in Provinces

CPEC is not only the name of road, port and railway system but a multi-dollars mega project which will bring peace and prosperity in all the provinces of Pakistan. The chairman of the Gwadar port, Dostain Khan Jamaldini said that the CPEC would not only benefit Balochistan but also prove beneficial for the country's three other provinces.

Economist Dr Shahid Hassan said CPEC would bring more prosperity in the whole country and would reduce unemployment in the country. Functioning of Gwadar port will bring an economic revolution and business activities will get a much needed boost.<sup>62</sup>

## Recommendations

- All political parties should express full support for the implementation of China Pakistan Economic Corridor.
- All political parties should be united and resolve their political issues and act for their mutual benefits.
- The government and all the provinces should work jointly for the commercial, economic and cultural development as well as peaceful environment in the country.
- The government should share all details of CPEC project with all the political parties of all the provinces.
- The government should discuss the benefits and challenges of this multi- dollar project with all the provinces.
- The Pakistani government should provide full support and assistance to foreign workers of different CPEC projects.
- The government should provide security to the foreign workers on different projects of CPEC.
- The government should not delay work on CPEC because it can provide space to the terrorists and militants to create hurdles in the smooth construction of this project.

## Conclusion

China Pakistan Economic Corridor is the game changer project which will incorporate a 2,000 kilometer transport link between Kashgar in northwestern China to the Gwadar port on the Arabian Sea near the border with Iran. When this corridor will be completed, oil from the Middle East could be off loaded at Gwadar, which is located just outside the mouth of the Gulf, and transported to China through Balochistan and over the Karakoram Mountain. There are many challenges for Pakistan in implementing this project. At the same time, Pakistan will have many benefits from this corridor.

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