

CPEC; A ROADMAP OF ISLAMIC REPUBLIC OF PAKISTAN AND ISLAMIC COUNTRIES OF CENTRAL ASIA'S DEVELOPMENT

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Abstract:

Pakistan and China all-weather friends have strengthen their economic, political and strategic relations with the passage of time. Both of them emphasize their economic relation that remains neglected through ages. In the year 2013 a milestone was achieved when the agreement of China Pakistan Economic Corridor (CPEC), stimuli to economic relations was concluded. The project would not only connect Pakistan and China but is potential enough to integrate Asian countries. It will contribute to the improvement of strategic and economic environment of the region. There are some challenges as the project has some diverse effects on political interests of some actors. Major objective of the study is to expose economic and strategic importance of CPEC and to find out its impacts on Pakistan's development. To achieve the mentioned objective empirical, analytical and predictive methodology is applied. This research concludes that the project would be a game changer.

Key words: CPEC, integration, economic, Pakistan, China

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Introduction:

The changing patterns of region, where states are trying hard to boost economic relation, compel Pakistan and China to re-shape the already friendly relations to deal with the demand of the day. The agreement of 2013 regarding China Pakistan Economic Corridor (CPEC) is another milestone in their relations towards new heights of economic and strategic cooperation. The project would be a catalyst of economic integration in the defined region. The regional connectivity will act like a catalyst to economic growth of paralyzed economies of the region. It would connect rural and urban area's economic resources to economic hubs. As composition of offshoots, roads and routes the project would have massive impacts on neighbor states. CPEC is no doubt an economic blessing which would ultimately bring development to Pakistan.

Geography of CPEC:

This mega project is composition of road, rail way lines, pipeline and fiber optic cables which linking Pakistan with China via GB and four provinces of Pakistan. The project has two parts, Eastern and Western alignments.

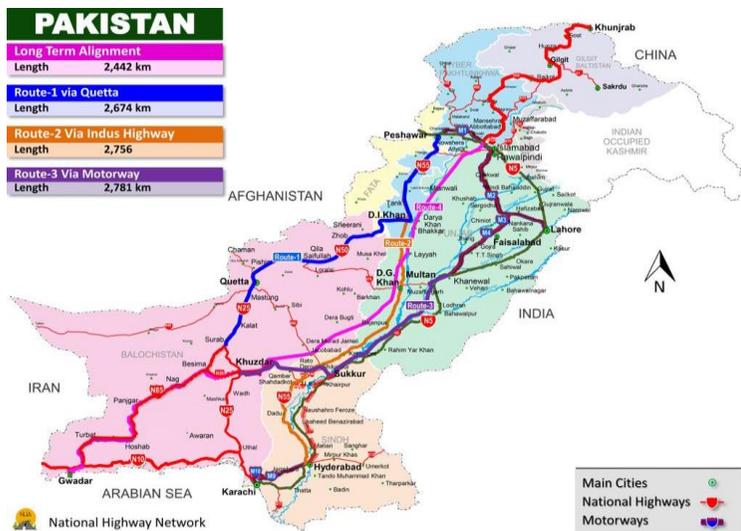
A. Eastern Route:

Both Pakistan and China agreed to initiate the eastern portion of the corridor because of two reasons. i.e. China's corporations allegedly willing to undertake building of the eastern alignment on basis of Build Operate Transfer (BOT) and security. Under the new plan the project will cross few areas of Baluchistan and KP where security situation is unstable. Two provinces showed their deep concern about the altered plan of CPEC.¹

Route of eastern alignment is from Gwadar to Kashgar via costal highway, then to interior Sindh, to central and northern Punjab, to Islamabad, Haripur, Abbotabad, Mansehra, Diamer , Gilgit and Khujrab. A portion of corridor will also run through the capital of Pakistan's Kashmir, Muzaffarabad. A link from Taxila via Torkham, Peshawar would connect Jalalabad area of Afghanistan to corridor. India would be connected to corridor on two points through Hyderabad-Mirpurkhas-Khokarapar and through Lahore Wagha border.

B. Western Route:

This is the initial and original plan which government differs until the completion of eastern alignment. Under this plan the corridor will have to start from Gwadar, runs through Khuzdar, Dera Bugti (Baluchistan), D.G Khan (Punjab), D.I Khan, Peshawar (KP), Islamabad, and the rest of eastern alignment route. Under this plan Afghanistan would be connected to corridor through Quetta and Iran through Quetta-Kho-e-taftan link.



Source national highways authority

Significance:

Chines president Xi Jinping introduced new foreign policy direction “Constructive Engagement”. To move forward constructive engagement agenda special focus was put on economic engagement. He is eagerly pursuing this agenda via the silk route; consist of road, rail and maritime network. Popularly known as, “one belt one road”. Many of western countries, academicians, and India consider CPEC as strategic corridor, which cover Pakistan’s trade and development needs. According to Andrew major portion of the deal and cooperation is under the carpet. He uses the term “cooperation in shadow” for these relations.²

The fact in point is that CPEC is not only significant for Pakistan but also for as to China regional connectivity is essential for it as global power in future. During his visit to Saudi Arab and Egypt Chines president

Xi Jinping offer \$ 55 billion loan for infrastructure and industrial development to Middle East, both Saudi and china agreed on “Comprehensive strategic partnership” framework. He announced most significant statement “We are not setting up proxies or building a sphere of influence in the region”.³ All these are part of constructive engagement which speed up trade ties and will ultimately boost demand for Chinese products.

CPEC is located on the junction of Silk Road economic belt and twenty first century maritime Silk Road.⁴ China is committed to give about \$ 46 billion, which is around 20 % of the annual GDP of Pakistan.⁵ In CPEC project 17000 MW electricity would be generated with \$ 34 billion cost. Remaining money would be invested in infrastructure development like railway line between Karachi and Peshawar.⁶ Proposed completion date of project is 2030.⁷ The economic corridor will cut the road distance by 12,000km from Middle East to western China via Gwadar Pakistan and will host massive road and rail network, energy pipeline and business zones.⁸ Completion of the hydro, coal, solar and wind energy projects, about \$ 15.5 billion’s worth, would contribute 10400 MW to national grid. An optical fiber cable of \$ 44 million is linking the two nations.⁹ Liu Jiancho Chinese assistant foreign minister clarify Indian concern about corridor that it go through disputed area of Kashmir, in media talk “The project between China and Pakistan does not concern the relevant dispute between India and Pakistan. So I do not think that the Indian side should be over concerned about that”.¹⁰

ODI’s of China are mainly South East Asia oriented but since 2003 Chinese intentions diverted towards South Asia. It is hard to ignore Chinese geopolitical reasons behind solidification of economic ties with South Asia. China is investing huge amount in CPEC in order to pursue its national interests. Its investment of 45.6 billion dollars in energy and infrastructure will give profit to Chinese firms. According to media reports Chinese Banks and government give loans to companies for their projects, thus assembling its commercial projects with direct influence on Chinese economy.¹¹

China is largest oil importer that’s why energy security is its main objective. Its energy pipe lines cuts thousands of km of sea distance via south East Asia.¹² China isn’t only going to invest in CPEC but also intended to invest in “Silk road economic belt with Central Asia, maritime

road with south-east Asia and in South Asian economic corridor. China is eagerly looking India as partner in “Maritime Silk Road” an attempt to connect China to Europe via India and Africa. India has an important role in Chinese vision of economic integration. China is hoping compatibility of vision with Indian economic goals.¹³ Agreement regarding establishment of sisterly relations between Gwadar and Karamy (Xinjiang), Lahore and Chengdu (Sichuan) and Zhuhai (Guangdong) and Gwadar established.¹⁴ According to premier of Pakistan Mr. Sharif with this corridor Pakistan would become a hub of regional economic activities.¹⁵

CPEC project:

Following to three meetings of JCC conducting on 27th of August 2013, 19th of Feb 2014 and 27th of August 2014 fifty one MoUs were signed to develop various projects between China and Pakistan during the visit of Xi Jinping Chinese president to Pakistan on 21 April 2014. CPEC project is categorized into three phases. The short term project is to be completed up to 2017 known as early harvest project. Up gradation of KKH to Islamabad, Lahor-Karachi Motorway, orange line metro train, Special Economic Zones on CPEC, New Airport Hospital and vocational institutes at Gwadar, dry ports and development of East Bay expressway are included in this phase.¹⁶ Midterm phase is estimated to be completed till 2025 while the long-term or third phase would be completed in 2030.¹⁷ The second meeting of JCC focuses on EHP.¹⁸ CPEC isn't only the early harvest projects but beyond this.¹⁹

Central Asian Republics:

Located in its proximity Gwadar is an important opportunity for central Asia to export its world's largest oil and gas resources.²⁰ As it reduced the distance of Central Asia republics by 500 km that's why it would enhance transit fee significantly.²¹ Gwadar port is an alternative for Central Asia to warm waters via Afghanistan. It has the potential to replace the port of Dubai which is an important hub of economic activities.²² Pakistan is eager to use the port as energy and trade corridor with Central Asia, China and Afghanistan. Pakistan is the only viable option for Central Asia and Gulf's world largest oil and gas reserves. In case of blocked of Persian Gulf Gwadar will be an alternative. That's why it is known as all-times access point.

Enormous resources of Central Asia spotted it as significant area. Flow of these resources will be marked through Gwadar port. TAP will

pump Turkmenistan’s oil and gas to world market through Gwadar port. About 65 million people are living in these six states, Azerbaijan, Kazakhstan and Kyrgyzstan are away from Pakistan which cause less flow of goods through Gwadar. The remaining three because of their closeness to Pakistan are potential user of the port. Total estimated trade of the region is \$ 20 billion including \$12 million export. Estimated trade in term of weight and volume is 80 million.²³

Kushka, Turkmenistan is just 1200 km on road distance from Gwadar while it is 3400 from Odessa, Ukrainian port.²⁴ A highway 500 km, connect Gwadar through Rabat, Panjgur, and Chaghi, to Herat (Afghanistan) will directly connect Central Asia. With the completion of this road Russian trade is expected through Gwadar, as she expressed her desire to be a part of CPEC.²⁵ This route will quicker and cheaper than that of from South Asia to Suez, to Mediterranean, to Atlantic and to Baltic port at North Sea. According to Russian exports use of the prior track would reduce delivery time by 20 days and per container cost by \$ 400-500.

Estimated resources of Caspian Sea are US \$ 4 trillion. Central Asian region by 2050 will provide about 80% of American oil. Gwadar port is the shortest route for its resources. Through TAPI, Turkmenistan can export its gas to world market through Gwadar. The oil resources of Caspian region is estimated 17-49 billion barrels and it gas reserves are about 232 trillion cubic feet. There are three more ports which due to its location and nearness are main competitors of Gwadar. Distance wise advantage and disadvantage are as below.

Table
Trade potential CARs

Country	Crude Oil (Million Barrels)	Natural Gas (Trillion Cubic Feet)	Coal (Million Short Tons)
Kazakhstan	5,417	65	37,479
Kyrgyzstan	40	0.2	895
Tajikistan	12	0.2	Minimal
Turkmenistan	546	101	Minimal
Uzbekistan	594	66.2	Minimal
Total	6,609	232.6	38,374

Turkmenistan: To use the shortest available route to Ashkhabad Gwadar has lower hand compering to Chahbahar of about 261 km. Uzbekistan: To Tashkent Gwadar enjoys distance advantage of 198 and 266 km on Chahbahar and Bandar Abbas respectively. Tajikistan: Using the shortest route from Gwadar to Dushanbe, distance advantage of Gwadar over Chahbahar and Bandar Abbas is 213 and 281 km.

Because of its distance advantages on other competitors Gwadar is most reasonable choice for Central Asian republic for its resources. In long terms Gwadar would be quicker and cheaper transportation, when the road network completed, than the primary substitutes of goods shipment through Suez, Mediterranean and to Black Seaport Odessa, Ukraine from South Asia. It would boost trade potential via Gwadar.

Impacts of CPEC:

According to Pakistan's Economic survey 2013-14 Sino-Pak bilateral trade increased 124 per cent, to \$9.2 billion in 2012-13 which was \$ 4.1 billion in 2006-7. Pakistan's export enlarged with 400 % from about \$ 600 million in 2006-7 to \$ 2.6 billion in 2013-14.²⁶ CPEC would further boost up trade between these states. During his visit to Pakistan in 2013 Prime Minister Li Keqiang urged construction of CPEC.²⁷ Pakistan's government showed its eagerness as will. This corridor is connecting Gwadar port Pakistan to Kashgar China. It will not only make Gwadar fully functional but would convert it into a significant port of the region. The port was handed over to China overseas port handling company in Feb 2013. Gwadar since then is turning into a fully operational deep sea port.²⁸ The corridor is a connection among China, Middle East and Africa and would reduce 12000 km distance in oil supply from Middle East to China's port.

CPEC would not only satisfy the needs of Pakistan and China but will also serve the entire regional stability and economic integration.²⁹ It is comprehensive developmental program consist of rail, road, pipeline and fiber optic links. This 2700 km link will connect Gwadar to China and further to India, Afghanistan and Iran. The highway is linking Xinjiang to Gilgit-Baltistan and KP. Along with links connection certain other projects like free zones, economic zones and power generation are also included in CPEC.³⁰

China is looking forward to stabilize its trade and commerce links with various regions. Xi Jinping in September 2013 stressed rediscovery of old trade links between northern, central and Southern Xinjiang which links China to Pakistan, Europe and Russia.³¹ It is assumed that with the construction CPEC Pakistan would become hub of regional trade, it would boost up economic activities because of economic, industrial and tax free zones. There is a forecast that CPEC would connect India and Afghanistan, though it is too early to say, that will enhance region's trade and economic cooperation, ultimately promote peace and stability in the region.

Gwadar has a pivotal role in CPEC, without full operationalization of the port; it is hard for China to see the proposed corridor as a corridor of energy, the major objective behind the project. Situated on the mouth of the Persian Gulf which transports one-third of the world's oil, Gwadar is a key player in the energy of import of China, providing a short route.³² It is viewed that the completion of CPEC will place Gwadar in a situation of extreme geo-strategic competition.³³ Gwadar port gives a strategic edge to Pakistan and China in the Indian Ocean that boots up the already existing Indian concerns about Chinese involvement in Hambantota, Chittagong and Sittwe ports.³⁴ To meet with its energy needs the Indian government decided to invest in the Chabahar port which would provide it an access to central Asia.³⁵ Chabahar is located in Sistan Balochistan where there is unrest due to ethnic issues.

China wants to resolve the issues in the Middle East, to resolve the Iranian nuclear issue. China is eager for its political settlement.³⁶ China is trying to resolve Indo-Pak issues as well.³⁷ To China Pakistan is a window to CARs³⁸ but unrest in Afghanistan is a main concern not only for China but also for regional countries as well. China on the basis of its huge investment of \$ 7.5 billion is the biggest investor in Afghanistan.³⁹ China boosted bilateral and trilateral efforts to restore peace and stability in Afghanistan. In this regard it hosted the Heart of Asia conference and also showed its commitment to table the Afghan issue on top of the agenda in SCO.⁴⁰

Role in Economic development of Pakistan:

CPEC is like a wildcard for Pakistan as it faces certain challenges in the fields of economy and politics. The project would enable Pakistan to provide a strong base to its economy, to reshape its relations with its neighbors and to transform Gwadar port into a trade and economic hub of

region. The project would be a remedy to all the problems of Pakistan's paralyzed economy and a new horizon for socio-economic condition of the people as their life standard would be improve. Several special economic zones would be established in Khyber Pukhtonkhwa, Sindh, Punjab, Baluchistan and Gilgit Baltistan. Ultimately potential international investors would be part of the project, drive Pakistan's economic growth. Iran, Kingdom of Saudi Arabia and very recently Russia showed their interests in the project.⁴¹

Infrastructure Development:

CPEC is a complex project includes energy pipelines, railway tracks, roads and Gwadar's port complex. The infrastructure once developed would be beneficial for Pakistan. Billions of dollars loan with very low interest rate and extended grace period is given to Pakistan that saves Pakistan to knock the doors of other financial institutions. Planning Minister of Pakistan Mr. Ihsan Iqbal told that out of \$46 billion of China's investment \$ 11 billion is for infrastructure development of corridor.⁴²

Security Partnership:

This economic corridor will boost security cooperation among Pakistan and China. To insure security of the project both countries agreed on joint security mechanism. The devastating situation of Pakistan and Xinjiang region of China especially after September 2001 during war on terror is matter of concern in both of countries would be normalized by the project and even will bring peace to the entire region.

The project is an opportunity to bring Sino-Pakistan to extend their naval cooperation especially in joint exercises and training against piracy in open Seas. Power dominance game in Indian Ocean compels Pakistan and China to come close in a naval alliance. The strategic naval cooperation of Sino-Pakistan would scuttle the ambitions of Indo-US domination in the Ocean.⁴³ Gwadar port has potential to be converted into a naval base in future.⁴⁴ CPEC base cooperation between China and Pakistan would contribute to make balance of power in the entire region.

People-to-People Contact:

The project is an opportunity to boost up people to people contacts between these brotherly states which would instigate harmonious neighborhood. Chines president Mr. Xi Jinping is of the view that masses play a vital role in advancing progress of the nation and history. Our people continuously support this all-weather friendship and cooperation. To celebrate divers events of friendship the platform of sister cities, media organization and cultural centers should be use. China is intended to

provide 2000 training opportunities along with 1000 language teacher for Pakistan in coming five years.⁴⁵ He further appreciate Pakistan's role to enhance people support in this regard.

Conclusion:

China, a gigantic economic power, is eagerly working on regional integration and is playing a very active role in this regard. SCO (Shanghai Cooperation Organization) is part of such activities that is integrating economies of member states. Further China has invested huge amount in infrastructure development especially in South Asia. To finance Asian countries and prevent them from any foreign engagement she proposed AIIB (Asian Infrastructure Investment Bank) in 2013 and the idea was materialized in coming years. On the basis of such rapid development most of the scholars declare Asia as future of the world and that the world's leadership would be shifted to Asia. All these development indicate that there would be economic integration in the region that would lead to political Integration. Such integration would ultimately cause development in Pakistan as it is the mouth piece of the project.

Gwadar port has marvelous economic potentials. The port will be a hub port for the republics of Central Asia and having the potential to be a major regional transshipment port, when fully operational. It has potential to provide a naval base to Pakistan in the west of Karachi. CPEC, a mega project would connect the port not only to China but would also to the entire region. The project will not only enormously contribute to socio-economic development of the local people but to the entire region as well. This economic integration would transform Pakistan's under developed economy to a vibrant economy of the region.

The construction of CPEC is an important consensus reached by the leaders of China and Pakistan. It will optimize the trade and energy cooperation between China and Pakistan and benefit over three billion people in China, South Asia and Middle East.

CPEC realizes the new realities of global and regional politics by cultivating a more systematic, up-graded and need-based interaction for socio-economic, industrial, energy and trade development. The CPEC project will transform Pakistan's geographic location into an asset. The business community and private sector needs to come forward, and play their role in making CPEC a success. The role of think tanks,

media and educational exchanges will also be useful in allaying the negative perceptions and apprehensions over the CPEC project.

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