

China-Pakistan Economic Corridor (CPEC) and its Implications in the Region

Jyoti Shekhawat and Dr. Anurag Tripathi¹

Abstract

CPEC, a project specific to china and Pakistan is a part of the larger Belt and Road initiative which is a dream project of china revitalizing the ancient silk route. CPEC plays a very important role in the growth of the still struggling economy of Pakistan and enhances china's prospects of increasing its influence in South Asia both economically and politically. There are numerous aspects to CPEC that this paper discusses. Reasons why china has taken up this expensive venture, obstacles to this initiative like terrorism both in Pakistan as well as china and resistance by the people of Pakistan because of the lack of transparency, is being analyzed in the paper. There is a detailed study of the phases CPEC has gone through due to the changing domestic politics in the region. The stance of the beneficiary nations in South Asia and India's resistance to CPEC has been dwelled upon.

Key Words: CPEC, China, Pakistan, South Asia, India

Introduction

In contemporary world politics, economic corridors among nations are seen as a way of building cooperation and source of economic development. The economic integration because of the corridors formed, there would be further improvement in the access of markets in the regions involved. CPEC is one such project. The idea of CPEC surfaced when the Chinese premier li Keqiang visited Pakistan in 2013, he proposed to connect Kashgar in china's Xingiang Uyghur autonomous region with the southwestern Pakistani port of Gwadar. CPEC is a planned corridor that constitutes a muster of different energy projects. It consists of transportation, infrastructure, energy and economic free zones within Pakistan. CPEC is a part of One Belt One Road (OBOR) strategy, which includes the silk road economic belt and the 21-century maritime silk route. CPEC is a \$51 billion, 15 years long project that aims to create a 2000km highway/pipeline/railway route from western china to Pakistan's Gwadar port, which will form a 10000-kilometer sea route for Middle Eastern oil to china. This corridor will shorten the route for china's imports from the Middle East by 12000kms and link china's underdeveloped western region to Pakistan's Gwadarport in the Arabian Sea via Pack Occupied Kashmir (POK) through a network of roads, railways, business zones, pipelines and energy schemes.

¹ Jyoti Shekhawat is Research Scholar and Dr. Anurag Tripathi is Assistant Professor in CHRIST (Deemed to be University), Bangalore

Table-1: Estimation of Local Component in CPEC

	Investment (US\$ bn)	Domestic Share	Domestic Share (US\$ bn)
Energy (Breakup is given below)			
33.8			
Coal 7560 MW	8.8	20%	1.8
Wind 200 MW	0.5	20%	0.1
Solar 1000 MW	1.7	0%	0
Second phase 6445 MW	9.5	20%	1.9
Mining Expenditure	9	50%	4.5
Road	5.9	80%	4.7
Rail	3.7	50%	1.8
Mass transit in Lahore	1.6	50%	0.8
Gwadar Port	0.7	50%	0.3
China Pak Fiber Optics	0	0%	0
Hydel 1590 MW	4.2	50%	2.1
Total	45.7		18.1

Source: *BMA Capital Management Limited*

China's interests

a) China's economic concerns

CPEC is a very promising plan for china's economic benefits. Pakistan's proximity to the ArabianSea will lead to china attaining access to the Middle East's enormous oil reserves. China will have opportunities to import oil and export its goods and services to new markets. Creation of the port of Gwadar as a Special Economic Zone (SEZ) will allow greater connectivity with important financial centers in the regions such as Dubai. The Arabian Sea acts as an element of the maritime silk route under OBOR, allowing china to connect economically and politically with the Middle East through Pakistan. China will gain immensely as far as outsourcing its industrial capacity is concerned. The inclusion of Chinese companies in the SEZs along the routs of CPEC will provide china with the ability to outsource its industrial capacity. As china is primarily a manufacturing state, maintain a robust industrial base over the next 20-30 years is critical for its economy. Pakistan offers the most promising profile for increased Chinese investments.

b) China's security concerns

China, as is popularly known for its “one china policy” considers secessionist movements and domestic terrorism as important threats to its national security. The East Turkistan Islamic Party (ETIP) is believed to stir up discord in Xinjiang from safe havens in Pakistan’s North Waziristan region. Xinjiang is the home for minority Uyghur population, which has faced a lot of injustice at the hands of the Chinese, there have been reports of numerous human rights violations in this region against the Uyghurs. This is the reason why ETIP considers the use of violence justified against the Chinese forces in order to gain independence from mainland China. There is a history of ETIP carrying out attacks against the Chinese government including the 2008 attack in Kashgar, the capital of Xinjiang and also the 2013 Tiananmen square attack, which killed 2 tourists. These are the reasons that explain the rationale of China’s security through development investment strategy in Pakistan. This strategy implies that job creation and economic development can thwart extremism. Tackling terrorism through development of economic activities is China’s solution to its own and Xinjiang’s security problems. To summate, Chinese intentions to invest in Pakistan are based upon prospects for economic cooperation in conjunction with security interests.

Pakistan’s Role

a) Pakistan government’s role: -

After the suspension of security aid to Pakistan by the Trump’s government, one theory was that it would scare the Pakistani military into cooperating better with its U.S allies. But Pakistan had already had an alternate sponsor line up in the face of China. Just two weeks later Pakistani and Chinese officials were seen putting the final touches on a confidential proposal to expand Pakistan’s building of Chinese military jets, weaponry and other hardware. The military projects were designated as parts of China’s belt and road initiative, where a \$1 trillion worth of infrastructure development programs expanded across some 70, countries, built and financed by Beijing. In 2013, when China inaugurated belt and road, then Prime Minister of Pakistan Nawaz Sharif saw it as the answer for a host of problems. Foreign investment in Pakistan was inadequate, driven away by terrorist attacks and the country’s enduring reputation for corruption also Pakistan desperately needed a modern power grid to help ease persistent electricity shortages. According to the Pakistani officials, Beijing first proposed the highway from China’s western Xinjiang region through Pakistan that connected to Gwadar port. But Pakistani officials asserted that new coal power plants are built to which China agreed.

After the fresh scrutiny of CPEC, Chinese and Pakistani officials have contended that Pakistan has a debt problem. With almost half of CPEC’s projects completed- in terms of worth- Pakistan currently owes China \$23 billion. But the truth is that the country stands to owe \$62 billion to China before interest inflates the figure to some \$90 billion under the plan for belt and road’s expansion there in coming years.

People’s reaction

Gwadar port in Balochistan is the epicenter of the entire CPEC project in Pakistan. Even then, the residents of the city have a hard time getting drinking water on a daily basis. Apprehensions about CPEC not benefitting Balochistan has rightly been there for long. Also, there is great anxiety that CPEC will convert the Baloch people into minorities in their own homeland. According to the census of 2017, the total population of Balochistan was 12.3 million, the census indicates that that the Baloch population has shrunk from the 61% of the total to 55.6% over 19 years. Pakistan is currently hosting a sizable Chinese population and the numbers are only slated to grow as the project progresses. Because of these reasons, there is persistent discontent among the ethnic Baloch with regard to CPEC. Balochistan is at the heart of CPEC scheme which is a massive series of projects that, as mentioned earlier, is a network of highways, railways and energy infrastructure spanning the entire country. This discontent is a potential threat to the Chinese engineers, workers and people associated with the constituent projects. Reason being, the Baloch nationalists consider it as apart of a 'strategic design' by Pakistan and China to loot their resources and eliminate the Baloch culture and identity. The threat has surfaced with a first of its kind of an attack where the Baloch separatist group, Baloch liberation army's (BLA) 'Majid brigade' suicide squad, on November 23, 2018, carried out a suicide attack targeting the Chinese consulate in Karachi. There have been witnessed a couple of such attacks on the people related to the projects both Pakistanis and Chinese. This is done to send across the message that the way CPEC is progressing, the locals are totally distressed by it.

Security concerns- militant activities

Security concerns are the most critical challenge to CPEC. Both China and Pakistan have been trying to meet these challenges. The fear 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, and the militant wings of some political parties. A lot of them may not have enmity with China itself, but intend to attack Chinese interests like CPEC as a means to oppose the Pakistani state. The altering security dynamics in Balochistan indicates the province likely faces a greater challenge from jihadi militants than from Baloch insurgents. The Baloch rebels usually launch low-intensity attacks; groups like Lashkar-e-Jhangvi (LeJ) and its global arm LeJ Al-Alami, Jamaatul Ahrar, and TTP have been carrying out periodic attacks in the province including the latest ones in Mastung and Khuzdar. On the ground, the provincial government of Balochistan has been able to overcome the low-level insurgency in the province to significantly improve security, yet it will take some more time to completely root out the underlying factors of the insurgency. In order to additionally improve the security situation of the province, the provincial government launched a political reconciliation scheme. It is now estimated that over 50 percent of the militants from various banned Baloch organizations have surrendered their weapons so far. As a result, the provincial government rewarded them with cash prizes and announced that their families and children would be financially assisted by the government. According to the

Pakistan security report 2016, the security situations in Pakistan have improved with fewer incidents of terrorist attacks.

Despite this, Pakistan faces many challenges. In two significant anti-terrorism operations, operation Radd-ul-Fasaad (2017) and also during Operation Zarb-e-Azb (2014), militants survived and escaped into Afghanistan. They have now revived, and reorganized themselves in Afghanistan planning to relaunch their offense on Pakistan's soil. In the Afghan regions of Khost, Nuristan, Nangahar and Kunar regions, the Islamic state of Iraq and Syria (ISIS) and other like-minded groups under the title of Islamic state in "Khorasan" have gained strength. For these reasons Pakistan is concerned about these regions of Afghanistan where multiple terrorist groups like Al Qaeda, TTP, Islamic Movement Uzbekistan and the Turkmenistan Islamic party are concentrated and their planners use the Afghan soil to conduct a future strike in Pakistan. As a result, these groups are likely to pose a security challenge to the CPEC initiative in Pakistan. Therefore, the atmosphere of security inside Pakistan poses numerous difficulties for CPEC, starting from Kashgar, and the project will pass through Gilgit-Baltistan and Khyber Pakhtunkhwa, followed by Balochistan. Khyber Pakhtunkhwa and Balochistan have complex security challenges, owing to years of militancy and the presence of secessionist elements, Pakistani government has decided to install 10,000 army personnel under the command of a major-general, whose primary objective will be to safeguard Chinese engineers and guard the entire trade route. The speedy construction and initial security measures could allow the Chinese to work with minimal problems, but putting down the insurgency in Balochistan will be a serious challenge. Chinese authorities are also worried about the connections between Uyghur militants and the Afghan Taliban. Islamic militants are expanding the extent of their fight against the government in recent years, and the conspirators are believed to have links with terrorist groups in the northwestern belt of Pakistan. Pakistan is doing its best to eliminate anti-China elements from its territory, but there is still a possibility that the Uyghur and TTP militants may join forces to threaten CPEC. China is definitely aware of these conundrums. Beijing surely took into consideration all the prevalent security threats when they decided on the feasibility of this project. Around five decades of cordial relations with Pakistan have given China the confidence to initiate the project. Even then, given Pakistan's unpredictable nature, China will not be able to relax until the project is complete.

South Asia's response

China is trying its best to use Belt Road Initiative (BRI) to increase its influence and play a larger leadership role in South Asia and the whole of Asia at large. In 2013, when President Obama cancelled his Asia tour, Beijing used that opportunity to fill that vacuum and present itself as a new Asian leader. President Xi Jinping began pushing the mantra of "Asia for Asians" around mid-2014. China started to invoke a sense of regionalism and create a space for itself to lead by presenting new solutions to regional issues. In 2014, Xi Jinping noted in 2014, "In the final analysis, it is for the people of Asia to run the affairs of Asia, solve the problems of Asia and upload the security of Asia. As China is a strong champion of the Asia

security concept, it also works to put such a security concept into practice.” By 2015, the message was clear: Asian countries should not depend on external actors for their growth and development, instead take matters into their own hands and shape their own destiny. The underlying message was that China is willing and even ready to lead the region. After the launch of BRI in 2013, China continued to discuss the belt and road initiative in all its bilateral engagements, which aimed at gathering positive statements in support of the initiative. It was in 2017 that China began to sign agreements and understandings exclusively on the belt and road project.

A lot of China’s infrastructure projects-the ports and the corridors- started as bilateral projects before the BRI was officially rolled out. The belt and road packs together all of China’s ongoing projects into a single package and presents it as a multilateral initiative. CPEC was the first agreement that was exclusive to the belt and road initiative. A number of proposed corridors and port projects are yet to confirmed or discussed, such as Kolkata port. Ports like Gwadar, are not mapped on Beijing’s Maritime Silk Route (MSR), still Gwadar is clearly a part of the CPEC.

There is a trust deficit because of the lack of transparency in BRI which is perhaps the reason why China was unable to mobilize unified support for its initiative. The communique was not signed by all the nations present at the forum, instead only 30 nations signed the communique which includes nations like Myanmar, Pakistan, and Sri Lanka from India’s neighborhood. China’s interpretation of this was that it shows that Pakistan, Kazakhstan, Thailand, Indonesia and Russia are the five most cooperative countries in advancing the BRI. Some of the South Asian nations that thronged the forum and also signed fresh agreements with China were Nepal, Pakistan, Sri Lanka, Bangladesh, Myanmar and Afghanistan. Leaders of Pakistan, Sri Lanka, and Nepal made speeches in which they congratulated president Xi Jinping for his regional leadership and also welcomed Chinese investments in their respective countries. The fact that China was able to get a wide support from China’s neighbors with New Delhi’s participation signifies a number of things. One, it reflects India’s inability to offer substantial development assistance to its smaller neighbors. Two, it shows that the smaller countries are welcoming the presence of another rising power. Three, this development exposes India’s lack of strategic engagement with its neighborhood, although Prime Minister Modi’s neighborhood first policy is a step towards correcting this negligence.

India’s concern

At Raisina dialogue on January 17, 2017 Prime Minister Narendra Modi said that “only by respecting the sovereignty of countries involved, can regional connectivity corridors can fulfill their promise and avoid differences and discord.” This statement of the Prime Minister on the importance of respecting sovereignty was reinforced by foreign secretary S. Jaishankar, who, at the same platform, observed: “China is a country which is very sensitive on matters concerning its sovereignty. So, we would expect that they would have some understanding of other people’s sensitivity about their sovereignty.” These remarks by the Prime Minister and

the foreign secretary are to be seen in the context of the 300-kilometer-long passage of the China Pakistan Economic Corridor (CPEC) through Gilgit Baltistan, which has been claimed by India but is under the control of Pakistan since 1947. India's objections on the project have so far gone unheeded. There are two constituencies in India, one that stands with the objections of the government of India regarding the route of CPEC in Pak Occupied Kashmir (POK) and the other that sees CPEC as an opportunity India should utilize for its own benefit. The ones who see CPEC as an opportunity say that, in the new regional scenario, joint development of the corridor and other trans-border connectivity projects can be undertaken without getting into the mess of disputed territories claimed by India, China and Pakistan. Such a step must be taken in a phased manner, keeping in account the sensitivities involved. There already exists various transport and economic linkages between India and Pakistan, though most of those links are presently in suspension. The first phase should include revival of these linkages. For example, in Punjab, the trade route goes only through Wagah-Attari land route, while a number of other road links are ignored.

Conclusion

CPEC can act as a catalyst for economic connectivity and integration in region. Nevertheless, it should not jeopardise the other state's sovereignty through any channel. In South Asia, India should highlight its concerns. There is a trust deficit because of the lack of transparency in BRI which is perhaps the reason why China was unable to mobilize unified support for its initiative. Security concerns are the most critical challenge to CPEC. Both China and Pakistan have been trying to meet these challenges. The fear of militancy stretches from Xinjiang to Gwadar consisting of groups like TTP, ETIM, LeJ and other Sunni outfits. China surely took into considerations all the prevalent security threats when they decided on the feasibility of this project.

References

- Sagar. International journal of management, A. (2016). Should India join CPEC? International Journal of Management and Applied Science.
- Singh, P. (2017). India's participation in CPEC. IDSA.
- The Effects of the CPEC on India- Pakistan relations. (2016). German Institute for International and Security Affairs.
- Bhattacharjee, D. (2015). CPEC. Indian Council of World Affairs.
- Ranjan, A. (2015). CPEC- India's Options. ICS.
- Ramay, S. A. (n.d.). CPEC- A Chinese Dream Being Materialized Through Pakistan. Sustainable Development Policy Institute.

Rifaat, H., & Maini, T. S. (2016). CPEC- Strategic Rationales, External Perspectives, and Challenges to Effective Implementations. Stimpson Center.

Ramachandran, S. (2018). Chinese Projects in Pakistan Prove Tempting Targets For Terrorist Groups. *Terrorism Monitor*,16(3).

Mohanty, T. R. (2018). Balochistan:CPEC- Escalating Threat. *India Blooms*.

Habib, M. A. (2018). China's "Belt and Road" Plan in Pakistan Takes a Military Turn. *New York Times*.

Ramachandran, V. (2018). China- Pakistan Economic Corridor: The Uyghur Challenge and The Chinese Economic Model. *The Diplomat*.

Baruah, D. (2018). India's Answer to The Belt and Road: A Road Map For South Asia. *Carnegie India*.

