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China Pakistan economic corridor (CPEC) its importance and challenges

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Abstract

China Pakistan Economic Corridor is a historical initiative that connects the people of China and Pakistan, facilitates various opportunities for these countries. It connects people in different ways, coordinates policies of governments, financial integration through cross border business, productivity and regional energy security. This study will base on secondary data and also analyse the risks and challenges associated to CPEC initiatives implementation. It suggests that strong coordination between China Pakistan is necessary to get full fruits of this initiative through supportive law, policy, rules and regulation, proper strategy implementation, transfer procurement system, sincere consideration on political, financial, environment and social factors.

Keywords: CPEC, security, corridor, China, Pakistan

Introduction

China Pakistan Economic Corridor (CPEC)

CPEC is a bilateral agreement between China and Pakistan that can reconfigure the geopolitics of the south Asian region. China Pakistan Economic Corridor is a planned corridor constituting different infrastructure, transportation, energy, etc within Pakistan. This investment is part of China's One Road One Belt strategy which also includes the 21st century maritime Silk Road and Silk Road Economic Belt. CPEC investment constitutes a total sum of \$46 billion. CPEC investment boosts the Pakistan economy and Pakistani existing transportation infrastructure. CPEC is basically connecting the Kashgar in China's Xinjiang province to the Gwadar in Pakistan's Balochistan province.

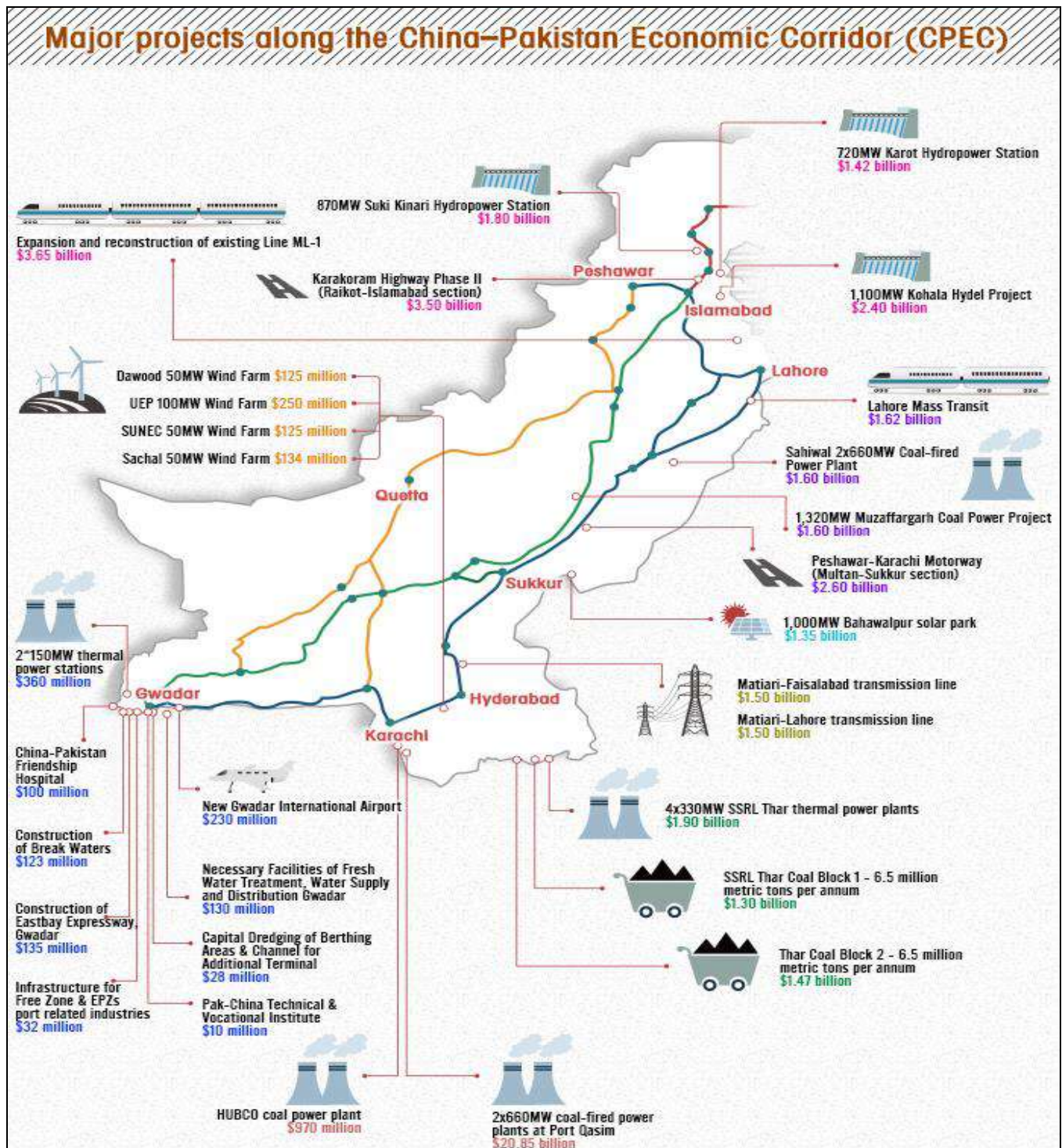
CPEC largest component deals with energy sector of Pakistan. Approximately 72 per cent of total proposed budget of CPEC nearly \$33 billion from \$46 billion will invest energy resource development, including gas, electricity generation and coal etc. A further \$2.5 billion is also dedicated towards the construction of pipelines for transporting liquefied natural gas (LNGs) from Iran to the cities of Nawabshah (Sindh) and Gwadar (Balochistan). This component is vital for Pakistan's economy, as decades of war and strife have led to serious deficiencies in its power-generation capacity. Recent trends have shown that energy shortages alone have subtracted 2-2.5 per cent of Pakistan's GDP growth. CPEC seeks to address some of these shortfalls ^[1]. CPEC transportation infrastructure, including highway and railway networks including 1,100 km motorway connecting the motorway connecting the coastal city of Sindh and Punjab. In addition to the construction of new transportation networks, several existing ones will be revamped, including Karachi-Peshawar railway line. The China development bank, the EXIM bank, the industrial and commercial bank of China are among those providing subsidized concessionary loans to finance these infrastructure projects.

The corridor falls under the umbrella of the OBOR, it places special importance on the promotion of regional connectivity across the Eurasian continent. Regional connectivity will be promoted through the establishment of SEZs aimed at facilitating industrial growth in key financial centers and strategically significant locations in Pakistan. A primary example of such facilitation includes investments in the Gwadar port in Balochistan, Pakistan's largest province in terms of surface area. Approximately 380 km from the Sultanate of Oman, Gwadar's geographical proximity to the Arabian Sea acts as a conduit for China to gain access to the Middle East. In addition, a liquefied natural gas facility capable of transporting

500 million cubic feet per day to the Gwadar-Nawabshah portion of the Iran-Pakistan gas pipeline is planned under the corridor [2].

Market-oriented policies and governmental measures facilitating trade will complement the establishment of SEZs under the corridor. The establishment of a free trade zone (FTZ) at the port of Gwadar similar to the FTZs in Hong Kong and Shanghai is an example of such market-oriented policies planned for implementation. The involvement of the National Development and Reform Commission (NDRC), China's top economic planner, in discussions to convert Gwadar into a hub for market-oriented growth again highlights the importance China places on CPEC's

economic aspects. The project is still in its nascent stages, and many of its deliverables are a work in progress. Its implementation depends on various factors that require further deliberation and discussion. This includes the myriad of security threats and political challenges it could face, all of which need to be factored in for a holistic understanding of its potential. Other factors such as China's strategic rationale for investments as well as narratives from prominent experts in Pakistan, India, and the United States must be examined for a more broad-based understanding of what the corridor entails for both Pakistan and surrounding countries [3].



Source: Chongyang Institute of Renmin University of China and Calling Magazine Cpec.Gov. Pk.

Fig 1: Projects of China-Pakistan Economic Corridor

Importance of China-Pakistan economic corridor

China-Pakistan economic corridor is the very important and joint venture of Pakistan and China. This is known fact that paradigm of power has been shifting towards the East from the West. Now world will no longer remain unipolar, soon it would become bipolar, due to coming forth soft economic Sino-power. CPEC is the part of China's new vision one belt one road and this is its Southern corridor of Silk Road project. Though China is the new emerging power in world yet India and United States have left no stone unturned to detract Pakistan from joining this new venture of China ^[4]. It is obvious thing India does not want to see strong Sino-power in Asia as like the USA. Therefore, both of these countries are using their utmost efforts to restrain the project because the success of this venture will undermine the power of India which is the prime ally and partner of USA to many folds. Due to this reason importance of CPEC is beyond the imagination, Gwadar to Kashgar route will not only decrease the distance between China and the Middle East but will also provide safe and secure way of oil to China. As Gwadar is located at the forefront of Strait of Hormuz which is the passage way of \$40 trillion trade in a year, moreover it will decrease the shipping cost of China to Middle East and African countries to a great extent. For that reason, Chinese government is initially investing \$46 billion in this project ^[5]. Basically CPEC is the name of multiple roads of one corridor: in Pakistan there are three major alignments having multiple roads are the part of this project, western alignment, eastern and central alignment all of these three alignments will be connected through highways and motorways. However, western alignment is more important rather than others because it will open the door of prosperity and development in Baluchistan and KPK, because Chinese investors will establish their manufacturing units on this route, which will increase the opportunity of employment in these remote areas. This is the reason that why foes of Pakistan and China are conspiring against the project; ongoing deficit of the trust about CPEC in Pakistan is also the result of these conspiracies. All over the world big powers have keen eye on this project, and for that Chinese President Xi Jing ping wants to complete this project as fast as possible, According to Andrew small, the author of the China-Pakistan axis:

"CPEC will be test case for one belt one road, it is pretty much the most advance set of project within the whole initiative. "If China can transform a basket case like Pakistan, a place where United States has spent billions in vain, Beijing standing in the developing world will be massively enhanced. As some American diplomats have said, this could be Beijing's Marshall Fund Movement" ^[6].

China-Pakistan economic corridor (CPEC) challenges

CPEC despite its strategic importance for China and Pakistan, it is not without challenges.

It is surrounded by regional security and political challenges for its smooth execution.

Challenges of regional and internal security

Regional security could be the biggest issue to the CPEC as it passes through some of the areas facing the biggest security challenges. The biggest challenged to the CPEC is the regional security environment; specifically the Afghanistan conundrum. China's huge investment in the region is hinged on the peace and stability both in Pakistan,

Afghanistan and Western parts of China. This is why China is actively pursuing to bring the Taliban to negotiating table within the quadrilateral framework between China, Pakistan, US and Afghanistan. The security situation in Afghanistan is getting worse day by day and even could be devastating after the withdrawal of NATO forces from Afghanistan as the Taliban have refused to come to the negotiating table initiated by the quadrilateral forum comprising. After the killing of the Mullah Mansoor, the Taliban leader there seems to be few chances that the Taliban could come to the negotiations. Moreover, Pakistan has recently stated that after the killing of the Taliban leader in Pakistan, it cannot guarantee to bring the Taliban to engage in peace talks ^[7].

With the refusal of talk by the Taliban in their recent statements it seems that it will take time to prevail peace in Afghanistan. Stability in Afghanistan is of utmost importance as the spill over effect can further destabilize the regional security environment, particularly Pakistan and Western parts of China. This could create security issues for the mega projects namely TAPI and CPEC in the region. Within Pakistan the situation is not good equally. The long-lasting insurgency in Balochistan and FATA (Federally Administered Tribal Areas) could hinder further to materialize the CPEC.

As Liever has noted that after the Withdrawal of Western forces from Afghanistan, Pakistan's survival will remain a vital concern for the Western and Chinese interests in the region. On the other hand China is equally worry about the security situation of Afghanistan that could affect the Xinjiang province which is an important region for the functioning of the CPEC. Moreover, the antagonistic attitude of the public of Pakistan and India could be a stumbling block in getting the public support for the Indian inclusion to the CPEC to make it a cross regional move. Pakistan's internal security has improved qualitatively after the military operation against the militants, yet the security phenomenon in Pakistan will remain a challenge to execute mega projects like CPEC smoothly. Although a special security force has been formed to protect the CPEC and related projects, given the porous border between Pakistan and Afghanistan and some difficult terrains through which the CPEC will pass in Pakistan, security will remain a hinge for the success of the CPEC.

Conundrum of balochistan

The long existing insurgency in Balochistan can pose constraints to the execution of CPEC and its related projects including the Gwadar Port. The rising insurgency in Balochistan is a challenge to the CPEC as well as to the federation of Pakistan and resolving it is imperative for the secure trade corridor between China and Pakistan. Lately, many non-locals, businesses and multinational companies' personnel have come under attack in the restive Balochistan region. A debate is already going on in the indigenous populace of Balochistan that the CPEC will benefit only the Chinese interest and could convert the local population into a minority. Such feelings of deprivation coupled with foreign involvement in the province as has been claimed by Pakistan recently, can be a serious challenge to CPEC. Addressing the concerns of Baloch people is imperative for the success of the CPEC and that could be done through a sane policy of integrating the least integrated Balochistan and its people in the political process of Pakistan. The

political and economic deprivation is one of the major causes of uprising in Balochistan and meeting these deprivations is pertinent for the peace in Balochistan^[8].

The CPEC will also pass through some parts of FATA and in future the extension of CPEC to Afghanistan is linked with the stability in the FATA region of Pakistan. Therefore security of Gwadar and the whole region is a serious concern for China and its interests in Balochistan. In addition to Balochistan issue, the people of Gilgit Baltistan are also demanding their part in the CPEC. The region has recently witnessed protests and strikes demanding political and economic rights including a fair share in the CPEC as it is the entry point of CPEC.

Political discontent in Pakistan

The political controversy among various political parties is yet another challenge to overcome for the smooth functioning of the CPEC in Pakistan. The discontentment is mainly for route selection, dividends and allocations of funds for projects under the CPEC. Although the ruling regime through the APCs (All Party Conferences) has tried to ally the grievances of the provinces mainly of KPK and Balochistan, yet it seems the issue has not been resolved. The political differences over the CPEC among various political parties are deep rooted in the history of political economy of Pakistan where the allocation of resources has always been politicized for political gains. The smaller provinces have concerns over the policies of the federal government where the resources including the federal budget are allocated on the bases of population rather than the backwardness and poverty conditions in the respective federating units. Given the magnitude and scope of the CPEC, Pakistan needs more highly skilled labour to execute various projects of the CPEC. The existing labour skills are not enough to pursue the CPEC and its related projects in Pakistan. The issues pertaining to transparency about CPEC related projects are also on rise. The political parties and other stakeholders have shown their concerns over the lack of transparency and have demanded that all agreements related to CPEC be made public. However, the concerned ministries are reluctant to make it public which further increases the doubts about the transparency of the project^[9].

Conclusion

The study analyses the suitability of CPEC in Modern Economy terms of economic sustainability, political stability and cultural exchange. The study argues that CPEC initiative has a great potential for future of China-Pakistan development. It also analyses the context of origin, vision, strategy, challenges and opportunities of CPEC initiative considering its applicability for global development. It also argues that China has a great influence on the CPEC initiative as an initiator and encouraging China's Go-West policy at all but it has a good impact on the economy of Pakistan as a whole. The article finds out some major challenges of CPEC like absolute size and scale, large infrastructure development, various geography and topography, geographical challenges and security challenges in Pakistan. It suggests that strong coordination between China-Pakistan is necessary to get full fruits of CPEC through supportive law, policy, rules and regulations, proper strategy implementation, transparent procurement system, sincere consideration on political, financial, environmental and social factors. This study contributes to the on-going

debate on the positive and negative effect of CPEC initiative through exploring the context of origin, strategy and the challenges which are facing by China while its implementation.

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