

## GEO-POLITICS OF CHINA - PAKISTAN ECONOMIC CORRIDOR (CPEC)

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### **Abstract**

*The “Belt and Road” is the shorthand expression for the initiative of “Silk Road Economic Belt” and “21<sup>st</sup> Century Maritime Silk Road” proposed by China which is an ambitious grand strategic enterprise with consequential significance. The prime motivation behind this vision is making sincere contributions to the regional and global economic development by reviving the spirit of ancient “silk road”. The initiative has drawn great global attention with mixed reactions. Some regard this as one of China's geopolitical strategies, while others perceives it as Chinese version of the Marshall Plan. The overarching vision of “One Belt One Road” has been linked by tributaries through corridors to facilitate the inaccessible countries and the regions. China – Pakistan Economic Corridor (CPEC) is one such momentous undertaking linking Pakistan with this esteemed project. While benefits of CPEC have been much debated, however, rising concerns over its geopolitical aspects have also gained equivalent prominence. Pakistan has suffered immensely from geopolitical rivalries of great powers in last three decades, therefore, cannot afford yet another great game played out on its mainland. The aim of this paper is to highlight the conceptual dimensions of “One Belt One Road (OBOR)”, and to analyze its challenges from realist paradigm and suggest workable policy options in making CPEC as one of the dividends for future generations of Pakistan.*

**Keywords:** Maritime Silk Road, Sea Lines of Communications (SLOCs), Geo-politics, Geo-economics.

### **Introduction**

Chinese President Xi Jinping during his visit to Kazakhstan delivered a key note speech at Nazarbayev University on 7 September 2013, where he pronounced China's initiative of constructing “The Silk Road Economic Belt”<sup>1</sup>. Subsequently, he visited Central and South Asian countries in September 2014, where he further highlighted the contours of “Silk Road Economic Belt”, which was later transformed into One Belt One Road (OBOR)<sup>2</sup>. The underlying principles of OBOR are aimed at enhancing mutual benefit and economic developments for all the regions based on

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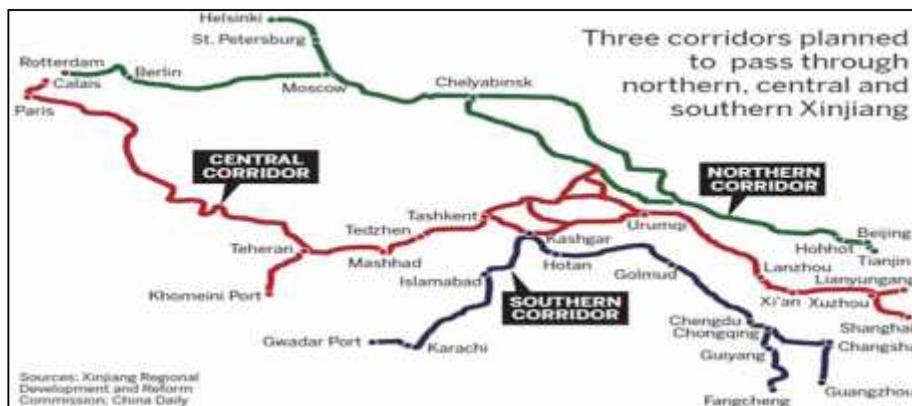
the principles of “amity, sincerity, mutual benefit and inclusiveness”<sup>3</sup>. The strategic vision of OBOR comprises two segments. The one component is land based road which has been termed as, New Silk Road or One Belt<sup>4</sup> and second component is sea based which is referred as 21<sup>st</sup> Century Maritime Silk Road or One Road<sup>5</sup>. Additionally, three Economic Corridors have also been proposed for optimum connectivity of more countries and the regions. The government of China has established Silk Road Fund by allocating US\$ 40 billion and additional US\$ 100 billion will be financed through recently established Asian Infrastructure Investment Bank (AIIB). Pakistan has been connected through exclusive connection called China-Pakistan Economic Corridor (CPEC) considering strategic significance of Pakistan and its all-weather friendship with China, promising huge economic benefits amid risks and uncertainty as inherent part of the project. This research article will unveil all-encompassing perspectives on CPEC, as it has been implemented, amid varying degrees of acceptability among the stake holders, generating cautious optimism and suspicions as the progress is made on ground. The project with its promised investment of US \$ 46 billion, which has now been revised to US \$ 60 billion, is the largest ever single source investment in multifaceted projects aimed at speeding up the engine of economic growth in Pakistan. While a lot has been said and written on positive aspects of the project demonstrating the robustness of Pak-China all weather friendship and strategic partnership. However, there have been certain consistent dissenting voices, criticism and concerns shown by wide segments of society across all the provinces, which have generated an atmosphere of distrust, lack of transparency in the implementation and proportionate distribution of dividends among the provinces, thus making it questionable as long-term sustainable developmental project for Pakistan’s economy. This article takes realist perspective of power politics to analyze the contours of CPEC on its implementation strategy. It is very important for Pakistani policy planners to dispassionately analyze all the aspects from multidimensional plane so that comprehensive response taking all stakeholders on board be formulated for eventual benefits of all inhabitants of Pakistan.<sup>6</sup>

## **Main Components of One Belt One Road**

OBOR has two segments, one on land with almost identical alignment of ancient Chinese Silk Route and other along sea. Detailed description of each component is discussed in ensuing paragraphs.

**One Belt or the Silk Road Economic Belt:** This is fundamentally a road network intended at augmenting transportation and trading network through land routes, with the help of which “China is linked to Europe by traversing through Russia and Central Asia along the Northern line; to the West joins countries along

Caspian Sea and Black Sea by middle line, and to South Asian countries and Europe along South line with North Africa as its extension”<sup>7</sup>.



The New Silk Road Three Extensions Connecting Different Regions<sup>8</sup>

Precisely, the New Silk Road starts at central Chinese city of Xi’an and traverses through Lanzhou in Gansu province, Urumqi and Khorgas in Xinjiang province and enters near the border with Kazakhstan”. Subsequently it passes through the Central Asian countries of Uzbekistan, Kyrgyzstan, Tajikistan and Turkmenistan then enters Afghanistan. From here the road passes through Northern Iran, Iraq, Syria and Turkey. From Turkish city of Istanbul, the road crosses the strait of Bosphorus and swings North West to Europe passing through Bulgaria, Romania, and Czech Republic and reaches Germany. From Duisburg in Germany, the road moves to Rotterdam in Netherland and moves to South towards Venice in Italy”<sup>9</sup>, where it links with the proposed sea based project “21<sup>st</sup> Century Maritime Silk Road”.

**21<sup>st</sup> Century Maritime Slik Road:** This is a sea based maritime shipping and trading network. It originates from sea port of Fujian province called Quanzhou, traverses through Guangzhou in Guangdong province, Beihai in Guangxi province and Kaikou in Hainan province, which directs its entry to Straits of Malacca. From Kuala Lumpur, the Malaysian capital, it swings towards Indonesia touching Belttung and Banda Ache, Bangladesh at Chittagong Port and India at Kolkata Port with additional configuration towards Hambantota in Sri Lanka, Maldives and crosses the remaining part of Indian Ocean towards Kenyan capital Nairobi<sup>10</sup>. From here, the alignment swings towards North crossing nearby Horn of Africa, Red Sea up to the Mediterranean Sea. From here, Greece’s port Athens is joined in concluding the ambitious Maritime Silk Road at Venice in Italy where it is joined with Land Based New Silk Road<sup>11</sup>. Due to geographical contiguity of Chinese Western province of Xingjian with Pakistani Gilgit-Baltistan, the CPEC has been envisioned linking

Kashgar with Gwadar passing through mainland Pakistan thus providing short and easy access to China to Middle East while benefiting Pakistan with unprecedented investment. The detailed analyses on CPEC are presented in ensuing paragraphs.



21<sup>st</sup> Century Maritime Silk Road Master Plan<sup>12</sup>

## Main Components of CPEC

The Initial proposals of Economic Corridor on the similar alignment can be sketched back to as late as 1960s in efforts by Pakistan to develop Gwadar Port as an additional port and shipping hub for alleviating the socio-economic profile of Balochistan, and also reducing the load from Karachi Port and also to serve as security of Sea Lines of Communication (SLOCs) in case of untoward situation at Karachi. Unfortunately, geo-strategic environment at that time curtailed the liberty of action of policy planners in Pakistan; therefore, the project could not be initiated. However, President Musharraf in November 2006 outlined the contours of trade corridor on his official visit to China and proposed to link Kashgar with Gwadar through Korakoram Highway (KKH). The fulcrum of this corridor was assumed to be Gwadar Port and associated communication infrastructure supporting the trade corridor. The Chinese Premier Mr Li Keqiang visited Pakistan on 22-23 May 2013 where he expanded already discussed vision of trade corridor and transformed it into China-Pakistan Economic Corridor, which was welcomed by Pakistani government. Pakistani public, think tanks and the media who demonstrated unanimity of views on this esteemed project of national significance and assured their full support. During the reciprocal visit by President Mamnoon Hussain to China in February 2014, both states echoed on congealing their respective plans in actualizing the CPEC. President Mamnoon Hussain stated that “the project will prove to be a monument of this century. It will benefit not only Pakistan and China, but also the

whole region”<sup>13</sup>. Later on at several national and international forums leaders and scholars of both countries have optimistically voiced that “China-Pakistan Economic Corridor will serve as catalyst for Pakistan’s economic development”<sup>14</sup>. The planned corridor expands for approximately 3000 kms commencing from Xinjiang province of China at Kashgar upto Gwadar Port in Pakistan. “Initially US \$ 46 billion were proposed for the project which is expected to be completed by 2030; however, latest figures show increase upto US \$ 60 billion”<sup>15</sup>.

The investment breakdown is; “US \$ 33.8 billion in energy projects, US \$ 11.8 billion in infrastructure projects, US \$ 622 million for Gwadar port and around US \$ 15.5 billion have been dedicated for energy related projects projected to enhance 10,400 megawatts of electricity to the national grid helping in substantial decrease in load-shedding”<sup>16</sup>. The important components of CPEC are discussed in ensuing paragraphs.

**Gwadar Sector:** The development and operationalization of Gwadar port will enable Chinese entry to Arabian Gulf via shortest route which apart from trade and transit facilities for both countries will have inherent advantage of enhancing Chinese geo-political influence in this region and beyond as the expanse from Xinjiang to Gwadar is about 3000 kms, in-fact far less than SLOCs traversing via Strait of Malacca which is well over 12000 kms, therefore, it is appreciated that trade between China-Middle East and Africa will also be expedited using direct access and shorter approach. Similarly, when oil pipe lines will be fully established, the oil will also be stored and pumped from Middle East to China which will ensure uninterrupted supply in a cost effective manner. “In particular oil from the Middle East could be offloaded at Gwadar, which is located just outside the mouth of the Persian Gulf, and transported to China through the Balochistan province in Pakistan. Such a link would vastly cut the 12,000-kilometre route that Mideast oil supplies must now take to reach Chinese ports”<sup>17</sup>. From Pakistan’s perspective, the operationalization of Gwadar port will also function as substitute of Karachi Port and important commercial ports by providing additional communication artery to Pakistan, China Afghanistan and Central Asia. However, all above premises are founded upon transparent and smooth execution of proposed plans avoiding inherent geo-politics imbedded in this project and adoption of pragmatic policies.

**Karakoram Sector:** Road connectivity with Xinjiang in China through Karakoram Highway (KKH) not only facilitated Pakistan’s access to Gilgit-Baltistan but also ushered a new era of cooperation, joint development and means of flourishing people to people contacts with easily accessible land route, apart from facilitating trade and commerce. The upgradation plan will transform KKH into expressway of 90-feet width for substantial increase in traffic and carriage capacity

along-with associated transit facilities. The comprehensive development plan envisages development of 19 tunnels for enabling all weather traffic-ability including “Friendship Tunnel” which is proposed to be constructed under the famous Khunjerab Pass. This is assumed to revolutionize inter-regional travel and freight carriage. Additionally, 1100 kms railway project has also been conceived between Kashgar and Islamabad. Apart from laying fiber optic along this route, several oil and gas pipelines will also be laid.

### **Mainland Pakistan Networks**

The construction work on three sectors of motorway i.e. Karachi-Hyderabad, Sukkur-Multan, and Gojra-Khanewal has already begun and is at fairly advanced stage of construction. Additionally, work on Hazara Motorway in Khyber Pakhtunkhwa is also at an advanced stage. The Gwadar-Kashghar route was originally planned through Bisima-Khuzdar-Kalat and Quetta upto Zhob traversing through remaining Balochistan to D. I. Khan-Hassan Abdal linking Kashgar through KKH (Western route), which later on was changed Bisima–Ratodero moving towards already existing national highway towards Punjab (Eastern route), which implied bypassing originally considered Balochistan and KPK areas. This sudden change without the consent of respective stakeholders and in the absence of any consultation forum generated heated media debate and voiced serious concerns by the provinces. According to the modified plan, the CPEC route from Havelian is proposed to link up with already functional Islamabad-Lahore Motorway, and onwards with Lahore-Karachi Motorway upto Gwadar as a future projection. The logic given here was that already available infrastructure in the country has been used to expedite the completion of projects in envisaged time frame, thus making the whole benign development project into unnecessary controversy among the provincial and federal governments. Another clarification which has appeared in the media was to accommodate Chinese concerns of precarious security conditions of Balochistan and KPK provinces. “The Khyber Pakhtunkhwa Assembly has unanimously passed a resolution opposing any change in the Western route. There is now a third plan under consideration which also envisions going through Balochistan and KPK covering economically backward parts of the country. Pakistan railway in cooperation with Chinese Consortium is considering constructing Gwadar-Khunjerab Rail link at an estimated cost of over US \$ 2.3 billion”.

### **Analytical Debate on Geo-economics and Geo-politics of OBOR and CPEC**

For the sake of dispassionate analyses, it will be pertinent here to debate two opposing but complimentary dimensions of geo-economics and geo-politics of

OBOR and CPEC for construing positives and pitfalls of the project enabling us to formulate viable policy options for optimizing strengths by overcoming weaknesses.

### **Chinese Compulsions of Initiating OBOR and CPEC Vision**

The literature and transcripts highlight several dimensions of OBOR and CPEC and white paper issued by Chinese government highlights key policy fundamentals being adopted by China. The perceived motivations behind these projects have been summarized as under;

- **Securing Sea Lines of Communication (SLOCs):** Chinese policymakers have always been sensitive to Malacca Strait due to obvious reasons of hotspot issues in South China Sea. As Chinese economy grows at 7% at new normal rate in coming 2-3 decades, its size of GDP will almost be double. Therefore, being the largest oil and gas importer in the world today with doubled requirements in future, alternate routes are vital for sustainable and uninterrupted energy security for China. CPEC in that context fits in Chinese grand strategy very well.
- **Developing Western Chinese Regions:** China is very big country with huge land mass. The eastern and central China have been developed to great degree due to accessibility of ports and better road networks, however, Western region remained out of focus, which has now been included in fast track development agenda. This initiative will be hugely complimented if CPEC is developed as it will provide direct access of all Western regions to Arabian Gulf.
- **Export of Additional Infrastructure Capacity:** After making fast track development as a result of excellent infrastructure, the Chinese economic growth was propelled. After revising GDP target from previous 10% of last three decades, it has been adjusted as 7% for coming three decades under strategy of new normal. As a result, China has surplus capacity in steel, bulk chemical, cement and heavy machinery. The OBOR and CPEC will be excellent markets in absorbing such surplus values.
- **Exploration of New Export Markets:** China relies heavily on export oriented economy and at present China has trade surplus with every country it is engaged, which in fact is main contributor of its economic turnaround. With already existing markets being saturated and expected to increase in size of GDP, China is exploring new export markets where transportation in future will pose major challenges. Therefore, OBOR and CPEC will help in facilitation of such ventures for years to come.

## **CPEC in the Geo-strategic Construct of Pakistan**

Last three decades mark the turbulent geo-strategic landscape surrounding Pakistan especially towards Western and Southern borders where bulk of CPEC projects including Gwadar have been planned due to super power rivalry, several hot spot issues, impact of War on Terror and its associated fallout in the border regions of Pakistan thus presenting a complex security matrix. Pakistan has confirmed its assurances to peaceful resolution of disputes for sustainable economic and enduring regional stability. While USA's proposed strategy of Pivot to Asia-Pacific with military dimensions aimed at containing China is a point of concern, yet China has adopted a policy of 'win-win cooperation' through regional connectivity by unveiling the contours of OBOR and independent financial institution like Asian Infrastructure Investment Bank (AIIB), thus opening several avenues of economic opportunities lying ahead around the globe. CPEC as an underlying artery of OBOR offers tremendous opportunities for Pakistan and the region. Nevertheless, the execution of CPEC as it has been unfolded so far poses several challenges to Pakistan both internally and externally, which will have to be resolved and mitigated for accruing potential benefits from the envisaged project.

## **Manifestation of Strengthening the Bonds of Friendship between China and Pakistan**

CPEC is the concrete exhibition of thriving relations between Pakistan and China, where "One Belt and One Road" distinctly caters for development and connectivity in Pakistan to accrue benefits of Chinese development and initiatives of regional connectivity. Senator Mushahid Hussain Syed, Chairman Pakistan China Institute Islamabad states that "the relations with China were a factor of national unity in Pakistan since all political parties and provinces supported it"<sup>18</sup>. Similarly, Premier Li Keqiang stressed in his meeting with President Zardari at Islamabad in May 2013 that his visit to Pakistan will "open a new chapter in bilateral ties, chart a new course for practical cooperation and thus lift their traditional friendship to a new heights"<sup>19</sup>. He also added that "the all-weather cooperative friendship between China and Pakistan not only boasts a solid foundation but also enjoys great prospects"<sup>20</sup>. Reciprocating the friendly sentiments, Mr Nawaz Sharif in his one on one meeting with Premier Li also described that "the friendly foreign policy towards China has been the common aspiration of all Pakistani people, and Pakistan regards it as a priority no matter which party takes power"<sup>21</sup>. Premier Li Kiaqing, while talking to speaker of Pakistan's National Assembly on 30 January 2015 indicated that "China-Pakistan economic corridor functions as the strategic framework for the cooperation of the two nations"<sup>22</sup>.

## **Perceived Economic Fate Changer for Pakistan and the Region**

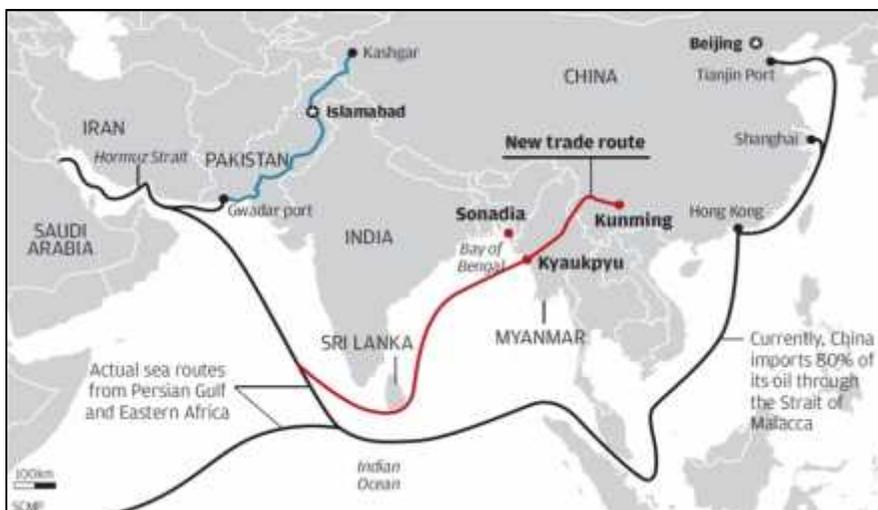
The CPEC has been assumed to be a 'fate changer' for Pakistan. This has been widely debated in Pakistan, most of government officials and relevant ministries use the anecdotes in identical words and fashion. Besides creating a direct connection between Pakistan and China, the economic corridor would also link Pakistan with its neighboring countries adjoining Western border regions. It is aimed at establishment of specialized economic zones, science and technology parks, infrastructural facilities such as road and rail networks, airports, dams and other associated nodes. These new vistas of development and industrial growth will enhance Pakistan's productivity and give boost to the overall economy. The entire Pakistan would reap benefits from the OBOR projects located and passing through the country. Importantly, the backward and remote parts of the country in KPK and Baluchistan will benefit the most from eventual development. This will bring prosperity to these areas through developmental projects leading to new job opportunities, poverty reduction, improved living standards and creation of pool of skilled labor. Mr. Mushahid Hussain describes that "CPEC is of huge significance for the revival of Pakistan's ailing economy, the resolution of energy crisis and strengthening of federation of Pakistan through development and building of infrastructure"<sup>23</sup>. Chief Minister of Punjab Mr Shahbaz Sharif in his meeting at Lahore with Chinese first Consul General Mr Yu Boren reiterated that "CPEC is an important step in the growing trade and economic relations between the two countries and will usher in a new era of progress and prosperity in Pakistan"<sup>24</sup>.

## **CPEC and Economic Security of China**

It is visualized through empirical research that in contemporary international order, China's security, political and economic interests are interwoven. From Chinese perspective, security of SLOCs through Arabian Gulf and Malacca Strait will be constrained due to lack of adequate naval assets. More than half of Chinese oil needs are met by imports from Gulf which is likely to raise manifold as Chinese economy expands further, therefore, China is conscious of enhancing political and security related influence in the region for economic security. In this backdrop, direct link between Gwadar and Xinjiang is of vital significance and also by maintaining control over Khunjrab Pass will strengthen security of land route passing through Shaksgam and the neighboring valleys for eventual control of Xinjiang. Similarly, overland access to Afghanistan and Iran from Pakistan will also help in mitigating threat perceptions arising from US presence in the Gulf and avoiding competition with Russia bypassing Central Asian Republics.

## Strategic Dividends for China

The operationalization of Gwadar Port is of huge importance for both Pakistan and China. Exclusively for China, as the expanse from Gwadar to Xinjiang is roughly 3000 kms, far less than the approach through Malacca Strait to any Eastern port traversing around 12000 kms, thus the movement of goods and services through CPEC between China, Middle East and Africa will be significantly facilitated. Additionally, from Middle East, the oil can also be stored and pumped directly with the help of pipelines to China thus adding to economic security of China. "In particular oil from the Middle East could be offloaded at Gwadar, which is located just outside the mouth of the Persian Gulf, and transported to China through the Balochistan province in Pakistan. Such a link would vastly cut the 12,000-kilometre route that Middle East oil supplies must now take to reach Chinese ports"<sup>25</sup>. From Pakistan's perspective, the establishment of Gwadar port will serve as substitute commercial pivot and alternate strategic link. Former Prime Minister Nawaz Sharif during his address at Boao Forum on 14 April 2014 stated that "our geography links China and the New Silk Road to the warm waters of the Arabian Sea and the Persian Gulf. This is the linear dimension of our relevance with the Silk Road"<sup>26</sup>.



## CPEC and Regional Geo-politics

The importance and regional significance of Gwadar Port makes it unique in terms of its location and natural connectivity it is promising for the region and beyond. Situated at the narrow entrance of Strait of Hormouz, it is considered to be a gateway for South, Central and East Asia as well as for China when fully operationalized as a result of full implementation of CPEC projects. It is also

tremendously significant for Pakistan as well with inbuilt maritime logistic transit and sustenance capability to serve as alternate port to Karachi. Enormous controversy has been appearing in the media over the development of Gwadar port especially its operational and administrative control with varying dimensions of analyses. US presence in the Middle East, Gulf and Afghanistan with competing strategic interests with China and competing interests of India for control of Indian Ocean Rim (IOR) give much credibility to such arguments. Gwadar Port has also appeared in print media as Chinese continuation of String of Pearls strategy for enhancing her maritime influence in the Indian Ocean. "Gwadar Port is perceived in India as less likely to become a vibrant economic hub than to serve as a naval base for China's expanded blue water fleet and operations throughout the Indian Ocean"<sup>27</sup>. The military dimensions arising from Chinese naval aspirations point of view are likely to enhance negative perceptions and trumpet about perceived threat imbedded in CPEC.

### **Regional Power Politics**

OBOR is anticipated to increase Chinese acceptability and influence in the relevant countries and the regions in this globalized interconnected world. As a result, the likelihood of friction and concerns among policymakers of the USA which is the statuesque power may increase for regional domination and supremacy due to divergence of interests. The Realist paradigm confirms such assumption, while Liberalist deny this. Whatever is the ultimate scenario; there remains strong possibility of heightened tensions between the two major powers in South China Sea as well as Indian Ocean Rim (IOR) region, when also viewed in the context of Indian interests. USA's pivot to Asia-Pacific empirically proves the strategy aimed at containing China and the wider political and economic agenda imbedded in the implementation of OBOR. US gradual increase of its naval presence in the Asia Pacific region as it is not ready to cede its dominance of the high seas, US new Doctrine named "Air Sea Battle Doctrine – 2010" which was later renamed as "Joint Doctrine for Access and Maneuver – Global Commons (JAM – GC)" and Chinese response to develop Blue Water Navy and also strategizing Az/AD are some manifestations of this uneasy relationship between US and China. In the same context, USA's presence in Middle East, Gulf and Afghanistan and her relationship with India and Pakistan on one hand and on the other hand, China's own relations with both countries indeed pose challenges with respect to managing regional Power Politics. For managing regional Power politics, the best option available is skillful diplomacy by eliminating misunderstandings through enhanced communication and converting competing concerns into mutually beneficial interests for benefit of Pakistan, China and the region. "The United States will also have its own long-

term concerns about the CPEC, as it represents the leading edge of China's expanding access to, and likely influence within, Eurasia. As Pakistan grows closer to China, there may be temptation in Washington to compete for influence in Islamabad<sup>28</sup>. Additionally, the success of CPEC is also linked to the enduring peace in Afghanistan, which is difficult to unfold without convergence of interests at global and regional levels, which is the need of the hour. Similarly, Iran is determined to advance the construction of Chabahar Port presumably as a competitor to Gwadar with the assistance of India. Constructed and perceived negative influence of CPEC may tempt the Gulf countries especially UAE to adopt a confrontationist posture to undo Gwadar for retaining the viability of her ports in Dubai, thus multiplying rivalries where conflicts over Gwadar would assume fulcrum for regional power politics, thus demanding high quality of statesmanship and leadership in avoiding unhealthy competition.

### **Managing Major Power Relations by Pakistan**

Pakistan has exhibited distinct brilliance in management of her relationships with two major powers i.e. China and USA. Despite rollercoaster ride, dealings with USA have been managed to a favourable level and at the same time Pakistan's relationship with China are archetypal based on mutual respect and trust. In the changed geo-political environment, Pakistan has to exhibit statecraft in balancing these relations as both countries are extremely important for Pakistan. The CPEC should not be allowed to be turned into zero-sum game between Pakistan-China and Pakistan-USA. There are intermittent negative news and concerns on CPEC appearing in global media, especially in relation to Gwadar port, therefore, Pakistan has to move cautiously in balancing her relations with China and USA and develop counter narratives in dealing with national and international media in portraying correct spirit of CPEC. The administrative and operational control of Gwadar has to be re-evaluated and renegotiated if required so that military dimensions if at all appearing at some later stage as witnessed in the development Hambantota port by move of Chinese vessels on the pretext of protection of Chinese workers initiated long drawn controversy over sovereignty issues in Sri Lanka, therefore, such like situations must be proactively avoided at all costs.

### **Internal Dynamics of CPEC in Pakistan**

While the project was ushered after huge media slogans and fun fare inaugurations at time of Chinese President's visit to Pakistan in 2015, the unfolding strategy has been full of suspicions and uncertainty about the real motives of the project even challenging the national integration at certain occasions with dissident

voices raised by the provinces and passage of resolutions from Sind and Khyber Pakhtunkhwa (KPK) Assembly. Therefore, after analysing geo-economic and geo-political aspects of CPEC, the stage is now set to discuss the internal dynamics and impact of CPEC as visualized from the stakeholders and citizen's perspective.

- **Impact on National Harmony:** The noble and benign intent of CPEC for Pakistan's economy is understandable and appreciated. However, the unfolding of plans and execution on ground has generated meta narratives, suspicions and seriously affected national harmony. KPK Provincial Assembly and Sindh Assembly passed resolutions against their perceived alterations in the design and implementation framework, also igniting country wide protests amid lower scale created an atmosphere of inter provincial disharmony thus eroding national cohesion. Although, the available mechanisms have pacified the situations to a large extent, yet simmering effects can still be felt. The national projects should rather enhance national integration, therefore, warrant serious introspection to alleviate any misgivings or grievances by smaller provinces.
- **Transparency in MoUs and Implementations Methodology:** Pakistan's greatest dilemma has been that the agreements were made usually among the individuals rather than the state and without much documentation. CPEC terms and conditions and rate of mark up on investment, debt management strategy and all the agreed conditions with investors have to be formalized to make it viable national project and its contours should be shared with all stake holders so that everyone feels part of this undertaking.
- **Impact on Local Economy**
  - **Manufacturing Industry:** The inflow of Chinese products and firms will outclass Pakistan's manufacturing industry due to cheap cost of production, transportation and huge stocks.
  - **Competitiveness of Pakistani Products:** Though economic activities of CPEC will generate many jobs of varying dimensions, yet the labour cost is likely to rise to more demands in market, which will increase cost of production due to labour cost and high electricity price. Therefore, Pakistani exports will be at a great disadvantage in international markets.
  - **Credibility of Quality of Chinese Investment:** There are strong apprehensions about success rate and quality of Chinese investments. This is evident from delay in Neelum-Jhelum Hydropower Project and Nandipur Power Project.
  - **Environmental Impact:** The on-going coal power projects especially in Sindh and Punjab will create serious environmental

hazards in future. While the world is shifting towards more efficient and environmental friendly energy projects including China who is making fast track efforts in removing haze from skies of Beijing and other affected cities, on the contrary, Pakistan is embarked upon investing in the same projects. Their viability for future is a serious question mark.

- **Chinese Investment through Own Labour and Material:** While from Chinese perspective, it is in their national interest to consume their labour and material while investing in other countries. However, this is affecting Pakistan in several dimensions as; not creating enough jobs for locals, less consumption of local construction material and invisible impact of dividends to common citizens of Pakistan.

### **Recommendations for Optimizing CPEC**

After threadbare analyses of geo-economic, geo-political and internal dynamics of CPEC for Pakistan, following suggestions are offered to make it viable and profitable investment for Pakistan;

- **Diplomatic Aspects:** Pakistan should reach out to both USA and China in managing her relations avoiding competition and zero-sum prism of CPEC. While both major powers are extremely important for Pakistan, therefore, proactive and constructive engagement and balanced approach is recommended. As CPEC has regional implications as well, therefore, using regional forums like SCO, SAARC and GCC etc, Pakistan should engage to remove any misapprehensions of regional countries and strive for their participation in CPEC instead of geo-political competition for eventual dividends on the region.
- **National Consensus:** The previous strategy of imposing Central Government's will or taking provinces out of decision loop has created serious fissures and generated unnecessary fault lines among the federating units. The federal government and relevant ministries should work out a forum and consultation mechanism where all such grievances are addressed on the table instead of street agitations. CPEC should rather enhance national integration and bind all provinces together as cohesive whole.
- **Transparency of CPEC MoUs and other Agreements:** All agreements related to CPEC or such vital national interest projects should be committed in writing and notified by respective ministries by taking all stake holders on board. It is suggested that left over work be expedited and appropriately recorded for reference to be used by next generation of leadership.

- **Military Aspects:** Operational and administrative control of Gwadar port has generated huge controversy in both national and international media. As a sovereign country, military dimensions of Gwadar should be delinked from commercial and administrative aspects. Protection of SLOCs and maritime boundaries should continue to remain with those services and institutions mandated by the constitution of Pakistan. Therefore, militarization of Gwadar should be avoided at all cost.
- **Protection and Enhancement of Local Industry:** While the positive aspects of competition are much appreciated in this era of globalization. However, the lack of capacity, high production cost and high labor cost should not result in influx of Chinese products to the detriment of Pakistani industry. Pragmatic and long term sustainable policies are suggested to provide protection and enable expansion of local industries in Pakistan.
- **Employment of Local Labor and Material on CPEC Projects:** While Chinese way of investment with own manpower, skilled labor and material is in vogue in many countries, however, Pakistan's national interest should be kept supreme and terms of reference should be renegotiated to absorb Pakistani labor, skilled manpower and manufactured material to boost our economic potentials instead of relying only on Chinese. Some duties like being done by USA may be considered to generate additional revenue and incentivize own industry.
- **Economic Aspects:** Some of the suggested measures are;
  - **Sustainable Methodology for Debt Payments:** State Bank of Pakistan and Finance Ministry are suggested to formulate solid debt management strategy for maintaining a suitable balance in debt retirement and yet availing adequate finances for uninterrupted development pace.
  - **Monitoring and Evaluation:** In order to ensure quality and expedite the pace of on-going works across all spheres of CPEC, it is suggested that strict quality checking mechanism be instituted alongwith regular evaluation of progress made on ground. Regular sharing of such information will help in maintaining standards and on spot correction if needed to ensure uninterrupted progress in meeting timelines of completion.
  - **Revitalizing Export Industry:** Relevant ministries need to be facilitated in taking lead role in formulating policies for enhancing own exports as these are vital for addressing trade imbalance. The opportunities of enhanced connectivity through CPEC will only be optimized provided our exports are competitive and targets are met on regular basis.

## **Conclusion**

CPEC is appreciated to act as a wide-ranging platform for enhancing cooperative enterprises comprising connectivity, infrastructure for telecommunication and information network, energy projects, agricultural development, industrial parks, tourism, public health and people to people communication which is expected to create new ventures and expand the economic outlook of Pakistan. Similarly, by implementing CPEC, China will have the great opportunity of expanding commercial and transport venues in order to increase her trade volume and influence across South and Central Asia. Gwadar Port when fully developed is assumed to play a pivotal role in making it a gateway and conduit for the proposed corridor, however, the intended objectives can only be achieved provided our pragmatic policies address the concerns and challenges discussed in this article in a highly efficient and befitting manners.

## NOTES

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