

China-Pakistan Economic Corridor: Strategic Implications for Pakistan

**A thesis submitted in fulfilment of the
requirements for the degree of
Masters in Research**

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Statement of Originality

This work has not previously been submitted for a degree or diploma in any university. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

(Signed) SS AKHTER

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Acronyms

CPEC	China-Pakistan Economic Corridor
US	United States
ECO	Economic Co-operation Organization
SAARC	South Asian Association for Regional Cooperation
WEF	World Economic Forum
WoT	War on Terror
BRI	Belt and Road Initiative
FTA	Free Trade Agreement
SEZs	Special Economic Zones
FDI	Foreign Direct Investment
FTZ	Free Trade Zone
GDP	Gross Domestic Product
PAK	Pakistan Administered Kashmir
KP	Khyber Pakhtunkhwa
FATA	Federally Administered Tribal Areas
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
ISACPA	Independent South Asian Commission on Poverty Alleviation
SAPTA	SAARC Preferential Trading Arrangement
SAFTA	South Asian Free Trade Area
NAFTA	North American Free Trade Agreement
EU	European Union
PIPS	Pakistan Institute for Peace Studies
OPEC	Organization of the Petroleum Exporting Countries
AIIB	Asian Infrastructure Investment Bank
BoC	Bank of China
RMB	Renminbi
ETIM	East Turkistan Islamic Movement
SLOC	Sea Lines of Communication
USSR	Union of Soviet Socialist Republics
NATO	North Atlantic Treaty Organization
FATF	Financial Action Task Force
KKH	Karakoram highway
MoUs	Memorandum of Understandings
JCC	Joint Cooperation Committee
LoC	Line of Control

Abstract

China-Pakistan Economic Corridor (CPEC), a conglomeration of infrastructural development and energy projects, is aimed at connecting China's landlocked autonomous region of Xinjiang with Pakistan's Gwadar Port in the Indian Ocean. The projects aim to transform Pakistan's economy through a network of highways, railways and pipelines. Although, both Pakistan and China view CPEC purely through economic lens, but it also has regional strategic implications. This view has complicated the policy and scholarly discourse on the mega project, which on the one hand stands to transform Pakistan's economy and infrastructure, and on the other hand generates apprehensions about efficacy of the CPEC and relations with regional countries.

Against this backdrop, this thesis provides a brief background of Pakistan-US relations, a comprehensive analysis of the CPEC project, China policy to connect with energy rich regions by building an economic corridor with Pakistan, and Pakistan's economic and strategic orientation in the evolving regional dynamics.

Using Structural Realist lens, the study highlights that although the CPEC project is in its inception stage but there are several positive landmarks that include successful execution of several infrastructure and power projects. However, the project also faces several challenges both at the domestic as well as at the regional level. However, given the predicament in which Pakistan was placed, CPEC has enhanced its economy as well as strategic position.

Key Words: Belt and Road Initiative, China Pakistan Economic Corridor, Indian Ocean, strategic

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Chapter 1

Introduction

China's rise, coupled with her economic, military and political engagement in the form of China Pakistan Economic Corridor (CPEC) has provided Islamabad an opportunity to diversify her major source of economic, military and diplomatic policy perspectives in the evolving world order. Diversification became paramount after Pakistan lost its status as a major South Asian ally of the US in the years following the global war on terror. Successful implementation of CPEC is, however, dependent on number of factors such as reconciliation between different political parties, state's effective action against militant outfits and most importantly constructive engagement with India on issues pertaining to the CPEC.

Geographically, Pakistan is located in South Asia and shares borders with Afghanistan, China, India and Iran, and the waters of the Indian Ocean. After its origin in 1947, Pakistan's security concerns vis-à-vis India and economic vulnerabilities forced it to join US-led security alliances such as the Southeast Asian Treaty Organization together with the US, the UK, France, Australia, New Zealand, the Philippines and Thailand in 1954, and the Central Treaty Organization with the UK, Iran and Turkey the following year. Subsequently, Pakistan joined four defense agreements with the US and became its most trusted South Asian ally.¹

Owing to its economic and developmental challenges since independence, Pakistan resorted to foreign assistance to meet its economic needs and development endeavours. Because of its engagement with the US-led western block, the US along with other donors extended their economic support to Pakistan to meet its economic needs. Moreover, the World Bank established the Aid-to-Pakistan Consortium, involving the US, Canada, Japan, Britain, Germany, France, the World Bank and the Asian Development Bank to expedite coordination among the donor states and international institutions.² Notwithstanding the alliance partner, the US aid to Pakistan was linked to its strategic interests during the 1960s and mid-1970s.

¹ F. Ahmed, *Critical Times: Memoirs of a South Asian Diplomat*, Dhaka, University Press Ltd, 1996.

² P. R. Blood, *Pakistan: A Country Study*, Chapter 3: 'The Economy', Image 13, Washington, D.C., Library of Congress, 1995.

However, the aid was substantially reduced after reports that Pakistan was secretly building its nuclear arsenals in response to the nuclear tests conducted by India in 1974.³ Shortly after, bilateral ties between Pakistan and the US reinvigorated following the USSR's intervention in Afghanistan in 1979. The US aid to Pakistan increased to US\$3.2 billion⁴ in 1981 and US\$4.02 billion in 1985 as part of the economic and military assistance. In addition, USAID provided US\$954.2 million development aid during 1982–88, which made Pakistan the second largest recipient of US assistance after Israel.⁵

In return, Pakistan became a transit country and facilitated US weapons and foreign fighters from all over the world into Afghanistan. Following the withdrawal of the USSR from Afghanistan, the US's strategic priorities changed and it not only suspended its economic and military aid, but also imposed sanctions on Pakistan owing to its nuclear program. After a decade, bilateral relations between the two countries revitalised following the terrorist attacks on 9/11. Relations with Pakistan were elevated to a major non-North Atlantic Treaty Organization (NATO) ally in the war on terror (WoT).⁶ Its strategic location once again made Pakistan a significant ally to the US against Al-Qaeda and the Taliban insurgents. The US enhanced its financial support to Pakistan to US\$33.4 billion for its support in the WoT during the next 16 years. Pakistan's finance ministry has confirmed that Pakistan received US\$14.57 billion for its logistics and aerial support, while the remaining US\$18.8 billion was received for security and civilian assistance between 2002 and 2016.

Notwithstanding Pakistan's cooperation with the US to fight the war against international terrorism, US-Pakistan relations became tainted with mistrust and uncertainties. According to Pakistani sources, the remnants of Al-Qaeda associated terrorists were hiding in tribal areas of Pakistan, along with the Pakistani Taliban who had turned against Islamabad because they had joined the WoT. Conversely, Pakistan lost over fifty thousand people in terrorist attacks performed by over a dozen militant organisations as a revenge for Islamabad's support with the US. Overall, Pakistan claims that it has incurred a loss of US\$123.13 billion since 9/11.⁷

Despite all these sacrifices and non-recognition of Pakistan's contribution to the fight against the WoT, the US is perceived as an unreliable ally by the Pakistanis. President Donald Trump's

³ S. B. Epstein and K. A. Kronstadt, 'Pakistan: U.S. Foreign Assistance', Congressional Research Service Report, 2013, <https://fas.org/sgp/crs/row/R41856.pdf>, (accessed 23 December 2018).

⁴ Ibid., p. 52.

⁵ A. Z. Hilali, *US-Pakistan Relationship: Soviet Invasion of Afghanistan*, Abingdon, Routledge, 2017, p. 198.

⁶ U. N. Gupta, *International Nuclear Diplomacy and India*, New Delhi, Atlantic Publishers, 2007, p. 87.

⁷ S. Rana, 'War on Terror Aid: Pakistan Received \$33.4bn from US', *The Express Tribune*, 6 September 2017, <https://tribune.com.pk/story/1498815/war-terror-aid-pakistan-received-33-4bn-us/>, (accessed 24 September 2018).

tweet message accusing Pakistan of taking money from the US and siding with the terrorists created a deep wedge to the level of non-reconciliation.

To chart out a new path for itself, Pakistan reviewed its ‘all-weather friendship’ with China. China also reciprocated positively to address the major issues that Pakistan faces, such as energy crises, waning economy, and its isolation on international platforms. This complementarity in China’s reach to the Indian Ocean for trade and Pakistan to enhance its trade and infrastructure led the two countries towards convergence.⁸

To further enhance and institutionalise the bilateral relationship, both countries signed the China-Pakistan Economic Corridor (CPEC) project plan. The CPEC is an economic corridor comprised of multifaceted infrastructural development projects—including construction of railways, highway pipeline networks, cyber infrastructure, energy projects and industrial units—aimed at facilitating trade over the land route connecting China’s northwestern Kashgar to Pakistan’s southwestern Gwadar Port. Chinese Premier Li Keqiang inaugurated the project in May 2013 during his visit to Islamabad. The CPEC initiative is not only devised to broaden the economic ties between two neighbouring countries, but it is also intended to reinvigorate the historic Silk Road policy of China. Apart from infrastructural development, energy projects and the construction of industrial units in Pakistan, the CPEC will help China reduce its oil import costs along with providing it connectivity to Asian and European markets. The CPEC will also help Beijing to deal with her Malacca dilemma. Experts on energy security are of the view that CPEC’s utility in dealing with Malacca dilemma is overhyped as the amount of transport of energy resources through land (compared to sea) can be quite limited. This argument, no doubt, is credible, but to utilize the CPEC to its maximum potential with an aim to reduce her reliance on the Sea Lines of Communications (SLOCs) passing through Malacca, China is planning to connect Gwadar and its border province Kashgar through an oil pipeline.⁹ Since oil consists of major chunk of Chinese energy imports from the Middle East, CPEC in this manner will certainly address Beijing’s Malacca concerns.

Owing to its sustainable growth and development, notably during the past four decades, China intends to expand its economic designs to strengthen its role in regional and global settings. Although it involves economic cooperation projects, the inclination of other regional and extra-

⁸ V. Kaura, ‘China’s “One Belt, One Road” Initiative and India’s Strategic Response’, *Political Discourse*, vol. 3, no. 2, 2017, p. 24.

⁹ Z. Bhutta, ‘From Gwadar-Kashgar: Crude Oil Pipeline Requires \$10 Billion Investment’, *The Express Tribune*, 18 May 2018, <https://tribune.com.pk/story/1712888/2-gwadar-kashgar-crude-oil-pipeline-requires-10-billion-investment/>, (accessed 25 December 2018).

regional actors, including Afghanistan, Iran, Russia, France and Britain, has provided the CPEC with strength to cast large implications over the existing strategic regional order.¹⁰ Simultaneously, India together with other regional and international actors, including the US, has expressed its apprehensions about the CPEC. In this context, the present study intends to explore the strategic implications of the CPEC initiative for Pakistan, how the competing interests of regional and global players can influence the CPEC and conversely how the CPEC can influence regional and international relations in Pakistan.

Statement of the Problem

Despite its economic nature, the CPEC has largely been projected as a strategic endeavor of China to strengthen its position in the international community. The CPEC plan aims to enhance connectivity, via infrastructural development, to augment economic activities, which, in turn, will stimulate its strategic character. Hence, it is difficult to determine whether the CPEC is purely an economic initiative or an instrument of Beijing's global strategy. This paradoxical view has complicated the policy and scholarly discourse on the mega project, which stands to transform Pakistan's economy and infrastructure, and yet generates apprehension about the efficacy of the CPEC and relations with regional countries. The present study, therefore, intends to provide a balanced and comprehensive picture by exploring the strategic influences of CPEC over the existing regional order, particularly in the context of Pakistan being a key partner in the initiative.

Hypothesis

Based on the review of existing literature we hypothesised that:

Ho: CPEC will adversely influence Pakistan's domestic economic and political conditions.

H₁: CPEC will positively transform Pakistan's domestic and political conditions.

Ho: CPEC will adversely affect regional order of South Asia by promoting power politics.

H₂: CPEC will positively affect regional conditions by promoting connectivity and economic interdependence.

In the hypotheses presented above, CPEC served as the independent variable, whereas Pakistan's domestic economic and political conditions and regional order were the dependent variables. These variables demonstrate a "causation" relation. In the H₂, Pakistan's domestic

¹⁰ N. Ahmad and N. Sharif, 'CPEC: Investments Other than China', *International Journal of Experiential Learning & Case Studies*, vol. 5, no. 4, 2016, <https://papers.ssrn.com/abstract=2942291>, (accessed 23 September 2018).

political conditions are considered as intervening or the third variable for the smooth implementation of CPEC; to have any meaningful impact on regional connectivity; political stability as a prerequisite. In the recent past, CPEC has not only created number of controversies among different political parties but has also attracted the ire of non-state actors in Balochistan, who view CPEC as a tool of Chinese imperialism and a ploy to extract natural resources from Balochistan. If Pakistani state fails to manage political differences over CPEC and effectively deal with the terrorist organizations, it could hinder CPEC, thus have minimal impact on the regional stability.

Research Questions

- Is CPEC purely an economic initiative aimed at boosting Pakistan's economy or an instrument of Chinese global ambitions?
- How will CPEC, proposed as an economic corridor, influence the existing regional order?
- How will CPEC affect the strategic position of Pakistan in regional settings?
- What will be the domestic political implications of the project?

Literature Review

A literature review for academic purposes is generally divided into two categories; a narrative literature review and a perspective literature review. The former is designed to utilise the existing body of literature to provide a “convincing story” on the subject matter, while the latter encompasses theoretical, national, regional or organisational perspectives on the subject. For the sake of comprehensiveness, the present study reviewed the existing literature from both narrative and perspective angles. This will help draw a comprehensive background of the mega project, i.e. contextualising Pakistan's geopolitical conditions and providing an objective overview of the competing views on the CPEC.

The CPEC has attracted a great amount of research from both scholars and journalists. After 2013, the CPEC emerged as one of the most over-studied research subjects in Pakistani universities and research centres. This literature can be divided into two broad categories; first, the CPEC enthusiasts and second, the CPEC sceptics. The first set of literature tends to portray the project as “foolproof” and a reflection of Beijing's “win-win” strategy, ignoring several challenges that the CPEC may pose to Pakistan's domestic and regional economic, security and foreign policy affairs. For instance, Moonis Ahmer maintained that from cultural, economic, geo-political and historical

perspectives, the CPEC is a classical win-win situation.¹¹ Similarly, in “Impact of CPEC on Regional and Extra-Regional Actors: Analysis of Benefits and Challenges” the authors present the CPEC as an inclusive developmental deal for both countries.¹² CPEC not only builds monetary and strategic inter-connectedness between both states, but it also holds the prospective of integrating sub-regions of Asia and could play a key role in improving economic and strategic environments across three continents (Asia, Africa and Europe). However, this study conveniently overlooked key issues such as the interest rate charged by China, the lack of technical knowledge on the side of Pakistan to implement this mega project and some genuine concerns expressed by domestic and regional stakeholders.

CPEC sceptics, in contrast, appear determined to present the project as an instrument of Chinese neo-imperialism. For instance, S. Akbar Zaidi argued in an interview that Pakistan has ‘prostrated itself in front of Chinese imperial designs’.¹³ The dividends that Pakistan is likely to receive from infrastructure and connectivity will only be ‘temporary’, claimed Zaidi. Such views are often projected frequently by the countries who are opposed to China’s expansion, hence objectivity becomes a major casualty in such discourse. English language newspapers published from Pakistan, which are often heavily funded or influenced by Western donors, are often full of skeptical views on the CPEC.

Objective skepticism is rarely reflected in scholarly discourse on the project. However, there are some exceptions. Kaiser Bengali was among the first few scholars to initiate an objective discourse on the CPEC. In his paper, “China-Pakistan Economic Corridor: The Route Controversy”, Bengali¹⁴ discussed the route controversy attached to the CPEC. He terms the CPEC as the single most important mega project undertaken in the country’s history. His question, however, is based on the route that the corridor will take, because it was subject to controversy, which according to him stemmed from a general lack of information. The report was compiled at the behest of Abdul Malik Baloch, Chief Minister of Baluchistan and helped the provincial government frame a position in

¹¹ M. Ahmar, ‘Strategic Meaning of the China-Pakistan Economic Corridor’, *Strategic Studies*, no. 2, 2015, http://www.issi.org.pk/wp-content/uploads/2015/12/Moonis-Ahmar_3435_SS_41_20142015.pdf, (accessed 23 December 2018).

¹² K. M. Butt and A. A. Butt, ‘Impact of CPEC on Regional and Extra-Regional Actors: Analysis of Benefits and Challenges’, *Proceedings of International Conference on CPEC*, Lahore, Government College Lahore, 2015, pp. 128-133.

¹³ S. Bhattacharya, ‘CPEC: Pakistan Prostrating before Chinese Imperialist Designs, Pak Scholar Says in Kolkata’, *Hindustan Times*, 13 June 2017, <https://www.hindustantimes.com/kolkata/cpec-pakistan-prostrating-before-chinese-imperialist-designs-pak-scholar-says-in-kolkata/story-qt9ZdydBVjcoiOYAHFDLk.html>, (accessed 23 September 2018).

¹⁴ K. Bengali, ‘China-Pakistan Economic Corridor? The Route Controversy’, Balochistan: Chief Minister’s Policy Reform Unit, Government of Balochistan, 2015, <http://cmpru.gob.pk/reports/CPEC.pdf>, (accessed 24 September 2018).

terms of the route controversy. Consequently, the All Parties' Conference on 28 May 2015 provided a unanimous decision on the CPEC, laying to rest controversies regarding the preferred route. Bengali continues to provide an informed debate on the proceedings and public discussions at parliamentary committees and other organisational working groups.

Retired diplomats with long experience of dealing with China, US and other countries have also contributed meaningfully to the discourse on the CPEC. In a conference organised by the Sustainable Development Policy Institute in March 2016, Ambassador Shafqat Kakakhel hosted Riaz Muhammad Khan, a two-term ambassador to Beijing. A seminar on "China Pakistan Economic Corridor - A Geo-Economic Initiative" projected the CPEC as a grand scale venture similar to the post-war Marshall Plan. Ambassador Kakakhel proposed to look at the CPEC from the following two angles: the perspectives of stakeholders and regional players, and the objectives to be achieved under this plan. He defined the Chinese perspective as a response to US policy of "Pivot to Asia".¹⁵ China has undergone phenomenal development during the last four decades, and today boasts of the highest foreign exchange reserves, complemented by the largest amount of surplus capital in the global economy, which China is investing to develop an order with itself in the centre.

The technical aspects of the CPEC, such as industrial zones, transportation and environmental impacts have also been discussed adequately by scholars. Liang Tong in his research article "CPEC Industrial Zones and China Pakistan Capacity Cooperation" analysed the industrial zones earmarked to be built along the route of the Corridor.¹⁶ With the anticipated industrial progress under the CPEC, particularly the speedy construction of roads and resolute elimination of key political hurdles, the Chinese are expecting this project to progress onwards to the stage where dozens of special economic zones (SEZs) or industrial zones will begin along the CPEC. Simultaneously, China is championing a new concept of economic cooperation—International Capacity Cooperation—spearheaded by Premier Li Keqiang. This offers appropriate opportunity for Pakistan to uplift the country's economic profile and reinvigorate the national image. Yet, underlying challenges must be dealt with in a pre-emptive manner, to ensure the smoothness of this mutually benefitting cooperation. Shang Wu draws a risk assessment of the projects' regulations for road and railway networks. In his article, "The Social Risk Assessment of Transport Infrastructure Projects under CPEC" he emphasized on the inherent risks that are associated with the transport

¹⁵ A. Sulheri, 'China Pakistan Economic Corridor: A Geo-Economic Initiative', Proceedings of the international seminar organised by Sustainable Development Policy Initiative, Islamabad, 7 March 2016, pp. 23-28.

¹⁶ L. Tong, 'CPEC Industrial Zones and China Pakistan Capacity Cooperation', *Strategic Studies*, no. 2, 2015, http://issii.org.pk/wp-content/uploads/2015/12/Liang-Tong_3435_SS_41_20142015.pdf, (accessed 24 September 2018).

infrastructure being developed under this project. Further he asserts that the CPEC is undoubtedly an integral part of the larger “One Belt, One Road” strategic vision, whereas the transport infrastructure project is key to securing future commerce from the CPEC. Considering that road infrastructure construction involves multiple stakeholders, timely social risk assessment and mitigated risk response factors are fundamental issues that often get overlooked as they attract lower attention.

Besides providing a “perspective” literature review, the present study also utilises a large amount of literature to describe CPEC and contextualises Pak-China, Pak-US and Pak-Saudi relations with the aim to develop a background understanding of the subject.

Sino-Pak Relations

The cordial relations between China and Pakistan date back to the 1950s, when both countries engaged in the barter trade of coal and cotton and later signed a trade agreement in 1953.¹⁷ Nonetheless, the bilateral relations predominantly revolved around transactional interests of both countries. It was the Indo-China war of 1962 that gave a new impulse to China-Pakistan relations. Until then, Beijing considered the non-aligned India to be more trustworthy than Pakistan, an Islamic country inclined towards the Western bloc. However, the 1962 war over territorial dispute forced China to strengthen strategic relations with Pakistan.

Due to over-emphasis on security and the strategic front, Islamabad failed to cultivate any significant relationship with China, an emerging economic power. Trade between the two countries remained low and largely in favour of China. It was only in the 1990s that both countries started to gradually expand their trade ties. The trade relations, which witnessed an upward trend during the 1990s, received a further boost with the signing of a Free Trade Agreement in 2006. The agreement proved instrumental in increasing the trade volume from US\$1 billion in 1998 to US\$15.15 billion in 2015. This economic cooperation ultimately laid the foundation for the CPEC. The CPEC plan comprises short-term, medium-term and long-term projects to be completed in 2020, 2025 and 2030, respectively. Overall, US\$75 billion will be spent as part of the CPEC plan, of which US\$46 billion will be spent to operationalise the economic corridor and several energy projects to help Pakistan to meet its energy demands during the first phase, while the remainder of the capital will be spent on

¹⁷ U. Javaid and A. Jahangir, ‘Pakistan-China Strategic Relationship: A Glorious Journey of 55 Years’, *Journal of Political Studies*, vol. 52, no. 1, 2015, p. 27.

industrial units and energy projects during the second and third phases.¹⁸ The corridor will not only lessen the travel distance for oil imports for China but it will also save approximately US\$2 billion annually, and will connect China with Asian and European markets.

Although the CPEC is a project for economic cooperation, it is deemed that it will cast considerable regional implications via integrating South Asia on economic grounds. Moreover, the CPEC has provided momentum to the geo-political settings at a regional level. This aspect of the CPEC is underscored by the visit of Alexander Bogdanov, Russia's Federal Security Services Chief, to Gwadar Port in November 2016.¹⁹ Besides, Iran has also expressed its eagerness to be part of the CPEC during a meeting between those in authority in Pakistan and Iran on the sidelines of the United Nations General Assembly in September 2016. Conversely, India has expressed its apprehensions that Gwadar will be turned into a Chinese naval base in the Indian Ocean and will enable China to monitor the Indian and US naval maneuverings in the ocean. In this context, the CPEC has the capacity to reshape regional settings. Hence, it will also cast strategic implications for Pakistan. Owing to the waning economy of Pakistan, it is believed that China is exploiting the opportunity to expand its regional designs.

Research Methodology

Due to the potential of the Belt and Road Initiative (BRI), of which the CPEC is a critical component, to transform international structure, the present study relies on the structural realist school of thought. Structural realists differ from classical realists on the question of the need for a state to gain and maximise power. Classical realists believe the answer lies in human nature. 'Virtually everyone is born with a will to power hardwired into them, which effectively means that great powers are led by individuals who are bent on having their state dominate its rivals. Nothing can be done to alter that drive to be all-powerful.'²⁰ Whereas structural realists believe that human nature has little to do with the states' pursuit of power. Rather, the international structure plays a primary role in motivating states to acquire power. John Mearsheimer has been one of the most vocal proponents of structural realism. Scholars such as Kenneth Waltz have also significantly

¹⁸ Institute of Peace and Diplomatic Studies, 'Special Supplement on China Pakistan Economic Corridor', *The Diplomatic Insight*, vol. 9, no. 2, 2016, <http://rtepakistan.org/wp-content/uploads/2016/04/The-Diplomatic-Insight-Special-Supplement-on-China-Pakistan-Economic-Corridor-Feb-2015.pdf>, (accessed 22 September 2018).

¹⁹ M. Mateen, 'Initiation of CPEC: Prospects and Uncertainties', FATA Research Centre, no. 1, 2017, <http://frc.org.pk/wp-content/uploads/2017/03/CPEC-1-.pdf>, (accessed 23 December 2018).

²⁰ J. J. Mearsheimer, 'Structural Realism', in T. Dunne, M. Kurki, and S. Smith (eds.), *International Relations Theories: Discipline and Diversity*, 3rd edition, Oxford, Oxford University Press, 2013, pp. 77-93, <http://mearsheimer.uchicago.edu/pdfs/StructuralRealism.pdf>, (accessed 22 September 2018), p. 1.

contributed to this research topic via his seminal work, “Man, the State and War”, in which he dissects three levels of analysis, individual, state and structure, to understand the underlying causes of wars.²¹

Waltz himself was a defensive realist but his work contributed significantly in defining “structure” or the “international system”. This framework identifies three “images” of war corresponding to the individual, the nation-state and the international system. The individual level pertains to the political leaders of the state and their decisions but also includes characteristics that are shared by all humans such as “human nature” and dwells on human’s predisposition towards aggression. Although variations in personalities, social mobilisation, ideologies and so on are recognised, it presumes that a particular individual or individuals have important casual effects on foreign policy decision making.²²

The next level, i.e. the nation-state or the national level, includes factors associated with both the government and society. The former is said to contain variables such as the political system’s institutional structure and its policy-making process, whereas the latter is based on variables including interest groups and public opinion, as well as its economic system, political culture and ideology. This level of analysis has created war theories that state that some cultures are more prone to war or that democracies behave differently than authoritarian regimes.²³

The third and final systemic level refers to the anarchic structure of the international system and further encompasses factors such as the number of great powers in the system and other factors related to the distribution of power besides military and economic power, and the pattern of alliances. Most realist theories are system-level theories such as those of hegemonic order and power transitions. Similarly, some scholars resort to the “dyadic” or “interactional” level to reflect bilateral interaction between a pair of states, while others prefer the system-level to include everything in the external environment of the state.

System-level factors have played a significant role in enabling the state (Pakistan) to pursue the project rigorously. As the first decade of the 21st Century witnessed tectonic shifts in international structure, prominent among them being the American retreat from global primacy, the rise of China, the resurgence of Russia and the emergence of India, Pakistan felt the urge to

²¹ K. N. Waltz, *Man, the State, and War: A Theoretical Analysis*, revised edition, New York, Columbia University Press, 2001, p. 33.

²² Ibid.

²³ Ibid.

recalibrate her American-oriented policies. A number of factors contributed to dissuade Islamabad away from Washington's influence. First, American policies in Afghanistan, which had devastating impacts on Islamabad, was one of the main factors. Similarly, rampant anti-Americanism that skyrocketed in the aftermath of the WoT also exuberated the shift. Displeasure over America's hegemonic policies always existed in the state and society of Pakistan but never resulted in a shift away from Washington, mainly due to unchallenged American hegemony. However, as China rose to the status of a global power and became assertive internationally, Pakistan saw it as an opportunity. Beijing offered the CPEC at a time when Western investors were reluctant to invest in Pakistan due to increasing terrorism. Islamabad's decades old war against terrorism not only resulted in enormous human and material loss but also the loss of their international image. Additionally, America's persistent "do more" mantra further pushed the policy makers to diversify their sources of support internationally, even if this came at a high cost.

The present study will establish that the US-led order is reflecting in the existing regional structure in the form of a close strategic cooperation between Washington and New Delhi. As America increasingly projects India as the regional policeman of South Asia, Pakistan seeks China's patronage to balance her arch rival in the region. Therefore, the objective of this study is to highlight the strategic implications of the CPEC project for Pakistan at the regional level. Being a part of the bigger BRI initiative, the CPEC is also perceived as a strategic initiative. This study will use the regional level of analysis to highlight the strategic implications of CPEC for Pakistan. Kenneth Waltz argues that in the absence of a binding authority above the states in the anarchical international structure, the states pursue certain policies to ensure their national interests. However, the states pursue these objectives in a way that demonstrates their general validity among the community of states to ensure the legitimacy of their goals at an international level.²⁴ On these grounds, this study provides a regional level of analysis to highlight the strategic implications of the CPEC project for Pakistan. The nature of the study will be explanatory and descriptive as the evidences of study will be based on the available literature.

Sources of Data

In this study, three types of data will be used. The primary data will include statistics from international economic institutions and policy documents related to the CPEC project. The writings of prominent writers related to the issue of investigation will be analysed. Finally, the reports of

²⁴ Ibid.

various governmental institutions including white papers published by the State Council Information Office of China, the United Nation's Committee on the Elimination of Racial Discrimination will be included to analyse the essentials of the CPEC and its impact at a regional level to obtain insight into the matter. The data will be analysed while considering the evolutionary tendencies at the regional as well as at the local level. The implementation of the CPEC plan—the first phase will be completed by 2020—and the inadequate availability of official data pertaining to terms and conditions associated with its different projects add limitations to the research. The physical absence of the researcher from Pakistan further hindered the collection of primary data including interviews with policy-makers.

Organisation of the Study

The study is divided into six chapters and follows the following structure:

Chapter 1: Introduction

The introductory section provides a background to the problem to be explored in the study. It provides an overview of the regional settings, which will help to investigate the research questions. It also provides research methodology to reach the conclusions.

Chapter 2: CPEC: Projects, Objectives and Regional Context

This chapter provides an overview of the CPEC plan and highlights its key contours, which are to be focused on during its implementation. The chapter also furnishes the regional settings and highlights the impact of CPEC on existing regional settings.

Chapter 3: China and the CPEC

This chapter provides the Chinese frame of reference regarding the CPEC. Keeping in view the existing regional settings, and transforming regional trends, the study will highlight the rationale and key objectives of China to pursue such a mega project with Pakistan.

Chapter 4: Pakistan and the CPEC

This chapter provides the Pakistani standpoint regarding the CPEC. The chapter highlights how Pakistan's strategic location and economic dependency led it to join the US during the Cold War and in the post-9/11 scenario. Moreover, the chapter also provides the economic, strategic and security interests of Pakistan associated with the CPEC.

Chapter 5: CPEC: An Analysis

This chapter critically analyses the CPEC plan and highlights its strategic implications for Pakistan. The chapter also highlights the Chinese ambitions associated with the CPEC.

Chapter 6: Conclusion

This chapter encompasses an overview of the impact of CPEC on Pakistan at the regional level. The strategic advantages that Pakistan plans to take from CPEC and the anticipated economic goals that are perceived to be achieved are elaborated on in the conclusion.

Chapter 2

CPEC: Objectives, Projects and Regional Context

Introduction

China and Pakistan share a long history of cordial relations encompassing over six decades. The bilateral relations largely focused on strengthening political, military and strategic ties in the past. Nevertheless, with turn of the 21st Century, economic relations gained significant consideration. China's domestic transition from export-based to investment-oriented economy led it to its engagement with other developing countries. In this context, China-Pakistan Economic Corridor (CPEC) is considered a manifestation of the deep-rooted Sino-Pak relations, as well as of the China's new economic strategy based on investment in other countries.

This chapter provides an overview of different facets of the CPEC plan and its multiple objectives. Further, different projects under the CPEC umbrella shed some light on different economic and strategic projects, and the impact of CPEC on the existing strategic regional settings.

China-Pakistan Economic Corridor

CPEC is an economic corridor, comprised of a conglomeration of multidimensional development plans, which connects Pakistan's southwestern Gwadar Port in Balochistan to China's landlocked autonomous region of Xinjiang.¹ Under CPEC, a 3218 kilometer-long route comprising of highways, railways and pipeline networks is to be built.² The project was first floated by Chinese Premier Li Keqiang during his visit to Pakistan in May 2013. However, it was formally launched in April 2015. The initial investment constituting a sum of US\$46 billion is intended to expand infrastructural development and boost energy generation capacity in Pakistan.³ In total, the CPEC plan is divided into short-term, medium-term and long-term projects to be completed in 2020, 2025 and 2030 respectively.⁴ The estimated cost of the whole CPEC is expected to be US\$75 billion, out

¹ A. Rafiq, 'The China-Pakistan Economic Corridor: Barriers and Impact', op. cit.

² Z. T. Ebrahim, 'China-Pakistan Economic Corridor: A Boon for the Economy, A Bane for Locals', *Dawn*, 30 January 2016, <http://www.dawn.com/news/1236159>, (accessed 22 September 2018).

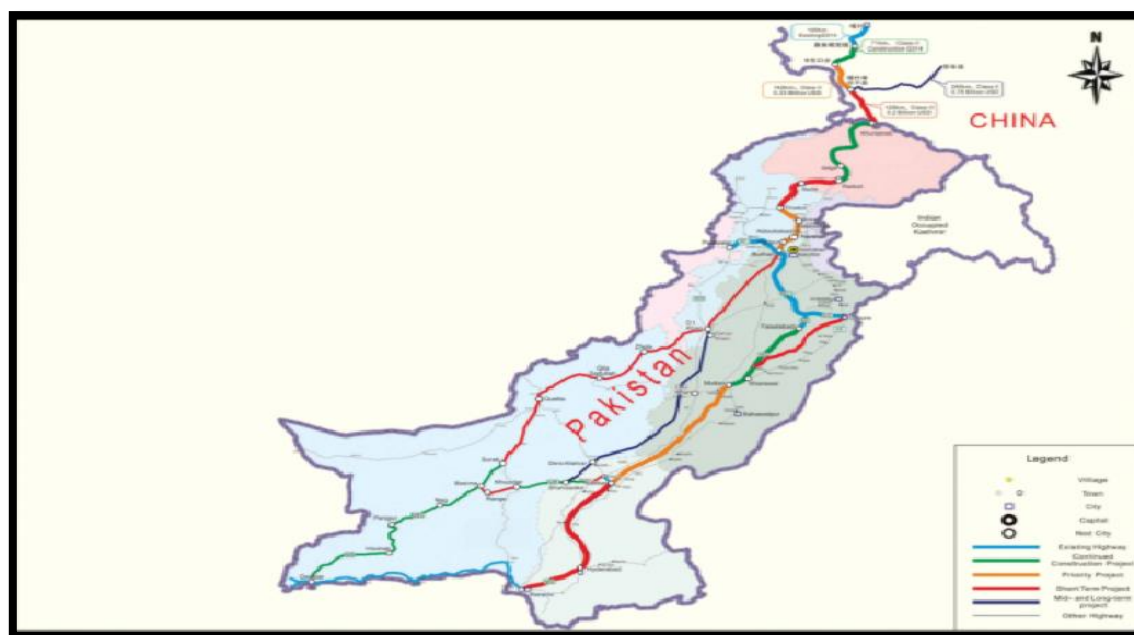
³ A. Rafiq, 'The China-Pakistan Economic Corridor: Barriers and Impact', op. cit.

⁴ Ministry of Planning, Development and Reform, 'CPEC: Long Term Plan for China-Pakistan Economic Corridor (2017-2020)', Government of Pakistan, 2016, <https://www.pc.gov.pk/uploads/cpec/LTP.pdf>, (accessed 22 September 2018).

of which US\$46 billion would be spent till 2020 to ensure operationalisation of the economic corridor; the rest would be spent on industrial zones and energy projects during the later phases.⁵

The economic corridor, around which the whole plan revolves, is comprised of three routes - eastern, central and western - stretching through entire Pakistan, while culminating into one route to reach Xinjiang province in China. CPEC largely focuses on expansion and upgradation of the existing road networks in Pakistan. The Karakoram Highway provides the only itinerary to connect three separate routes with Kashghar in China.⁶ The three routes cover the following passage:

- Western Route: Gwadar, Turbat, Panjgur, Khuzdar, Kalat, Quetta, Zhob, Dera Ismail Khan, Bannu, Kohat Peshawar, Hasanabdal and onwards to Karakoram Highway;
- Central Route: Gwadar, Turbat, Panjgur, Khuzdar, Larkana, Kashmore, Rajanpur, Dera Ghazi Khan, Dera Ismail Khan, Bannu, Kohat Peshawar, Hasanabdal and onwards to Karakoram Highway;
- Eastern Route: Gwadar, Turbat, Panjgur, Khuzdar, Larkana, Kashmore, Rajanpur, Dera Ghazi Khan, Multan, Faisalabad, Hafiz Abad, Rawalpindi, Hasanabdal and onwards to Karakoram Highway.⁷



⁵ Z. T. Ebrahim, 'China's New Silk Road: What's in It for Pakistan?', *Dawn*, 20 April 2015, <http://www.dawn.com/news/1177116>, (accessed 23 December 2018).

⁶ A. Rafiq, 'The China-Pakistan Economic Corridor: Barriers and Impact', op. cit.

⁷ Z. M. Nasir, S. Shah and H. Ahmed, 'Cost and Benefit Analysis of the Four Routs of China Pakistan Economic Corridor (CPEC)', Pakistan Institute for Developmental Economics, 2017, <http://www.pide.org.pk/psde/pdf/AGM32/papers/Cost%20and%20Benefit%20Analysis%20of%20the%20Four%20Rout%20of%20CPEC.pdf>, (accessed 24 December 2018).

Source: China-Pakistan Economic Corridor, Planning Commission of Pakistan, Government of Pakistan. <http://cpec.gov.pk/maps>.

The upgradation and expansion of Karakoram Highway and the three routes will be completed during the first phase.⁸ It is estimated that, after completion of these projects, the corridor will accelerate Pakistan's annual economic growth rate by more than two percent and will generate up to 700,000 jobs by 2030.⁹ Moreover, it is also estimated that approximately 15,60,000 containers after being custom checked and approved will pass through Pakistan annually, which makes 4,273 containers on daily basis.¹⁰ It is near to the transportation of about 5000 freight trucks that pass from Canada to the United States through transit route at Detroit on a daily basis.¹¹

CPEC, in totality, is comprised of investment package for infrastructural development, energy generation projects and the actual corridor at the same time. The breakup of CPEC related projects highlights that there are three major areas which are being focused as part of the plan.

- *Energy Sector*

CPEC related investment primarily focuses on energy sector of Pakistan. A total sum of about US\$33 billion, which accounts for 73% of the initial investment, has distinctively been allocated for energy related projects. It includes construction of a number of energy generation projects, along with construction of a pipeline network for transportation of liquefied natural gas.¹² Pakistan has long been witnessing deficiencies in its energy generation sector. The energy crisis has caused a reduction of more than two in Pakistan's annual economic growth rate during the past decade.¹³ Therefore, the energy sector investment is considered vital for Pakistan's economy. Besides, Chinese enterprises engaged in energy projects are pursuing for high returns on equity. In April 2017, the then finance minister of Pakistan, Ishaq Dar conceded that Chinese companies

⁸A. Rafiq, 'The China-Pakistan Economic Corridor: Barriers and Impact', op. cit.

⁹Staff, 'CPEC to Create over 700,000 Direct Jobs: Expert', *The Nation*, 26 December 2016, <https://nation.com.pk/26-Dec-2016/cpec-to-create-over-700-000-direct-jobs-expert>, (accessed 23 December 2018).

¹⁰ M. A. Butt, 'CPEC: An Objective Analysis II', *Daily Times*, 3 October 2016, <https://dailytimes.com.pk/writer/by-maqsood-a-butt/>, (accessed 23 December 2018).

¹¹ R. H. Ward, K. L. Kiernan, and D. J. Mabrey, *Homeland Security: An Introduction*, Ohio, Anderson Publishing, 2006.

¹² China-Pakistan Economic Corridor (CPEC), 'CPEC-Energy Priority Projects', China-Pakistan Economic Corridor, 2016, <http://cpec.gov.pk/energy>, (accessed 22 September 2018).

¹³ M. Kugelman, *Pakistan's Interminable Energy Crisis: Is There Any Way Out?*, Woodrow Wilson International Center for Scholars, 2015, http://www.wilsoncenter.org/sites/default/files/ASIA_150521_Pakistan%27s%20Interminable%20Energy%20Crisis%20Orpt_0629.pdf, (accessed 23 December 2018).

would get heavy tax breaks; according to estimates, they would get exemptions of approximately PKR150 billion (US\$1.5 billion) per annum.¹⁴

- *Infrastructural Development*

Infrastructural development is the second major area which is being focused in CPEC. A total of US\$11 billion, which makes about 25% of the initial amount, has been allocated for infrastructural development in entire Pakistan. It includes expansion and upgradation of existing road infrastructure and railways to enhance internal connectivity within Pakistan. Moreover, it also includes upgradation of Karakoram Highway, the artery that links Pakistan's internal transportation network with Kashghar in China.¹⁵ The infrastructural development in Pakistan will, in turn, help economic growth in comparatively less developed western provinces of China. In 2013, per capita income of western provinces of Gansu, Guizhou, Qinghai and Xinjiang was reported about one-third of eastern provinces of Fujian, Guangdong and Zhejiang.¹⁶ CPEC will help China to deal with these internal economic disparities.

- *Special Economic Zones*

Special Economic Zones (SEZs) are considered important tools to promote employment, trade, and economic growth, as they provide duty-free areas for trade and manufacturing sectors. The SEZs in China contributed 18.5% in the national GDP, 46% in Foreign Direct Investment (FDI), and 60% of exports in 2006-07.¹⁷ CPEC also focuses on promoting regional connectivity by establishing SEZs. In this context, US\$792 million, which makes two percent of the initial investment, has been allocated for different projects at Gwadar Port. The establishment of Free Trade Zone (FTZ) is also part of the project to promote market-oriented growth.¹⁸ Moreover, the establishment of nine SEZs - in Nowshera (KP), Thatta and Karchi (Sind), Pishin (Balochistan), Faisalabad (Punjab), Islamabad, Mirpur (PAK), Mohmand Agency (FATA) and Moqpondass (Gilgit

¹⁴ W. Abbasi, 'Chinese Companies Investing in CPEC to Get Tax Breaks: Dar', *The News*, 27 April 2017, <https://www.thenews.com.pk/print/200945-Chinese-companies-investing-in-CPEC-to-get-tax-breaks-Dar>, (accessed 22 September 2018).

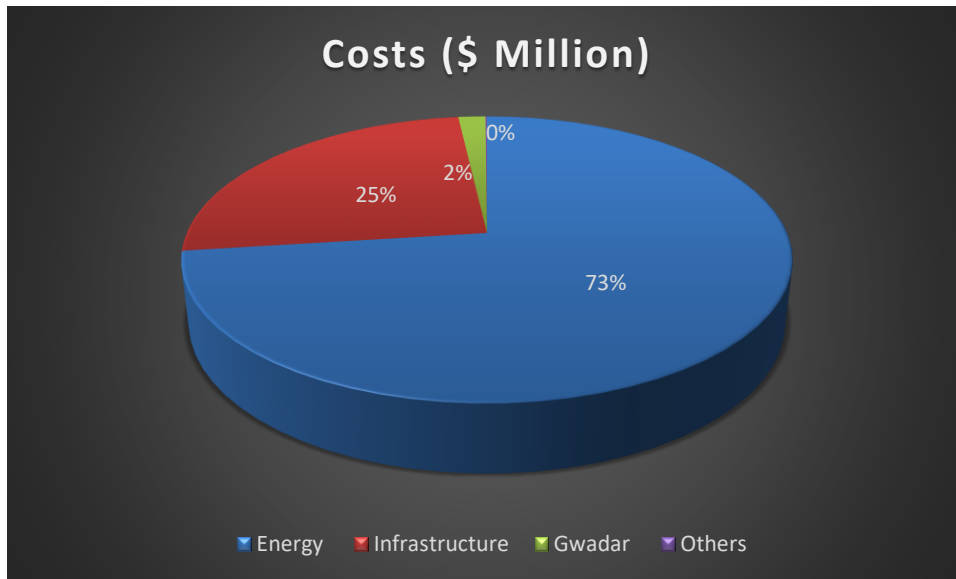
¹⁵ A. Rafiq, 'The China-Pakistan Economic Corridor: Barriers and Impact', op. cit.

¹⁶ P. Ferdinand, 'Westward Ho-the China Dream and "One Belt, One Road": Chinese Foreign Policy under Xi Jinping', *International Affairs*, vol. 92, no. 4, 2016, pp. 941-57, <https://doi.org/10.1111/1468-2346.12660>.

¹⁷ D. Z. Zeng, 'China's Special Economic Zones and Industrial Clusters: Success and Challenges', Lincoln Institute of Land Policy, 2012, https://www.lincolnst.edu/sites/default/files/pubfiles/2261_1600_Zeng_WP13DZ1.pdf, (accessed 23 December 2018).

¹⁸ China-Pakistan Economic Corridor (CPEC), 'Development of Free Zone', China-Pakistan Economic Corridor, 2018, <http://cpec.gov.pk/project-details/36>, (accessed 22 September 2018).

Baltistan) - is also part of CPEC.¹⁹ These SEZs will promote industrialisation and economic activities by attracting foreign direct investment (FDI). Thus, the SEZs, through industrial development in diverse regions coupled with FDI, will facilitate uniform development throughout the country.



Thus, CPEC will not only serve China's strategic aspirations by providing shortest route for oil imports and facilitating development in its western provinces, but will also boost the slow growing economy of Pakistan. The project comes at a suitable time for Pakistan, as it was reeling back from a decade long militancy in its northwestern region. Pakistan lost around 70,000 people in the terrorist attacks carried out by the militant organizations operating in its previously chaotic tribal region. Moreover, the country lost billions of dollars due to terrorism, as a significant portion of businesses were either closed or shifted to other countries. Besides terrorism, the energy crisis also caused closure of various industrial units, spurring further damage to the economy. In this context, it is largely perceived that CPEC would possibly help Pakistan to deal with its weakening economy. Moreover, the development of deep-water Gwadar Port would also generate billions of dollars through facilitating international trade. Likewise, CPEC would also help Pakistan to strengthen its position and extend its role in regional settings.

¹⁹ China-Pakistan Economic Corridor (CPEC), 'CPEC Special Economic Zones (SEZs)', China-Pakistan Economic Corridor, 2018, <http://cpec.gov.pk/special-economic-zones-projects>, (accessed 22 September 2018).

Belt and Road Initiative

Belt and Road Initiative is a Chinese foreign policy initiative aimed at connecting Eurasian region and Africa through a network of highways, railways, maritime routes and energy infrastructure.²⁰ It includes both land-based Silk Road Economic Belt, and Maritime Silk Road.²¹ The underlying objective of BRI is to reduce travelling costs for Chinese exports. The initiative encompasses 63% of the world population in more than 65 countries of Asia, Africa and Europe and accounts for 29% of the global GDP.²² Keeping in view the enormous potential for intra-regional trade, the BRI, with CPEC as its flagship project,²³ is considered a significant step towards promoting regional and inter-regional connectivity in the Eurasian belt.



Source: Ariella Viehe, Aarthi Gunasekaran, Vivian Wang, and Stefanie Merchant, “Investments Along China’s Belt and Road Initiative,” *Centre for American Progress*, 22 September 2015. <https://www.americanprogress.org/issues/security/news/2015/09/22/121689/investments-along-chinas-belt-and-road-initiative/>

²⁰ P. Cai, ‘Understanding China’s Belt and Road Initiative’, Lowy Institute for International Policy, 2017, https://think-asia.org/bitstream/handle/11540/6810/Understanding_Chinas_Belt_and_Road_Initiative_WEB_1.pdf?sequence=1, (accessed 22 September 2018).

²¹ T. Zimmerman, ‘The New Silk Roads: China, the U.S., and the Future of Central Asia’, Center on International Cooperation, 2017, <https://cic.nyu.edu/publications/new-silk-roads-china-us-and-future-central-asia>, (accessed 22 September 2018).

²² Global Capital, ‘The Potential of One Belt, One Road’, GlobalCapital, 20 November 2018, <https://www.globalcapital.com/article/vf5bsfykt1tj/the-potential-of-one-belt-one-road>, (accessed 22 September 2018).

²³ T. Zimmerman, ‘The New Silk Roads: China, the U.S., and the Future of Central Asia’, op. cit.

Regional perspectives

India's Policy Towards CPEC

India, being a major regional power, has expressed its reservations over joining the CPEC plan. India's reservations are largely pertaining to CPEC's route that passes through the 'disputed' territory of Gilgit Baltistan. India holds that a Chinese funded developmental project would confer legitimacy to Pakistan's occupation of the region.²⁴ Further to that, India argues that its participation in the project that violets its sovereignty has serious of repercussions for its consistent claim over the territory. Although both China and Pakistan have tried to woo India to join CPEC with the view that inclusion of a major Asian economy would endow it more credence and broaden its scope, while benefiting the whole of south Asian region. However, India has expressed its stiff response to not to join the CPEC.

Analytical Discussion

Owing to rise of globalisation, regionalism has also gained momentum at global level at turn of the 21st Century. The growing regionalism has yielded economic corridors, which reduce transportation costs by linking production units, urban clusters and transnational gateways. Thus, economic corridors have emerged as an essential element of regional integration in the modern world. In this context, CPEC provides a glistening opportunity for promoting regional connectivity and growth in the region. CPEC will not only strengthen connectivity within Pakistan, but will also promote regional integration by connecting China's Xinjiang with Gwadar Port.

However, with its proposed economic and strategic gains for both Pakistan and China, CPEC also faces certain challenges. At the regional level, the unresolved territorial disputes, notably between India and Pakistan, and China and India, pose major challenges to CPEC. These disputes are not only generating adverse feelings for CPEC, but have also capacity to hinder regional economic integration. Furthermore, the unstable relations between Pakistan and Afghanistan are also hindering the latter to join the mega project. An unstable and unfriendly Afghanistan continues to block Pakistan's access to Central Asia, which is a key objective of developing CPEC. In this

²⁴ V. Kaura, 'China's "One Belt, One Road" Initiative and India's Strategic Response', op. cit.

precarious situation, China can play a vital role to persuade India and Afghanistan to join CPEC, by addressing their legitimate concerns and making Pakistan to give a friendly ear to their voices. These endeavours can lead the regional countries towards economic growth and prosperity. By incorporating the regional countries, CPEC can be transformed into a corridor of opportunity and regional connectivity, which would eventually help the region to deal with its economic backwardness. Moreover, the high trade volume between China and India highlights that both countries are focusing on mutual economic growth, while setting aside their territorial disputes. This schema can also be helpful to reduce tensions and promote economic ties between India and Pakistan. But real politics continues to dominate the bilateral relations, hindering any prospect of sound regionalism.

Chapter 3

China and CPEC

The persistent economic growth helped China to emerge as the world's second largest economy and enabled it to extend its influence in international community. China-Pakistan Economic Corridor (CPEC) is a manifestation of Chinese endeavor to expand its economic interests, along with strategic objectives. Although CPEC envisages infrastructural development and energy generation projects in Pakistan, it also offers huge dividends for China both at economic and strategic fronts.

This chapter is aimed at analysing Chinese frame of reference about the CPEC. It explores economic, strategic, and political interests of China that it plans to pursue through the CPEC. The chapter explores the rationale for China's investment in infrastructural development and energy projects in Pakistan, which is also deemed as China's attempt to minimize India's dominance in South Asia.

Chinese Frame of Reference

The prevalent basis of international relations is witnessing profound transformation, notably in Asia. China's augmenting economic and military strength, peculiar diplomatic stance, increasing political influence and mounting role in international institutions is considered as a significant aspect of this transformation. The proactive Chinese posture is evident from its policies at the regional and international level.¹ In this context, CPEC represents an explicit manifestation of its regional policy; therefore, it holds considerable significance for China. CPEC not only benefits China in its domestic affairs, but also helps it in determining its role in the changing regional and global settings. It is a flagship project of Chinese mega Belt and Road Initiative (BRI), which envisages linking China to Europe, Africa and rest of Asia. This involves more than 60 countries across the three continents.² Thus, CPEC is the first initiative to utilise the Silk Road Fund - the fund is established to support development projects through investment in the countries involved in the BRI initiative - sanctioned

¹ M. T. Fravel, 'International Security, China, and East Asia', 2014, https://taylorfravel.com/documents/research/fravel_medeiros.2003.FA.new.diplo.pdf, (accessed 22 September 2018).

² T. Zimmerman, 'The New Silk Roads: China, the U.S., and the Future of Central Asia', op. cit.

by Chinese state institutions in 2014.³ Further, CPEC aims to not only facilitate China to augment its exports, notably of its over-capacity sectors, but will also help to exploit its ample financial resources to yield returns.⁴ Beijing intends to get multifaceted benefits through this plan. The following discussion highlights China's prospects for growth in different sectors associated with the CPEC plan.

China's Economic Interests

With a population of about 1.3 billion, China has emerged as the second largest economy in the world and is playing an effective role in the development of global economy. Notably, following the global financial crisis in 2008, China became the largest contributor to world economy.⁵ China maintained an average of 10% growth in its Gross Domestic Product (GDP) for about thirty years, the fastest economic growth by any major country in history.⁶ Moreover, the Chinese export sector has climbed from an insignificant level to 12% and imports to 10% of the global total during the past couple of decades, which also resulted in the emergence of China as the largest trading nation in the world.⁷ Nonetheless, the Chinese economy has continuously been slowing down since 2012. As a result, the annual growth target has been reduced to 6.5% during the 13th five-year plan (2016-2020), as compared to 7% during the 12th five-year plan.⁸

The slowing down of Chinese economy has led its leaders to restructure their policies. President Xi Jinping, resorted to expand its role at international spectrum after coming into power in 2013 in order to actualise the "China Dream" to build a "rich and powerful, democratic, civilized, socialist-modernizing China".⁹ The China Dream is connected with a "China Path" to enhance connectivity.¹⁰ In order to pursue the Dream through strengthening regional connectivity and to

³ Z. Hussain, 'The China-Pakistan Economic Corridor and the New Regional Geopolitics', Centre for Asian Studies, 2017, https://www.ifri.org/sites/default/files/atoms/files/hussain_china_pakistan_economic_corridor_2017.pdf, (accessed 23 December 2018).

⁴ M. Akram, 'Double Happiness', *Dawn*, 2 April 2017, <https://www.dawn.com/news/1324283>, (accessed 23 December 2018).

⁵ World Bank, 'The World Bank in China: Overview', World Bank, 2018, <http://www.worldbank.org/en/country/china/overview>, (accessed 22 September 2018).

⁶ Ibid.

⁷ K. Mathai, et al., 'China's Changing Trade and the Implications for the CLMV', International Monetary Fund, 2016, <http://www.elibrary.imf.org/view/IMF087/23178-9781513544991/23178-9781513544991/23178-9781513544991.xml>, (accessed 23 December 2018).

⁸ E. Wong, 'China Aims for 6.5% Economic Growth over Next 5 Years, Xi Says', *The New York Times*, 3 November 2015, <https://www.nytimes.com/2015/11/04/world/asia/china-economic-growth-xi.html>, (accessed 23 December 2018).

⁹ P. Ferdinand, 'Westward Ho-the China Dream and "One Belt, One Road": Chinese Foreign Policy under Xi Jinping', op. cit.

¹⁰ T. Zhou, *The China Dream and the China Path*, Singapore, World Scientific, 2013, p. 181.

revive the economic growth, the new administration adopted BRI as a key foreign policy initiative to reverse the dwindling trends of its economy and to pursue its dream at the same time. The BRI is aimed at utilising the excessive industrial and capital outputs to promote sustainable economic growth through investments in other developing countries and to get reasonable returns.¹¹ Moreover, the BRI is viewed as “an ambitious spatial expansion of Chinese state capitalism” galvanised by excessive industrial production and emerging economic interests.¹²

CPEC, being the pilot project of BRI, is essentially an economic plan. Hence, it is perceived that the CPEC plan would bring a variety of economic dividends for China. CPEC would not only ensure sustainable economic growth for China, but would also produce employment opportunities for its skilled labor force. It will provide an opportunity to Chinese companies to exploit the cheap labor force in Pakistan, while retaining the skilled job market for Chinese nationals. According to Pakistan’s Foreign Ministry statistics, 71,000 Chinese nationals visited Pakistan in 2016 and 27,596 Chinese nationals were also granted visa extension in 2016. These statistics represent a 41% increase as compared to the preceding year.¹³ Majority of these visitors were related to business activities.

China’s Access to Indian Ocean

The Middle East region accounts for 42% of the global oil production and about 65.36% of the oil reserves available with the Organization of the Petroleum Exporting Countries (OPEC).¹⁴ Owing to its rising oil consumption caused by persistent industrial growth, China has become the largest oil importer country, with 52% of its imports from the Middle Eastern countries.¹⁵ The infrastructural development in Pakistan as part of CPEC will reduce distance from existing 12,000 km through the sea route to 3,000 km on the land route and will offer the shortest route of six days against 32 days via the current sea route through the Strait of Malacca, for China’s oil imports from

¹¹ Z. Hussain, ‘The China-Pakistan Economic Corridor and the New Regional Geopolitics’, op. cit.

¹² S. Tsui, E. Wong, L. K. Chi, and W. Tiejun, ‘One Belt, One Road: China’s Strategy for a New Global Financial Order’, *Monthly Review*, vol. 68, no. 8, 2017, pp. 36-45, <https://doi.org/10.14452/MR-068-08-2017-014>, (accessed 23 December 2018).

¹³ Reuters, ‘Thousands of Chinese Nationals Arriving in Pakistan’, *The Express Tribune*, 28 August 2017, <https://tribune.com.pk/story/1492806/braving-security-fears-chinese-seek-silk-road-riches-pakistan/>, (accessed 23 December 2018).

¹⁴ M. Balat, ‘The Position of Oil in the Middle East: Potential Trends, Future Perspectives, Market and Trade’, *Energy Sources Part A: Recovery Utilization and Environmental Effects*, vol. 28, no. 9, 2006, <https://doi.org/10.1080/009083190951384>, (accessed 23 December 2018).

¹⁵ K. Johnson, ‘China Tops U.S. as Biggest Oil Importer’, *Foreign Policy*, 11 May 2015, <https://foreignpolicy.com/2015/05/11/china-tops-u-s-as-biggest-oil-importer-middle-east-opec-sloc/>, (accessed 22 September 2018).

Middle East.¹⁶ Moreover, China is also intending to access the Indian Ocean through CPEC to realise “Maritime Silk Route” of the BRI.¹⁷

Strategically, Indian Ocean has always been the cornerstone of major powers throughout the history. Number of prominent leaders and scholars have highlighted the unparalleled significance of the cross-continental ocean to acquire global influence. For instance, Peter the Great, once a powerful ruler of Russia, left behind his celebrated will in which he advised his successors to “... approach as near as possible to Constantinople and India. Whoever governs there will be the true sovereign of the world”.¹⁸ Albert T Mahan seconded Peter the Great. He wrote in “whoever controls the Indian Ocean dominated Asia. The ocean is the Key to seven seas. In the 21st century the destiny of the world will be decided on its waters”.¹⁹ Whether Peter the Great and Albert Mahan had actually said these words is a matter of great contention among the scholars of Indian Ocean but one thing is for sure the emerging powers including Russia, China and India take these words seriously. Competition for control of Sea Lanes of Communication and choke points have led Beijing to boost her naval presence across the ocean. A report published by the International Affairs Group of CNA, a research organization in Arlington, VA noted in March 2018:

The Chinese flag has become ubiquitous on the high seas around the world, especially in the Indian Ocean where the presence of Chinese warships has become routine. The People’s Liberation Army Navy (PLAN) has been conducting anti-piracy operations continuously in the Arabian Sea since December 2008.²⁰

After building a military base in Djibouti in Horns of Africa, Beijing plans to build its second offshore naval base in Gwadar or Jiwani, two coastal cities of Balochistan province of Pakistan. In a report published by South China Morning Post, Beijing-based sources confirmed this development citing increasing need for PLAN to dock and maintain naval vessels, as well as provide other logistical support services.²¹ Through enhancing its military presence in Indian Ocean China

¹⁶ F. Shaikh, Q. Ji, and Y. Fan, ‘Prospects of Pakistan–China Energy and Economic Corridor’, *Renewable & Sustainable Energy Reviews*, vol. 59, no. 4, 2016, pp. 253-63.

¹⁷ P. Panneerselvam, ‘Maritime Component of China–Pakistan Economic Corridor (CPEC): India–China Competition in the Arabian Sea’, *Maritime Affairs: Journal of the National Maritime Foundation of India*, vol. 13, no. 2, 2017, pp. 37-49.

¹⁸ A. Resis, ‘Russophobia and the “Testament” of Peter the Great, 1812-1980’, *Slavic Review*, vol. 44, no. 4, 1985, pp. 61-69.

¹⁹ G. Khurana, ‘Maritime Security in the Indian Ocean’, *Strategic Analysis*, vol. 28, no. 3, 2004, pp. 412-413.

²⁰ M. McDevitt, ‘Great Power Competition in the Indian Ocean: The Past As Prologue?’, Virginia, Center for Naval Analyses, 2018.

²¹ M. Chan, ‘First Djibouti ... Now Pakistan Port Earmarked for a Chinese Overseas Naval Base, Sources Say’, *South China Morning Post*, 5 January 2018, <https://www.scmp.com/news/china/diplomacy-defence/article/2127040/first-djibouti-now-pakistan-port-earmarked-chinese>, (accessed 20 October 2018).

aims to protect its supplies of oil from piracy, deter the US from blocking Strait of Malacca and possibly to encircle India, which is seen in Beijing as the cornerstone of US Asian strategy.²²

Development in Western Province of China

Owing to the export-oriented economic growth, the major industrial units were established in eastern coastal provinces of China. Hence, the persistent economic development resulted in large economic disparities between eastern and western provinces of the country. In 2013, the per capita income of western provinces of Gansu, Guizhou, Qinghai and Xinjiang was reported about one third of the eastern provinces of Fujian, Guangdong and Zhejiang and one fourth of Beijing and Shanghai.²³ CPEC, with other corridors envisaged as part of the BRI, can play a vital role to turn the western Xinjiang province into an export center for South, Central and West Asian countries.²⁴ The significance of CPEC for the development of western Chinese provinces is substantiated by the feedback of a trial consignment that reached Xinjiang in November 2016; the feedback highlights that the sea food import through CPEC not only reduced the time period to reach goods from Pakistan to China from 30-40 days to just 10 days, but also reduced the costs by 10% against imports coming through eastern coastal provinces.²⁵

Threat of separatism and violent extremism has also pushed Beijing to fast track the development of Western provinces especially Xinjiang, the hotbed of the “three evils” of separatism, extremism and terrorism. Historically, the province has remained marginalised due to number of factors, therefore the central government considers economic development as a strategic response to extremist and separatist tendencies.²⁶ Zhu Weiqun, former head of the Ethnic and Religious Affairs Committee of the National Committee of the Chinese People's Political Consultative Conference believes that local governments in ethnic minority regions attach great importance to poverty alleviation, which could help eliminate extremism and strengthen counter-terrorism efforts:

Civil servants in Xinjiang have been sent to remote villages to promote the targeted poverty alleviation work, which also improves their ties with local ethnic residents. More than 600,000 people in Xinjiang were lifted out of poverty in 2016. The central government and

²² M. McDevitt, ‘Great Power Competition in the Indian Ocean: The Past As Prologue?’, op. cit.

²³ P. Ferdinand, ‘Westward Ho-the China Dream and “One Belt, One Road”: Chinese Foreign Policy under Xi Jinping’, op. cit.

²⁴ China Policy, ‘China Going Global: Between Ambition and Capacity’, China Policy, 2017, <https://policycn.com/wp-content/uploads/2017/05/2017-Chinas-going-global-strategy.pdf>, (accessed 22 September 2018).

²⁵ M. Jingjing, ‘China-Pakistan Economic Corridor Aims to Boost Trade Between Two Countries’, *Global Times*, <http://www.globaltimes.cn/content/1032560.shtml>, (accessed 22 September 2018).

²⁶ L. Xin, ‘Xinjiang Policies Justified’, *Global Times*, 13 August 2018, <http://www.globaltimes.cn/content/1115202.shtml>, (accessed 22 September 2018).

Xinjiang's regional government set a 14.1-billion-yuan poverty alleviation fund and allocated 1.6 billion yuan to relocate residents of poverty-stricken areas.²⁷

According to a white paper published by the State Council Information Office released on 1 June 2017, Xinjiang's per capita GDP has increased from 313 Yuan (US\$45.2) in 1978 to 40,427 Yuan (US\$5844.5) in 2017, an increase of 245.2 times. Chen Quanguo, the Communist Party of China (CPC) chief of Xinjiang and the main accused of his heavy-handed approach to deal with violent extremism in Xinjiang, said in an interview with the People's Daily in February 2018 that in 2017, urban residents in Xinjiang earned an average of 30,775 Yuan (US\$4,473) a year, while rural residents earned 11,045 Yuan, or an increase of 7.8% and 8% respectively, compared to the previous year.²⁸ As stated above, due to a number of factors Western provinces of China were left behind with a stark economic disparity from Eastern provinces. But according to recent data, these provinces are catching up. According to data from the National Bureau of Statistics, the average income of Chinese urban residents in 2017 was 36,396 Yuan. Xinjiang has not been left far behind and is getting close to it. International bodies such as the UN have acknowledged the speedy developments in this region. In a meeting in September 2018 UN Committee on the Elimination of Racial Discrimination praised the central government for its progress in economic development but heavily criticised the policies of “mass re-education program” to fight extremism.²⁹

Productive Consumption of Surplus Outputs

China has been witnessing an enduring issue of excessive outputs in the manufacturing sector since 2009. About industries producing 15 different products including aluminum, cement, chemicals, flat glass and steel, are reported to be producing excessive surplus outputs, primarily due to overinvestment, technological improvement, and repressed demands.³⁰ For instance, the crude steel industry of China manufactured 805 million tons of steel in 2015; at this the European Union Chamber of Commerce in China noted, “...(China's) steel industry now accounts for more than half of global output, or more than twice the combined output of the next four biggest steel makers:

²⁷ Ibid.

²⁸ L. Xianghui and L. Junyou, *China Xinjiang: Facts and Figures in 60 Years: 1955-2015*, China International Press, 2015, p. 84.

²⁹ Committee on the Elimination of Racial Discrimination (CERD), ‘Concluding Observations on the Combined Fourteenth to Seventeenth Periodic Reports of China’, International Convention on the Elimination of All Forms of Racial Discrimination, 19 September 2018.

³⁰ R. Fan, ‘China's Excess Capacity - Drivers and Implications’, n.d., <http://www.stewartlaw.com/Content/Documents/China%27s%20Excess%20Capacity%20-%20Drivers%20and%20Implications.pdf>, p. 20.

Japan, India, the US and Russia”.³¹ Likewise, Chinese cement industry produced 57% of the global output in 2015, and nine times more than India, the second largest producer of cement.³² Owing to the low demands in the domestic market, the profits are shrinking in such manufacturing industries and pushing them towards bankruptcy. In this context, the CPEC related projects would lessen the overcapacity problems confronted by certain industries in China and would contribute to the Chinese economic growth. Likewise, China is also exploiting its excessive financial reserves by establishing Silk Road Fund and Asian Infrastructure Investment Bank (AIIB) with an objective to generate further economic opportunities for China.³³

Chinese Currency

Since the BRI involves more than 65 countries, with 63% of the world population, in Asia, Africa and Europe, it would make inevitable the internationalization of Renminbi (RMB), the Chinese currency, notably in the BRI linked countries. In this regard, a survey conducted by the Bank of China (BoC) highlights that 80% of the countries are intending to enhance the usage of RMB.³⁴ On the other hand, the Chinese companies involved in CPEC related projects are dealing in RMB in their businesses. The extensive usage of RMB in CPEC related projects will eventually give rise to its emergence as a regional currency.³⁵ Moreover, the BoC is also encouraging internationalisation of RMB by issuing bonds in four currencies, including RMB, to support the BRI. Hence, CPEC has a potential to increase the usage of RMB at the regional level, and also to turn it into the international reserve currency.³⁶

China’s Strategic Interests

Although the CPEC is essentially an economic plan; however, it has a capacity to cast considerable shadow over geo-strategic landscape, notably at the regional level. It is largely believed that CPEC is aimed at evolving the Sino-Pak cooperation into a bilateral military alliance against

³¹ European Chamber, ‘European Business in China: Business Confidence Survey’, European Union Chamber of Commerce in China, 2017, http://www.iberchina.org/files/2017/Business_Confidence_Survey_2017.pdf, (accessed 22 September 2018).

³² Ibid.

³³ M. Akram, ‘Double Happiness’, op. cit.

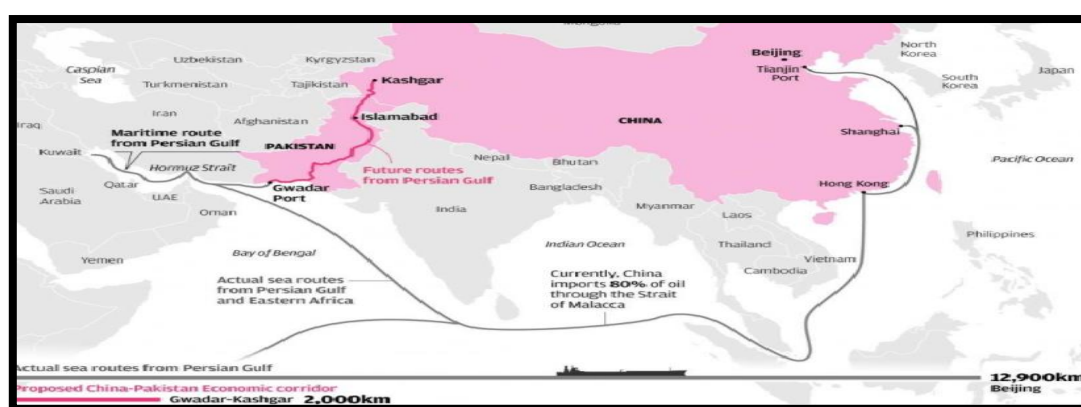
³⁴ P. Danese, ‘Belt and Road Enterprises Conflicted about RMB Prospects’, GlobalCapital, 10 November 2015, <https://www.globalcapital.com/article/v4171cckjfcg/belt-and-road-enterprises-conflicted-about-rmb-prospects>, (accessed 22 September 2018).

³⁵ Ibid.

³⁶ P. Ferdinand, ‘Westward Ho-the China Dream and “One Belt, One Road”’: Chinese Foreign Policy under Xi Jinping’, op. cit.

India.³⁷ In this context, the frequent visits of Chinese submarines to Pakistani ports are indicative of growing naval cooperation between the two countries. Hence, CPEC would not only enhance Chinese maritime activities, but would also pose a threat to India's interests in the Persian Gulf by undermining India's role as a maritime power in the region. This led Abhijit Singh to argue that "there is an inherent duality in the facilities that China is establishing in foreign ports, which are ostensibly commercial but quickly upgradeable to carry out essential military missions".³⁸ Moreover, Pakistan is included among the major importers of Chinese weaponry, which also marks the growing military alliance between the two countries.³⁹

Security of China's Oil Supplies



Owing to its growing economic and industrial development, China has emerged as the largest oil importer, with 7.4 billion barrels of import on a daily basis. Around 80% of its oil imports sail through the vulnerable Malacca Strait and South China Sea, which is generally termed as the energy lifeline of China,⁴⁰ but holds little control over its oil supply route. Due to its vulnerability from threats of piracy or blockade from the US and its allies, the former Chinese president termed it as China's "Malacca Dilemma".⁴¹ China has always viewed Malacca Strait as a strategic vulnerability because of the US dominance over maritime routes.⁴² Hence, China has been seeking

³⁷ H. V. Pant, 'The China-Pakistan Axis Gathers Momentum', *The Japan Times*, 18 April 2016, <https://www.japantimes.co.jp/opinion/2016/04/18/commentary/world-commentary/china-pakistan-axis-gathers-momentum/>, (accessed 23 December 2018).

³⁸ J. Kynge, et al., 'How China Rules the Waves', *Financial Times*, 12 January 2017, <https://ig.ft.com/sites/china-ports>, (accessed 23 September 2018).

³⁹ P. Panneerselvam, 'Maritime Component of China-Pakistan Economic Corridor (CPEC): India-China Competition in the Arabian Sea', op. cit.

⁴⁰ B. A. Hamzah, 'Alleviating China's Malacca Dilemma', Institute for Security and Development Policy, 13 March 2017, <http://isdsp.eu/alleviating-chinas-malacca-dilemma/>.

⁴¹ Ø. Tunsjø, *Security and Profit in China's Energy Policy: Hedging Against Risk*, New York, Columbia University Press, 2013, p. 12.

⁴² Z. Hussain, 'The China-Pakistan Economic Corridor and the New Regional Geopolitics', op. cit.

alternative routes for its oil supplies since long. CPEC provides a viable alternative and cost-effective route for Chinese oil supplies through the Gwadar Port.⁴³ It will help China to save about US\$2 billion annually by availing the shortest route for its oil supplies.⁴⁴

Security and Development

The western Chinese province of Xinjiang has been witnessing increasing terrorist attacks since long and causing security concerns for China. East Turkistan Islamic Movement (ETIM), a terrorist outfit with its sanctuaries in bordering areas of Pakistan and Afghanistan, is considered to be responsible for terrorist attacks in the region.⁴⁵ Moreover, Xinjiang is included among the least developed western provinces of China. It is largely believed that economic development of the region would diminish extremist tendencies and support for the terrorist group. China has been pursuing this strategy in the restive Xinjiang province with a view to ensure security and peace.⁴⁶ Daniel Markey and James West argue that “The CPEC represents an international extension of China’s effort to deliver security through economic development”.⁴⁷ Owing to its inherent capacity to cause economic development, it is largely believed that the CPEC will strengthen peace and stability in the region.⁴⁸

Gwadar Port

Gwadar Port is a deep water port in southwestern Balochistan. It is located at the mouth of Strait of Hormuz, which is a trade route through which around 40% of the oil trades passes and holds the flow of 17 million barrels on daily basis.⁴⁹ Owing to its geo-strategic location, it has a potential to become a catalyst to connect China with Indian Ocean for its trade. Therefore, the whole CPEC plan revolves around this port. Gwadar Port is significant for China both in economic and

⁴³ A. Ali, ‘China Pakistan Economic Corridor: Prospects and Challenges for Regional Integration’, *Arts and Social Sciences Journal*, vol. 7, no. 4, 2016, pp. 1-5.

⁴⁴ S. Ali, ‘Pakistan-China Economic Corridor: A Cost-Benefit Analysis’, *The Express Tribune*, 3 May 2015, <https://tribune.com.pk/story/880259/pakistan-china-economic-corridor-a-cost-benefit-analysis/>, (accessed 23 December 2018).

⁴⁵ D. S. Markey and J. West, ‘Behind China’s Gambit in Pakistan’, Council on Foreign Relations, 2016, <https://www.cfr.org/expert-brief/behind-chinas-gambit-pakistan>, (accessed 23 September 2018).

⁴⁶ F. Strasser, ‘China-Pakistan Economic Corridor: A Road to Peace?’, United States Institute of Peace, 2016, <https://www.usip.org/publications/2016/12/china-pakistan-economic-corridor-road-peace>, (accessed 23 September 2018).

⁴⁷ D. S. Markey and J. West, ‘Behind China’s Gambit in Pakistan’, op. cit.

⁴⁸ S. Singh and J. M. Magray, ‘China-Pakistan Economic Corridor (CPEC), Its Impacts on Pakistan Economy’, *International Journal of Innovative Research and Advanced Studies*, vol. 4, no. 7, 2017, p. 4.

⁴⁹ A. H. Cordesman and M. Kleiber, ‘Iran’s Military Forces and Warfighting Capabilities: The Threat in the Northern Gulf’, Washington, D.C., Center for Strategic and International Studies, 2007, <https://www.csis.org/analysis/irans-military-forces-and-warfighting-capabilities>, (accessed 23 September 2018).

strategic terms. The port would not only provide China a safe passage for its foreign trade and oil supplies, but would also give it a potential maritime base in the India Ocean. Pakistan has outsourced the operations of Gwadar to China; it enables Beijing to monitor the Sea Lines of Communication (SLOC) originating from Persian Gulf and the Strait of Hormuz.⁵⁰ In this context, the Chinese Defense White Paper 2015 indicated that the monitoring of SLOCs is essential to maintain sustainable development and ensure security of China.⁵¹ Thus, the Gwadar Port has the potential to bring huge dividends for China both on economic and strategic fronts.

Analytical Discussion

The CPEC plan is an explicit manifestation of bilateral relations between China and Pakistan. It provides dividends to both Pakistan and China on multifaceted sectors. Being a flagship project of China's BRI, the CPEC plan holds considerable significance for China. Although China has not expressed its great power ambitions, but the BRI indicates its intentions to play an active role in international fora. Thus, the CPEC plan will help China both at domestic and foreign fronts. It will not only help China to bring its underdeveloped western provinces at par with the eastern ones, but will also enable China to test a new international growth model through its investments. The success of CPEC will bring about major transformation in the regional and international power structure. Therefore, it has gained considerable significance for both China and Pakistan.

⁵⁰ Islamabad Policy Research Institute (IPRI), 'CPEC: Macro and Micro Economic Dividends for Pakistan and the Region', Islamabad Policy Research Institute, 2017, <http://www.ipripak.org/wp-content/uploads/2017/03/CPEC14032017.pdf>, (accessed 23 September 2018).

⁵¹ Ibid.

Chapter 4

Pakistan and CPEC

As stated above, China-Pakistan Economic Corridor (CPEC), an inclusive development plan, which offers an unprecedented opportunity to Pakistan at a time when it feels isolated at international level. The CPEC plan aims to help Pakistan to deal with its impending internal issues of energy, industry and infrastructure sectors, but also offers opportunities to strengthen its strategic position in the region.

The purpose of this chapter is to analyse the Pakistani frame of reference about CPEC. At first, the chapter highlights Pakistan's economic dependence and strategic location. Then, the chapter presents the rationale for Pakistan's inclination towards China. Finally, an analysis is made to analyses the economic, strategic, and security interests of Pakistan associated with the CPEC.

Geostrategic Location of Pakistan

The geo-graphical location of a country plays an important role to determine its geostrategic significance and its role in the international community.¹ The geostrategic location of Pakistan, being located at the juncture of both energy deficient and proficient regions, confers it a very significant position at regional level. Likewise, its strategic importance is evident from its geographic proximity to the busiest international maritime route originating from Strait of Hormuz, where more than 40% of oil supply passes.² Owing to its geographic significance, Stephan P. Cohen said: "While history has been unkind to Pakistan but its geography has been of greatest benefit to it".³ The strategic location of Pakistan, being surrounded by China, India, Iran, Afghanistan and the Arabian Sea, conferred it a considerable significance in the hostile environment of Cold War; likewise, following the 9/11 attacks, its strategic location again brought it into the limelight. On both occasions, the strategic location of Pakistan was exploited by the US to secure its strategic interests in the region. Geo-graphic proximity to Afghanistan and wars fought there is yet another factor that

¹ M. Riegl, *Strategic and Geopolitical Issues in the Contemporary World*, Cambridge, Cambridge Scholars Publishing, 2013.

² A. H. Cordesman and M. Kleiber, 'Iran's Military Forces and Warfighting Capabilities: The Threat in the Northern Gulf', op. cit.

³ A. Saeed, A. Sumayya, and G. R. Kashif, 'Impact of Globalization and the Role of International Agencies in Education Policy Making Process of South Asian Countries - A Case of Pakistan', *South Asian Studies*, vol. 30, no. 23, 2015, p. 297-316.

brings Pakistan into international limelight. For more than 18 years Afghanistan houses international forces in pursuit of clearing terrorist sanctuaries and stabilizing the country. Had the US not abandoned Pakistan after the War on Terror, which cost the country unprecedented loss of blood and treasure, Pakistani policymakers would have failed to induce a paradigm shift from geostrategic focus to a geo-economic orientation. Similarly, an assertive China also motivated Islamabad to stand to American pressure and diversify her foreign policy and economic options. The CPEC offers an opportunity to Pakistan to get benefit of its geo-strategic location to maximise its economic interests, as well as to deal with its domestic and regional issues. The following section presents the economic and strategic advantages of CPEC to Pakistan.

Regional Responses to CPEC -India

Iqbal terms India as a “vocal opponent” of CPEC due to potential strategic implications of the project.⁴

Guided by this win-win strategy, both China and Pakistan, on different occasions, invited India to share the dividends of BRI and CPEC, but New Delhi’s antagonistic response to this mega developmental project, out rightly rejecting it as ‘unacceptable’, has barred CPEC’s potential to promote regional cooperation, facilitate conflict resolution and shun away zero-sum approaches to regional issues.

According to Iqbal New Delhi’s opposition to CPEC is driven by unfounded fears of Pakistan’s strategic intentions aimed at containing a rising India. New Delhi also apprehends that enhanced involvement of China in Gilgit Baltistan, which according to India is a part of disputed Kashmir, can internationalize the Kashmir conflict, something that India has always avoided.⁵ To respond to Chinese ingress into South Asia under BRI, India has resorted to number of bilateral and multi-lateral initiatives such as construction of Chahbahar Port in Iran, Project Mausam, revival of spice route with countries in the gulf and Freedom Corridor, a project envision in cooperation with Japan to counter Chinese BRI.

Regional Responses to CPEC-Afghanistan

⁴ K. Iqbal, ‘Changing Security Situation in South Asia and Development of CPEC’, Islamabad Policy Research Institute (IPRI), 2018, <http://www.ipripak.org/wp-content/uploads/2018/04/cp1842018.pdf>, p. 96.

⁵ Ibid.

Allama Iqbal, the renowned poet of the sub-continent, once described Afghanistan as the heart of Asia.⁶ “If the heart is in trouble, rest of the human body is understood to be in trouble” noted Iqbal. This significance is still relevant and well-acknowledged by number of regional players including China. Initially, Afghanistan, too, welcomed Chinese economic expansion into South Asia and vowed to be a part of CPEC.⁷ However, soon after paying a visit to New Delhi in October 2017, Afghan President retrieved his country’s resolute support for CPEC and refused to join the initiative on the pretext of protest to Pakistan’s blockade of India to Afghanistan.⁸ As of the time of writing, Pakistan continues to deny India an access to Afghanistan, which indicates that Kabul is not likely to endorse CPEC in the near future. Further, with American forces physically present in Afghanistan, Kabul is more likely to choose American funded infrastructural projects than the Chinese ones.

Pakistan’s Perception of CPEC

A charm offensive with the US and economic down turn, made Pakistan to explore new avenues for political stability and economic development. In this regard, CPEC appeared as an attractive composition for Islamabad. Currently, Pakistan faces a hostile regional security environment, spearheaded by its entrenched and persistent tensions with India and unfriendly relations with Afghanistan. Pakistan and Afghanistan often accuse each other of harboring terrorist outfits operating against one another.⁹ Moreover, the US seems to have reshaped its long term strategic interests in the region by excluding Pakistan from its strategic equation and cultivating India to play a major role in Afghanistan. This has reinforced by Keith Jones that, “The US is determined to make India the South Asian anchor of its “Pivot to Asia”.”¹⁰ As strategic relations suffer, Western financial institutions also retreat from Pakistan, refusing to invest or bailout the country from her economic problems.

⁶ I. Poem, ‘The Heart of Asia’, Afghanistan Analysts Network, 11 June 2013, <https://www.afghanistan-analysts.org/afghanistan-conference-in-istanbul-the-clogged-arteries-of-the-heart-of-asia/iqbal-poem-the-heart-of-asia/>, (accessed 23 September 2017).

⁷ I. Khattak, ‘Afghanistan Desires Role in CPEC, Says Afghan Envoy’, *Dawn*, 14 October 2016, <https://www.dawn.com/news/1289978>, (accessed 23 December 2018).

⁸ News Desk, ‘Afghan President Refuses to Join CPEC while Access to India is Blocked’, *The Express Tribune*, 25 October 2017, <https://tribune.com.pk/story/1541022/1-afghan-presidentrefuses-join-cpec-access-india-blocked/>.

⁹ F. Grare, ‘Pakistan-Afghanistan Relations in the Post-9/11 Era’, n.d., p. 24.

¹⁰ K. Jones, ‘India, US Boost Military-Strategic Drive against China’, 2015, <https://www.wsws.org/en/articles/2015/01/28/obin-j28.html>, (accessed 23 September 2018).

The unfriendly environment of the South Asia and poor connectivity provides little opportunities to Pakistan to promote its economic growth through bilateral trade with other regional countries.¹¹

Against the backdrop of cropping differences with the US, hostile policy postures of India, accusations of harboring terrorists by Afghanistan, all accumulatively aim to isolate Pakistan in the region. In these adverse circumstances and New Delhi's upping the ante to brand Islamabad as sponsor of terrorism from its soil, it is more likely for Pakistan to counter balance the increasing pressure against it.

Engagement with China does not only bring economic dividends to the country but also benefits it diplomatically and strategically. It has been observed that whenever the US adopts an aggressive posture vis a vis Pakistan, China always sides with her time-tested ally. For instance, in August 2017, the US president Donald Trump accused Pakistan of harboring terrorists involved in attacking US and Afghan forces in the neighboring Afghanistan. Following the threatening statement few American law makers lobbied for stringent measures like losing the major non-NATO ally status to the nuclear-powered country, cut in military aid among and launching cross-border strikes inside Pakistan. Interestingly, before the Prime Minister of Pakistan's response, Beijing came to rescue saying "US should recognize Pakistan's 'important role' in Afghanistan and respect its security concerns. China's State Councilor Yang Jiechi defended Pakistan's role in Afghanistan"¹² This was not an isolated incident but a continues recurring trend. In fact, each time the US bullies the countries, Pakistani public look towards China to give a rebuttal. Swift and timely response of Beijing on such critical occasions have always contributed in strengthening public goodwill regarding China. t. On number of major issues including Kashmir and nuclear technology, Beijing favored Pakistani stance. Moreover, both countries value each other as a strategic moat against India.¹³ Therefore, implementing mega projects like CPEC with great zeal and zest provides Pakistan a cushion against Indian and American pressure. Pakistan considers China as a 'time tested' friend that has never abandoned it, nor ever attached any harsh conditions against its

¹¹ I. N. Mukherji, 'Book Review', *Thirty Years of SAARC—Society, Culture, and Development*, R. Kumar and O. Goyal (eds.), *South Asia Economic Journal*, vol. 18, no. 1, 2017.

¹² Web Desk, 'China Comes to Pak's Rescue after Trump Exerts Pressure to Dismantle Terror Safe Havens', *Indian Express*, 24 August 2017, <https://indianexpress.com/article/world/donald-trump-pakistan-afghanistan-strategy-shahid-khaqan-abbasi-4811678/>, (accessed 23 September 2018).

¹³ J. Afridi and J. Bajoria, 'China-Pakistan Relations', Council on Foreign Relations, 2016, <https://www.cfr.org/backgrounder/china-pakistan-relations>, (accessed 23 September 2018).

support.¹⁴ It was the mutual trust and confidence that has brought both the two neighboring countries together to further cement their bilateral relations in long term cooperation under CPEC.

Economic Advantages for Pakistan

The CPEC is being billed as a game changer, not just in terms of strategic gains but also economic uplift. Estimated at US\$46bn investment until 2030, the CPEC initiative aims to finance a series of transport infrastructure projects and energy projects. The brainchild of President Xi Jinping - a 3000 km network of roads, railway lines, energy pipelines and fiber optic cables - the CPEC is more than simply a “route” or a “corridor” as far as Islamabad is concerned. The ruling establishment eyes the CPEC as the engine for future growth around which local economy can grow as well. Backed with Chinese investment – including an additional US\$8.5 billion investment in Pakistan to upgrade the country’s main railway line from Karachi to Peshawar, support in construction of a liquefied natural gas (LNG) terminal and transmission lines – the CPEC has already helped local businesses to grow. In 2017 China’s Shanghai Electric Power agreed to pay US\$1.8 billion for a majority of Karachi’s electric supply company. A Deloitte study predicts that if everything goes according to the plan, the combined value of CPEC’s infrastructure projects would be equivalent to 17% of Pakistan’s GDP in 2015. The project is also expected to create at least 700,000 direct jobs and serve as a springboard for the development of industries such as retail, tourism, hospitality, health and education. CPEC is transforming Pakistan in the same manner Martial Plan uplifted the war-torn Europe after the Second World War.

Under the Marshall Plan the US offered Western Europe to deliver prosperity from the ruins of the world war, while China today attempts to provide Pakistan with a similar opportunity to shed the debilitating scars of war, establish sustainable peace within the fractured self, and extend it beyond to temper regional perspectives.¹⁵ The Marshall Plan was purely strategic in nature because it led to the formation of NATO’s transatlantic security pact, therefore it is often seen as a tool of American imperialism. For the very same reason Chinese policy-makers avoid referring to the CPEC as such. From a Pakistani perspective, however, loans and investment under the CPEC may not be termed as China offering “imperialistic aid” to one of her allies, but the potential of this initiative to help recover Pakistan from the scars of decades-long war on terror makes it equivalent

¹⁴ US-China Institute (USCI), ‘Getting to Beijing: Henry Kissinger’s Secret 1971 Trip’, US-China Institute, 2018, <https://china.usc.edu/getting-beijing-henry-kissingers-secret-1971-trip>, (accessed 23 September 2018).

¹⁵ K. Iqbal, ‘Significance and Security of CPEC: A Pakistani Perspective’, China Institute of International Studies, http://www.ciis.org.cn/english/2017-11/10/content_40064710.htm, pp. 13-47.

to the Marshall Plan. However, drawing parallels between the CPEC and Marshall Plan could be misleading.¹⁶

No doubt, concerns and skepticism exists. The International Monetary Fund's June 2016 report on Pakistan noted that while the CPEC would likely succeed in boosting investment and growth in the short run, it would entail risks of repayment obligations and profit repatriation in the medium to long term. There are structural issues involved as well. The external loans borrowed by Pakistan over the last three years amount to US\$24.93 billion, taking the total external debt to US\$58 billion. In real terms, Pakistan collects only little more than half of what is estimated as a feasible amount in taxes. While cement, steel, bulk chemicals, consumer durables, and the power sector performed well in 2017, there are serious concerns about textiles, agriculture and decreasing exports. The country remains dependent on international oil prices and the energy sector is far from overhauled to support rapid economic growth. Concerns also remain over the stability of the political system and the longevity of the gains in the war on terrorism.

Infrastructural development

CPEC is intended to enhance connectivity across Pakistan through infrastructural development. Under the CPEC plan, four major trade routes have been designed to connect almost every major city of Pakistan, with US\$11 billion investment.¹⁷ The northern route connects Kashghar region of China to Islamabad by Karakoram Highway (KKH), while the western route largely passing through Khyber Pakhtunkhwa (KP) and Baluchistan provinces to connect Islamabad with Gwadar via rail tracks and highways, whereas an extra link road would connect Gwadar to Torkham bordering Afghanistan. Similarly, the eastern route connects Gwadar with Karachi and Lahore, and the central route connects eastern cities to western cities via roads. In addition to that, oil and gas pipelines are also under construction to transport gas from Iran to Gwadar and then to China. Iran has already built its share of the gas pipeline; however Pak-China share is in progress.¹⁸ With an ever growing youth bulge, there is a need to generate approximately 1.3 million jobs annually.¹⁹ According to the United Nations Development Programmer's (UNDP) and National Human Development Report (NHDR), the growth in employment creation is necessary to match the

¹⁶ Ibid.

¹⁷ A. Rafiq, 'The China-Pakistan Economic Corridor: Barriers and Impact', op. cit.

¹⁸ Editorial, 'Gas Pipeline Prospects', *The Express Tribune*, 27 November 2012, <https://tribune.com.pk/story/471172/gas-pipeline-prospects/>, (accessed 23 December 2018).

¹⁹ APP, 'Pakistan Needs to Generate 1.3m More Jobs Every Year: UNDP Report', *The Express Tribune*, 23 May 2018, <https://tribune.com.pk/story/1716529/2-pakistan-needs-generate-1-3m-jobs-every-year-undp-report/>, (accessed 25 September 2018).

unprecedented number of young people entering the working age.²⁰ Pakistan's growing middle class, which will expand from an estimated 40 million people today to 100 million people by 2050, represents a powerful engine for change, demanding both improved services and greater access to opportunities. Nearly two-thirds of Pakistan's population is 24 years old or under. This represents an unprecedented opportunity as young Pakistanis can greatly contribute to growth and development. Given that the government and the military can ensure smooth implementation of CPEC on the terms mutually beneficial for Pakistan and China.

Energy Sector

Pakistan has been witnessing an acute energy crisis since the past decade. The supply shortfalls and transmission losses caused more than 2% loss in Pakistan's economic growth rate.²¹ Therefore, the energy generations sector has distinctively been focused in the CPEC plan. To overcome the energy crises, China has earmarked some US\$33 billion for energy generation projects.²² It is expected that 17,000MW would be added to the national grid by 2030, while 10,400MW would be added by 2018.²³ Therefore, it is anticipated that CPEC demonstrates the potential to revive Pakistan's industries, which were either closed or shifted to other countries like Bangladesh and Malaysia because the power crises during the last decade.

Strategic Advantages for Pakistan

CPEC has come up at a time when Pakistan is being isolated on the international platform; its old allies in the West and in the Middle East are shifting their policies. The recent strategic realignments vis-a-vis the US and India's burgeoning relations have forced Pakistan to reconsider its strategic interests in the region. In the backdrop of its declining relations with the US, Pakistan has consolidated its long term economic and strategic interests with China.²⁴ Pakistan's engagement with China raises its stature on the strategic spectrum in its immediate region. Considering the tilt towards China, though President Donald Trump sent a humiliating tweet on the eve of new year but China and Russia appreciated Pakistan's contributions in fighting against terrorism.²⁵

²⁰ Ibid.

²¹ M. Kugelman, *Pakistan's Interminable Energy Crisis: Is There Any Way Out?*, op. cit.

²² Islamabad Policy Research Institute (IPRI), 'CPEC: Macro and Micro Economic Dividends for Pakistan and the Region', op. cit.

²³ Z. Hussain, 'The China-Pakistan Economic Corridor and the New Regional Geopolitics', op. cit.

²⁴ Ibid.

²⁵ S. Ali, 'Russia, China Stand Behind Pakistan', *The Nation*, 3 January 2018, <https://nation.com.pk/03-Jan-2018/russia-china-stand-behind-pakistan>, (accessed 23 December 2018).

Besides strengthening military ties, Russia is keen to expand her economic connections through CPEC ties. If Russia joins CPEC, as it has expressed its willingness, it would not only bring significant economic benefits to Pakistan but would also strengthen Pakistan's strategic position in the extended region.²⁶ Russia has also requested Pakistan's approval for its companies to be allowed to use the Gwadar Port for its export to other regions. In this context, keeping in view the US estrangement with Pakistan and mounting Indo-US ties, Pakistan's engagement with two major extra regional powers, Russia and China, indicate significant strategic achievement.

Further, in case China turns the Gwadar Port as a de-facto naval port for its blue water navy; it will confer Pakistan a great strategic leverage in the India Ocean.²⁷

Countering Terrorism

Ideological factors aside, terrorism in Pakistan is also seen as an outcome of poor socio-economic conditions in different regions of the country, which became the hotbed of violent extremism after 9/11. A report by World Food Program and Sustainable Development Policy Institute of Islamabad indicates that FATA and Balochistan, the areas worst hit by terrorism also suffered from acute food insecurity.²⁸ Long before the outburst of militancy in 2001, FATA and Balochistan performed poorly on account of number of other human development indicators. The American intervention in Afghanistan only played a role of a catalyst. To deal with this threat, the government of Pakistan not only relied on military means but also undertook several developmental initiatives such as CPEC. Though the military operations failed to totally eradicate the terrorist organisations, the number of terrorist attacks declined considerably. According to reports by the US National Consortium for Study of Terrorism, the terrorist incidents declined by 27% in Pakistan in 2016, as compared to the preceding year.²⁹ This downward trend continued in 2017. According to figures released by the National Counter Terrorism Authority (NACTA), 2017 witnessed only 426

²⁶ I. Ahmad, 'Russia to Join China-Pak Economic Corridor', *Hindustan Times*, 26 November 2016, <https://www.hindustantimes.com/world-news/russia-to-join-china-pak-economic-corridor/story-VatjOEoYXHBMxBCBXQuiYN.html>, (accessed 23 September 2018).

²⁷ A. Saeed, 'The Evolving Pakistan-China Maritime Economic Relationship in the Indian Ocean', n.d., p. 14.

²⁸ S. Ramey, 'State of Food Security in Pakistan and Policy Options', Sustainable Development Policy Institute, 2016, <https://www.sdpi.org/publications/files/State-of-Food-Security-in-Pakistan-and-Policy-Options.pdf>, (accessed 23 December 2018).

²⁹ University of Maryland, 'National Consortium for the Study of Terrorism and Responses to Terrorism: Annex of Statistical Information', U.S. Department of State, 2018, <http://www.state.gov/j/ct/rls/crt/2017/282853.htm>, (23 September 2018).

terrorist incidents in comparison to 785 attacks in 2016.³⁰ Arguably, the socioeconomic development proved instrumental in countering remnants of terrorism and tacit support within the society. Peter Chalk and Kim Cragin argue that the socioeconomic development has helped Israel, Philippines and United Kingdom to effectively eradicate the terrorist support within a society.³¹

Since socio-economic deprivation plays an important role in promoting terrorism, Pakistan believes that economic stability stimulated by CPEC would help to overcome the tendencies of terrorism and extremism in the country.³² With the improved economy under CPEC, the multiple jobs opportunities have engaged the young Pakistanis towards positive thinking and a promising future. This can be implied from China's experience which faced deadly attacks in Kashghar (2008), mass scale riots in Urumqi (2009) that claimed more than 200 lives, knives attack in Kunming (2014) and a number of low-intensity stabbing attacks, but with the inception of the CPEC the crime rate has reduced substantially. As the Islamist terrorist outfits have been causing instability in Pakistan and China, it can be argued that the same development strategy may workout in Pakistan as well. In this context, Daniel Markey and James West argue that "The CPEC represents an international extension of China's effort to deliver security through economic development".³³

Analytical Discussion

With CPEC once fully operational, this project would have the capacity to deal with Pakistan's declining economy. It will enhance Pakistan's capability to overcome its internal instability, energy crises and prevailing militancy in its northwestern region. The economic development and prosperity will not only bring desirable results in the security sector, but will also help Pakistan to achieve sustainable economic growth. CPEC has a capacity to convert Pakistan into a hub of international trade. However, as a transit country, CPEC faces a variety of challenges, notably at the regional level.

Indian opposition to CPEC could pose a daunting challenge to the project's smooth implementation and could also augment differences between the two South Asian nations. India

³⁰ IANS, 'Terrorist Incidents Sharply Down in Pakistan in 2017', *Khaleej Times*, 11 September 2017, <https://www.khaleejtimes.com/international/pakistan/terrorist-incidents-sharply-down-in-pakistan-in-2017>, (accessed 23 September 2018).

³¹ K. Cragin and P. Chalk, *Terrorism and Development: Using Social and Economic Development to Inhibit a Resurgence of Terrorism*, Santa Monica, California, Rand, 2003.

³² These views were expressed by Dr. Khuram Iqbal of National Defense University in Pakistan at a seminar titled "Changing Security Situation in South Asia and Development of CPEC" organised by Islamabad Policy Research Institute (IPRI) in September 2017.

³³ D. S. Markey and J. West, 'Behind China's Gambit in Pakistan', op. cit.

would strongly oppose any attempt by China to establish a naval outpost in Gwadar or Jiwani on pretext of protecting China's commercial interests. Therefore, compartmentalization of South Asia into anti-China and pro-China camps seems inevitable. India, which proudly embraced non-alignment during cold war, appears strongly inclined to be a part of any American attempt to counter Chinese expansion. Pakistan, which traditionally remained a part of American camp during the cold war, seems to be relying extensively on China at the cost of antagonizing the US. These developments have certainly revived the "zero-sum" mentality in South Asia.

The next chapter will highlight the challenges and strategic impacts of CPEC over Pakistan's role in regional settings.

Chapter 5

CPEC: An Analysis

Introduction

China-Pakistan Economic Corridor (CPEC) is a Chinese foreign policy initiative to link its landlocked western provinces with the Indian Ocean through Gwadar Port in Pakistan.¹ It not only strengthens the deep-rooted cordial ties between Pakistan and China, but also shapes the existing regional settings. Notably, due to the geostrategic location of Pakistan, the CPEC significantly effects strategic position of Pakistan. However, there are certain reservations about the success of the CPEC and the benefits that Pakistan can reap from it.

In this context, this chapter critically analyses the CPEC plan and its strategic implications for Pakistan. At first, it provides an overview of the Sino-Pak relations. Then, the chapter analyses China's interests associated with the CPEC. Finally, it provides strategic implications for Pakistan.

China's Ambitions

China's economic growth started to decline in 2012 and led China to reduce its economic growth target to 6.5% during the 13th five year plan (2016-2020).² In this backdrop, President Xi Jinping administration resorted to restructure the economic policies of China with the slogan "the great rejuvenation of the Chinese nation".³ The phrase is not the administration's rhetoric, but an endeavour to legitimise the Chinese political system and infuse nationalistic fervour among the masses. Moreover, it also refers to the national strategy to achieve foreign policy objectives. Translation of BRI into practice, however, is fraught with several challenges as the episodes in Sri Lanka and Malaysia have demonstrated. Mega projects with Chinese investments continue to divide domestic politics along anti and pro-China lines. International watchdogs including media and financial institutions have also questioned number of strings attached to BRI, including lack of transparency in bidding processes, high interest rates and China's employment of its own labour and

¹ P. K. Singh, 'China's Strategic Gateway to the Indian Ocean', Centre for Strategic and International Studies, 2017, <https://reconnectingasia.csis.org/analysis/entries/chinas-strategic-gateway-indian-ocean/>, (accessed 23 December 2018).

² E. Wong, 'China Aims for 6.5% Economic Growth Over Next 5 Years, Xi Says', op. cit.

³ R. Aoyama, "One Belt, One Road" China's New Global Strategy', *Scribd*, 2016, <https://www.scribd.com/document/352941477/One-Belt-One-Road-China-s-New-Global-Strategy-Rumi-Aoyama-2016>, (accessed 23 September 2018).

machinery instead of offering local employment opportunities. In one such instance, Malaysian prime minister while welcoming the Chinese investments expressed his displeasure over non-transparent bidding process and Beijing's insistence on employing its labour and machinery from China instead of providing opportunities to local labour. He also warned of "new imperialism" during his trip to Beijing in August 2018.⁴

Observers in Pakistan studied Malaysia's case with great interest. Imran Khan, leader of Pakistan Tehrik-e-Insaf (PTI) and the incumbent prime minister of Pakistan, has always admired Mahathir Mohammad for his vision and straightforwardness. Therefore, he took a clue from Malaysia's approach and within few months of taking charge as a prime minister, he hinted at reviewing the CPEC projects to ensure they are "mutually" beneficial. In the process, one of the projects worth US\$9 billion, Pakistan sought to revise the terms and conditions with China. The project called Karachi-Lahore-Peshawar railway track, known as the Main Line 1 project (ML1), is an early harvest and a strategic project of the CPEC framework. Although the previous government of Nawaz Sharif (2013-18) had agreed to build this key project on the Engineering-Procurement-Construction (EPC) model that shifts the entire financing risks to the federal government. But due to the mammoth cost and anticipated risk of default, the PTI government proposed to build the project on Build Operate Transfer (BOT) model. This was done keeping in view the Hambantota Port episode, which Sri Lanka had to hand over to China due to its inability to repay the massive Chinese loan used to build the port. To avoid a Malaysia-like scenario, where the deals were cancelled, Beijing hinted to accommodate Pakistan's concerns. A report published in *Global Times*, the mouthpiece of Chinese Communist Party, agreed

Pakistan's demands are within the cooperation scope of the B&R initiative....it's normal and understandable that development focus can change at different stages in different countries, especially with changes in government. So China can also make some strategic adjustments when cooperating with these countries.⁵

Such developments indicate that Imran Khan's government while conscious of its national interest has treated CPEC with a pinch of salt and has dealt upfront with the potential negative impacts that Chinese investment can have on Pakistan's economy.

⁴ L. Hornby, 'Mahathir Mohamad Warns Against "New Colonialism" During China Visit', *Financial Times*, 20 August 2018, <https://www.ft.com/content/7566599e-a443-11e8-8ecf-a7ae1beff35b>, (accessed 23 December 2018).

⁵ S. Weiduo, 'China Open to Adjustment of B&R Projects Based on Countries' Needs: Analysts', *Global Times*, 13 September 2018, <http://www.globaltimes.cn/content/1119564.shtml>, (accessed 23 December 2018).

Despite domestic developmental challenges and regional apprehensions about China's opaque and bilateral agreements, President Xi continues to passionately pursue his dream of great rejuvenation. It is believed that his administration has put forward a "hundred year dream". Unlike the American Dream, which refers to an ideal where every individual has equal opportunity to pursue a better life, the Chinese Dream aims at national rejuvenation and international influence to build a modern China.⁶ The "hundred year dream" entails China to pursue a new path towards social harmony and scientific development, to achieve a modern and prosperous society in line with the new international patterns by the 100th anniversary of establishment of Chinese Communist Party in 2021, and envisages pursuance of "dream of great rejuvenation of the Chinese nation" by the 100th anniversary of the establishment of People's Republic of China.⁷ But as "the rise of Athens has always inspired fears in Sparta, Chinese economic, diplomatic and military expansion under the umbrella of BRI continues to cause unease in the Western capitals and their regional allies, in a sense, reviving the Cold War era competition. Graham Ellison in his remarkable work "Destined for War: Can America and China Escape Thucydides' Trap?" argues that most of the time radical changes in international system or rise of a power, which has the potential to unseat present hegemon has resulted in large scale war and this could be the case if the global transition is not managed effectively.⁸

China aims at establishing its own path for future development, the "Chinese dream is rooted in people's obligations, trust, hopes and dreams for themselves, families, society and country in the future, and the pursuit for the vision and ideal of China".⁹ Whether the "Chinese way" compliments or contradicts current values-based international order is a matter of debate among the scholars of political science and international relations. Few view China demonstrating a more responsible behaviour towards international institutions and values, while others accuse Beijing of undermining international order to create a center-stage for itself. The realization of the Dream will not only bring about development at the internal level, but will also enhance its influence around the globe. It has a capacity to cast large strategic implications as well. Strategically, the BRI is significant for two

⁶ T. Zhou, *The China Dream and the China Path*, op. cit.

⁷ R. Aoyama, "'One Belt, One Road' China's New Global Strategy", op. cit.

⁸ G. Allison, *Destined for War: Can America and China Escape Thucydides Trap?*, New York, Houghton Mifflin Harcourt, 2017.

⁹ E. Wong, 'China Aims for 6.5% Economic Growth over Next 5 Years, Xi Says', op. cit.

reasons: first, it highlights China's intentions to compete with the US; second, it is indicative of China's diversion from Pacific to its western frontier.¹⁰

In this context, although CPEC is essentially an economic undertaking, it also has strategic implications, notably at the regional level. On the economic front, CPEC has facilitated China to initiate development of its western region. As discussed previously, the first consignment in 2016 from Gwadar Port demonstrated multifaceted impact such as it reduced the delivery time, saved on the fuel and tested viability of the laid infrastructure. Statistics indicate that the crime/terroristic activities have been reduced since 2016. Furthermore, China has been successful to some extent to circulate its currency in the Gwadar Port zone. Though the infrastructure development and energy generation agreements were signed few years back but the new government in Pakistan expressed its concerns about the cost effectiveness of different projects, in this case Chinese authorities showed immense sensitivity and happily agreed to renegotiate some of the projects even in one of the project cost reduced to the tune of US\$2 billion. Though it may impinge on circulation of the Chinese currency, productive consumption of its excessive resources, and deployment of excessive labour force, but even after weighing these changes still CPEC is strategically advantageous to China as it offers secure oil supplies, ensures security through development in its western provinces and access to Gwadar Port, which, in turn, provides access to China to monitor the Sea Lines of Communication originating from Persian Gulf and the Strait of Hormuz.¹¹

Strategic Implications for Pakistan

Although CPEC is essentially an economic initiative, it casts strategic implications on Pakistan. In this regard, Markey and James termed it a part of the China's strategic gambit.¹² China is perceived as an 'all-weather friend' by Pakistan; however, the Chinese investment as part of the CPEC plan is not a gift. Pakistan has to make adequate arrangements to ensure smooth implementation of the plan and to reap its fruits.¹³ Moreover, Pakistan has to devise investment friendly policies to facilitate and attract foreign investors and also improve its security mechanism. Besides, it will also have to deal with the soft challenges, including corruption, rule of law,

¹⁰ P. Ferdinand, 'Westward Ho-the China Dream and "One Belt, One Road": Chinese Foreign Policy under Xi Jinping', op. cit.

¹¹ Islamabad Policy Research Institute (IPRI), 'CPEC: Macro and Micro Economic Dividends for Pakistan and the Region', op. cit.

¹² D. S. Markey and J. West, 'Behind China's Gambit in Pakistan', op. cit.

¹³ J. Yu, "'CPEC Is Not a Gift': Professor Jia Yu at the CPEC 2018 Summit", *Dawn*, 2018, <https://www.dawn.com/news/1409721>.

coordination among the state institutions, and cultural biases, which are major obstructing factors with regards to FDI. In this context, a number of regional and extra-regional actors have highlighted its impacts over the strategic position of Pakistan. In the following section, this chapter analyses the strategic implications of the CPEC plan for Pakistan.

China's Influence

It is largely argued that owing to Chinese expansionist and imperialist designs, CPEC will turn Pakistan into a colony, indirectly controlled by China. This opinion has been reinforced by a Pakistani political economist, S. Akbar Zaidi that it will not be long that Pakistan will become China's colony with the operationalization of CPEC.¹⁴ In a similar vein, a Pakistani Senator Tahir Mashahadi also compared the CPEC with the "East India Company".¹⁵ While highlighting the Chinese imperialist designs, the critics present the example of its investment in Sri Lanka, where high debts led the host country to hand over a large part of land to China in lieu of its unpaid debts.¹⁶ This argument is further substantiated with the mounting trade deficit and unbalanced trade between China and Pakistan. Moreover, they argue that growing number of Chinese nationals in Pakistan also indicates its imperialist designs. They hold that China, with its mounting population in Pakistan, would overtake the Pakistani society.

The imperialism and colonialism were the legacies of the global north in the past.¹⁷ Nonetheless, China has not intervened militarily in any country after 1979, except a few skirmishes on border issues with its neighboring countries,¹⁸ which indicates that China has little imperialistic designs. Moreover, China's ambassador to Islamabad also asserted: "I want to make it very clear, BRI initiative and with CPEC under it, it's purely a commercial development project. We don't have any kind of military or strategic design for that".¹⁹ China is an export-based economy and its effectiveness in exports is widespread and not idiosyncratic to Pakistan. For instance, Pakistan's

¹⁴ D. R. Chaudhury, 'After OBOR Gets Ready, Pakistan Will Become China's Colony: S Akbar Zaidi', *The Economic Times*, 12 June 2017, <http://energy.economictimes.indiatimes.com/news/power/after-obor-gets-ready-pakistan-will-become-chinas-colony-s-akbar-zaidi/59102557>, (accessed 23 September 2018).

¹⁵ S. I. Raza, 'CPEC Could Become Another East India Company', *Dawn*, 18 October 2016, <http://www.dawn.com/news/1290677>, (accessed 23 December 2018).

¹⁶ M. Abi-Habib, 'How China Got Sri Lanka to Cough Up a Port', *The New York Times*, 22 September 2018, <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>, (accessed 23 December 2018).

¹⁷ G. Harrison and R. Melville, *Rethinking Social Work in a Global World*, Red Globe Press, 2009, <http://www.macmillanihe.com/page/detail/Rethinking-Social-Work-in-a-Global-World/?K=9780230201354>, (accessed 23 December 2018).

¹⁸ P. K. Singh, 'Changing Contexts of Chinese Military Strategy and Doctrine', Institute for Defence Studies and Analyses, 2016, https://idsa.in/monograph/changing-contexts-of-chinese-military-strategy-and-doctrine_pksingh, (accessed 23 September 2018).

¹⁹ Z. N. Jaspal, 'CPEC: Exposed to Hybrid Warfare', *Pakistan Observer*, 12 September 2018, <https://pakobserver.net/cpec-exposed-to-hybrid-warfare/>, (accessed 23 December 2018).

trade deficit with China is only US\$12.67 billion,²⁰ in comparison with India's trade deficit up to US\$51.1 billion,²¹ and the US up to US\$375 billion in 2017, there is little concern in Islamabad about trade deficit.²² The majority of Chinese nationals in Pakistan fall in the category of temporary labor migrants, records indicate that they abide by their visa conditions and return to their homeland after completion of the specific development projects. Islamabad asserts that Chinese engineers and technicians working in Pakistan obtained necessary clearances from both the governments and none of the engineers or technicians working on CPEC-related projects has been identified with a criminal record. As far as the matter of non-Chinese companies not being allowed to participate in CPEC-related projects is concerned, it has been observed that non-Chinese firms are often reluctant to invest or operate in Pakistan due to security concerns. The Gwadar Port was completed in 2007 with a total US\$250 million of which China contributed 75% cost. However, PSA International won a 40-year operating lease through a transparent bidding process. From 2007 to 2013, Pakistan waited patiently for the PSA to operationalise the port but it did not materialise. In 2013, Islamabad was left with no other option but to hand over the control to China Overseas Ports Holding Company Limited.

Although Sri Lanka had to lease its port to China due to its inability to repay the debts; however, Pakistan and Sri Lanka cannot be compared due to their diverse political setups, circumstances, geopolitical significance, and economic realities. Unlike CPEC, which is essentially an economic endeavor, the Sri Lankan investment was largely aimed at political gains. The investment in Sri Lanka was limited to a certain strategic geo-graphical region, while CPEC is spread across the country. Moreover, CPEC is a flagship project of the BRI, which makes comparison between the two projects incongruous.²³

Internal Disharmony

The CPEC plan has also been criticised on the bases that the federal government of Pakistan is being dictated by the Chinese officials, while it couldn't aptly engage the provincial units during consultative process with China. However, former Interior Minister of Pakistan, Ahsan Iqbal claims

²⁰ A. Saeed and N. Butt, 'Trade Deficit with China Widens to \$12 Billion', *Business Recorder*, 21 September 2017.

²¹ M. Kumar and K. N. Das, 'India Says China Promises to Address Trade Deficit Concerns', *Reuters*, 26 March 2018, <https://www.reuters.com/article/us-india-china-trade/india-says-china-promises-to-address-trade-deficit-concerns-idUSKBN1H21CH>, (accessed 23 December 2018).

²² H. Tan, 'China's Reported Offer to Slash Trade Deficit with US is about Politics: Economist', *CNBC*, 18 May 2018, <https://www.cnbc.com/2018/05/18/us-china-trade-chinas-offer-is-more-politics-than-economics.html>, (accessed 23 September 2018).

²³ M. M. Ashraf, 'Gwadar, the CPEC and Hambatota', *The News*, 22 December 2016, <https://www.thenews.com.pk/print/173601-Gwadar-the-CPEC-and-Hambatota>, (accessed 23 September 2018).

that Chinese and Pakistani officials work jointly to plan the project implementations, while Long Term Plan, Transport Monographic Study and respective Memorandum of Understandings (MoUs) are used as the guiding instruments. Further he claims that the provincial governments have been invited to all the meetings in country and abroad. For instance, the representatives of all four provinces participated in BRI summit in China in May 2018; likewise, the representatives of all provinces attended all of the six meetings of Joint Cooperation Committee (JCC), the highest decision-making body of the CPEC.²⁴ But the PTI-government, which came to power in August 2018, accused the previous government of Nawaz Sharif of compromising on Pakistan's interests in his dealing with China.²⁵ In this regard, Prime Minister Imran Khan set up an experts' committee in September 2018 to review the CPEC projects. This reflects that Pakistan is an equal partner and has not compromised with its national interest.

Indo-Pak Relations

While commenting on the impacts of CPEC, Akabar Zaidi asserts that the most dangerous implication of CPEC would be on Pakistan's foreign relations, which would be controlled by China, notably pertaining to India. He emphasises, "Pakistan's obsession with China and CPEC will prevent any rapprochement between India and Pakistan unless the Chinese themselves initiate such a process and that they would do only if that fits into their grand design in the region".²⁶ Moreover, a UN report on BRI also suggests that CPEC augments hostilities between India and Pakistan.²⁷ This assertion is evident from the increased ceasefire violations at the Line of Control (LoC) since 2016.²⁸ Although China and Pakistan have made efforts to engage India to join CPEC but India has expressed its reservations such as the CPEC route passes through the Gilgit-Baltistan, which India claims as part of its territory.²⁹ Moreover, India holds that CPEC provides a legal cover to Pakistan

²⁴ China-Pakistan Economic Corridor (CPEC), 'Consensus Reaches Between Federal and Provincial Government to Make CPEC a Success for Prosperous Pakistan', China-Pakistan Economic Corridor, 2015, <http://www.cpec.gov.pk/news/15>, (accessed 23 September 2018).

²⁵ S. Rana, 'CPEC Rail Project: Govt Seeks to Avoid Financial Risks in \$9b Deal', *The Express Tribune*, 14 September 2018, <https://tribune.com.pk/story/1802819/1-cpec-rail-project-govt-moves-prevent-financial-risks/>, (accessed 23 September 2018).

²⁶ D. R. Chaudhury, 'After OBOR Gets Ready, Pakistan Will Become China's Colony: S Akbar Zaidi', op. cit.

²⁷ Wiley, 'China's "One Belt, One Road" Initiative: An ESCAP Report', op. cit.

²⁸ Office of the United Nations High Commissioner for Human Rights (OHCHR), 'Report on the Situation of Human Rights in Kashmir: Developments in the Indian State of Jammu and Kashmir from June 2016 to April 2018, and General Human Rights Concerns in Azad Jammu and Kashmir and Gilgit-Baltistan', UNHCR, 2018, <https://www.ohchr.org/Documents/Countries/IN/DevelopmentsInKashmirJune2016ToApril2018.pdf>, (accessed 23 September 2018).

²⁹ D. Bhattacharjee, 'China Pakistan Economic Corridor', *Research Gate*, 2018, <https://www.researchgate.net/publication/314540681>, (accessed 23 December 2018).

to alleviate the constitutional position of Gilgit-Baltistan.³⁰ On this account, India has declined to join both CPEC and BRI.³¹ India is also concerned about China's presence at the Gwadar Port, which India believes China may turn into a naval base. Besides, Beijing's assurance to sell eight submarines to Pakistan are considered in New Delhi as a Chinese strategy to sabotage Indo-US strategic cooperation.³² Indian concerns over the CPEC are an outcome of a realist approach that continues to dominate South Asian strategic dynamics. Using this lens, Pakistan would see the Indian gain as her loss and vice versa. Additionally, for the same reason the study opts a structural realist approach. With unprecedented economic growth and military advancement in India during the last two decades, Pakistan finds it difficult to catch up. Therefore, external balancing of India with the help of China appears to be the most convenient and realistic option to Pakistani policy makers.

Conversely, the UN Security Council, through its resolution, endorsed the BRI, while declining Indian apprehensions about the CPEC route.³³ Moreover, China claims that its regional development policy is based on mutual benefits, that include three 'No's' - China will not interfere in internal matters of foreign states; China doesn't want to extend its sphere of influence; and China does not want hegemony.³⁴ Likewise, both China and Pakistan invited India to join the CPEC plan, which India vehemently rejected.³⁵ This reflects China and Pakistan's positive perceptions towards India.

Indian Ocean

³⁰ A. S. Mahajan, 'Worrying Signals; China's Growing Investments in Pakistan Could Prove to Be a Headache for India', *Business Today*, 24 May 2015, <https://www.highbeam.com/doc/1P2-37929097.html>, (accessed 23 December 2018).

³¹ F. Shah, 'Does the China-Pakistan Economic Corridor Worry India?', *Al-Jazeera*, 22 February 2017, <https://www.aljazeera.com/indepth/features/2017/02/china-pakistan-economic-corridor-worry-india-170208063418124.html>, (accessed 23 September 2018).

³² S. Rana, 'Defence Cooperation: Pakistan to Buy Eight Submarines from China', *The Express Tribune*, 24 July 2015, <https://tribune.com.pk/story/925514/defence-cooperation-pakistan-to-buy-eight-submarines-from-china/>, (accessed 24 December 2018).

³³ S. Patranobis, 'UN Support for China Project Passing Through PoK Puts India's Claim in Jeopardy', *Hindustan Times*, 18 March 2017, <https://www.hindustantimes.com/world-news/un-security-council-resolution-includes-china-s-bri-india-s-pok-claims-in-jeopardy/story-k6isroFAMdnIA6NtX4nPKN.html>, (accessed 24 December 2018).

³⁴ S. O. Wolf, 'The China-Pakistan Economic Corridor: An Assessment of Its Feasibility and Impact on Regional Cooperation', South Asia Democratic Forum, Working Paper No. 1, 2016, http://www.academia.edu/28238079/The_China-Pakistan_Economic_Corridor_An_Assessment_of_its_Feasibility_and_Impact_on_Regional_Cooperation, (accessed 24 September 2018).

³⁵ H. V. Pant and R. Passi, 'India's Response to China's Belt and Road Initiative: A Policy in Motion', *Asia Policy*, vol. 24, no. 1, 2017, pp. 88-95.

The Indian Ocean holds a considerable significance due to important maritime trade routes that pass through it. It holds about 50% of the global trade.³⁶ India, along with the US, holds considerable influence over the Indian Ocean. However, CPEC would enhance China's presence and influence in the Indian Ocean. After Djibouti, China plans to have a naval base in Gwadar or Jiwani (Pakistan). This empowers China to monitor one of the most important choke points (Strait of Hormuz) in the Indian Ocean as well as the movement of Indian maritime assets.³⁷ Thus, CPEC enhances Pakistan and China's influence in the Indian Ocean. Likewise, the growing influence of China and Pakistan poses a challenge to Indian dominance in the Indian Ocean. In this context, an influential academic argues, "CPEC is neither acceptable to the adversaries of Pakistan nor suitable to the competitors of China. Therefore, the anti-CPEC forces have launched hybrid-warfare to spoil the project".³⁸

Conclusion

Pakistan places enormous hopes in the CPEC plan. Although CPEC appears to be an economic undertaking, it is casting large strategic implications over Pakistan. Being a flagship project of the BRI, it makes Pakistan the first country to benefit from the new Chinese growth model. The critics of CPEC view it as China's endeavor to colonize Pakistan, as it did in Sri Lanka. Nevertheless, the empirical data highlights the CPEC demonstrates potential to not only boost economic growth in Pakistan, but also enhance its influence in the region. Certainly, there are gaps between the official claims and the actual outputs as generally it is; however, it is obvious that CPEC demonstrates significant potential for economic growth through infrastructural development, energy generation projects and industrialisation in the country. Moreover, it can be argued that if CPEC implemented appropriately, it would bring about considerable strategic transformations, notably at the regional level.

³⁶ E. Albert, 'Competition in the Indian Ocean', Council on Foreign Relations, 2016, <https://www.cfr.org/backgrounder/competition-indian-ocean>, (accessed 24 December 2018).

³⁷ Islamabad Policy Research Institute (IPRI), 'Changing Security Situation in South Asia and Development of CPEC', Islamabad Policy Research Institute, <http://www.ipripak.org/changing-security-situation-in-south-asia-and-development-of-cpec-2/>, (accessed 23 September 2018).

³⁸ Z. N. Jaspal, 'CPEC: Exposed to Hybrid Warfare', op. cit.

Chapter 6

Conclusion and Recommendations

Conclusion

The geo-strategic location of Pakistan, being situated at the juncture of South Asia, Central Asia and the Middle East, provides it with considerable significance. During the ideological hostilities of the Cold War period, Pakistan's security concerns galvanised by its entrenched rivalries with India and coupled with its economic instability led it to join the US-led security alliances, notably the Southeast Asian Treaty Organization and Central Treaty Organization. The US helped Pakistan by providing economic and military aid in return for its support against the Soviet Union during the Cold War and Al-Qaeda during the post-9/11 period. Notwithstanding their mutual interests that led them to continue their association for over six decades, their bilateral relations remained complex during the entire period. Notably, during the post-9/11 scenario, the bilateral relations between Pakistan and the US remained marred with uncertainties and mistrusts. Hence, the US reshaped its strategic interests in the region by augmenting its ties with India. In addition, the unfriendly environment in South Asia marginalised Pakistan, which in turn hampered its economic growth. On the domestic front, Pakistan confronted an acute energy crisis during the early 21st Century, which further deteriorated its economy. Therefore, the CPEC emerged as a viable opportunity for Pakistan, only helping to enhance its economic growth, but also facilitating to strengthen its strategic position in the regional setting.

China has witnessed an unparalleled economic growth since its opening up to the world during the last quarter of the 20th Century and emerged as the second largest economy in the world in 2010. However, the Chinese economic growth began to slowdown in 2012, which led the President Xi Jinping to restructure its economic policies. Hence, China adopted the BRI as its foreign policy initiative to reverse the downward trend of its economy, while terming it an endeavour to pursue the Chinese Dream. The BRI, with CPEC as its flagship project, aimed to utilise the excessive industrial and capital outputs by engaging with developing countries through investments and to obtain valuable returns. Under the CPEC plan, China connected its western underdeveloped and landlocked Xinjiang region with the Gwadar Port in Pakistan. Thus, the CPEC not only provided China with the shortest route for its oil supplies, while bypassing the Malacca Strait 'dilemma' in the Indian Ocean, but also facilitated Beijing to bring its western provinces in

line with the eastern ones. Moreover, the outsourcing of the strategically important Gwadar Port to China further strengthened its strategic position vis-à-vis India, by enabling it to monitor the sea lines of communication emanating from the Gulf region. CPEC holds much significance for China because it introduced the Chinese-led economic growth model based on investments in Pakistan.

Although the CPEC has repeatedly been termed as an economic initiative by both China and Pakistan, it has the capacity to cast large strategic implications on Pakistan, as well as on the existing regional settings. Hence, both China and Pakistan have reiterated that the CPEC would not only help stabilise the volatile regional security environment, but would also promote economic activities and growth in the region and beyond. Additionally, the willingness of other regional and extra-regional countries, including Afghanistan, the UK, France, Iran, Russia, Turkey and the Central Asian Republics to join the CPEC provides sufficient evidence about its long-term success and viability.

In this context, international recognition including endorsement by the UN adds sufficient credibility to the CPEC projects. Without doubt, ongoing developments envisage the formation of a strong economic bloc producing enhanced trade and development at the regional level. Moreover, the international acceptance of the CPEC is indicative of its strategic importance and scope to cast strategic implications on Pakistan.

Pakistan perceives the CPEC plan as a vehicle to strengthen its waning economy and as a channel to improve its standing in the international community. Owing to the CPEC's economic and strategic viability for Pakistan, civilian and military leadership have both endeavoured smooth and uninterrupted implementation of the projects. The CPEC plan, if completed successfully, will open new avenues of employment than Pakistan has witnessed since its independence. The relocation of excessive Chinese industrial capacity in Pakistan has come under the scanner; however, in reality, it has not only broadened the employment opportunities for youth, but has also strengthened its industrial sector thanks to advanced and efficient Chinese technology. Moreover, the bulk of Chinese investment in the energy generation sector has started to mitigate the acute energy crisis, as well as enhance the production capacity of the industrial sector. Likewise, the successful completion of the SEZs, aimed at promoting the market-oriented economy, will turn Pakistan into an attractive investment destination.

Thus, the CPEC will not only boost the economy of Pakistan by connecting it with the Chinese economy, but will also turn Pakistan into an extra-regional trade hub. Moreover, it will

direct Pakistan's focus towards economic development, rather than its current Indian and military centric approach.

Pakistan has consistently been striving to generate a positive public opinion, including all five states, different political parties and stakeholders for the smooth implementation of the CPEC plan. Nonetheless, it still faces several challenges such as the deteriorating security situation in Afghanistan, disapproval of the CPEC by India and the opposition of certain extra-regional powers, notably the US.

The economic interdependence theorists, including Cooper, Baldwin and Dale Copeland, argue that the enhanced economic cooperation minimises the threats of war and mitigates the disputes among states that threaten their economic interests. Thus, the CPEC plan will increase economic growth in China and Pakistan's less developed regions through promoting connectivity and economic activities. Likewise, if India were to join the CPEC, the enhanced economic activities and trade between Pakistan and India would also reduce tensions between the two neighbours. Being a rising economy and a major industrial hub, India needs to obtain access to the resource-rich Central Asian Republics to meet the needs of its industrial growth. Thus, India can exploit the connectivity offered by the CPEC, which will also help pacify the complex bilateral relations between India and Pakistan.

The CPEC has come at a time when Pakistan is confronted with isolation at the international podiums. Its old allies, including the US and Middle Eastern countries, are shifting their policies away from Pakistan. Thus, Pakistan's engagement with China under the umbrella of CPEC and the willingness of the other major actors to join the plan highlight the strategic significance of the plan for Pakistan. The CPEC offers Pakistan an alternate approach to deal with its economic as well as its political concerns emanating from India's rise and the Indo-US axis in the region. However, its appropriate implementation will only enable Pakistan and China to reap the fruits. Based on extensive review of the available literature on CPEC and in-depth analysis of the developments that have taken place so far, the study makes several recommendations to ensure smooth and uninterrupted completion of the entire plan.

Recommendations

- Being the host country and a transit state, Pakistan needs to secure enough dividends from the CPEC. To achieve this, it needs to eliminate the concerns of the civil societies and business communities that their interests are being overshadowed by those of China.

- Being a flagship project, the CPEC constitutes much importance for China to highlight the BRI to other countries and international investors. Transparency, clarity and unambiguity in the rule of engagement among stakeholders would convince other regional countries and international investors to participate in the CPEC.
- Apart from establishing civic centres to train and educate Pakistani youth to make them compete with the Chinese skilled labour, Islamabad must ensure that the Pakistani youth are obtaining more from the CPEC in terms of skills to use modern technologies.
- The PTI government has already convinced Beijing to renegotiate some of the projects to make them more profitable for Pakistan. It should also consult with the local landowners and the people affected along the CPEC route. Without taking into consideration the concerns of the local population, the long-term results of the CPEC cannot be achieved.
- Pakistan should learn from other countries that have already been engaged with China in terms of investment. Pakistan should convince China to give preference to the local laborers when hiring staff for the CPEC projects. The flux of Chinese skilled labour force may affect the Pakistani labour market. Such measures would guarantee the advancement of CPEC projects without any hindrance.
- Both China and Pakistan need to map the strategy to share the benefits of the CPEC to the people who need it most. Without increasing the living standards of the local people, the goals of such a huge investment will be fruitless.
- Although Pakistan is an agrarian country, its agricultural sector contributes only 21% to its national GDP. Pakistan has been unable to exploit the available resources to promote its agriculture sector, primarily due to the poor capability of its labour force and the outdated methods of cultivation and harvesting. However, the CPEC provides an opportunity for Pakistan to obtain benefit from the Chinese advancement in agricultural technology.
- Any mega developmental project such as the CPEC is likely to increase resentment over the distribution of resources among the shareholders and different facets of society. Therefore, the new government in Islamabad must ensure that it consults all the entities in the country to mitigate any tensions.
- Ecologists believe that the freight vehicles will emit a large amount of carbon into the air while passing through an ecologically sensitive route. These high emissions will pollute the glaciers, minimising their capacity to sustain themselves. Thus, it will have disastrous

impacts on the ecosystem. Hence, there is a need to address this issue on a priority basis. A shift from fossil fuels to electric power for transportation purposes would minimise the environmental threats. This would be impossible for Pakistan; however, with Chinese support, this shift should be advanced to save the environment.

- Pakistan will also have to improve its security mechanism to ensure the smooth completion of the CPEC plan. Although the successive military operations have diminished the terrorist outfits, they have not been successful in completely eradicating the menace of terrorism. The attack on Chinese consulate in Karachi in November 2018 is a case in point. Therefore, sporadic terrorist attacks are continuously posing threats to the implementation of the CPEC plan. A recent wave of terrorism in the Gilgit Baltistan region is indicative of inadequate security measures for the CPEC plan. In short, peace and stability are essential for the successful completion of CPEC-related projects.
- Terrorism and other disruptive activities targeting Pakistan's interest emanate from neighbouring countries. Investigations into the Karachi consulate attack suggest that the mastermind belonging to the Balochistan Liberation Army operated from Afghanistan.¹ Pakistan's adversaries wary of the CPEC plan could hinder the smooth progress of the multibillion-dollar project by fueling insurgency and terrorist activities in the areas along the CPEC route. To safeguard the CPEC, Pakistan must come to terms with neighbors such as India and Afghanistan to remove their concerns over Pakistan's soil being used against them.

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