

Q. Discuss the prospects and challenges to the construction of "China - Pakistan Economic Corridor." How will CPEC become a game-changer for the region?

8 sides are enough for this answer

Make maximum headings

Write 20 headings for 20 marks

Improve paper presentation

Introduction:

Pakistan-China relationship started since early 1950's and started mending in 1972 by formation of strategic alliance between the two countries. Maintaining close relationship with China is part of Pakistan's foreign policy as China is Pakistan's strategic partner in the East. It helps Pakistan maintain balance of power in the region, and with one of the following leading nations like China by her side, Pakistan has gained significant importance in the region.

Sino-Pak relationship is all-weather partnership and has been time tested, be it economic cooperation, military pacts or moral support in leading organizations, like the United Nations. The deep sea port of Gwadar plays an important role in further strengthening the ties of Pakistan and China. Recently Pakistan and China have been trying to revive the legendary Silk Road which is one of the eldest known trade route in the world.

Geo-Strategic Importance & CPEC:

The geographical significance of a country plays a pivotal role in the world politics for that country. It marks that how critically beneficial or non-beneficial is the country to the other countries in social, economic and political respects. Pakistan is located at a very strategically important place on the globe. It is located at the juncture of energy proficient to energy deficient countries.

On one side it connects with the Persian Gulf and on the other gives access of warm water to landlocked countries.

The geo-strategic importance of Pakistan is also evident from the fact that it is surrounded by world's emerging economic giants i.e. China, and the countries rich in natural resources i.e. Afghanistan and Iran.

Pakistan has ^{world's} fifth largest reserves of Gold in Balochistan, second largest reserves of salt and sixth largest reserves of Coal in Punjab. At the same time, there is a huge bulk of young population which is believed to be dynamic feature makes Pakistan the fifth-most populous country of the world. Its proximity with the resource rich countries is another factor which makes Pakistan to procure pinnacle revenue and cash this opportunity to the highest. Pakistan can generate almost \$ 500 million as a transit fee through its Torkham and Chaman borders against transit trade with the neighbouring countries.

Stephen Cohen describes the geostrategic importance of Pakistan in his book as, While History has been unkind to Pakistan, its geography has been its greatest benefit.

Realising the geo-strategic importance of Pakistan for trade and security, for many years both US and China have been trying to create their influence in the country.

Pakistan is one of the most secure routes for China to import oil from Iran. Pakistan and Iran have engaged an agreement of gas pipeline (from Iran to Pakistan)

to overcome the energy crunch and fulfill the daily life necessities.

Pakistan is a strategically very significant abode for China as it links China to the Southern Asian region, Middle East and Central Asia.

The Gwadar Port & CPFC:

The Gwadar port was purchased by Pakistani Government after the geological survey was conducted by the US authorities in 1958 at a cost of \$3 million. Before that it was under the Oman rule. The construction of Gwadar port started under President General Pervez Musharraf's regime. It was divided in two phases, amongst them phase-I is now operational and phase-II is still under construction. The contract was given to a Chinese firm by the Pakistani government and construction of phase-I started in March 2002 which completed in December 2006 and became operational in 2007. China takes this port strategically more important to it because when this port will be operational, it will make a stress-free and the benign way to access the Iranian oil and its exports to the international markets.

China is growing rapidly as the world's supreme economy through its trade and exports all around the world. It is covering almost all the regions of the world as its trade market. Pakistan being the ally of China for South Asian region has started to work as a passage by having a common gateway at Kashgar termed as "Economic Corridor" to Gwadar.

The purpose of this corridor is to achieve the economic and political goals through trade and development. The Economic corridor tangibly expands to almost 2700km ~~km~~ starting from Kashghar to Gwadar through Khujirt. It will be associated through rails and roads all over its route and will certainly strengthen the Pak-China relationship through economic and political developments.

India being the biggest opponent in South Asia and the country with the most hostile borders has covertly rejected this development between the countries, as it cannot see China leading the South Asian region through Pakistan. Pakistan being the centre ally to China and the second largest trading partner can gain a heavy profit without much effort. Pakistan can easily earn millions of dollars through this corridor and can make the unstable economy much more stable thus finding a way out of the crisis.

Pakistan's Government's Commitments:

Successive governments in Pakistan were not much successful in handling and reducing the energy crisis. The energy crisis which our nation is facing nowadays has made the economy unstable and created hurdles in foreign investments. The reluctance of foreign investors is shackling the economy and the government is taking more loans to lean the preceding loans.

As far as Gwadar port is concerned, India on its part has voiced anxieties on this project by saying

that China wants to create its supremacy in the South Asian region by accessing the warm water through Pakistan.

According to the news, China has overhauled the US in terms of its purchasing power parity (PPP). US has its PPP at \$17.4 trillion while China's PPP is \$17.6 trillion which is almost 16.48% of the world's GDP. This clearly depicts how progressively China is emerging as an Economic bulk on the globe.

India in the same way is creating good relations with Iran by helping to construct the Chabahar Port and making good relations with Afghanistan too to encircle Pakistan and also to counter the supremacy of China in the region.

China's Prospects:

The port of Gwadar serves the interest of both the countries, China and Pakistan. It provides China an easy access to the Arabian Sea to fulfill its energy resources. The proximity of Gwadar port with the sea lane and the Silk Road towards Kashghar also makes Pakistan geostrategically valuable for China as it cuts more than 10,000 km of its route to trade and import oil through sea. Gwadar Port being the nearest port to the Strait of Hormuz makes it strategically more significant to China for its defence against the US and India. The presence of the US forces poses a threat not only to the Chinese defence but also to the trade with the rest of the world. To overcome this pressure, Chinese government is working hard to build the Gwadar port to put an eye on the US's naval activities in the Persian Gulf and India's in the Arabian Sea. The Strait of Malacca has also its own significance as it is

being controlled by the US authorities which make it strategically vulnerable to China for its trade.

Being the 3rd largest country by the area on the globe and 2nd in Asia, China does not have any hot water port which it can use for its trade throughout the year to multiply its economy. For this China is looking very keenly to operationalise the Gwadar port to full extent which will help in its trade and economy throughout the year. Meanwhile India is also responding to the construction of the Gwadar Port by pumping in huge resources in Chah bahar Port to compete with Pakistan and China. India on the simple way wants to gain access to the routes of trade to rich energy resources countries of central Asia, Afghanistan and Iran.

CPEC & Other Countries:

Iran in this effort has an edge over Pakistan regarding the relationship with Afghanistan, as it offers Afghanistan to use the port for transit and trade with a very low port-fee. India has brought Afghanistan and Iran into its economic and strategic coalition to counter the China-Pak bonds which will in turn allow India an access to the Central Asian markets including Afghanistan. The inclusion of Afghanistan into this loop is owing to the fact that India desires to create its influence in this region.

Once completed, Gwadar will be ranked as the world's largest deep sea port. A part of this port is still under construction at the district Lasbela. The

Pakistani authorities showed their serious concerns to the Chinese government to build a naval base at Gwadar for its strategic stability and security.

The Gwadar naval base will act as a milestone in the security paradigm for Pakistan which in turn will transform the Pakistan navy into a full fledged operating force at the border. India on the other side is practicing its naval activities with the US forces in the Arabian Sea just to create their hegemony at the sea level.

CPEC as a game changer for the region:

Gwadar port is one of the most important deep-sea ports in the world. It comes under the jurisdiction of the government-owned Gwadar Port Authority. It is strategically located near the straits of Hormuz and will give China direct access to Arabian Sea through which 40% of world's oil passes. Work on Gwadar port was started in 1998 by a Chinese firm. It was divided into two phases with a total of 13 berths.

CPEC has the potential of making Pakistan one of the most strategically important countries in the region.

Work on phase I started in 1998 and was completed in December 2006, with a construction of a total number of 4 berths. It was inaugurated by former President Pervez Musharraf. After the completion of phase-I, phase-II development of the port was awarded to a Singaporean firm, PSA International, in February 2007. From 2007 till 2011, the progress made with regard to the development of the port, by the Singaporean firm, was very slow, due to which, Pakistan asked China to develop the port.

In 2013, the Port development was awarded to a Chinese state-run company called China Overseas Port Holding Company (COPHC). In almost two years, the Chinese firm was able to complete the construction, with a total of 9 berths, including two oil terminals. China's support has been critical in building the Gwadar sea ports which will benefit both countries.

CPEC has the potential of. The mammoth investment in various areas under CPEC will provide job opportunities for locals, develop infrastructure, and provide power and energy to energy starved Pakistan. This will also help contribute in the economic development of Pakistan.

China will also benefit from this economic corridor, which will greatly reduce China's trade route from 12000km via sea to 2000 km via land i.e. from Kashghar to Gwadar. It will also help revive the ancient trade route known as the Silk Road, which started nearly 2400 years ago. In future, China can also use Gwadar as to build a naval base which will increase influence of China in the region. Furthermore, all the oil shipments from the GCC countries will be shipped via Pakistan to China. Also, non-oil goods could be imported to the world using Gwadar as a transit route, making Gwadar equally or more important than Suez Canal of Egypt.

The CPEC project will include new infrastructures, like road links, 1800 km railway links from Gwadar to Kashghar and a network of oil pipelines connecting all the way from Gwadar oil terminals to

Kashgar in Xinjiang China. A new airport, special tax-free economic zones, energy power plants and a deep port in Kashgar is also included in the project. The total cost of CPEC is USD 75 billion, out of which USD 45 billion has been provided by China to make it operable by 2020.

Fundamentals to make CPEC a success:

In order to make CPEC a success, there are some fundamental issues, which should be taken care of, these include terrorism, provision of special security, creation of new special economic zones, etc. Foreign rivals who want Gwadar port to fail, have already started highlighting issues on mainstream, as well as social media, through their Pakistani aides - de - camp, about missing persons. Campaigning under the banner of "Un-silencing Balochistan", they are working to escalate the issue of Balochistan liberation. On the other hand, terrorist organisations like the foreign-funded Balochistan Liberation Army are also looking for an opportunity to target pipelines and trade routes of CPEC, once fully fledged construction begins.

Political rivals have started to downplay CPEC's success and have started creating issues regarding the route, stating alternative trade routes passing through Malir Coastal Highway, over to Lahore - Karachi motorway and all the way to Kashgar. Some political parties want the trade route to start from Balochistan to Kashgar, via KPK only, and have started clamouring about not ~~their~~ getting

their fair share. In fact, the purpose of alternative routes is to provide security for the corridor and these routes are much more secure than the route passing through KPK at the moment. However, the government must address all these grievances, and make suitable amends, by taking all the provinces on board.

Pakistan should also tackle corruption to control the expenses of the project and ensure that projects don't get delayed due to corruption and unethical practices. Building new economic zones for CPEC will benefit Pakistan in the way of industrial development and create employment opportunities for local people. Awarding sub contracts to local companies rather than completely depending on Chinese contracts will also benefit Pakistan.

Chinese are shy investors; Pakistan should provide them guaranteed security, and take all possible measures to ensure the completion of the project on time to build the investors' confidence. China may shelve the project if they see non-performance from the government and that will hurt Pakistan's image on the international level. Curbing terrorism, providing security for the trade corridor and ensuring the project is executed and completed on time, are the key fundamentals to make CPEC a successful trade route in the region.

Renewable Energy and Power Shortfall.

Since 2007, Pakistan has been hit by severe power shortages due to mismanagement and improper planning for future power demands.

CPEC has brought with itself, attractive renewable energy projects, which in the long run could provide Pakistan to cope up with future power needs and reduce the power shortfalls in the country. Currently there is about 4000 MW short fall in Pakistan.

CPEC has also announced a solar power project which will generate 900 MW electricity within a year's time. New hydropower projects will generate approximately 500 MW of energy, and wind power plant projects are also under consideration, with feasibility study under way. This means that alternative energy will generate approximately 2000 MW, along with new coal fired projects, which will be able to make up for the shortfall.

Gwadar port can be used for joint naval patrols in the Indian Ocean, further increasing the naval outreaches of China and Pakistan in the region.

Future plans of Gwadar Port:

Future plans of Gwadar port includes building of bulk storage oil tanks, oil refinery, establishment of Petrochemical industries, ship repair yard, shrimp farming, vessel building yards, cold storages and ICE

factories, and recreational water sports activities. These kinds of industries and activities will further increase employment opportunities in the country, which will improve the economy and place Pakistan amongst one of the leading economic countries in the region.

CPEC will play an important role in making Pakistan one of the most attractive transit trade routes in the world. This trade route, in future, can link central Asia via Afghanistan, and give the Central Asian countries an easier access of sea route to Far East and Australia. Hence, CPEC has a strong potential to revive the old Silk Road, with Pakistan being centre stage in the entire revival process.

Conclusions:

Aiding as a facilitator of revolution and affluence in the South Asian region, the CPEC will connect the China's West with the Pakistan's south to bring the economic and political stability. The visit of PM Nawaz Sharif to China India War would serve as a milestone in the Sino-Pak friendship in which both the leaders of the states have signed 19 MOU's and agreements, mostly which are based on the development projects and increase in the power generation in Pakistan.

On one hand, China wants a stable Afghanistan and the withdrawal of US led NATO forces from Afghanistan, so through this corridor China can

improve access to and relation with Afghanistan. The economic corridor will help transport the resources like oil and gas, thus contributing to better economic activities and outcomes for both countries.

Having an uncertain future of Pakistan due to the economic humdrum and lack of security within the state, the internal state violence and instability can shudder the Chinese investors.

On the other hand, stability within Pakistan can apprehend the economic welfare by stabilizing the relations with India, and it will help both the countries, China and Pakistan, in economic, military and security terms. China will have an easy access to the Persian Gulf and the Arabian Sea ports trade and will also be able to put an eye over the military executions of India in the sea.