

# CPEC and Pakistan

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January 1, 2016

## Background & Context

Every research begins with a background to help contextualize it. Pakistan's economy was doing much better than India's till 1990. Its economy grew at the good rate of 6% for the first four decades, not normal for new born nations; be that what is termed as 'the Flat 50s, 'the Golden 60s, 'Socialist 70s and 'Revivalist 80's, despite major wars, esp. in 65' and 71'. In the decade of 'the Muddling 90s', nine different governments ruled the country, resulting in the sharp decrease in economic indicators, owing to political instability. On the other hand, India had an IT revolution in 1990s and by the time, Pakistan could ameliorate its economy in the beginning of 21st century, it assumed to be an international war-turf and was forced to fight someone else's war which perturbed its people, emotions of whom were misused by unfriendly powers from across the porous Durand line, which stoked terrorism and sectarian strife in an already anarchical society. However, with the US pull-out from Afghanistan, the foreign intervention has considerably reduced, and independence has somewhat returned to the country.

## What is CPEC?

People say that after every storm, there's a rainbow. And to me, this beautiful rainbow for Pakistan is CPEC-China Pakistan Economic Corridor, which has been referred to be the 'Game Changer', economically as well as Geo-strategically. It is a \$46 billion project, which would connect the Gwadar port of Balochistan province in South-western Pakistan to Kashgar in the Xinjiang Uyghur autonomous region in North-Western China. It is the highest overseas investment, ever made by China. China's Exim bank has approved a concessionary loan to Pakistan, at a meagre interest rate of 1.6%, to build the required transport infrastructure, which would include the construction of new routes and enhancement of old ones - Highways as well as Railways. It also includes a Gas pipeline project from Gwadar to Xinjiang, which could also be connected to Iran, provided its sanctions are lifted. There are multiple networks of Highways, Motorways and Expressways connecting the two points. Route A would be from Gwadar to Khuzdar to Jacobabad to Dera Ghazi Khan to Islamabad to Muzaffarabad to Chilas to Gilgit and then pass Khunjrab to enter Uyghur region. Route B would take you to Gwadar to Karachi, and then take Karachi-Lahore Motorway through Hyderabad, Sukkur, Multan. From Lahore, get on to the M2-Motorway to the twin cities of Rawalpindi & Islamabad. From Islamabad, one can either go through Mansehra or Muzaffarabad to get to Chilas, then touch S-1 road of Skardu, then arrive in the Gilgit region and pass through Khunjrab to enter Chinese territory of Uyghur and stop at Kashgar. Route C takes you to Quetta from Gwadar to Dera Ismail Khan to Peshawar to Mansehra to Chilas to Gilgit and Khujrab.

## Economic benefits to China

Gwadar port was under Singapore port authority because giving it to China would have irked the US then, which was present in Pakistan. It has now been given to the 'China Overseas Port Holdings Ltd', on lease for 43 years starting 2015. From the economic point of view, China would cut its transportation cost & time, mainly of the oil from Middle-East, which would otherwise take one & a half month crossing Arabian Sea, going south down into the Indian ocean then going up North again into the Bay of Bengal and to cross the 'Strait of Malacca' in between Malaysia, Singapore and Indonesia to get to the South

China sea. Once CPEC is operational, it shall take only 75 hours. The same applies for the massive export industry of China.

### **Geo-strategic benefits to China**

The Strait of Malacca also has a geopolitical significance. In case of war with the United States or India, it can be closed for China, since both the countries exhibit good influence in international waters of this area. The port of Gwadar is of immense geo-strategic importance for any one controlling it, of which India's Chabahar port is an underdog. Almost entire maritime activities-trade movements as well as security related ones, can easily be manned and observed from Gwadar. The fact that China has touched the warm waters of Arabian sea and can do its own or joint Military operations with Pakistan there, has sent shock waves to the Chinese foes as well as those of Pakistan's, especially India which does not enjoy good relations with either of them. Another Indian concern is that China already had a port in Myanmar, and then it acquired one in Bangladesh, then to the South of India in Sri Lanka, then further westwards in Maldives and now Gwadar. The changing security situation for India can be understood by maritime encirclement of Indian peninsula and from the already existing northern encirclement where China borders the entire North-Eastern Indian land mass and Pakistan covers the entire North-Western border.

### **Economic benefits to Pakistan**

Pakistan, on the other hand, which was already a time-tested, all-weather Chinese partner, has become an integral part of China's economic success story. In lieu of this facilitation to China, it receives about \$35 billion direct Chinese investment, for energy production. Pakistan currently faces energy shortage by 4500 MWs, which experts say has restricted its GDP growth rate by at least 2.5%, each year. CPEC, just in its 'early harvest scheme' would generate 10400 MWs of electricity by early 2018. I can't give details of all the projects here, but just to name a few: 6500 acre Quaid-e-Azam Solar park in Bahawalpur (900MW), Jhimpir Wind Power Plant (56.4MW), SK hydro consortium (870MW) and a good possibility of 4500 MW Diamer-Basha dam (cost \$14billion) are some examples of renewable energy projects. Then, there are fossil fuel energy projects. Then, there are projects in Gwadar port and city, including an international airport and a 22,82 Free Trade Zone where manufacturing and processing units would be set up, as Gwadar connects China's 'one belt-one road project' to its Maritime project. The rent of Rs200/month of one shop has gone up to Rs 30,000 in Gwadar, indicating the real estate price boom, not only in Gwadar port but all across the Road & Rail network to Kashgar. Special economic areas are being developed along the entire length of the country, which will see a boom in technical, production and manufacturing industries in Pakistan, given the prodigious amount of energy available to realize it. China and Pakistan are coming up with the Technical & Vocational colleges in the country to train the mammoth required appropriate workforce, which would hugely address the menace of unemployment. Then, there are road taxes, toll taxes, import duty, enormity of which can be gauged by the exorbitant volume of Chinese trade, both-import as well as export. The brightness of Pakistan's economic future can't be overstated. CPEC is all set to transform Pakistan from a near failed state in the recent past to an economic giant of the region.

### **Geo-strategic benefits to Pakistan**

Since, China is completely dependent upon Pakistan now; it's not good news for India. Any aggression towards Pakistan is now tantamount to stepping on China's oxygen pipe, especially India's dream of annexing AJK, because it is through Pakistan administered Kashmir that Chinese would breathe. Pakistan's national interest has now become China's own national interest, which takes Pakistan to a higher bargaining position for any deal; it may want to strike, especially with its neighbors. Both, the US as well as India, tried their best to stop CPEC, but they failed. Apart from officially conveying their displeasure to China, India's RAW, as per one Pakistan's newspaper 'The News' & one Pakistani International mediator-Faisal Mohammad, has a special desk for CPEC, budget of which is about 30

crores (\$300 million) and the desk is directly headed by Rajender Khanna, the current chief of the spy agency who directly reports to the Prime Minister, which depicts the magnitude of the project. It certainly is going to change the whole power equation in South Asia.

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**Source:** <http://www.greaterkashmir.com/news/opinion/story/205841.html>