

China-Pakistan Economic Corridor

A Game Changer

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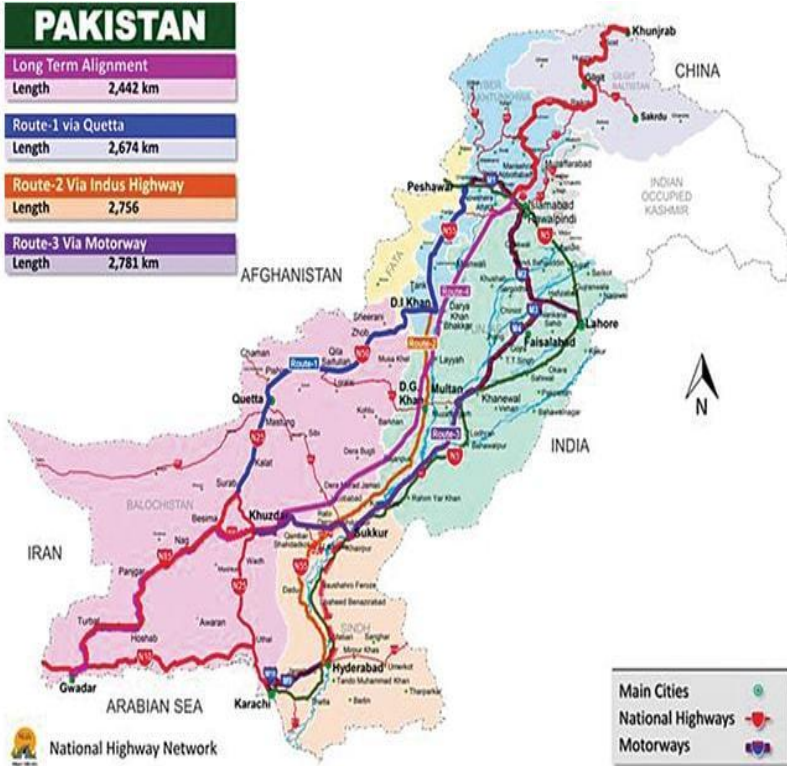
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Official Map of CPEC



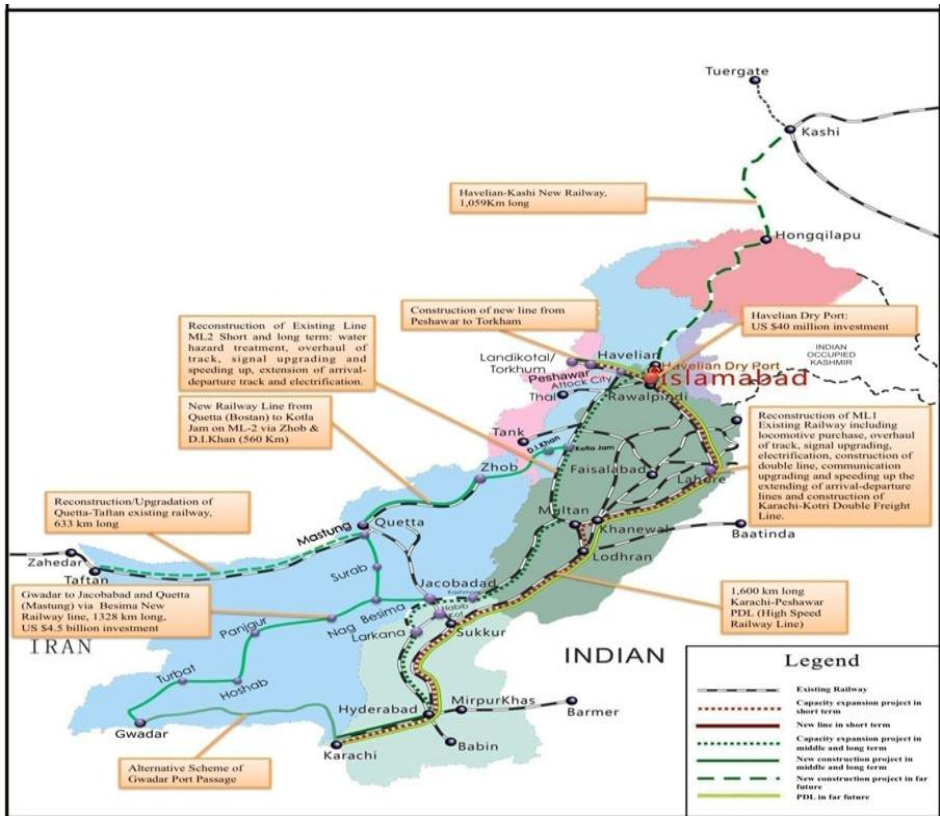
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Highway Network of CPEC



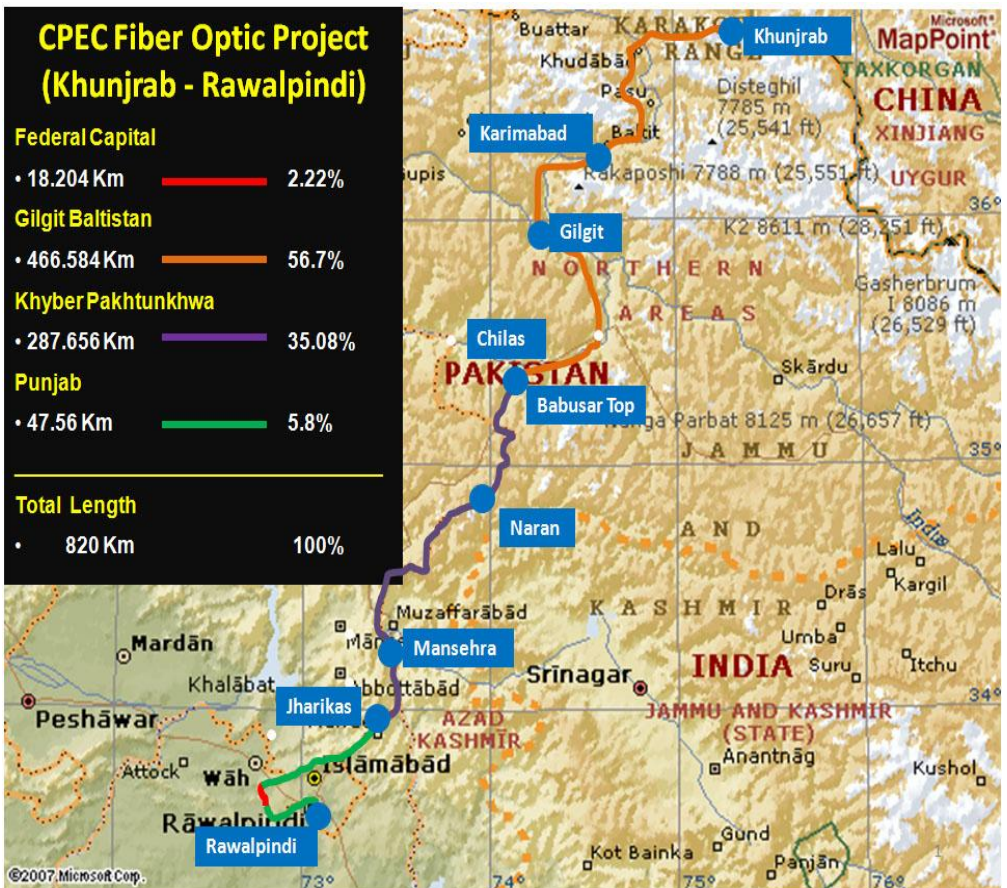
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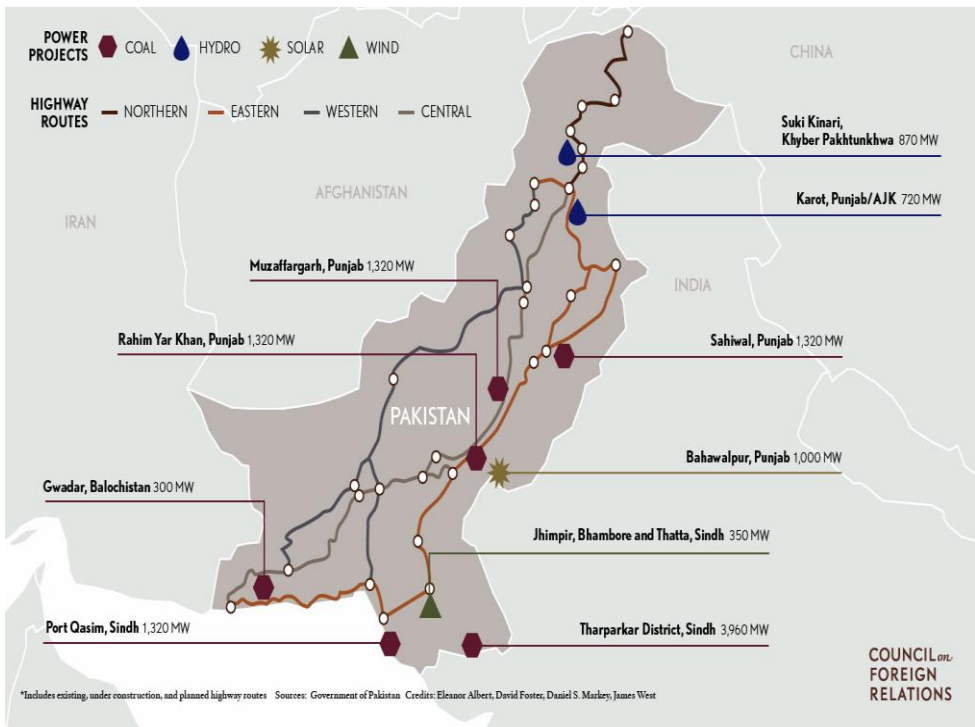
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Fiber Optic Project of CPEC



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Major Projects of the China Pakistan Economic Corridor



Source: <http://www.cfr.org/pakistan/behind-chinas-gambit-pakistan/p37855>

Acronyms and Abbreviations

Asian Infrastructure Investment Bank	AIIB
Asian Development Bank	ADB
All Pakistan Shipping Association	APSA
Bangladesh-China-India-Myanmar	BCIM
China Overseas Port Holding Company	COPHC
Central Asia Regional Economic Cooperation	CARE
China-Pakistan Economic Corridor	CPEC
Economic Cooperation Organization	ECO
European Union	EU
Export Processing Zones	EPZ
Free Trade Agreement	FTA
Frontier Works Organization	FWO
Foreign Direct Investment	FDI
Gilgit-Baltistan	GB
Indus Valley Road	IVR
Pakistan-Iran Gas Pipeline	IP
Interstate Oil and Gas Transportation to Europe	INOGATE
Khyber Pakhtunkhawa	KPK
Karakorum Highway	KKH
Maritime Silk Road	MSR
National University of Technology and Skills Development	NUTECH
New Silk Road	NSR
National Development and Reform Commission of China	NDRC

National Energy Administration	NEA
One Belt One Road	OBOR
Preferential Trade Agreement	PTA
Project Management Unit	PMU
Port Singapore Authority	PSA
Regional Cooperation for Development	RCD
Special Economic Zones	SEZs
Shangai Cooperation Organization	SCO
Singapore Port Authority	SPA
Trans-Pacific Partnership	TPP
Transport Corridor Europe-Caucasus-Asia	TRACECA
Turkmenistan-Afghanistan- Pakistan-India Gas Pipeline	TAPI
The United Nations Security Council	UNSC
United Nations Educational Scientific and Cultural Organisation	UNESCO
United Nations Conference on Trade and Development	UNCTAD
World Tourism Organisation	WTO
World Trade Organisation	WTO

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Foreword

I congratulate the Institute of Strategic Studies, Islamabad for taking this initiative to publish a book *China Pakistan Economic Corridor: A Game Changer*. The book is a great scholarly work, and a valuable addition to highlight various aspects of China Pakistan Economic Corridor (CPEC).

CPEC, a flagship project of China's "One Belt One Road" (OBOR) initiative, acts as a vital bridge that connects China with Central Asia, the Middle East and South Asia. By linking China with the Arabian Sea and the Persian Gulf, CPEC will expand trade potential and enhance energy security of the region. It will directly benefit the people inhabiting China, South Asia, Central Asia and the Middle East. These aspects have been analysed by Mr. Li Xiguang in his article titled "Building a New Civilization along the One Belt One Road." Similarly, Du Youkang's analysis of the interplay between CPEC and the OBOR brings out how CPEC fits into the overall concept of OBOR.

I was particularly pleased to note that the eminent scholars contributing to the book have examined CPEC from all perspectives. In this regard, Malik Muhammad Ashraf's analysis of the Indian factor and Mr. S. M. Hali's article on "Regional and Global Scenarios of CPEC" make a useful contribution. Pakistan and China both believe that the project is beneficial not only for the two partner countries, but for the entire region. It can be a catalyst for regional connectivity and integration. Other eminent scholars have aptly highlighted this aspect of CPEC.

In a dynamic regional context, CPEC can help the neighbouring countries to connect with each other, ensure energy security and promote peace and stability. It is also well aligned with Pakistan's "Vision 2025." CPEC presents a promising way forward for the shared destiny of development and prosperity.

Pakistan and China have deep-rooted historical and cultural links. I find CPEC as a great harbinger of further cultural integration for two good neighbours through the construction of a New Silk Road civilization. The enhanced cultural exchanges and people to people contacts will deepen Sino-Pakistan economic ties. Moreover, it will further strengthen the bonds of fraternity between the two iron brothers. The book has aptly highlighted this aspect of the CPEC.

The role of different Pakistani institutions mentioned in this book like Ministry of Planning, Reforms and Development, Frontier Works Organization (FWO) and all other concerned departments is significant in the successful completion of development and energy projects under CPEC. Similarly, the Gawadar Port carries immense potential in connecting the regional countries in an effective way while ensuring economic and commercial uplift of the region.

It goes without saying that CPEC is the realization of shared destiny for development and prosperity. I am very hopeful that this book will open new avenues of research for scholars, intellectuals and academicians. The professionals and business community can seek promising ideas for promotion of trade and investment under CPEC.

(Sartaj Aziz)

Adviser to the Prime Minister
on Foreign Affairs

Preface

The China Pakistan Economic Corridor (CPEC) is being called a ‘Game Changer’ and a ‘Fate Changer.’ It is a mega project, by national, regional and international standards when completed, the project will have a deep impact on Pakistan’s economy, regional economics and international connectivity.

The CPEC, however, is not just an economic project. It has many civilizational, cultural, political and strategic dimensions. The core of the project will remain geo-economic but its implementation would prove to be transformative for contiguous regions of East Asia, Central Asia, South Asia, West Asia, the Gulf, and Africa. It was, therefore, necessary to look at the CPEC from different angles and this effort has been made ably by renowned Chinese and Pakistani writers in this compilation.

I compliment the contributors and the Institute of Strategic Studies Islamabad (ISSI) for putting together this combination of highly incisive papers whose end users should be policy makers, planners and academics both in Pakistan and China.

Masood Khan
May, 2016

Building a New Civilisation along the One Belt One Road Initiative

Li Xiguang *

Abstract

In line with the “One Belt One Road” (OBOR) initiative of China, this paper proposes construction of a New Silk Road civilisation around the China-Pakistan Economic Corridor (CPEC). The paper draws a historical analysis of a number of diverse nations and peoples across and along the ancient Silk Road and finds cultural similarities and dissimilarities fostering cohesion among them. With this ancient and historical context, the idea of OBOR, proposed by President Xi Jinping, injects new blood to the very ancient idea by bringing a number of Eurasian peoples under the phenomenon of development for a shared destiny.

Introduction

One Belt One Road (OBOR) was decided to be constructed in three phases according to the proposal given in the 13th Five-Year Plan in the Central Committee of Communist Party of China (CCP) which was held in its Fifth Plenary Meeting of the 18th Congress at Beijing in November 2015.

The Committee recommended the following two major goals:

1. To actively participate in global economic governance and supply of public goods to improve the institutional voice of the global economic governance, and to build broad community of interests.
2. To enhance the strategic layout by promoting the two-way opening; promotion of “One belt One Road” along with

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pragmatic cooperation in various fields of mutual benefits with the OBOR countries and regions; promotion of international cooperation in capacity-building and equipment manufacturing at home and abroad; and to create a new landscape of opening up of land and sea routes by opening up to both the [E]ast and the [W]est.” The key words here are the “opening up to the East and the West” and “institutional discourse.”

1. Opening up to the East and the West

President Jinping’s New Silk Road initiatives include the Silk Road Economic Belt and Maritime Silk Road (MSR) of the 21st century. The Silk Road Economic Belt focuses on bringing together China, Central Asia, Russia and Europe (the Baltics); linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia; and connecting China with Southeast Asia, South Asia and the Indian Ocean. The 21st-century Maritime Silk Road is designed to pass from China’s coast to Europe through the South China Sea and the Indian Ocean in one route, and from China’s coast through the South China Sea to the South Pacific in the other.

The new policy of “opening up to both the East and the West” redefines China’s geopolitical relations. In accordance with the OBOR initiative, China will be a Central Asian as well as an Indian Ocean country. If compared with China-ASEAN Trans-Asian Railway, Bangladesh-China-India-Myanmar (BCIM) Corridor, and the Qinghai-Tibet Railway, and the distance between Kashgar to Gwadar is taken into account, Xingjang is much closer to the Indian Ocean than to Beijing. The Indian Ocean will become the new definition of China’s geographic perspective.

Moreover, with the construction of ports in the Arabian Sea and the Indian Ocean as the foothold along the 21st century MSR — the Gwadar Port in Pakistan, Hambantota Port in Sri Lanka, Chittagong Port in Bangladesh, and the Kyaukpyu Port in Myanmar — and especially with the completion of the CPEC,

China will enter into a “two-oceans” era, the Pacific and Indian Ocean.

The policy of “opening up to both the East and the West” along with the initiative of OBOR will redefine China as the centre of Central Asia. With this initiative, Chinese people are no longer standing on the Pacific shores of Shenzhen, Shanghai, and Hong Kong to see the world, but they are on peaks of the Pamir, Tianshan, Karakorum and Himalayas to view the whole world. Around these mountains, there exists great civilisational zones where the Turkic, Arab, Persian, Indian, Russian, and Chinese cultures have coexisted for centuries.

If we stand in the Chinese city of Taxkorgan, the border town between China, Pakistan, Afghanistan and Tajikistan, and look east to China, it appears a vast and complex country which is so rich in cultural diversity. Therefore, it becomes hard to draw a difference between inside and outside of the Chinese land, and between Chinese and foreigners. China, rich in cultural diversity, is unlike any nation-state of Europe, which pursues an internal homogeneity. With the completion of OBOR, especially opening of the CPEC, China’s frontier provinces, Xinjiang, Tibet, and Mongolia will become China’s new hinterland and central plains.

The strategy of “opening to both the East and the West” will accelerate the formation of the Silk Road Economic Belt among 64 countries whose total trade volume with China has increased to 26 per cent, in 2014, from 16.2 per cent, in 2001, Since 2001, trade with these countries has increased by 22.2 per cent, which is higher than the growth rate of China’s total trade of 4.4 per cent. China hopes that OBOR will lead the global economy to enter a new economic era: from the “Trans-Pacific era” and “Trans-Atlantic era” to the One Belt One Road era; from the “Trans-Pacific economy” and “Trans-Atlantic economy” to the One Belt One Road economy. Since modern times, the trans-Atlantic and trans-Pacific trade, which forms the “Trans-Atlantic economy and Trans-Pacific economy”, have carried the world’s largest share of economic activities. Today,

with China becoming a new centre of the world economy, OBOR will link Chinese economy with East Asia, Central Asia, West Asia and Europe to become the new growth engine of the global economy, making possible the global economic cooperation to enter into the One Belt One Road Era. OBOR will link up two of the world's most dynamic economic zones — “European Economic Zone” and the “Asia-Pacific Economic Zone,” and make the world's most promising economic corridors and the largest economic entities. Thus, it is greatly changing the geography of the world economy.

China's economic development is increasingly dependent on international oil and gas resources. Its dependence on foreign oil is approaching 60 per cent. Eight of China's top ten oil-importing countries, Saudi Arabia, Iran, Russia, Oman, Iraq, Sudan, Kazakhstan, and Kuwait, are located along OBOR. Considering its Maritime Silk Road transport corridor, despite the unrest in the Middle East and Central Asia, China will continue to engage in these regions. It is also pertinent to mention that peace and stability in the Gulf countries, particularly in the Gulf of Aden in Yemen and Somalia, are essential for China's energy supply and trade.

OBOR is also the best strategic choice for China to deal with the United States' Trans-Pacific Partnership (TPP). China's awakening strategy, OBOR, is the best counter-measure to manage pressure from the Pacific region. By linking the Eurasian continent and the Indian Ocean through the CPEC and other economic corridors, the economic alliance of OBOR constitutes a larger space for China to survive by balancing the US-led Trans-Atlantic alliance and the Trans-Pacific containment against China.

2. Institutional Discourse

In its 13th Five-year Plan, CCP has clearly stated that China needs to raise its institutional voice in global governance, which means that China not only needs an economic belt along the

New Silk Road but also needs a cultural belt or a civilisational sphere in which China will play a major role in the world affairs. For 37 consecutive years of rapid and sustained economic growth in China, there is 30 times increase in its per capita GDP. In 2014, China's GDP growth declined to 7.4 per cent, the lowest in 20 years, but its growth is equal to the half of India's or Russia's one year's GDP. As China is the world's second-largest economy and will continue to be the largest economy in the future, it ought to write new rules for the future. Currently, China has no say in the World Bank, the Asian Development Bank as compared to the United States that enjoys veto power in these institutions.

Emergence of the Asian Infrastructure Investment Bank (AIIB) is a milestone marking the first step for China to increase its geo-political as well as its economic influence. With the OBOR initiative, President Xi proposes the principle of “peaceful cooperation, openness, mutual learning, mutual benefit and win-win” cooperation, civilisational tolerance, respect for each country's choice for developmental path and economic model. The first step for China to raise “institutional voice” is to crack the political, intellectual and cultural containment that the United States has built around China. China has lost a close community of common destiny particularly with its neighbouring countries and with many of the countries along OBOR. China does not have its political and ideological spheres in the OBOR countries especially among its neighbouring countries.

China does not have military allies and military bases overseas to secure OBOR whereas the United States have troops and more than 900 military bases around the world to sustain dollar's hegemony in international system. With a national defence budget of only one sixth of the United States, an important question is how China will defend the thousands of billions of its investment in roads, railways, airports, ports, power plants and other infrastructural projects along OBOR, which constitutes two-third of the world's land mass.

Moreover, culturally and ideologically, China and the countries along OBOR, especially its neighbouring countries like Japan, Korea, Vietnam, Thailand, Myanmar, have lost thousands of years of centre-periphery relation. On the other hand, the United States and the neighbouring countries of China have established cultural and ideological relationship. Today, the US has lost its interest in the United Nations, United Nations Educational, Scientific and Cultural Organisation (UNESCO), the World Trade Organisation (WTO), and other international organisations. And it is focusing more on coalition-building, including military alliances (such as the US-Japan alliance), the economic alliances (such as TPP), and political alliances (democratic allies).

In order to consolidate its global leadership position, the US, by means of revolutions like the Arab Spring, has attempted to accelerate fragmentation of the Eurasian region after the disintegration of the Soviet Union. Many countries along OBOR are either allies of the United States or hosting the US military bases, which create huge political, diplomatic, military and economic obstacles for China to promote OBOR. The US-led political alliance is based on binary opposition worldview which simply divides the world into democratic countries and non-democratic countries. Further, the so-called “democratic countries” and “non-democratic countries” do not enjoy an equal say in international politico-economical discourse. The US perceives democratic states on its side whereas considers the non-democratic states against it.

3. Civilisational Belt along OBOR

The rise of China along OBOR is not based on its economic power, but on its cultural power. Historically, the rise of an empire along the Silk Road had its own cultural sphere of influence. It helped reached the governance and transportation to even the farthest frontier and helped the mainstream culture affect the farthest border region. It connected the farthest countries where trade can be connected. For example,

Alexander the Great ruled the Silk Road from Greece, Persia, all the way to today's Afghanistan and Pakistan. Later the Hellenistic Kushan Empire also had enormous influence on China's western region through Buddhism and Gandhara art. The Great Tang Dynasty ran the most prosperous Silk Road which was based not only on its military power in Central Asia but also on an extended network of education, culture, and religious exchanges. The Tang Dynasty saw the largest group of Chinese Buddhist students going through the Wakhan Corridor, the Karakoram Mountains, travelling along the Indus River to the important religious places like Swat, Peshawar and Taxila.

With the OBOR initiative, China, for the first time in recent history, has adopted a strategy to establish a new relationship with its neighbouring and the Western countries. Moving away from its over 100 years of passive integration into the world order since the revolution of 1911, China has now decided to take an active role shaping a new world order by using its wide-ranging and far-reaching development approach. China and the OBOR countries will become a consortium of geopolitical and geo-economic cooperation, eventually forming a community of common destiny, common interests, values and cultures, and a community of security.

The CPEC, the hub of OBOR, links the belt in Central Asia and the road with the Indian Ocean. The region around the CPEC has seen the rise of the previous world cultural centres. This is the same area where the ancient world influenced China and China also influenced the world. If Karamay in northern Xinjiang is designated as the northern starting point of the CPEC, if a circle is drawn around it through Kashgar, Gilgit to Gwadar, it is clearly visible that the CPEC runs through the five highest mountain ranges (Tianshan, Pamir, Hindu Kush, Karakoram, and Himalaya) of the earth that are the sources of the *Amu Darya* (Amu River) and Indus River.

In this circle, China, particularly its western provinces, are not only linked with Central and South Asia by mountains and

rivers through corridors, roads, paths and bridges, but are also connected by languages, beliefs, and common cultural heritage. Until modern times, many countries in this circle had tributary relationship with China. Since ancient times, monks, caravans, adventurers walked through the Wakhan Corridor to China between the Karakoram and Hindu Kush mountains. Buddhist travellers, Faxian and Xuanzang, wrote detailed accounts of the area. However, over the past century, few books were written about the area. One of such books is a Soviet-era novel, which was published in 1950 about the trade route in Pamir. The novel tells the tale of a Kyrgyz tribal chief using a precious stone in exchange for a Chinese classic book *Yu Gong* (禹贡) from a Kashgar businessman. *Yu Gong* is a Confucius classic and it is the oldest book on geopolitics, diplomacy and soft power. The book details that the Chinese emperor lived 500 miles outside the city known as Dianfu (甸服) which had a taxation system. Houfu, (侯服) 500 miles outside of Dianfu, was governed by appointed feudal lords. Suifu (绥服), 500 miles outside of Houfu, was governed by cultural indoctrination and was under military control. Yaofu (要服), 500 miles outside of Suifu, was governed by a military and cultural alliance through a tributary governance. Liufu (流服), 500 miles outside Yaofu, was a wild land inhabited by barbarians and it was run by a monetary policy that is similar to modern day's laissez-faire policy.

The ancient Silk Road civilisation encompasses countries that include Pakistan, Afghanistan, Tajikistan, Kyrgyzstan, Kazakhstan, Turkmenistan, and Iran which has been portrayed in *Yu Gong* as parts of Suifu and Yaofu. With these countries, China needs to maintain regional-cultural relationship and political alliances. Study of the Pamir, Tianshan, Hindu Kush, Himalayas, and Karakorum mountains would reveal that the Pamir was not only the place where the five great mountains met but was also the crossroads of Silk Road from Central Asia, West Asia, South Asia, and China. For example, “Transoxiana,” the mother of the ancient Silk Road on the *Amu Darya*,

originates in the Pamir. Over the past 2,000 years, the area gave birth to these great Silk Roads empires, such as the Achaemenid, Bactria, Kushan, Sogdiana, Khwarizm, Timur, Mughal, Bukhara, and Kokand.

Constructing a civilizational sphere across OBOR is reshaping China's geopolitical and geo-civilisational sphere of influence. Though the Silk Road is an 'economic zone,' it is more a 'cultural zone.' Moreover, it is not only a commercial channel but also a human social interaction platform where multi-ethnic, multi-racial, multi-religious, multi-cultural fusion would take place. The winner of the New Silk Road in the great power game would not only be an economic leader along OBOR, it could also be a leader in building a new Silk Road civilisation.

4. New Belt of Civilizations

The New Silk Road Civilisation along OBOR encourages diverse cultures in the spirit of peaceful coexistence, tolerance, and win-win cooperation, which is totally different from Columbus' discovery of the New World, which was characterised by cultural cleansing and cultural genocide. The 2,500-years old Eurasian Silk Road culture whose ethnic life, culture and religion are were based in on the life of deserts, oases, steppe, plateaus, are still alive today. For example, there are more than 20,000 Zoroastrian believers living in Iran today and the Iranian Parliament maintains two seats for Zoroastrians. The Silk Road culture respects life and nature. For example, people living along the northern Silk Road grasslands, from Siberia, Mongolia to Xinjiang and Inner Mongolia share a tradition of Khoomei — a throat singing imitating sound of nature.

Since ancient times, the Silk Road culture has maintained and supported multi-nationalities. For example, the local rulers along the Silk Road had supported the thousands of caravanserais and bazaars from Istanbul, Damascus, Isfahan, Khiva, Bukhara, Samarkand, Andijan, Osh, Kashgar, Hotan,

and Dunhuang, all the way to Xi'an. The decline of Silk Road overland was not entirely due to the opening of the Maritime Silk Road. It was only that, in the mid of the 19th century, Central Asia, West Asia, and South Asia became the hub of power tussle, known as the "Great Game" between the Great Britain and Russia. They redrew borders in these areas and built artificial barriers at the traditional Silk Road passages. For example, the Anglo-Russian division of the Wakhan Corridor eventually blocked the busiest passage between China, Pakistan (at that time part of British India), Afghanistan, Central Asia, and West Asia.

In accordance with the five goals set by President Xi, building of OBOR, is meant to serve as connection of policy , roads , trade , currency, and especially of hearts. China hopes that, through investment and construction of OBOR, China and the countries along the New Silk Road will build a community of common destiny, security, interests, values that, eventually, will form a new belt of civilisations. The main elements of Chinese culture are Confucianism, Buddhism, and Taoism. People may question how could these three cultures, having varying and, at times, opposing values to monotheism, build into a community of common values with a monotheistic culture? The 2,500 years old Chinese culture is known for its philosophy of a middle course, loving peace, seeking calm life, respect for nature, pursuit of harmony, avoiding extremes, and not engaging in ethnic struggles and religious wars. This is the best way to revive the Silk Road civilisation and unite people and countries of different cultures, beliefs, and ethnicities.

Common Values

Building a One Belt One Road civilisation has nothing to do with the Sino-centrism. The nations along OBOR are proud of their own cultures, religions, architecture, art, history, heroes, and social systems. China should be clear in articulating its core values in building One Belt One Road. The New Silk Road nations do not want to see China's value and its dream narrowly

confined. The goals of OBOR that China advocate should suit everyone's interests. China needs to design an effective New Silk Road slogan, which can easily be understood and disseminated along OBOR. Confucius coined a five-word slogan for his civilisation construction: "Benevolence," "Justice," "Courtesy," "Wisdom," and "Trust." (仁义礼智信). Chairman Mao Zedong coined a two-word slogan as the core values of the communists: "Serve the People."

The New Silk Road cultural values can be summed up more easily with the two Chinese characters "仁", benevolence, it is pronounced "ren" in Mandarin and "和"—harmony, it is pronounced "he" in Mandarin. Harmony (和) is a mixture of personal worldview, family concept, social values, national outlook and a summary of the best side in the world, such as beauty, harmony, gentleness, peacefulness, and so on. Benevolence (仁) is a vivid portrayal of the noblest relationship among people, neighbours, different ethnicities, religions and nations. Harmony (和) and benevolence (仁) are the best illustrations of China's new concept of international relations as stated by President Xi, "justice," "benefit" and a "win-win" cooperation. Judging from the calligraphy structure of the two Chinese characters, 和 (harmony) and 仁 (benevolence) can be translated into catchy English sentences to facilitate external communication. 和, according to its text structure and literally translates as 'eat and let eat' and 仁 as 'live and let live'.

The two Chinese characters — harmony (和) and "仁" (benevolence) profoundly express the idea of "peaceful coexistence", proposed by Premier Zhou Enlai, and "community of common destiny" proposed by President Xi. Cooperation among nations must adhere to the principles of peaceful coexistence, mutual caring, win-win cooperation and common development. These principles, enmeshed in the OBOR initiatives, will make the nations along One Belt One Road enjoy a common prosperity and development. Harmony (和) and benevolence (仁) also mean that a big country must

respect the social system and development path independently chosen by a small Silk Road country. The One Belt One Road countries should oppose confrontation, conflicts, bloodshed, and wars created by major powers for their vested interests.

Many countries along OBOR are located in the world's most seriously disputed strip, strategic hubs, ethnic-conflict zones, religious overlapping and energy-intensive areas. The countries along OBOR in the Middle East and Central Asia can be subdivided into three main categories: resource-based countries, geopolitically important countries, and multi-ethnic and multi-religious countries. The major powers are coveting the rich economic resources in the Muslim world, generally, and in Saudi Arabia, Iran, Iraq, Syria, Sudan, Yemen, Afghanistan and Pakistan, particularly. Moreover, the major powers value these countries' geopolitical assets much higher than their economic resources.

Geographically, many countries along the New Silk Road have their own distinguished cultural traditions. However, the One Belt One Road civilisations running through the Pamirs, Tianshan, Hindu Kush, Karakoram, and Himalayas are heterogeneous in nature but share cultural and historical affinities with each other. The majority of the Silk Road countries — China, India, Pakistan, Iran, and the Middle Eastern countries — is the non-Western civilisations. These countries share a long historical affinity of being colonised and ruled by the Western powers. Since ancient times, the Western powers sought to control these countries. In the past, these countries and their people responded strongly to the Western civilisation's attempts to control them and, at present, they are struggling to create a new, yet their own, national, political and cultural identity.

Conclusion

As OBOR is geographically a combination of variety of cultural systems, the One Belt One Road civilisation will be a unique civilisational system across multiple cultures. This civilisation

needs a more inclusive and universal ideology supporting the multi-polarity of politics and culture, respect for history, and traditions. OBOR civilisation does not advocate for a single ideology and religious view nor does it encourage binary opposition ideology which always triggers conflicts and violence.

The binary opposition nature of the Western civilisation is homogenous and exclusive. Only by returning to a Silk Road civilisation, the diversified cultures of the ancient Silk Road will treat each other with respect and coexist peacefully. The clash of civilizations will not take place until the Western powers stopped using “democracies” and “non-democratic countries” to rudely tear the world into a single binary opposition, denying the historical, geographical and cultural commonality of these countries.

Chinese need a civilisational belt to match the planned huge economic belt as envisaged in the OBOR project. In the sphere of New Silk Road civilisation, China should do everything possible to maximize the identity, cohesion, self-esteem and creativity of different cultures, nationalities, religions and tribes for the integration of the unlimited resources along OBOR, ensuring all stakeholders that the construction of the New Silk Road benefits all the OBOR countries.

Impact of the China Pakistan Economic Corridor on the People-to-People Contacts

*Rashid Ahmad Khan**

Abstract

The Pakistan-China friendship as described “higher than the Himalayas and deeper than the ocean and sweeter than honey” by both China and Pakistan, has hitherto been based on robust relationship in defence and security fields. Over the last decade, the two countries have made a strategic shift by moving in the direction of expanding and promoting bilateral trade, investment, and economic cooperation. The agreement on constructing the China-Pakistan Economic Corridor (CPEC) represents the latest stage in the process of strengthening strategic partnership through investment, increased trade, and economic cooperation. The stress on increasing economic cooperation has also been accompanied by calls for promoting people-to-people contacts between the two countries as an essential component of strategic cooperation. This paper aims at assessing the impact of the CPEC on people-to-people contacts between Pakistan and China in the backdrop of deep-rooted historical and cultural links and in the light of opportunities likely to be created by the construction of rail-road networks, infrastructure, establishment of industrial zones, and increased investment in various projects under the CPEC.

Introduction

On April 20, 2015, Pakistan and China signed a landmark agreement to start work on a project worth US\$46 billion known as the China-Pakistan Economic Corridor (CPEC). The project aims to connect Pakistani seaport of Gwadar, located on the Balochistan coast of the Arabian Sea, with the Chinese city of Kashgar, located in north-western region of Xinjiang,

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through a network of rail, roads and oil and gas pipelines. The project is a continuation of Pakistani and the Chinese policies, pursued over the last decade, to expand and deepen traditional Pakistan-China friendship, and economic and trade relations. It is meant to materialize China's initiatives for promoting physical and commercial connectivity with the neighbouring countries to achieve the goal of greater regional integration in Asia. As it is evident from the allocation of funds for various projects, the main focus of the project is on the development of energy sector and building of infrastructure, which will receive US\$ 33.8 and US\$11.8 billion respectively.¹ While highlighting its benefits for Pakistan and China, its economic dimension is emphasised. However, the project has also a cultural dimension.

This paper discusses the cultural dimension of the CPEC with a focus on assessing the future prospects of people-to-people contacts in various fields under the CPEC. The cultural dimension of the CPEC and its impact on Pakistan-China people-to-people contacts is probed against the background of historic role played by ancient trade routes between the East and the West on the development of culture, religious and artistic exchanges among major centres of civilisations of that period. In this context, the role of the famous Silk Road, which originated in China and, through its branches, traversed almost the entire world, is discussed.

Trade Routes and Cultural Development

Long distance trade routes have always played a major role in the growth of centres of culture, ideas and new techniques through facilitating contacts between the peoples of various regions in the cultural, religious and artistic areas since antiquity. For centuries, these trade routes had been used for the transportation of goods over vast distances either by pack animals or through sea-going ships. They were the main arteries of contact among the empires of the ancient world. The ancient

¹Mehreen-Zehra Malik, "China commits 29 billion pounds for economic corridor with Pakistan," *Reuters*, Yahoo News, November 21, 2014.

Silk Road connecting China with the West through Central Asia, Iran and Mesopotamia, and Spice Routes running between West and South Asia are two prominent examples of these ancient commercial overland and maritime highways.

An important feature of this network of roads and trade routes was the growth of rich and flourishing cities along them. These cities not only served the purpose of market places and service providers for the merchants and travellers but they also became meeting points for the people with diverse cultural background, different ethnic origins and different languages. These trade routes were the communication highways of the ancient world, which facilitated the movement of not only material goods but also the transmission of new ideas, knowledge about new inventions, religious beliefs, artistic styles, languages and social customs. The persons travelling primarily for conducting business along these routes were the disseminator of these ideas and facilitator of cultural exchanges. Thus, a trade route, which by definition is a passage by land or sea used by merchants and caravans primarily for economic purpose can also become a catalyst for political and social change. No matter what commodities were transported along the trade routes, they also played vital role in the formation of ancient and medieval empires around the globe. They were the source of not only goods but also of people and ideas.

Ancient Silk Road

The word Silk Road was first used by Baron Ferdinand Von Richtafen in 1877. It is, however, a misnomer as it was not a single road rather a network of land and maritime routes used by the merchants to carry merchandise between the two corners of the then known world. Silk was only one of the many items constituting this trade. The merchants who used this road carried the trade far, far more than just silk.² Trade goods were

²Jonathan Tucker, *The Silk Road*, (New York: I.B Taurus, 2015),1.

The Silk Road was one of the longest-lasting trade route in human history. It originated in China and extended either north and west through

not the only commodities that moved through the branches of this ancient trade route, there was also the movement of “new ideas, religions, medical knowledge, scientific and technological innovations, all passed in both directions, and the Silk Road became a great network of veins and arteries carrying the life-blood of nations across the known world.”³

It was truly global in nature, enabling all parts of the ancient world to engage with each other not only for the purpose of trading in various commodities but also facilitating the interaction between different civilisations, people and the regions. As a result of this interaction, religions like Buddhism, Christianity, Islam, Manichaeism, and Zoroastrianism spread along the Silk Road. According to Ahmad Hasan Dani, the Silk Road that connected China and India on the east with the Roman world on the west, led to unparalleled cultural activity as a result of intense and close collaboration between the East and West.⁴

Dunhuang, across the Gobi Desert into Central Asia and onto Europe or took a more southern route near the Himalayas through Pakistan, which connected ports on the Indian Sub-Continent to Arabia and eastern coast of Africa or overland through the Middle East to the sea ports located on the eastern coast of Mediterranean.

³Ibid.,3.

⁴ Ahmad Hasan Dani, “Significance of Silk Road to human civilization: its cultural dimension,” *Journal of Asian Civilisations*, vol. XXV, no. 1, July, 2002 (Islamabad: Taxila Institute of Asian Civilisations, Quaid-i-Azam University, Islamabad), 77. Describing the role of Silk Road in the promotion of cultural activities and the people-to-people contacts, Dani further states: “At a time when long distance trade was risky and very inconvenient for lack of better transport, Silk Road opened bright prospects of overland route for the flow of not only silk merchandise but also silk technology. These material possibilities were preceded by several state formations as a result of tribal migrations and community developments. These states helped in the integration of peoples, exploited the local resources and competed for the sharing in the marketing of goods produced by the other. This profit motive led to the brisk exchange of men and material. In order to continue such exchange conditions of peace became gradually prompted. Men began to move from one region to another and participate in the social friendliness of the other.

One of the most precious commodities of the Silk Road that found its way to Europe was medical encyclopaedia of Ibn Sina (AD 980-1037) known as Canon. This work remained a standard reference on the subject for 500 years. Another name that can be mentioned in connection with the Silk Road is Abu Rehan al Bairuni (AD 973-1048), a great master of Mathematics, Astronomy, Physics and Natural Sciences. He was born in Khiva, and accompanied Sultan Mahmud of Ghazna on his Indian campaigns.⁵ From all the accounts of the Silk Road, it appears that it also helped promote people-to-people contacts between various regions. The travels of Marco Polo and Ibn Battuta (AD 1304-77) testified to this fact. The latter set out in AD 1325 on a 24-year journey through Egypt, Iran, Central Asia and the northern India. He is known to have stayed in India for eight years, after which, he took a ship to China, stopping off in Java and Sumatra on the way.⁶

Travel along with trade was one of the hallmark of the ancient Silk Road and it continued even during the period dominated by the Mongols. In order to facilitate the movement of the people across their vast empire, the Mongols introduced a special travel document (passport) known as *Paizi*. Although Mongol invasions brought death and destruction to the people of a vast region stretching from China to the eastern coast of the Mediterranean, Genghis Khan, paid special attention to the restoration of peace and security along these routes. As one account of the situation prevailing during that period says: “Under the reign of Genghis Khan, all the countries between Iran and Turan (the land of Turks) enjoyed such a peace that a man might have journeyed from the land of sunrise to the land of sunset with a golden platter upon his head without suffering the least violence from any one”.⁷

⁵Ibid., 40.

⁶Ibid., 55.

⁷Abu Ghazi Bahadur Khan of Khiva (1603-63) in his treatise, *Shajra-e-Turk*, 34.

India was one of the most important catchment areas of the ancient Silk Road. The principal trade route from it passed through Taxila, Khyber Pass, and to Baniyan and across the Hindu Kush to Balkh. From Balkh, the highway led to the east along the Wakhan Corridor, and through the Pamirs to China and north to Termez and onwards to the Central Asia. At the eastern end of this part of the Silk Road is the Khyber Pass, the 45 km long pass that provided access to India from the beginning of the modern history.⁸ Another branch of the Silk Road, which can be called its southern route, passed through the areas which now constitute the north-western parts of Pakistan, Khyber Pakhtunkhwa and Balochistan to connect western China with Iran and Mesopotamia leading to the ports on the eastern coast of the Mediterranean and Turkey after crossing over the second highest mountain range of Karakorum. It is this route, which is being revived in form of the CPEC.

CPEC and People-to-People Contacts

Traditionally, interaction between Pakistan and China has largely been in the form of exchange of visits at official levels, including the visits by the heads of state and government, military leaders, officials of the ministries engaged in joint economic projects and officially sponsored delegations of business and trading communities, artists and cultural troupes. These visits and contacts at official level date back from 1950s were intensified following the signing of border and air agreements between the two countries in the early 1960s. Since then, hardly there has been a Pakistani or Chinese head of government and state that has missed visiting each other's country.

President Asif Ali Zardari paid nine visits to China during his five-year term (September, 2008-September, 2013).⁹ The symbolic significance of these visits is marked not only by the

⁸Ibid., 8.

⁹*Daily Times* (Lahore), February 2, 2012, *Selections from Regional Pres.* vol. XXXI, no. 3, (Islamabad: Institute of Regional Studies), 21.

frequency but also by their timing. For example, Premier Li Keqiang paid an official visit to Pakistan and held talks with Nawaz Sharif in May 2013 when the latter had not yet been sworn in as Prime Minister after his victory in national elections earlier in the same month. Similarly, China was the first destination of Prime Minister Sharif's foreign tour that he undertook in July 2013 after taking oath of his office in June 2013.

These visits, apart from their symbolic value were also highly productive, resulting in the signing of multiple agreements on economic cooperation, enhancement of bilateral trade and promotion of investment between the two countries. For example, during the visit of Chinese Premier in May 2013, the two countries signed 11 agreements on covering fields, such as, economic and technical cooperation, boundary management system, border posts, maritime cooperation and cooperation for the long-term plan for the CPEC.¹⁰ Similarly, Prime Minister Sharif's visit to China in July 2013 led to the issuance of the "Common Vision for Deepening China-Pakistan Strategic Cooperative Friendship in the New Era," and signing of eight cooperation agreements providing for the expansion of financial cooperation, jointly implementing the cooperation in the fields of agriculture, marine, aerospace, public health, education to promote exchange and cooperation between the two countries.

The building of the CPEC is said to have been formally proposed by the Chinese Premier Li Keqiang. Talking to the media in Islamabad, he said, "Our two sides should focus on carrying out priority projects in connectivity, energy development and power generation and promoting building of the China-Pakistan Economic Corridor."¹¹ This calls for the economic corridor was included into an MoU signed during his visit. It provided for the building of road, railway and air links between the Chinese city of Kashgar and Gawadar port. Further,

¹⁰ *Dawn* (Lahore), May 23, 2013.

¹¹ "China's Premier offers to help end Pakistan energy crisis," *Dawn* (Lahore), May 23, 2013.

progress on the proposal by the Chinese Premier was achieved during Prime Minister Sharif's visit when an announcement was made in a joint statement to develop a 3000 km long transport link. According to analysts, the joint statement marked the movement of Pakistan-China relationship, which had previously been dominated by diplomatic and defence affairs, in the direction of joint economic and commercial interests.¹² The growth in bilateral trade, which had reached the level of above US\$ 12 billion in 2012 and the joint plan to enhance it to US\$ 15 billion in 2015, represented the initial steps taken in the direction of this new move. The target was achieved as a result of implementation of the Five-Year Plan launched in 2010 by the Pakistan-China Joint Committee on Economic, Trade, Scientific and Technical Cooperation comprising 36 mega projects of strategic importance to promote bilateral trade and investment.¹³

The increased focus on the expansion of economic and trade relations has, however, been accompanied by an emphasis on promoting cultural ties and people-to-people contacts as “an essential component of strategic relationship between the two countries.”¹⁴ The series of cooperation documents signed during the visit of Premier Li in May 2013 on economic, scientific and technological projects also covered expanding cultural relations between Pakistan and China. According to the media reports, Premier Li told that he would continue his efforts to promote Chinese language in Pakistan and will send 1000 teachers to teach the Chinese language to Pakistani students. He also said

¹² “Executing MoUs, projects signed with China,” *News International* (Lahore), July 13, 2013.

¹³ “China and Pakistan to launch new 5-year Plan”, *Dawn* (Islamabad), December 3, 2010, *Selections from Regional Press*, vol. XXIX, no. 23, December 1-15, 2010, (Islamabad, Institute of Regional Studies), 22.

¹⁴ *Daily Times* (Lahore), July 9, 2010, former president Zardari during his visit to China in July, 2010 discussed with the Chinese leaders the modalities for the enhancement of people-to-people contacts and called for elaborate institutional arrangements for teaching the Chinese and Urdu languages to the students, workers and the people of Pakistan and China.

that his country would extend scholarships to Pakistani students for higher education in China.¹⁵

Prime Minister Nawaz Sahrif's visit laid down the foundation for the CPEC that was finally announced by President Xi Jinping to Pakistan in April 2015. It also confirmed the resolve of the two countries to promote people-to-people contacts to solidify the already existing relations in the strategic areas and to ensure that maximum benefits were secured through economic cooperation and enhancement of trade under the CPEC. This was explained as a three-pronged strategy under the new line of future cooperation between Pakistan and China. Friendly exchanges and promotion of people-to-people contacts is the first prong of this new strategy. According to the Chinese Ambassador to Pakistan, Sun Weidong, Pakistan and China had decided to make solid cooperation in all fields including friendly exchanges and people-to-people contacts. Identifying the priority areas for future cooperation between Pakistan and India, he said:

The first area is to promote friendly exchanges in all areas and at all levels. We will continue to strengthen high-level exchanges and strategic cooperation and share experience in development of our nations. We will promote the contacts between the political parties of the two countries, parliaments, local governments, think tanks, youth and media; consolidate the basis of China-Pakistan friendship, and make China-Pakistan relations stronger, better and harder than steel.¹⁶

Outlining the road map for enhancing China-Pakistan cooperation under new strategy, Ambassador Weidong told a group of journalists in Islamabad, in December 2013, that China desired to keep the tradition of high-level exchanges between the two countries and continue support on issues involving the

¹⁵*News International* (Islamabad), May 24, 2013.

¹⁶*Daily Times* (Lahore), July 17, 2013, *Selections from Regional Press*, vol. XXXII, no. 14, July 16-31, 2013, (Islamabad, Institute of Regional Studies, 24.

major concerns of the two countries. The Ambassador told that, in pursuit of his announcement of sending 1000 Chinese language teachers to Pakistan in the next five years, the Premier emphasised the need for promoting people-to-people contacts between Pakistan and China. He said we would continue to encourage youth delegations exchange visits, invite more Chinese cultural troupes to Pakistan. He told that China was planning to build a Cultural Centre in Islamabad.¹⁷

Pakistan-China Cultural Relations

The history of cultural exchanges between the peoples of China and the people of the areas now constituting Pakistan is more than two thousand years old. The southern route of the famous Silk Road passing through the north-western parts and Balochistan facilitated the movement of not only goods but also the people of India and China to each other's lands. The visits of the Chinese travellers, Fa Xian (around BC 400) and Xuanzang (BC 630), are testimony to the cultural links between ancient empires of China and India. When the People's Republic China was founded in 1949, diplomatic relations were established between Pakistan and China and the two countries have ever since maintained close and friendly relations in political, military and cultural fields.

Pakistan and China signed a bilateral Cultural Agreement on March 26, 1965 to strengthen friendship between the people of the two countries through cooperation in the fields of culture, arts and science. The agreement provided for exchange of educationists, scientists, experts and scholars, performing artists, journalists and broadcasting, television and film institutions of the two countries.¹⁸ Within the framework of the

¹⁷ "China unveils road map for cooperation with Pakistan in 2014," *Daily Times* (Lahore), December 31, 2013, *Selections from Regional Press*, vol. XXXII, no. 24, December 16-31, 2013, (Islamabad: Institute of Regional Studies, Islamabad),. 24.

¹⁸ Cultural Agreement between the Governments of the People's Republic of China and the Islamic Republic of Pakistan, *Important Documents and Relations between the People's Republic of China and Islamic Republic*

Cultural Agreement, the Ministry of Radio and Television of China and the Ministry of Information and Broadcasting of Pakistan signed a separate agreement on February 26, 1983 for the exchange of radio and television programmes between the two countries. An agreement on Tourism Cooperation was signed by the Governments of Pakistan and China on April 30, 1988 with a view to promoting mutual “understanding of their peoples and to expand cooperation in the field of tourism between the two countries.”¹⁹

Since the signing of these agreements, Pakistan and China have maintained close cooperation in the areas of culture, friendly exchanges and people-to-people contacts. A number of cultural delegations headed by senior officials of the two countries have visited each other during the last six decades. In addition to that, the two sides also carried out a number of fruitful exchanges and cooperation in art, literature, education, information, sports, youth affairs, cultural relics, archives, publications, health and women affairs. In the past half a decade, Chinese art troupes have visited Pakistan many times. There has also been growth in exchange of TV and film programmes under the agreement signed for this purpose. Pakistan and China have especially focused on youth for promoting cultural cooperation and people-to-people contacts.

The number of scholarships offered by the Chinese Government to Pakistani students to study in China has steadily increased over the last decade. Similarly, Pakistan’s Higher Education Commission (HEC) started a special project in 2003 under which qualified students were to be selected to pursue medicine degrees in China on government financed basis. An increasing number of Pakistani students also go to China for the study of electronics and engineering technology. A number of

of Pakistan, Beijing: (Ministry of Foreign Affairs, People’s Republic of China, n.d).

¹⁹ Agreement on Tourism Cooperation between the Government of the People’s Republic of China and the Government of Islamic Republic of Pakistan, Ibid.

Chinese students are also studying in Pakistani educational institutions.²⁰

With a shift in the focus of Pakistan-China relations in the direction of expanded trade ties and economic cooperation, the exchange of delegations between the two countries comprising artists, academics, sportsmen, acrobatics, members of political parties, members of film industry, educationists, youth organisations, members of cultural bodies, members of civic and tour planning bodies, tourist organisations, friendship associations, cultural relics, media organisations, students, research organisations, officials of education ministries, poets, writers, art troupes, photographic and handicraft exhibitions, TV producers, singers, dancers, members of information ministries and scholars have intensified.²¹

The increase in the frequency of exchange visits covering a wider range of areas of cultural cooperation between Pakistan and China is the result of firm belief held by both sides that without cultural cooperation and enhanced level of people-to-people contacts between the two countries, the full benefits of expanded economic cooperation and trade ties between Pakistan and China cannot be gained. While acknowledging the deep-rooted relations between the two countries, Premier Li, in his address to the Senate of Pakistan during his visit in 2013, stressed the need for expanding cooperation in strategic field, energy, science and technology and agriculture and giving the boost to the economic and trade ties. He also underlined the need for an enhanced interaction between the citizens of the two countries. "Pakistan and China," he told the law makers of the Upper House of Pakistan's Parliament, "are going to reach new heights in the years to come. In order to make these relations

²⁰ Survey on China-Pakistan Cultural Exchanges and Cooperation, Consulate General of the People's Republic of China in Karachi, <http://karachi.chineseconsulate.org/eng/whiy/1264642.htm>

²¹ For the details of such visits and exchanges during the year 2004, "Recent China-Pakistan Cultural Exchange and Cooperation," Embassy of the People's Republic of China in the Islamic Republic of Pakistan, <http://pk.chineseembassy.org/engculturesrvice/t179960.htm>

sustainable, it is necessary to engage citizens of both countries in mutual interaction through cultural exchanges and people-to-people contacts.”²² Through the process of increased interaction between the citizens of Pakistan and China in the areas of culture, sports and tourism, the bonds of Pak-China friendship will not only be further strengthened, it will also promote goodwill, love and peace among the peoples of the whole region. As Tarar puts it:

The interaction between the citizens of neighbouring countries, if based on an informed understanding of diverse cultural practices and aesthetic traditions, can engender a process of acculturation, which can help evolve transnational identities based on geo-cultural heritage of the region.²³

Recognising that language is the biggest barrier in promoting cultural cooperation and people-to-people contacts between Pakistan and China, the two countries are taking joint measures to set up study centres where the Chinese and Urdu languages could be taught. The National University of Modern Languages (NUML), Islamabad, offers classes in Chinese language. Reference has already been made to the promise made by the Premier Li to send 1000 teachers to Pakistan to teach the Chinese language. President Zardari told his Chinese hosts in 2012 that the Chinese language had already been introduced as an optional subject in the schools of Sindh.²⁴

There are about 8112 Chinese workers engaged in the execution of development projects in Pakistan. It is estimated that another 7000 Chinese workers will arrive in Pakistan under the CPEC. There will be, therefore, more than 15000 Chinese working on various projects in Pakistan in the next couple of

²²*News International* (Lahore), May 24, 2013.

²³Nadeem Omar Tarar, “Cementing the friendship bond: Pak-China Cultural ties,” ISPR, *Hilal Magazine*, October, 2015.

²⁴*Daily Times* (Lahore), February 2, 2012, *Selections from the Regional Press*, vol. XXXI, no. 3, February 1-15, 2012, (Islamabad: Institute of Regional Studies),. 21.

years.²⁵ Similarly, a large number of Pakistani officials, experts, businessmen, traders and engineers are also likely to visit China to deal with projects under the CPEC. This will considerably enhance people-to-people contacts between the two countries.

China is particularly keen to bring the two nations, especially the new generations, closer to each other through people-to-people contacts. In addition to the steps being taken to teach the Chinese language in Pakistan, the Chinese government in collaboration with the government of Pakistan has set up China Study Centres and Confucius Institutes in various universities of Pakistan. At present, NUML at Islamabad, Karachi University, and Faisalabad University house Confucius Institutes; whereas China Study Centres have been set up in Government College University (GCU), Lahore, and COMSATS, Islamabad and Peshawar University.

Both Pakistan and China offer scholarships to their students desirous of pursuing higher education in each country. This has led to a marked increase in the number of students studying in each other's countries. In 2013, there were about 8000 Pakistani students studying in the educational institutions of China and over 6000 Chinese students in Pakistan.²⁶ Although the number of Pakistani students going to China for higher studies remains far less as compared to Pakistani students studying in the American or European universities, it is likely to increase with the popularisation of the Chinese language and opening up of more China study programmes in Pakistan.

Tourism

Tourism is one of the most effective ways to promote people-to-people contacts. For this reason, it has emerged as one of the most rapidly growing industries in the world. According to the World Tourism Organisation (WTO), global receipts from tourism in 2002 were as high as US\$474 billion, which were

²⁵ *Express Tribune* (Islamabad), April 21, 2015.

²⁶ *Ibid.*, March 8, 2013.

likely to exceed US\$1.5 trillion in 2010. Region-wise, Europe accounts for 50 per cent of world tourist receipts, followed by the Americas, whose share is 26 per cent. Compared to this, the share of the South Asian region in global tourism receipts is only 01 per cent.²⁷

Tourism is recognised as one of the most direct and effective ways of promoting people-to-people contacts. This is the reason why every country is according top priority to the development of tourism as an industry. China has emerged as one of the most attractive tourist destinations in the world. The number of inbound Chinese tourists has registered a marked increase over the last few years. According to an estimate, China witnessed a record number of 65.3649 million tourist arrivals (including foreigners and tourists from Hong Kong, Macau and Taiwan) in the first half of 2015. Asia claims the largest share of Chinese inbound tourist arrivals (64.92%), followed by Europe (18.33%). Among the South Asian countries, only India can be counted among the first 25 countries of the world as one of the tourist source countries of China.²⁸

There has also been steady increase in the number of outbound Chinese tourists over the last decade. In 2004, there were merely 29 million outbound Chinese travellers. The phenomenal growth of the Chinese economy in the last decade created a large number of consumers and, among them, many were interested in exploring the foreign countries. Many Asian and European countries improved their tourist infrastructure and simplified visa procedures for the Chinese tourists to attract them. This has led to steady increase in the number of outbound Chinese tourists in the last decade. For example, according to China Tourism Academy, the total number of China's outbound

²⁷ "Tourism in Pakistan: prospects and problems," *The Fact-A Magazine of hard Investigative Reporting*, issue no. 8, May, 2014, www.fact.com.pk, accessed November 9, 2015.

²⁸ China Inbound Tourism Statistics in 2015, First Half Year, <http://www.travelchinaguide.com/tourism2915statistics/inbound.htm>, accessed November 9, 2015.

travellers reached US\$ 54.1 million in the first half of 2014, up 18.7 per cent, who spent abroad a total amount of US\$ 70 billion. According to WTO, the number of Chinese tourists may reach 100 million by 2020.²⁹

The Chinese are keen to promote tourist ties with all the countries of South Asia. For this purpose, they have expressed their readiness to help the countries of the region in the development of their tourism industries through various means, including direct investment. In Nepal, for example, there has been steady growth in the Chinese investment in the tourism industry.³⁰ The end of conflict has provided a tremendous boost to the tourism industry of Nepal. According to a report based on the information provided by the Ministry of Tourism of Nepal, Foreign Direct Investment (FDI) in tourism industry has swelled more than four-fold reflecting rising investor interest in the tourism industry of Nepal after the end of Maoist insurgency in the country. Investment soared to Rs 3.89 billion in 2012-13 from Rs 837 million in the previous year, making tourism the third highest recipient of the FDI after the services and manufacturing sectors in Nepal. The Government of Nepal is taking a number of steps, including the plans to promote business and corporate tourism besides leisure tourism in the country. According to an official of the Tourism Ministry of Nepal, among all the sectors, tourism had been drawing the greatest interest among potential foreign investors.³¹ Pakistan can become a direct beneficiary of increased tourist traffic between Nepal and China as the Chinese tourists from Nepal can enter into the northern parts of Pakistan, especially in Gilgit-Baltistan (GB) through Tibet, and Jammu and Kashmir.

²⁹ China Internet Watch, "Rise of the China Outbound Tourism," <http://chinainternetwatch.com/5832/outbound-travelers/>, November 9, 2015.

³⁰ Statement by an official of the Industry Division of the Tourism Ministry of Nepal, *The Kathmandu Post* (Kathmandu) August 19, 2013, *Selections from the Regional Press*, Vol. XXXII, no.6, August 15-31, 2013, (Islamabad: Institute of Regional Studies),.61.

³¹ *Ibid.*

Currently, four Chinese airlines — Air China, China Southern Airlines, China Eastern Airlines, and Dragon air — are operating their regular flights to Kathmandu from various Chinese cities. It is worth mentioning that China had designated Nepal as its first outbound tourist destination in the entire South Asia more than a decade ago.³² The Chinese tourists are mainly interested in wildlife safaris, cultural and pilgrimage tours and adventure sports like paragliding. Such tourist attractions are in abundance in the northern parts of Pakistan.

The territories of GB have tremendous potential to become regional hub of tourism not only due to its beautiful landscape and impressive skylines but also because of its strategic location. It has common borders with Kashmir, Tibet, Xinjiang, Tajikistan and north-western province of Pakistan, Khyber-Pakhtukhwa. There is a road link between GB and China's province of Xinjiang through Khunjerab Pass via Karakorum Highway (KKH). Road links existed between GB and Kashmir before the partition of India in 1947, which can now be revived. Similarly, the planned expansion of GB airport and the start of a direct flight between GB and Khatmandu can attract not only the Chinese but also the tourists from other countries to Pakistan and even beyond Afghanistan and the Middle East.

Tourist attractions are not confined only to the northern parts of Pakistan. In fact, the whole country has tremendous potential for tourism by virtue of its long, rich history, cultural diversity, geo-strategic location and captivating landscapes. There is a great potential for religious tourism in Pakistan not only for Hindus and Sikhs but also for Buddhists. The ancient Buddhist Kingdom of Gandhara comprised the territories of modern day Peshawar, Swat and the Pothohar region. The archaeological sites of Taxila and Takhtbai remind the grandeur of this developed civilisation, which attracted travellers from all

³²Ballav Dahal, "Nepal needs to focus on China tourist market," *Rising Nepal* (Kathmandu), May 7, 2012, *Selections From Regional Press*, vol. XXXI, no.9, May 1-15, 2012, (Islamabad: Institute of Regional Studies),. 69-70.

over the then known world, including China, as explained earlier. Through these areas, Buddhism travelled to China and Central Asia and remained for centuries a source of inspiration for the spiritual life, arts, lifestyle, politics, philosophy, and medicine and material culture in China. With Chinese Buddhists comprising more than 250 million, which is equal to 18 per cent of the total population of China, there is a big potential for the Chinese religious tourism in the northern parts of Pakistan such as GB, Peshawar and Swat.³³

Recognising the vital role of tourism in “strengthening the friendly relations and promoting the mutual understanding of their peoples,” Pakistan and China signed a bilateral agreement on tourism cooperation in 1988. Among other provisions, which call on the two governments to take measures for the promotion of tourism between the two countries such as exchange of tourism information and experience concerning tourism promotion, statistics, and personnel training, the agreement also stipulates that the two countries “will make efforts to encourage tourists from the third countries to visit their respective countries.”³⁴ As the number of Chinese inbound tourists is estimated to grow markedly in future, Pakistan can hope to receive not only an increased number of Chinese tourists but also tourists from other countries with an improved connectivity between the two countries under the CPEC.

At present, Pakistan ranks low in terms of world tourism income. Out of global tourism income of US\$ 514 billion in 2002, the share of South Asia was US\$ 5.4 billion, which included Pakistan’s share of only US\$135 million i.e. 0.03 per cent of global and 2.5 per cent of South Asian share. Out of the total tourist arrivals in the world estimated at 694 million per

³³Tarar, op. cit.

³⁴ “Agreement on Tourism Cooperation between the Government of People’s Republic of China and the Government of Islamic Republic of Pakistan,” Important *Documents on Relations Between the Peoples Republic of China and the Islamic Republic of Pakistan*, op. cit.

year, Pakistan receives only 0.5 million tourists annually.³⁵ Pakistan will have to remove the impediments in the way of tourism development to attract foreign tourists, including the Chinese tourists, as this is one of the most effective ways to promote people-to-people contacts between the two countries.

Conclusion

The expansion of cooperation in the economic, trade and investment areas under the CPEC will not only solidify Pakistan-China strategic partnership, it will also lead to greater prosperity and welfare of the peoples of the two countries. Recognising the need for bringing the peoples of the two countries closer to each other, both governments are paying special attention towards setting up institutional mechanisms for the promotion of people-to-people contacts between Pakistan and China.

The direct people-to-people contacts have remained limited owing to various constraints, chief among them being the language barrier. Recognising the vital role of people-to-people contacts in not only strengthening the bonds of Pakistan-China friendship but also in facilitating the development work in the economic areas, especially under the CPEC, the governments of China and Pakistan have initiated measures to enhance awareness about each other's culture, social life and business environment. For this purpose, the Government of Pakistan with the Chinese help has opened China Study Programs for the teaching of Chinese language in various universities of Pakistan.

Tourism is yet another area in which there is vast scope for increasing cultural cooperation and promoting people-to-people contacts. However, like other areas of people-to-people contacts, tourism between the two countries also lies at a very low level. This should be a point for the Pakistani policy makers

³⁵ Tourism Development, Ministry of Planning and Development, Pakistan, <http://www.pc.gov.pk/>

to ponder upon as China is fast emerging as a country with record number of both inbound and outbound tourists. Even with other countries of South Asia, like Nepal, India and Sri Lanka, Chinese tourist links are expanding. In view of the vast potential of both religious and recreational tourism, Pakistan can become an attractive destination for the Chinese tourists provided that Pakistan builds required tourist infrastructure and improve the law and order situation in the country.

The physical, commercial and cultural connectivity between Pakistan and China is bound to increase under the CPEC as the project aims to build a network of rail and road connections between the two countries. The CPEC is likely to provide an opportunity to all the regions of Pakistan to share the fruits of economic development under the CPEC. The huge investment in joint ventures in the economic zones linked to the CPEC will lead to the deployment of a large number of workers of both Pakistan and the China, which will provide an opportunity to them to interact with each other. A new generation of the Chinese oriented in their outlook more towards the West has grown up. They know very little about Pakistan. Similarly, Pakistani's knowledge about the Chinese is also very limited. This can be enhanced only through the promotion of people-to-people contacts for which the two countries have already started serious efforts. With the implementation of the CPEC, these efforts will gain new momentum.

Regional and Global Scenarios of the China Pakistan Economic Corridor

*S. M. Hali**

Abstract

The China Pakistan Economic Corridor (CPEC) has been the focus of media attention since 2013. The subject merits delving into the various dimensions of the project as well as the impact it will have on the regional and global milieu. Also, there are concerns about the state of preparedness of the Pakistani Government and to what extent it is geared up to match the pace of Chinese developments. As far as the Government of Pakistan is concerned, it is an uphill task: taking care of local misgivings as well as ensuring that international pressure and challenges from clandestine machinations are stopped from derailing the multi-billion dollar project, which is being deemed as a “Game-changer” for Pakistan. The CPEC project is scheduled to reach fruition within 15 years and is spread over four stages. There are early harvest projects and those which will mature in a decade and a half but for the optimum utilisation of all its direct benefits and spinoffs, capacity-building of Pakistani engineers, technicians, traders, investors and participants is essential.

Introduction

The CPEC is being discussed in the national media for the past two- and-a-half years. It has held hope for the people of Pakistan but also has given rise to controversies based on fallacies created by conscientious objectors. The current government, which is the prime mover for the project in Pakistan, has bent over backwards to allay doubts regarding the mega project. It has also explained its various dimensions, which somehow have been overlooked by a few fickle-minded

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people. Finally, broad consensus appears to have been reached and the project is gradually moving forward. Clarity must be brought towards the key dimensions of the project and to appreciate its significance not only for Pakistan but also for the whole region.

It is imperative to visualise the entire One Belt One Road (OBOR) or the New Silk Road (NSR) project, of which the CPEC is but one part. The importance of the OBOR or NSR Project, which merits greater discussion in the main body of this paper, must be appreciated not only for China, Pakistan and others but also for many countries located on the ancient Silk Road, particularly the landlocked Central Asia. This project has pinned their hopes for progress, prosperity, growth and development on infrastructure akin to the historic Silk Road. Their zeal is cognisable because it will accelerate their development and progress: developing industries demand new markets; technological innovations facilitate international cooperation; better transportation and logistics increase trade efficiency; and growing energy demands require international cooperation. The advent of the New Silk Road projects will act as a catalyst towards generating regional cooperation, building political flexibility, enhancing economic growth, offering trade diversifications, investing in transportation, mining and energy sectors.

Central Asian Republics, bound by the closed economy of the erstwhile USSR and limited by their geographical location, are now being presented with an epoch making opportunity to play their destined roles in the world economy. Their enthusiasm knows no bounds because suddenly they are being proffered the unique opportunity to become part of not one but a wide array of infrastructures, encompassing almost the entire globe. Traditionally, it was envisaged that media had shrunk the world to a global village now it is the Silk Road concept, which is bringing nations, races, continents and people closer in a tight-knit community sharing their resources of production, services, energy, information and understanding. This paper is aimed at providing an insight into the various dimensions of the

CPEC as well as briefly examining the regional and global scenario pertaining to it.

International Silk Road Initiatives

Prior to discussing the NSR initiatives, it is important to briefly examine the ancient Silk Road, which for many centuries was the most important land route linking Europe and Asia. Any mention of the ancient Silk Road revives the stories of the travels of Marco Polo and Ibn-e-Battuta, one a Venetian and the other a Moroccan, who had made their fabled trips to China in the 14th century and brought back rich memories of their travels and chronicled the same in their travelogues for others to follow. The ancient Silk Road, besides serving the purpose of a trade route, greatly contributed to exchange of culture, religion, ideas and knowledge leading to the Age of Discovery. It is known that Christopher Columbus, equipped with Marco Polo's travel notes and the nautical map of the new world that he had brought back from China, sailed in pursuit of a new and shorter route to India (accidentally discovering America instead).¹

The Silk Road, which commenced as a trade route during China's Han Dynasty (206 BC-220 AD), extends over 6,000 km (4,000 miles) and derives its name from the lucrative trade of Chinese silk. Initially, the Silk Road extended to India but the Central Asian sections were expanded around 114 BC.² Owing to the threats from marauders and raiding tribesmen, the Chinese extended the Great Wall of China to protect their trade products.³

The main traders utilising the ancient Silk Road were the Chinese, Persians, Greeks, Syrians, Romans, Armenians, Indians and Bactrians while from the 5th to the 8th century, the

¹ S. M. Hali, 'Silk Road in the Sky', *Pakistan Observer* (Islamabad), August 21, 2015.

² Luce Boulnois, *Silk Road: Monks, Warriors & Merchants*. (Hong Kong: Odyssey Books, 2005), 66.

³ Liu Xinru, *The Silk Road in World History* (New York: Oxford University Press, 2010), 11.

Sogdians also made use of the ancient trading route. With the advent of Islam, Arab traders became prominent and history tells us that early companions of the Holy Prophet (PBUH) utilised the Silk Road not only to trade but also to spread Islam. The mortal remains of some of these companions lie buried in different parts of China bearing testimony to the optimal use of the road link. The Silk Road gradually lost its value and importance in the modern period due to the developments in maritime transportation and political compulsions in the region. The revival of the NSR concept reveals that a number of international initiatives are aimed at achieving the same goals through independent juxtaposition. The following paragraphs give a brief overview of the various international efforts.

United States' NSR Strategy

The concept of the United States' New Silk Road Strategy was unveiled by the then US Secretary of State, Hillary Clinton in 2011 during her tour of India, when she declared:

[Let's build] an international web and network of economic and transit connections. That means building more rail lines, highways, [and] energy infrastructure, like the proposed pipeline to run from Turkmenistan through Afghanistan, Pakistan into India (TAPI). It means upgrading the facilities at border crossings. And it certainly means removing the bureaucratic barriers and other impediments to the free flow of goods and people.⁴

Hillary Clinton's idea was perhaps an extension of the Northern Distribution Network (NDN), which comprises a series of commercially based logistic arrangements connecting Baltic and Caspian ports with Afghanistan via Russia, Central Asia, and the Caucasus. The NSR initiative is focused on Afghanistan as a main hub for economic integration and transportation. It was expected that the Silk Road initiative would help provide the much needed support to Afghanistan

⁴Tridivesh Singh Maini, "China's New Silk Road Vision: Lessons for India," *The Diplomat* (Tokyo), May 17, 2014.

fter US troops departed the region in 2014. Hindsight is 20/20 but the US-led NSR initiative envisaged:

If Afghanistan is firmly embedded in the economic life of the region, it will be better able to attract new investments, benefit from its resource potential, provide increasing economic opportunities and hope for its people.⁵

Despite scepticism, a number of important steps toward the US-led NSR initiative have already been completed. At the Tokyo Symposium on the Silk Road in 2012, US Principal Deputy Assistant Secretary, Geoffrey Pyatt said:

The New Silk Road is already being built. Electricity from Uzbekistan and Turkmenistan is powering small businesses and government buildings in Afghanistan; rail connections are being built between Kazakhstan, Turkmenistan and Afghanistan and a new rail line from the Uzbek border to Mazar-e-Sharif has been completed; Turkmen, Pakistani, and Indian officials have finalised a pricing agreement for the TAPI gas pipeline.⁶

Overall, the US Government identifies about 40 infrastructure projects that it considers important parts of the NSR initiative.⁷

European NSR Initiatives

The European NSR projects are confined to the layout of various transport links connecting Asia and Europe through Central Asia. Many of these are currently under construction or are planned to be built in the near future. The prominent ones are the Transport Corridor Europe-Caucasus-Asia (TRACECA), Viking Railroad and the Interstate Oil and Gas Transportation to

⁵ Robert Hormats, US Under Secretary of Economy, Energy & Agriculture, "The United States' "New Silk Road" Strategy: What is it? Where is it Headed?" September 2011, <http://www.state.gov/e/rls/rmk/2011/174800.htm>

⁶ Joshua Kuchera, "A New Silk Road?" *The Diplomat*, (Tokyo), November 2011, <http://thediplomat.com/2011/11/11/the-new-silk-road/>

⁷ Ibid.

Europe (INOGATE), an international energy co-operation programme between the European Union (EU), the littoral states of the Black and Caspian seas and their neighbouring countries.) The TRACEA is an international transport initiative involving the EU and 14 member states (Armenia, Azerbaijan, Bulgaria, Georgia, Iran, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkmenistan, Turkey, Ukraine, and Uzbekistan). The TRACECA programme involves the Silk Wind initiative, which aims to construct new high-speed multi-modal container transit routes between the countries of Europe, Caucasus and Central Asia, along with advanced technological implementations such as electronic exchange of information, simplification of border crossing procedures and reduction of transportation time.⁸ The Viking Railroad is a railway project supported by the EU that connects Scandinavia with China via Caucasus and the Central Asia. It is also an intermodal project that uses both railroad and maritime routes. The Viking Railroad was initiated in 2003 but it gained momentum in 2007. On October 2011, Kazakhstan expressed interest to join the Viking Project.⁹

The Viking Railroad is expected to produce new economic opportunities and to advance political relations among participating states. The INOGATE project has four main objectives: 1) to converge energy markets on the basis of the EU internal energy market by taking into account the peculiarities of participant countries; 2) to advance energy security by addressing the topics of energy imports and exports, energy transit and demand; 3) to support sustainable energy development including the development of energy efficiency and renewable energy; and 4) to attract investors to energy

⁸ “Silk Wind project targets container train route linking Europe and Asia,” EU Neighbourhood Info Centre, September 2012.
http://www.enpiinfo.eu/maineast.php?id=30126&id_type=1&lang_id=450

⁹ Nicholas Norling, “Viking Railroad Connects Scandinavia with South Caucasus, Central Asia, And China,” Washington D.C.: Central Asia Caucasus Institute November 2011,
<http://www.cacianalyst.org/?q=node/5656/print>

projects within the INOGATE.¹⁰ The projects that have been implemented within the framework of the INOGATE include pre-investment project for the Trans-Caspian Black Sea Gas Corridor and an energy saving initiative in the eastern European and Central Asian countries. However, some of the projects in Central Asia have been adversely affected by Europe's own economic struggles.

Turkey's Silk Road Project

Initiated in 2008 by Turkey's Ministry of Customs and Trade, its "Silk Road Project" aspires to provide laxer customs formalities and reconstruct the historical Silk Road to connect to the European and Asian markets. Turkey's strategic geographical location as a crossroad between Europe and Asia empowers it to materialize the ambitious project. Careful thought has gone into its planning because it is spotlighting transportation, security, logistics and customs procedures at borders. Turkish Minister of Customs and Trade, Hayati Yazıcı, has stated on record that the Silk Road will become one of the most important economic routes of the global economy, transporting large amounts of goods from Central Asia to Europe and *vice versa*. He further added:

The trade volume of the Silk Road countries has quadrupled in the last decade and there is a noticeable shift in the growth of these countries in contrast to Europe and other regions.

¹⁰ "INOGATE Projects," INOGATE, http://www.inogate.org/index.php?option=com_inogate&view=projects&Itemid=75&lang=en

Silk Road Economic Belt and Maritime Silk Road



Source: <http://www.fantasticfundas.com/2015/07/chinas-one-belt-one-road-initiative.html>

This brings great potential for Silk Road countries to achieve economic growth. The Turkish vision of the Silk Road is:

To revive the Silk Road via an extensive railway network, transportation lines, customs gates, energy corridors and natural gas pipelines, making this area a major player in the world economy.¹¹

Countries that are incorporated into the Turkish Silk Road Project are Afghanistan, Azerbaijan, China, Georgia, India, Iraq, Iran, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Russia, South Korea, Syria, Tajikistan, and Uzbekistan.

¹¹ Abdullah Bozkurt, "Turkish minister says reviving Silk Road trade route remains Turkey's goal," *Today's Zaman*, (Istanbul) December 2012, http://www.todayszaman.com/newsDetail_getNewsById.action?newsId=299947

Chinese OBOR Initiative

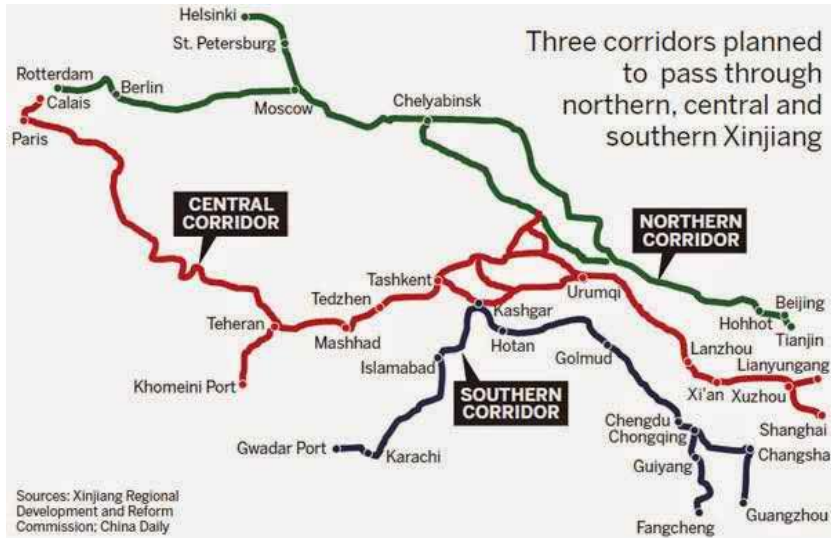
China's approach to the NSR is multi-pronged and multi-dimensional and perhaps the most ambitious of all NSR initiatives. OBOR is the combination of a land-based Silk Road Economic Belt and a sea-based 21st Century Maritime Silk Road.

On one hand, it enables China's energy consuming industrial base to acquire inputs from a wide variety of sources, on the other hand, it facilitates the energy-rich Central Asian states to replenish energy supplies not only to China but also to energy-starved consumers in Europe, Africa, and Asia. In the bargain, China is ensuring that the new financial institutions it has created will provide fiscal support to the developing nations to lay down the requisite infrastructure for meeting the demands of the consumers. China has deployed funds totalling around US\$100 billion: US\$40 billion to the Central Asia-focused Silk Road Fund, US\$50 billion to a new Asian Infrastructure Investment Bank (AIIB), and US\$10 billion to the BRICS-led New Development Bank.¹² These initiatives are fraught with the peril of the risk of hitting a "return wall" by pouring huge investment into low-return projects in high-risk countries¹³ but China's economic planners are willing to take this risk. It is that they, too, have risen like a phoenix from the ashes of deprivation and despondency thus appreciating the essence of a helping hand and want to take their less fortunate neighbours along to benefit from their largesse and climb out of the well of poverty.

¹²Matthieu Boussichas & Patrick Guillaumont, "Financing Sustainable Development: Addressing Vulnerabilities," Fondation pour les études et recherches sur le développement international (Ferdi), 2015, Clermont-Ferrand (France) 83.

¹³François Godement, Agatha Kratz, "One Belt, One Road": China's great leap outward," London: *European Council on Foreign Relations*, June 10, 2015, http://www.ecfr.eu/publications/summary/one_belt_one_road_china_s_great_leap_outward3055

China's Planned Economic Corridors



Source: *China Daily* (Beijing), June 28, 2014.

Genesis of the CPEC

The CPEC is a comprehensive 15-year development project between Pakistan and China spanning 2015-2030 that entails the linking of Gwadar Port to China's north-western region of Xinjiang through highways, railways, oil and gas pipelines, and an optical fibre link. Strategic energy cooperation between the two countries had been implemented before the proposal of the corridor. During the former Chinese Premier Wen Jiabao's visit to Pakistan in December 2010, the National Energy Administration (NEA) of China and the Ministry of Petroleum and Natural Resources of Pakistan issued a Memorandum of Understanding (MoU) on the establishment of energy working-group mechanism. The first meeting of this group was held in August 2011, during which both sides had a thorough exchange of views on the development of electricity, coal, oil, gas and new energy industries. A cooperative programme was generated to help Pakistan alleviate energy shortages at the second meeting in Pakistan in May 2012. The group was absorbed in the framework of the CPEC in 2013. At

the third meeting in January 2014, both the countries reached consensus on nuclear power, electricity, coal and renewable energy, and agreed to set up a research team to promote energy cooperation for the construction of the CPEC, mainly including coal exploitation, oil and gas extraction, mining and transportation, electric wire net arrangement, *etc.*¹⁴

It is worth mentioning that Pakistan Army had already explored the possibilities of an inter-linked road network in 1997.¹⁵ President Xi Jinping envisaged the project in 2013, however, its idea was floated in Pakistan during the visit of China's Prime Minister Li Keqiang in May 2013. Although Pakistan had just undergone General Elections in 2013, Premier Li met Pakistan's Caretaker Prime Minister, President Zardari and Prime Minister designate Nawaz Sharif to reach important consensus on planning and constructing the CPEC. In February 2014, Pakistan's President Mamnoon Hussain visited China to discuss the plans for an economic corridor in Pakistan.¹⁶ During Prime Minister Sharif's visit to China in July, 2013, the construction of the CPEC was reiterated.¹⁷ April 2015 was a historic month for Sino-Pakistan relations when Chinese President Xi and Pakistani Prime Minister Sharif signed an agreement worth US\$46 billion for the CPEC.¹⁸

¹⁴Zhang Yuan, "The Significance of China-Pak Economic Corridor," *Blue Chip* (Islamabad), January 19, 2016.

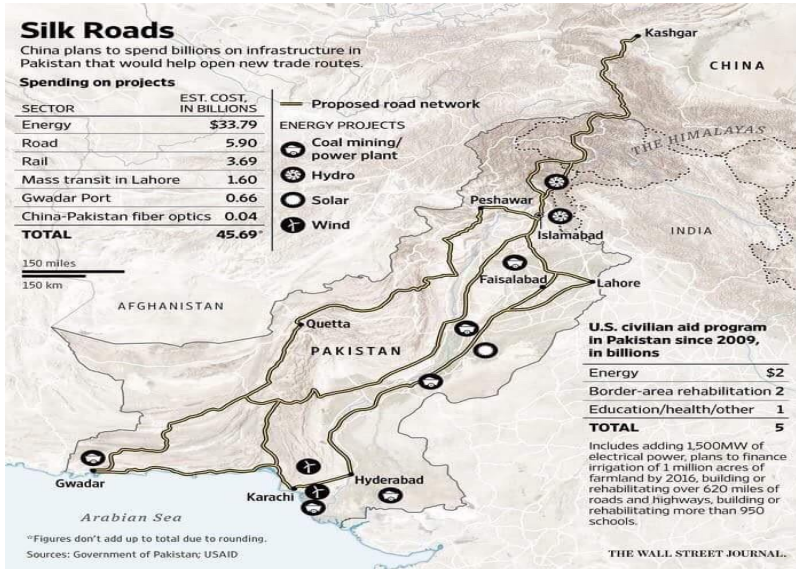
¹⁵When an internal research paper was prepared for the GHQ Rawalpindi called "The Army's Role in Nation Building" by Brigadier Riaz Ahmed Toor. This paper highlighted the need to develop a strong transportation network across all provinces by linking Gawadar and Karachi with the rest of the country for both peacetime and wartime periods. The CPEC's road network project can be considered as the true practical face of this research paper published some 18 years ago. Hassan Khan, "Is China-Pakistan Economic Corridor really a game changer?," *Pakistan Today* (Lahore), June 13, 2015

¹⁶ Shannon Tiezzi, "China, Pakistan Flesh out New Economic Corridor", *The Diplomat* (Tokyo) February 20, 2014.

¹⁷ S. M. Hali, "CPEC merits unity", *Daily Times* (Lahore), March 3, 2015.

¹⁸ S. M. Hali, "Xi's Mega Visit to Islamabad, *Daily Times* (Lahore), April 28, 2015.

China's Spending in US\$ for the Various Projects under the CPEC.



Source: <http://www.pakdef.org/forum/topic/10118-china-pakistan-economic-corridor/>

Dimensions of the CPEC

Financial Dimension

The CPEC as a project merits study *vis-à-vis* its various dimensions. The financial aspect is of prime consideration. In November 2014, Chinese Government announced that it will finance Chinese companies to build energy and infrastructure projects in Pakistan as part of the CPEC. Documents show that China has promised to invest around US\$33.8 billion in various energy projects and US\$11.8 billion in infrastructure projects which will be completed by 2017. The deal includes US\$622 million for the Gawadar Port. Under the CPEC agreement, US\$15.5 billion worth of coal, wind, solar and hydro energy

projects will add 10,400 megawatts of energy to the national grid of Pakistan.¹⁹

On April 20, 2015, Pakistan and China signed an agreement to commence work on the US\$46 billion agreement, which is roughly 20 per cent of Pakistan's annual GDP,²⁰ with approximately US\$28 billion in immediate projects and the rest allocated for projects in the pipeline.²¹ The deal includes a US\$44 million fiber optic cable and will add 10,400 megawatts to Pakistan's energy grid through coal, nuclear and renewable energy projects.²²

As regards to the source of the financing, Liu Jianchao, Assistant Foreign Minister of China, has stated that "several different facets will be utilised for the financing of these projects. Both sides will increase cooperation to jointly provide financing support." On the question as to whether AIIB or the Silk Road Fund will be used, he commented, "...at present these [projects] are being looked into, or are in the planning stages. So, at the moment, we are not considering using these mechanisms or platforms or financial organisations to provide financing."²³ Prime Minister Sharif, on the other hand, commenting on the source of funding, stated that the funding is neither a loan, nor a grant but an investment.²⁴

¹⁹Mian Abrar, "The case of CPEC funding," *Pakistan Today*, (Islamabad), June 6, 2015.

²⁰Irfan Haider, "Details of agreements signed during Xi's visit to Pakistan," *Dawn*, (Islamabad), April 20, 2015.

²¹Ministry of Planning Development & Reforms, Pakistan "China Pakistan corridor is fate changer for Pakistan and region," *Press Release*,

²²Irfan Haider, "Details of agreements signed during Xi's visit to Pakistan," *Dawn*, (Islamabad), April 20, 2015.

²³"US\$ 46 billion Pakistan China-Economic Corridor will not use Asian Bank funds," *South China Morning Post*, (Hong Kong) April 17, 2015.

²⁴"Chinese investment neither loan nor grant: Nawaz Sharif," *Dawn* (Karachi), April 29, 2015.

Technical Dimension

This dimension includes developing the basic infrastructure in which, the first phase involves development at the Gwadar Port and the construction of an international airport, which will be carried out by 2017 with the participation of Chinese companies. The Karakoram Highway (KKH) connecting the two countries is also being widened, while the rail network between Karachi in southern Pakistan and Peshawar in the north will be upgraded. The two countries also plan a fibre-optic communications link between them. There are certain early harvest projects, which will be completed at an early date. The Western Route, which starts from Gawadar and goes to Kashgar in China via Balochistan, KP and Punjab, will be built on a priority basis and most of its sectors would be completed by December 2016 as dual carriage way at the outset. Eventually, there should be a motorway linking Gawadar with the rest of the country along the western route after operationalisation of Gawadar Port as traffic on the Western route will increase substantially.²⁵ A total of 51 MoUs were signed in diverse sectors between China and Pakistan during the visit of President Xi to Pakistan on April 20, 2015. Major projects under the corridor umbrella are as under:

²⁵ “Parliamentary Committee on CPEC,” Press Release, Raza Abbas, *Medialine Pakistan* (Karachi), October 26, 2015.

Major Projects of CPEC

Project	Details
<i>Gawadar Port</i>	<i>Completed It has been handed over to China for 40 years starting 2015</i>
<i>Upgrading of Karachi-Peshawar Main Line</i>	<i>Feasibility study underway</i>
<i>Khunjerab Railway</i>	<i>Feasibility study underway</i>
<i>Karachi-Lahore Motorway (KLM)</i>	<i>Approved It is under construction since 2015. The project is expected to be completed by the end of 2017. After its completion, Karachi will be connected with Sukkur, Multan, Lahore, Faisalabad, Rawalpindi, Islamabad, Peshawar, by a high speed, controlled access 6 lane highway where commuters can travel at 120 km/hr. The network of Pakistan motorways will be connected to Karakorum Highway near Rawalpindi/ Islamabad. Hazara Motorway will be connected to M-1 and M-2 near Islamabad.</i>
<i>Havelian to Khunjerab Rail track</i>	<i>Approved</i>
<i>Hazara Motorway (E-35 Expressway)</i>	<i>Under construction It connects with M-1 and M-2 at Burhan, near Islamabad/ Rawalpindi. This motorway connects Havelian, Abbottabad and Mansehra with Burhan. It will be a 120 km high speed, controlled 6 lane road. The project is expected to be completed before the end of 2016</i>
<i>Iran-Pakistan Gas Pipeline</i>	<i>Under construction, Iran's part of the pipeline is complete.</i>
<i>Gawadar-Ratodero Motorway</i>	<i>Under construction It is approximately. 820-km long, and expected to be completed by December 2015</i>
<i>Economic Corridor Support Force</i>	<i>Completed Armed division of the army for security of workforce that costs US\$250 million has also been raised.</i>
<i>Havelian Dry Port</i>	<i>Feasibility study underway for the container port</i>
<i>Orange Line (Lahore Metro)</i>	<i>Approved</i>

Regional and Global Scenarios of the CPEC

	<i>The work has been started. The project is expected to be completed towards the end of 2017</i>
<i>Upgrading of Gawadar International Airport</i>	<i>Approved. The work has been started and the project is expected to be completed by December 2017</i>
<i>China-Pakistan Joint Cotton Bio-Tech Laboratory</i>	<i>Approved</i>
<i>Gawadar-Nawabshah LNG Terminal and Pipeline Project</i>	<i>Approved</i>
<i>700 MW Hydro-Electric SukiKinari Hydropower Project</i>	<i>Approved</i>
<i>Port Qasim 2x660MW Coal-fired Power Plants</i>	<i>Approved</i>
<i>720MW Karot Hydropower Project</i>	<i>Approved</i>
<i>Zonergy 9x100 MW solar project in Punjab</i>	<i>Approved</i>
<i>Jhimpir Wind Power project</i>	<i>Approved</i>
<i>Thar Block II 3.8Mt A mining Project</i>	<i>Approved</i>
<i>Thar Block II 2x330MW Coal Fired Power project</i>	<i>Approved</i>
<i>Development of Private Hydro Power Projects</i>	<i>Approved</i>
<i>Dawood Wind Power Project</i>	<i>Approved</i>
<i>Hubco Coal-fired Power Plant Project</i>	<i>Approved</i>
<i>Cross-border Fibber Optic Data Communication System Project, a digital terrestrial multimedia broadcast pilot project at Murree</i>	<i>Approved</i>

Source: <http://www.dawn.com/news/1177129>

Corporate Deimension

The 15-year project is being executed in four phases:

First Phase: 2018 – Early Harvest

The first phase of the economic corridor is focused on the “Early Harvest” scheme of the CPEC, which will be completed by December 2017. It will bring transformational change by solving the problems of energy and infrastructure sector. In this phase, the road connectivity would also be completed to interconnect not only all the provinces but also the entire region.

Second Phase: 2020

Second phase of the CPEC envisages the construction of cross-border optical fibre cable system between China and Pakistan; textile garments industrial park projects in Pakistan; numerous ventures in the energy sector yielding power from various sources comprising hydel, coal, wind, solar and nuclear, entailing the development of coal mining projects, construction of dams and the installation of nuclear reactors; besides creating a network of roads, railway lines and oil and gas pipelines. Agreements have been made to construct a new airport, Eastbay Expressway, fully equipped hospital, technical & vocational training institute, water supply and distribution, infrastructure for free-zone and export processing zones, port related industries, refineries, and marine works.

Major Chinese companies investing in Pakistan’s energy sector will include China’s Three Gorges Corporation, which built the world’s biggest hydro power project, and China Power International Development Ltd.

Under the agreement signed by the Chinese and Pakistani leaders at a summit in Beijing recently, US\$15.5 billion worth of coal, wind, solar and hydro energy projects will come online by 2017 and add 10,400 megawatts of energy to the national grid. An additional 6,120 megawatts will be added to the

national grid at a cost of US\$18.2 billion by 2021. The transport and communication infrastructure — roads, railways, cable, and oil and gas pipelines — will stretch at about 2,700 km from Gawadar on the Arabian Sea to the Khunjerab Pass at the China-Pakistan border in the Karakorum.

Starting in 2016, the Chinese companies will invest an average of over US\$7 billion a year until 2021, a figure exceeding the previous record of US\$5.5 billion foreign direct investment (FDI) in 2007 in Pakistan.

Third Phase 2025

The third phase of CPEC mostly comprises of major upgrades to Pakistan's ageing railway system, including rebuilding of the entire Main Line 1 railway between Karachi and Peshawar by 2020; this single railway currently handles 70 per cent of Pakistan Railways traffic. In addition to the Main Line 1 (railway), upgrades and expansions are slated for the Main Line 2 and 3 (railway). The CPEC plan also calls for completion of a rail link over the 4,693-meter high Khunjerab Pass. The railway will provide direct access for Chinese and East Asian goods to Pakistani seaports at Karachi and Gawadar by 2030.

Procurement of an initial 250 new passenger coaches and reconstruction of 21 train stations are also planned as part of the first phase of the project – bringing the total investment in Pakistan's railway system to approximately US\$5 billion by the end of 2019. 180 of the coaches are to be built at the Pakistan Railways Carriage Factory near Islamabad, while the Government of Pakistan intends to procure an additional 800 coaches at a later date, with the intention of building 595 of those coaches in Pakistan.

Fourth Phase Long Term 2030

Longer term projects under CPEC also call for construction of the 682 kilometre long Khunjerab Railway line from the city of Havelian to the Khunjerab Pass on the Chinese border, with

extension to China's Lanxin Railway in Kashgar, Xinjiang. The railway will roughly parallel the KKH, and is expected to be completed in 2030.

The cost of the entire project is estimated to be approximately \$12 billion, and will require five years for completion. A 300 million rupee study to establish final feasibility of constructing the rail line between Havelian and the Chinese border is already underway. A preliminary feasibility study was completed in 2008 by the Austrian engineering firm TBAC.

Special Economic Zones

Beyond the initial phase, there are plans to establish Special Economic Zones (SEZs) in the Corridor where Chinese companies will locate factories. Extensive manufacturing collaboration between the two neighbours will include a wide range of products from cheap toys and textiles to consumer electronics and supersonic fighter planes. The basic idea of an industrial corridor is to develop a sound industrial base, served by competitive infrastructure is a prerequisite for attracting investments into export oriented industries and manufacturing. Such industries have helped succession of countries like Indonesia, Japan, Hong Kong, Malaysia, South Korea, and Taiwan, China and now even Vietnam rise from low-cost manufacturing base to more advanced high-end exports.

As a country's labour gets too expensive to be used to produce low-value products, some poorer country takes over and starts the climb to prosperity. Once completed, the CPEC with a sound industrial base and competitive infrastructure combined with low labour costs is expected to draw growing FDI from manufacturers in many other countries looking for a low-cost location to build products for exports to rich (The Organization for Economic Cooperation and Development) OECD nations.

Borrowing the concept from corporate China, the establishment of SEZs along the CPEC where Chinese factories will be located is likely to boost the manufacturing sector. The idea of SEZs has already been a successful phenomenon, besides China, in Japan, Indonesia, Hong Kong, Malaysia, South Korea, Taiwan and Vietnam where low-cost manufacturing provides the impetus to the production of high-end exports; thus it is expected that this time-tested methodology will bear fruit in Pakistan as a success story.

Logistic Dimension

To provide overall policy guidance on the CPEC, a Project Management Unit (PMU) has been set up in the Planning Commission and a functional unit in the Prime Minister's Office and concerned ministries. The PMU will take all relevant ministries and organisations on-board including ports and shipping, railways, communications, IT and telecom, Board of Investment, Information Broadcasting and National Heritage, Economic Affairs Division, Petroleum and Natural Resources, Federal Board of Revenue, National Highway Authority, Civil Aviation Authority, international development partners and the private sector to work together in achieving the desired objectives.²⁶

Challenges to the CPEC

Security

Major threat to the CPEC is from Pakistan's challenges to its security and stability. Militants in the tribal areas, insurgency in Balochistan and, violence in Karachi, are believed to be causes of concern. To meet this challenge head on, a special division of Pakistan Army has been created to ensure the security of the Chinese nationals

²⁶Annual Plan 2015-16, Ministry of Planning & Development (Islamabad), Chapter. 27.,207. <http://www.pc.gov.pk/wp-content/uploads/2015/06/Ch27-Transport-logistic.pdf>

working on the CPEC.²⁷ Operating under the command of a Major General, the 12,000 men force will provide aerial support and state-of-the-art surveillance and monitoring systems to pre-empt terror attacks.²⁸

Indian Reservations

India has strong reservations regarding the CPEC but prior to the Indian Prime Minister Narendra Modi's visit to Beijing in September 2014, it formally registered a strong protest against the construction of the CPEC. According to Indian media, Chinese Ambassador to New Delhi was summoned by the External Affairs Ministry and informed that since the project was also being routed through Kashmir over which India staked claims, it had serious reservations.²⁹ President Xi had dismissed objections, describing the economic corridor as a "commercial project."³⁰

RAW Factor

Reportedly, in addition to opposing the CPEC, Indians have unleashed their spy agency RAW to sabotage the project. Pakistani Ministry of Interior officials have stated that their Chinese counterparts in a special briefing have expressed these fears.³¹

²⁷Zahid Gashkori, "Army assigned security of Chinese engineers," *Express Tribune*, (Karachi), April 22, 2015.

²⁸"Pakistan to deploy 10,000 army personnel for safety of CPEC workers," *News International* (Islamabad), November 02, 2015.

²⁹NDTV report, "Before PM Narendra Modi's Trip, India Objects to China's \$46 Billion Economic Corridor with Pakistan," May 12, 2015, <http://www.ndtv.com/india-news/before-pms-trip-india-objects-to-chinas-46-billion-economic-corridor-with-pak-762533>

³⁰ "India raises objections over China Pakistan Economic Corridor," *Express Tribune* (Karachi), May 12, 2015.

³¹"RAW at frontline to sabotage economic corridor, China warns Pakistan," *Express Tribune* (Karachi), May 22, 2015.

Political Wrangling in Pakistan

A number of politicians have criticised the project on the basis of its route and the priorities accorded.³² While some politicians jumped on the bandwagon of naysayers because of not having understood the various dimensions of the all pervasive nature of the CPEC. Khyber Pakhtunkhwa alleged a change in the route while Baloch people expressed concern that because of the CPEC, there may be mass migration of people from other provinces, depriving the locals from reaping the benefits from the project.

To allay the misgivings and obtain consensus on the route, on May 28, 2015 Prime Minister Sharif called on all the parliamentary parties and all parties assured their support for the projects.³³ The All Parties Conference agreed that the western route of the corridor (which pass through Khyber Pakhtunkhwa and North Balochistan) would be completed first, which would be built from Attock District at Hasan Abdal to Gwadar, passing through Mianwali District, Dera Ismail Khan, and Zhob.³⁴

Matching China's Pace

China has commenced work on OBOR, NSR as well as the portion of the CPEC, which lies across the border inside China. A visit to Kashgar and other cities in Xinjiang province enabled this scribe in August 2015 to study the pace and extent of work on the CPEC inside China. Kashgar, which is the northern end of the

³²Dr. Ahmad Rashid Malik, "Route alignment controversy," *The Nation* (Islamabad), February 28, 2015.

³³Irfan Haider, "Parties pledge to take full political ownership of CPEC," *Dawn* (Islamabad), May 28, 2015.

³⁴"Political parties evolve consensus on Pak-China Economic Corridor route," *Geo TV* Report, May 28, 2015, <http://www.geo.tv/article-186230-APC-underway-to-build-consensus-on-China-Pakistan-Corridor>

economic corridor, is also the launching pad of the NSR into Central Asia and beyond.³⁵ Pakistan must match China's pace of construction and execution of the project otherwise it may lag behind and create impediments in the overall plan of the CPEC.

Regional and Global Scenarios

The two hubs of the CPEC — the dry port of Kashgar at the Northern end while the strategic deep sea port of Gwadar at the southern end — provide connectivity not only for Pakistan and China but also for the landlocked countries of the Central Asia and Afghanistan. Ports play an essential part in the economic uplift of a region. Empirical analysis of other regional states, especially of South East Asia, indicates that multiple ports operating in regional countries have led to trade volume expansion, and not contraction, for the early players in the business.

The new ports in other parts of the world actually became new nodes for trade activity opening up those regions for international trade, which were hitherto closed off or were inaccessible. The transshipment business can also open new opportunities that will arise by reducing the transportation cycle costs and by investing in the freight forwarding and transshipment opportunities in Gwadar, which shall be beneficial for Pakistan, China and other land locked Central Asian states.³⁶

International Interpretation

Not every country is welcoming the project. According to the 'String of Pearls' theory, coined in 2005 by the US consulting firm Booz Allen Hamilton, China will try to expand its naval presence by building civilian maritime infrastructure along the

³⁵ S. M. Hali, "CPEC- view from Kashgar," *Pakistan Observer* (Islamabad), July 31, 2015.

³⁶ "CPEC will strengthen regional connectivity," *Nation* (Islamabad), July 13, 2015.

Indian Ocean periphery.³⁷ This corridor is one of the many mega-projects planned by China in Central, South and South East Asia for expanding its political and economic influence to counter the relatively better established US sphere of influence in the region.³⁸ The US has a similar agenda in the form of 'Pivot to Asia', which is aimed at countering China's economic and military expansion in Asia-Pacific. According to a report published in 2013 by the London-based policy think tank Chatham House, 'The increasing complexity of the Asia-Pacific region demands US attention, and the United States remains well-positioned to play a pivotal role in the region through the 21st century.'³⁹ Resultantly, the US has partnered itself with key players in the region such as India, Japan, Indonesia and Singapore to prevent China from spreading its influence.

Pakistan's Position

The big power game has placed Pakistan in a unique position. It can potentially balance the major power rivalries and promote trade cooperation in the region as it enjoys good relations with both the West and China. Historically, there is a precedence when a similar initiative had been taken by General Yahya Khan's regime in 1970⁴⁰ that brought the two great powers on the diplomatic table and, in current scenario trade-oriented diplomacy by Pakistan can help reduce the complexities of this rivalry.⁴¹

³⁷ Virginia Marantidou, "Revisiting China's 'String of Pearls' Strategy," *Issues & Insights*, vol. 14, no. 7. (Washington: D.C.) Centre for Strategic and International Studies (Washington DC), June 24, 2014.

³⁸ Christopher J. Pehrson, "String of Pearls: Meeting the Challenge of China's Rising Power Across the Asian Littoral," *Carlisle Papers in Security Strategy*. (Carlisle: Strategic Studies Institute of the US Army War College, July 2006).

³⁹ Xenia Dormandy, "Prepared for Future Threats? US Defence Partnerships in the Asia-Pacific Region," (*Chatham House*. London: The Royal Institute of International Affairs, June 2012).

⁴⁰ Hassan Khan, "Is China-Pakistan Economic Corridor really a game changer?," *Pakistan Today* (Lahore), June 13, 2015.

⁴¹ *Ibid.*

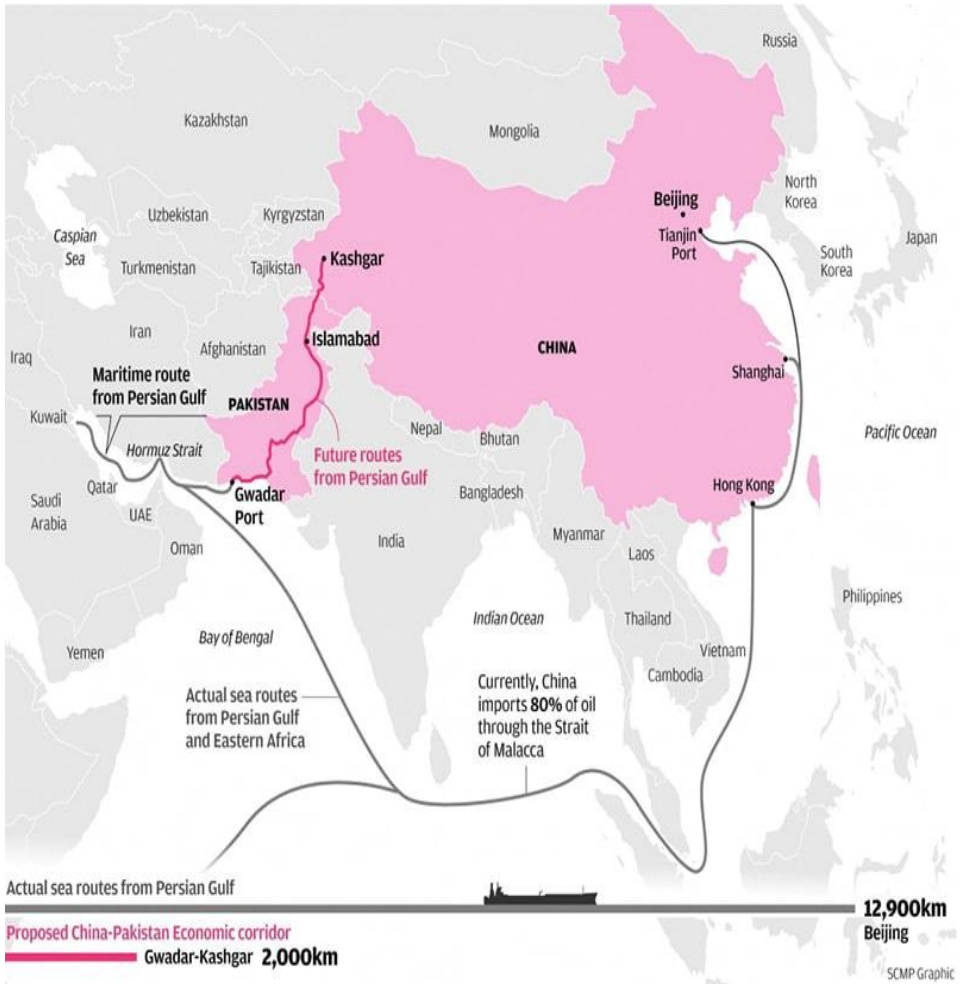
Benefits for China

As far as China is concerned, Gwadar Port has a special significance, as it will serve as the trade nerve centre for China, since most of its trade especially that of oil will be conducted through the port, which is already managed by Beijing.⁴² Currently, 60 per cent of China's oil is transported by ship from the Persian Gulf to the only commercial port in China, Shanghai, a distance of more than 16,000 km. The journey takes two to three months, during which time the ships are vulnerable to pirates, bad weather, political rivals and other security risks. Using Gwadar Port instead will reduce the distance these ships must travel and will also enable oil transfers to be made year-round.

⁴² Hayat Shandazi, "Importance of Gwadar," *Pakistan Observer* (Islamabad), January 24, 2016.

China's Gain

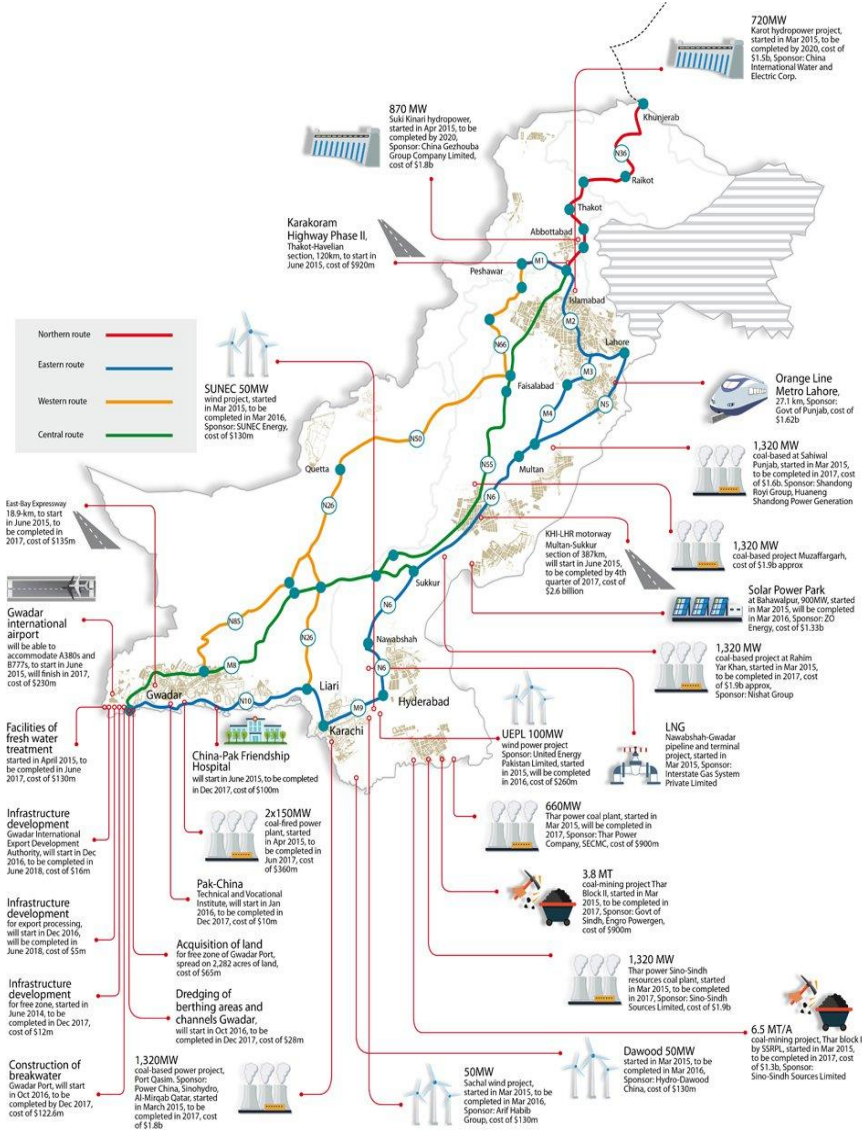
Reduced Distance of China's Maritime Trade due to Gwadar Port



Source: <http://www.dawn.com/news/1177116>

Benefits for Pakistan

Various Energy and Infrastructure Projects along Northern, Eastern, Western and Central Route of the CPEC.



Source: <http://tribune.com.pk/story/887949/china-pakistan-economic-corridor-lines-of-development-not-lines-of-divide/>

Conclusion

The CPEC has tremendous advantages for both China and Pakistan. Besides shortening the distance for transportation from Shanghai to Europe and oil from the Gulf to mainland China, it will enable China to play the role of a major imports-exports facilitator in the world. It will increase the volume of trade between Pakistan and China and further strengthen their economic ties. It will also expand trade with Afghanistan, create revenue prospects and job opportunities for Pakistanis as well as help develop Balochistan. Trade relations will usher in regional peace and elevate the quality of life of the people in South Asia. The CPEC will address the energy shortage issue in Pakistan as well as meet China's growing demands for fossil fuel. To accrue maximum benefit from the CPEC, Pakistan will have to address the political differences, create stability and address the law and order situation besides gearing up its bureaucratic process to match the pace of Chinese development goals.

Analysis of the Interplay between the China Pakistan Economic Corridor and One Belt One Road

*Du Youkang**

Abstract

The China-Pakistan Economic Corridor (CPEC) is closely related to the Silk Road Economic Belt and 21st-Century Maritime Silk Road. Currently, it has even become a flagship project of the “One Belt and One Road” (OBOR) initiative. The CPEC is located at a juncture where the Belt and Road meet, and also plays the irreplaceable key roles in the construction of OBOR, making it essential to the success of the OBOR initiative. Moreover, by becoming a strategic pillar of the OBOR initiative, a leading model of inter-regional connectivity, and presenting itself as a persuasive goal, the CPEC is destined to forward the OBOR initiative. Meanwhile, the OBOR initiative exerts significant influence on the Corridor: putting forwarding the guiding principles and concepts of co-construction; promoting its strategic position; expanding its function; making Gwadar Port the strategic pivot for the Maritime Silk Road and providing it financial support, and so on. Obviously, the Corridor and the OBOR initiative are bound to complement and supplement each other. Therefore, great importance should be attached to the position and roles of the Corridor in building OBOR, while the construction of the Corridor needs to align the overall development of the OBOR initiative practically.

Introduction

In May 2013, Chinese Premier Li Keqiang visited Pakistan and initiated the construction of the China Pakistan Economic Corridor (CPEC). Both, China and Pakistan signed the Memorandum of Understanding (MoU) on cooperation for the

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long-term planning of the CPEC. Later, President Xi Jinping, during his visit to Central Asia and Southeast Asia in September and October of 2013 respectively, put forwarded the initiative of jointly building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road (hereinafter referred to as the One Belt One Road, or abbreviated OBOR). Since then, the contents of the OBOR initiative have been enriched, improved and substantiated constantly. As a result the CPEC has become “a major project of the One Belt One Road initiative”.¹

It is a welcoming development that a number of projects of the CPEC, involved in Gwadar Port, energy, industrial and transportation infrastructure have started. Infact, remarkable progress has been made in building the CPEC, though the construction of OBOR has not yet substantively started in general. It is in favour of construction of both the CPEC and OBOR to get a clear and thorough grasp of their interdependent relationship and interplay. This paper primarily explains the following issues:

- To analyse the position of the CPEC in the OBOR initiative
- To examine the various roles that the CPEC can play in the construction of OBOR
- To asses as to how the OBOR initiative exerts positive influence on constructing the CPEC
- To see as to how the CPEC and OBOR complement and supplement each other

Strategic Position of the CPEC in the OBOR Initiative

The OBOR initiative involves more than 60 countries, and the situation in each country is quite different and very complex. So far, the construction of OBOR has not yet fully and substantively started in general. Of the OBOR construction, the CPEC is of bilateral cooperation in nature. It started earlier with

¹“H.E. Xi Jinping, Chin-Pak Dosti Zindabad,” *Daily Times* (Lahore), April 19, 2015.

solid basis for cooperation and huge investment. Especially, the leaders of China and Pakistan have paid attention to it², and both the governments have cooperated closely on it. Due to the strategic cooperative partnership and the long-standing ties between China and Pakistan, it also has good condition for mutual benefits and win-win outcomes.

As an important part of OBOR, the CPEC is the top priority of the current OBOR construction. Chinese people often say that a good beginning is half the battle. In the long run, it will become a decisive factor in the success of the OBOR initiative to achieve the expected objectives of the CPEC. To put in other words, success of the OBOR initiative is contingent upon success of the CPEC to a large extent, and if it fails, by any means, the OBOR initiative will be the hardest hit. Thus, the construction of the CPEC has become an important symbol and an indicative reference point in the process of building of OBOR.

In addition, the CPEC is geographically located at the juncture of East Asia, South Asia, West Asia, Central Asia and the Indian Ocean. Since long, due to various reasons, in this region, the land passage has been inaccessible; sea and land communication has been blocked. Landlocked Central Asian countries have been lacking an ideal sea gate while the trade among East Asia, West Asia and the coastal areas of the Indian Ocean is entirely dependent on the sea. More importantly, the CPEC connects the Silk Road Economic Belt with the land routes, in the north, and faces, in the south, the 21st-Century Maritime Silk Road on the sea.

Once the construction of the CPEC has achieved the expected goal, the CPEC will surely become the main communication bridge and strategic channel between the land

²During Chinese President Xi's state visit to Pakistan in April 2015, he and Prime Minister Nawaz Sharif witnessed both sides signed as many as 51 MoUs and agreements, 30 of which were related to the CPEC. See Abrar Saeed & Maqbool Malik, "Pakistan, China begin an epoch unparalleled," *Nation* (Islamabad) April 21, 2015.

and maritime silk roads, thus connecting OBOR. It is important to mention that both, the CPEC and OBOR will complement and supplement each other. In this sense, the CPEC has the potential to become a strategic hub. Taking all this into consideration, therefore, the CPEC occupies an irreplaceable position and is of both symbolic and practical significance in the construction of OBOR.

Roles Played by the CPEC in the OBOR Initiative

The CPEC may play important roles in the construction of OBOR, some of which are unique and irreplaceable.

Leading Role

At present, project of the CEPC has been decided to implement on the basis of “1+4” cooperation pattern: cooperation in Gwadar Port, energy, transportation infrastructure and industry. The National Development and Reform Commission of China (NDRC) and the Ministry of Planning, Development and Reforms of Pakistan have been striving to carve out a long-term plan of gradual implementation of the CPEC in accordance with the principles of priority for efficient, ordered, and steady implementation. In the last two years, leaders and governments of the two countries have comprehensively promoted the CPEC construction, while the Joint Working Groups of the two sides are striving to develop the CPEC long-term plan. Due to the geographic location of the CPEC, its construction will have a positive impact on the surrounding countries and regions and exert its influence there. As construction of the CPEC speeds up, the two sides will continue to draw the successful experiences and useful lessons. Regardless of the aspect of long-term plan or areas, contents and modes of cooperation, the CPEC will play a leading role in the construction of OBOR.

Role model of Inter-state Connectivity

China and Pakistan are countries with ancient civilisations, and their traditional friendship can be traced back to 2,000 years ago. Since the establishment of their formal diplomatic relations in 1951, both China and Pakistan have remained good neighbours and good friends. They have mutually supported and cooperated with each other. This unique “all-weather strategic partnership” and relationship is reputed “as a model in inter-state relations”.³ In view of this special relationship and solid foundation for cooperation between China and Pakistan, both countries will work together in the construction of CPEC, and take the lead in building “a community of shared interests, destiny and responsibility featuring mutual political trust, economic integration and cultural inclusiveness”.⁴ No doubt, the construction of the CPEC will play an important and exemplary role and become the model of interconnection and mutually beneficial cooperation between China and other countries along OBOR.

Role of a Significant Pillar

Gwadar Port is located in the northern wing of the Persian Gulf, close to the Arabian Sea and the Indian Ocean and near to many important shipping lanes. It is worthwhile pointing out that those lanes lead Persian Gulf to East Asia, Africa and Europe by the Red Sea, including the offshore oil “lifeline” of the world. In close proximity with the Arabian Sea and the Indian Ocean, Gwadar Port is located in the north of the Persian Gulf. It is situated near to the shipping lanes that lead to the Gulf, East Asia, Africa and Europe, including the offshore oil

³Ambassador Masood Khan, “Pakistan-China Relations,” speech delivered at Fudan University, Shanghai, March 3, 2011, in Du Youkang, ed., *A model of State-to-State Relations: Retrospect and Prospects of the Close Ties between China and Pakistan Since 1951* (Beijing: Current Affairs Press, 2012), 189.

⁴National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People’s Republic of China, with State Council authorisation, “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road,” March 2015.

“lifeline” of the world. The phase-I of the Gwadar Port project construction was mainly aided by China. After its completion on April 2005, it was put into operation and transferred to Pakistan. In February 2013, according to the agreement approved by the Pakistan government, the China Overseas Ports Holdings Company Limited (COPHC) took over it from the Port Singapore Authority (PSA) International, received its franchising license, and undertook its construction and operation. In the construction of the CPEC, Gwadar Port is the major project, but at the same time it is also a main node on the Maritime Silk Road. Considering Gwadar Port’s strategic position and important function in both the CPEC and the Maritime Silk Road, it naturally becomes a significant pillar in the construction of OBOR.

Role of Promotion

The construction of OBOR is designed to accelerate orderly and free flow of goods and services, highly efficient allocation of resources and deep integration of markets. It seeks to align and coordinate the development strategies of the countries along the OBOR, which will help promotion of investment and job opportunities. Compared with the other projects in the present construction of OBOR, the CPEC has the best basis. It has achieved fastest progress, most fruitful cooperation and solid results so far. Therefore, the significant benefits, successful experience and win-win situation of the CPEC will encourage and attract the countries along OBOR to take an active part in the OBOR project, thereby facilitating deep regional cooperation and integration of higher standards.

Impact of OBOR on the CPEC

The construction of OBOR is bound to have a great impact on the CPEC.

First, OBOR will increase functions and strategic status of the CPEC significantly and upgrade its strategic status. The idea of the CPEC, a major bilateral cooperation project between

China and Pakistan, was put forward before the OBOR initiative. But now the OBOR project has become China's major national development strategy and the CPEC its important component. Given the CPEC's position and roles in OBOR, the CPEC is not only a significant project of bilateral cooperation between China and Pakistan, but also is expected to be lifted as a major bridge and a strategic passageway in the surrounding regions, thus playing a vital role in the geo-economic cooperation of the whole Indo-Pacific region.

Second, the principles and ideas of co-construction, and the cooperative pivots of OBOR will guide the construction of the CPEC. The principle of co-construction of the OBOR initiative is to abide by the five principles of peaceful coexistence, insistence on opening up and cooperation, sticking to the harmony and tolerance, advocating civilizational diversity and inclusiveness, adhering to the market operation and emphasis on mutual benefit and win-win outcomes. The OBOR construction also follows the ideas of "peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit", and "promotes practical cooperation in all fields, and works to build a community of shared interests, destiny and responsibility featuring mutual political trust, economic integration and cultural inclusiveness".⁵ OBOR focuses on the cooperation on "policy coordination, connectivity, unimpeded trade, financial integration and people-to-people bonds as their five major goals".⁶ All of this has important guiding significance to the CPEC.

Third, the construction of Maritime Silk Road makes Gwadar Port its strategic pillar which is expected to become the sea gate for Central Asia to the Indian Ocean and the main transshipment port for Central and South Asia. However, Afghanistan problem poses a bigger impediment in fully realising Gwadar Port's economic potential. During his visit to Kazakhstan in August 2015, Prime Minister of Pakistan, Nawaz Sharif invited Kazakhstan to connect the CPEC with the Silk

⁵Ibid.

⁶Ibid.

Road Economic Belt, and he got positive responses from Kazakhstan.⁷ This means that the strategic bridge and channel between Central Asia and the Indian Ocean will be built, and Central Asia may become the economic hinterland for the Gwadar Port. In this sense, Gwadar Port will be transformed into a regional trade, shipping and transportation hub while avoiding the trouble of Afghanistan problem successfully.

Fourth, OBOR will promote the anti-terrorism cooperation in the region, including the area of the CPEC. In the regions along OBOR, the issue of terrorism is quite serious. Due to various historical, geographical and social reasons the border areas of Pakistan and Afghanistan have become the hiding place for some members of residual al-Qaeda and terrorist groups. Moreover, to some extent, those areas are also the birthplace of some terrorist activities within the region and even beyond. As a frontline state in the war against terrorism, Pakistan has paid a high cost and made significant sacrifices for it. However, though failing to complete its anti-terrorism goal, the US withdrew a large number of combat troops from Afghanistan, and the major restrictions on al-Qaeda and other terrorist or extremist forces are sharply weakened, which may lead to their “spill over” to the surrounding regions. Solving the terrorism problems in Pakistan and Afghanistan needs international cooperation, especially among the surrounding countries. It is necessary to strengthen international cooperation against terrorism for the construction of OBOR. The Shanghai Cooperation Organisation (SCO) has elevated the level of such cooperation quite successfully. The construction of OBOR needs to facilitate the anti-terrorism cooperation between the relevant countries in this field, thereby providing favourable international environment for anti-terrorism in the areas involved in the CPEC.

⁷PKONWEB Staff, Pakistan offers Kazakhstan access to the Arabian Sea via China Pakistan Economic Corridor, PKONWEB, August 27, 2015, <http://www.pkonweb.com/2015/08/pakistan-offers-kazakhstan-access-to-the-arabian-sea-via-china-pakistan-economic-corridor/>

Finally, the OBOR initiative provides financial support to projects like the CPEC by the creation of The Silk Road Fund. During President Xi's state visit to Pakistan, it was announced that the Silk Road Fund would inject capital in China Three Gorges South Asia Investment Limited to jointly develop Pakistan's Karot Hydropower plant and other clean energy projects. This is the first investment project built after the Silk Road Fund was set up. This marks that the Silk Road Fund, a US\$40 billion fund, starts to carry out the substantial investment. In the process of CPEC construction, it is reasonable that the Silk Road Fund and Asian Infrastructure Investment Bank (AIIB) should continue to provide considerable financial support to the CPEC-related projects.

Recommendations

First, while formulating the development plan for OBOR, great importance should be attached to the strategic position and key roles of the CPEC to further improve the strategic planning and layout for OBOR. Meanwhile, when making the CPEC long-term plan based on the full consultation with Pakistan, we should take account of the overall development of OBOR, and integrate the CPEC with it as closely as possible. Only through this, can the overall planning and all-round consideration be made and benign interaction be achieved. In this way the CPEC and OBOR will complement and supplement each other.

Second, during the OBOR construction, the first priority is to ensure the investment of manpower, financial and material resources with special focus on construction of the CPEC. As is well known, the OBOR construction involves many countries that pose long-term, arduous and complex challenges. Relatively, the projects of the CPEC are bilateral in nature, and have the good foundation and conditions. Therefore, China and Pakistan should complete the early harvests in quantity and quality as soon as possible in the construction of the CPEC, so that it can become the first to seize the opportunity and achieve a breakthrough development to further promote the greater cause of OBOR.

Third, the construction of OBOR is an unprecedentedly great and systematic program. As its flagship project, the CPEC should become a “pioneer project” in the construction, which is expected to break new paths and be innovative. Successful experience should be timely summarised during building the CPEC in terms of planning, constructing industrial parks and engineering projects, strengthening solidarity and coordination, and maintaining security so as to timely apply the experience to OBOR construction. At the same time, useful lessons should also be drawn in order to avoid repeating the same mistakes in the other projects of OBOR.

Fourth, the CPEC and OBOR will start to construct different industrial parks, launch a large number of investments or contract projects. This will raise the issues of the vital interests of the relevant regions such as land, environmental protection, labour arrangement, *etc.* Before commencement of a project, be it a Chinese company venture or a joint venture enterprise, the companies need to deal with the concerns of the relevant local authorities and the interest groups appropriately, and actively harmonise the divarication between them, if any. During the project construction, the local laws, regulations and traditional customs should be abided by, and the necessary social responsibility should be taken. The involved companies or enterprises should pay attention to train local professional talents, provide employment opportunity and assist in the local social and economic development so as to integrate the interests of all parties and share the benefits of related projects.

Conclusion

One Belt One Road is a great and systematic project in the 21st century, which, besides the CPEC, covers a new Eurasian land bridge, the China-Mongolia-Russia Economic Corridor, the China-Central Asia-West Asia Economic Corridor, the China-Indochina Peninsula Economic Corridor and the Bangladesh-China-India-Myanmar Economic Corridor. Among them, the CPEC occupies an irreplaceable position and plays

unique roles. It is of both symbolic and practical significance in the construction of OBOR. In this regard, President Mamnoon Hussain has predicted that the CPEC will be a “monument of the century” benefitting “billions of people” in the region.⁸ In short, the CPEC is essential to the success of the OBOR initiative. Meanwhile, the OBOR initiative is casting a positive impact on the construction of the CPEC. In the long run, building the CPEC and construction of OBOR are bound to complement and supplement each other. Nevertheless at present, it is imperative to ensure the success of the CPEC construction with favourable policies including investment of manpower, financial and material resources, which will offer a common prosperity of most countries along the One Belt One Road eventually.

⁸Zofeen T. Ebrahim, “China’s new silk road: What’s in it for Pakistan?,” *Dawn* (Karachi), April 20, 2015.

China Pakistan Economic Corridor: Analysing the Indian Factor

*Malik Muhammad Ashraf**

Abstract

The Silk Road or the Silk Route is centuries-old and historically important international trade route between China and the Mediterranean littoral states. This road, spanning more than 4000 km, traversing India along South and Central Asia to Europe and Africa, not only served as a conduit for trade between the countries situated along the route but also allowed free flow of ideas and cultures among other regions and civilisations. During this time, China was a thriving economy. as a large proportion of the trade along this ancient road comprised Chinese silk, it was known as the ‘Silk Road’ as endorsed by Ferdinand von Richthofen, an eminent German geographer in 1877. China, buoyed by its phenomenal rise as the second economic power in the world, has planned to revive the old Silk Route under the new concept called “One Belt, One Road” envisioned by the Chinese President, Xi Jinping in the last quarter of 2013. This New Silk Route, which envisages connecting 66 countries, comprises three components. The first is the China Pakistan Economic Corridor, which starts from Kashgar culminating at Gwadar via Karachi and further extending to Turkey through Iran, capitalising on rail links between Pakistan and its ‘strategic partner’, Turkey. The second strand stretches from Bangladesh to Myanmar and the third aims at connecting China’s Fujian coast with the rest of the world, called the maritime route.

Introduction

An action plan, jointly issued by the China’s National Development and Reform Commission (NDRC) in conjunction with China’s Foreign Ministry and Commerce Ministry on

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March 28, 2014, narrates the objectives of this grandiose initiative in these words:

It is aimed at promoting orderly and free flow of economic factors, highly efficient allocation of resources and deep integration of markets, encouraging the countries along the One Belt One Road to achieve economic policy coordination and carry out broader and more in-depth regional cooperation of higher standards and jointly creating an open, inclusive and balanced regional economic cooperation architecture that benefits all.¹

The Chinese concept of the “One Belt One Road” (OBOR) envisions partnership with the countries along the route to develop infrastructure, which is absolutely essential for sustainable development of any country. Establishment of the Asian Infrastructure Investment Bank (AIIB) is a major step towards providing required finances to the partner countries for development of necessary infrastructure. It is essential as it will enable them to contribute to the shared economic prosperity and making the project a success as envisaged. It is expected that the annual trade volume between China and the countries situated along the One Belt One Road countries (OBOR countries) would surpass US\$ 2.5 trillion in a decade or so changing the political and economic landscape of the world.²

This study focuses only on one component of the OBOR initiative, the CPEC, and its likely impact and significance with respect to the other components and inhibiting factors, particularly the Indian opposition to this historic collaboration. It also aims to assess how these debilitating variables have been and can be neutralised to ensure success of the CPEC.

¹ Issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council authorization, March 2015, First Edition 2015,

http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html

² *Reuters* (London) March 29, 2015.

Projects under the CPEC

During President Xi's two-day visit to Pakistan on April 20-21, 2015, 51 MoUs were signed under the umbrella of the CPEC. He also inaugurated some of the projects in the energy sector. The energy projects envisaged would produce 10,400 MW of electricity through coal-based and hydel power units, which would be completed by the end of 2018. Another 6645 MW energy projects are also on the actively promoted list. Out of the US\$46 billion investment, under the CPEC, US\$ 34 billion portfolio pertains to the power generating projects.

The CPEC, in fact, is a basket of development projects pertaining to infrastructure, health and education. The infrastructure includes development of Gwadar Port and connecting it to China's north-western autonomous region of Xinjiang through highways, railways and pipelines over a distance of 3000 km and setting up of the Special Economic Zones (SEZ) along the Corridor.

The government, with a view to give national ownership to a mega-project like the CPEC, convened a meeting of all the political parties. Minister for Planning and Development, Ahsan Iqbal gave briefing to them about the projects to be undertaken under the umbrella of the CPEC. He emphasised the point that all the four provinces of the country would equally benefit from the CPEC. He added that decision of SEZ would be taken by the working groups formed by China and Pakistan after considering their technical aspects and feasibility.

The outcome of this effort of the government was that the entire political leadership expressed its complete support for the initiative. However, some political elements, later on tried to generate a controversy with regards to the alleged change in the route of the CPEC, which according to them, would deprive Khyber Pakhtunkhwa (KPK) of its legitimate share in the benefits accruing from the undertaking of this mega project. The misperceptions and fears of the political parties were duly

removed by the government through further briefings on the subject.

There are three routes that have been envisaged under the project. The first route originates from Gwadar and it would pass through Turbat, Panjgur, Nag, Basima, Sorab, Qalat, Quetta, Qilla Saifullah, Zhob, Dera Ismail Khan before leading towards Islamabad. The second route starts from Gwadar and it would go to Dera Ismail Khan through Basima, Khuzdar, Sukkur, Rajanpur, Layyah, Muzaffargarh, and Bhakkar. The third route originates from Gwadar to Islamabad and it would pass through Basima, Khuzdar, Sukkur, Rahim Yar Khan, Bahawalpur, Multan, Lahore, and Faisalabad.

Media reports on SEZ suggest that, so far, 24 sites have been suggested to the Planning Commission by three provinces including Punjab, KPK and Sindh. However, top priority is being given to development of Gwadar and its SEZ, and the power projects to cater to the needs of the industries to be set up in these zones. Work on setting up SEZs will start, after two to three years, when proper infrastructure and electricity is available. As per the schedule, the CPEC will be completed by 2030. According to the official sources, China will also relocate some of its industrial units in these zones in view of the enormous rise in the labour costs in China to keep its products competitive in the international markets.

Likely Impact of the CPEC

In the backdrop of the visit of Chinese President Xi Jinping and the signing of agreements and MoUs under the CPEC, Prime Minister Nawaz Sharif in his article, published in the Chinese media, articulated his assessment of the likely benefits of the CPEC in these words:

We, in Pakistan, feel proud of aligning ourselves with the new Chinese vision for regional connectivity and shared economic prosperity purported to be realized through revival of the old Silk Route and building of the CPEC. These are epoch making initiatives dictated by the

phenomenal economic progress of China and changing regional and global realities throwing open infinite opportunities to exploit the hitherto untapped resources for shared economic gains. The completion of projects under the CPEC will have a revolutionary impact on the economic profile of Pakistan and contribute enormously to changing the lives of people belonging to all four provinces. The CPEC will turn Pakistan into an economic hub for the region with all the accompanying benefits on a perennial basis. China would also undoubtedly benefit from this undertaking in many ways and will be in a much better position to expand its commercial interests at the global level by securing shortest possible access to the Arabian Sea as well as to import oil for its industrial machine at a much lesser cost and time. It would indeed be a win-win situation for both China and Pakistan and the region. On the whole Pakistan is a naturally endowed country. Its geo-strategic location connecting three main sub-regions of Asia provides it with a unique advantage. This unique factor will help Pakistan's friend like China in furthering its economic and strategic objectives.³

The CPEC and its linkage with the Central Asian states, Iran and Turkey would make Pakistan a hub of regional economic activity accruing infinite financial benefits from it on perennial basis. The CPEC, according to the Planning Commission of Pakistan, would generate millions of jobs in the country. As far as industrial development in the country is concerned, it would receive exponential boost due to the emergence of down-stream industrial units related to the industries set-up in the SEZs along the CPEC.

The investment of US\$46 billion, through the 'multiplier effect,' will eventually convert into hundreds of billions of dollars. According to media reports, Pakistan and Iran have held talks on the CPEC recently and Iran has expressed the desire to

³Muhammad Nawaz Sharif, "A Relationship Beyond Realm of Diplomacy," in Beijing Review, May 5, 2015, http://www.bjreview.com.cn/exclusive/txt/2015-05/05/content_686236.htm

join the venture.⁴ With Iran joining the project and Turkey⁵ already onboard, the enormity of the benefits to the entire region cannot be over-emphasised. This would also end the expected rivalry between Gwadar and the Iranian port Chabahar. Prime Minister Sharif, talking to the visiting Secretary Supreme National Security Council of Iran on October 29, 2015, said that Chabahar and Gwadar ports will be sister ports and their operational activity shall complement each other.⁶ It is pertinent to note that Chabahar Port has been developed by Iran with Indian help and the Indians promoted the notion of it being a competitor to Gwadar.

The economic interdependence and linkages created by the CPEC can surely contribute to political integration of the region as well, besides improving security situation. The Central Asian states and Russia are also very much interested in using the CPEC route to access the Arabian Sea and beyond to promote their commercial and trade interests.

Inhibiting Factors

There are no two opinions about the fact that the successful implementation of projects under the CPEC is inextricably linked to improvement in security situation in Pakistan particularly in Balochistan and effectively neutralising the terrorist outfits and religious extremism. It is encouraging to note that the civilian and military leadership are on the same page on these issues. They have been striving hard to tackle them and ensure that the historic opportunity like the CPEC does not remain hostage to these factors and the projects are completed according to the schedule. Operation *Zarb-e-Azb* has broken the back of the terrorists in North Waziristan. The National Action Plan (NAP) is being pursued with unruffled commitment. The targeted operation in Karachi has produced positive results. The situation in Balochistan has improved and the operation against the insurgents by the security forces and

⁴ *Express Tribune* (Islamabad), September 2, 2015.

⁵ *Daily Times* (Lahore), November 7, 2015.

⁶ *News International* (Rawalpindi), October 30, 2015.

the incentives provided for those giving up militancy have led to the surrender of many *Farari* (fugitive) commanders and their willingness to join the national mainstream. On the political plank also, reaching out to the exiled Baloch leaders who have been leading insurgency in the province, indicate encouraging progress. According to the official sources, a breakthrough is expected sooner. Another element crucial to the success of the CPEC is peace in Afghanistan and the end of terrorism, and the Central Asian states' access to the Gwadar Port.

Peace and security in Balochistan are absolutely imperative for the implementation of the CPEC projects and operating the Gwadar Port to reap the envisioned benefits. For this particular reason, Pakistan Army is raising a special unit to ensure security of the personnel working on the CPEC projects as well as to protect the installations and the completed projects. For the security reasons, the Frontier Works Organization (FWO), an engineering department affiliated with the army. It has been entrusted to build 870 km of roads at five different locations in Balochistan, out of which, reportedly, 542 km have already been completed. It which indicates the urgency and commitment with which Pakistan is working to ensure timely implementation of the infrastructure projects.

China is also working hand in hand with Pakistan in regards to the implementation of the CPEC. A Chinese delegation comprising Chairman of the China Group Companies Association (CGCA), Dr. Zhang Chongping, along with the experts from leading security agencies visited Pakistan in mid-October of 2015.⁷ The CGCA is a national social group with a membership of 200 enterprises including IT, construction companies, aerospace, financial institutions, agriculture, security services *etc.* The group provides policy guidelines to the member enterprises to support their efforts to go global. The group interacted with Pakistani entrepreneurs, academics, think tanks and a cross section of civil society.

⁷*South Asian Pulse* (Toronto), October 1, 2015,
http://www.sapulse.com/new_comments.php?id=A12024_0_1_0_M

Indian Aversion to the CPEC

In the regional and global context, India has voiced concerns over Chinese ambitions, which it views as an attempt by China to increase its influence both in the sea as well as on land. To allay the Indian fears, China has also invited India to join the project, acknowledging India's historical importance in the trade route. However India has been reluctant in responding to this idea. In fact, the Indian opposition to this initiative stems more from the fact that Pakistan would be the biggest beneficiary of the CPEC in the region and might become an economic success story in South Asia, with an enhanced clout in the regional affairs. That is beyond the tolerance of India. It considers Pakistan as a rival and a staunch enemy and has all along harboured ill-will against it. It was instrumental to the dismemberment of Pakistan in 1971. Media reports based on the information leaked from secret documents of the Pentagon suggest that India had planned to attack nuclear installations at Kahuta in the mid-eighties in connivance with Israel but refrained from carrying out the plan due to its premature disclosure in the media and the fear of matching retaliation by Pakistan. Thanks also to the US Administration for alerting Pakistan to the ensuing danger well in advance.

The Indian Prime Minister, Narendra Modi, during his visit to China, formally raised objections to the CPEC and tried to dissuade China from going ahead with the venture, without success.⁸ In addition to these overt efforts, it has also been making covert manoeuvres to sabotage the CPEC. According to media reports, a special desk has been created in Research and Analysis Wing (RAW) to undermine and thwart the implementation of the CPEC and the intelligence agencies of Pakistan have gathered authentic information to this effect.⁹ The RAW Chief, who reports directly to the Indian Prime Minister, is personally supervising the venture. RAW has been backing and sponsoring insurgency in Balochistan and cross-border terrorism using Afghan territory. The nexus between RAW,

⁸ *Express Tribune* (Islamabad), June 1, 2015.

⁹ *News International* (Rawalpindi), May 11, 2015.

Tehreek-e-Taliban Pakistan (TTP) and the Karzai government is a well established fact. RAW has established sanctuaries and training camps for the terrorists on the Afghan soil. The modus operandi of RAW for sabotaging the CPEC seems to exacerbate the security situation in Pakistan through acts of terrorism and consequently the creation of an ambience of despondency among the masses. The renewed spate of acts of terrorism since signing of the agreements between China and Pakistan is a strong pointer towards that direction. The massacre of the members of Ismaili community in Karachi¹⁰ on the day when the government had invited the entire political leadership for a briefing on the CPEC, was not just a coincidence, but a well thought-out operation to create security concerns among the people as well as the Chinese leadership about the feasibility of implementing the proposed projects. All this coinciding with Modi's visit to China and his raising the issue with Chinese leaders seem a link in the same chain.

Pivot to the New Silk Route Plan

Among the three components of the OBOR initiative, also known as the New Silk Road, the CPEC is the pivot to the entire scheme of things in terms of its viability early harvesting and dependability and safety, as compared to other routes. The access to the Mediterranean states through the Central Asian states, notwithstanding recent agreements with China, does not promise an early take-off in view of the prevailing security situation in the region and strained relations between Russia and NATO. The prospect of maritime route becoming operative also does not look bright due to the ambience of confrontation between China and Japan, particularly after the passage of security bills by Japanese National Diet on September 19, 2015 that could see Japanese troops fight abroad for the first time in 70 years.¹¹ The move has the nod of the US that wanted Japan to play an enhanced role in the ensuing rivalry in the South China Sea between the US and China as well as in view of the mounting tensions between Japan and China. It is indeed an

¹⁰*Dawn* (Islamabad), May 28, 2015.

¹¹*Japan Times* (Tokyo), September 19, 2015.

ominous development. The US has already increased its naval presence in the area. There is a strong likelihood that in the event of a military confrontation, the US and its allies could block the sea lanes and obstruct Chinese access to Africa and Europe. Another development that has also become a cause of worry for China is the change of government in Sri Lanka and its emergence as one of the most strategically contested regions. During the last six years, China has invested heavily in infrastructure facilities including a harbour and an international airport in Hambantota. Sri Lanka sits in the centre of the Indian Ocean and it was one of the destinations on China's envisaged maritime route. It is also half way between China and its energy sources in the Middle East.

With the installation of a pro-US and pro-India regime in Sri Lanka since January 2015 and defeat of the party of the former President of Sri Lanka Mahinda Rajapaksa in the recent parliamentary elections, the work on the port has been stopped.¹² The likelihood of relations between Sri Lanka and China getting back to the previous level now looks quite remote. Sri Lanka would remain embroiled in the global power dynamics, which for now seems favouring the US. India is being propped up by the US and its western allies as a regional super power to counter the rising influence of China in the region and beyond. Thus it expects continued western support for a permanent seat at UNSC and provision of civilian nuclear technology. It would also depend upon the US and other forces hostile to China in times of crisis as well as in peace times and would continue to undermine and scuttle Chinese initiatives to expand its commercial and military interests in the region and at the global level.

The foregoing factors, which possibly can hamper the New Silk Road initiative, make the CPEC the most important component of the plan. Pakistan and China are dependable friends of each other and the latter has already played a very significant role in the economic development of the country.

¹²*Reuters* (London) January 18, 2015.

China would feel more confident and forthcoming in implementing the project. Pakistan that has been facing a burgeoning energy crisis and needs resources to revive its sagging economy will also go an extra mile to capitalise on this historic opportunity and convert it into a perennial success story.

Recommendations

Both China and Pakistan have very high stakes in the successful implementation of CPEC and are fully aware of the debilitating effect of the terrorism on the security situation and the developmental efforts. However, Pakistan that has suffered more than China in the war on terror in terms of human, material and economic losses which mount upto nearly US\$ 100 billion. Pakistan needs this new-found and historic opportunity to materialise without any hiccups. Therefore, it needs to improve the security situation in the country. Though its security forces have done laudable job in dismantling the infrastructure of the terrorist entities in the North Waziristan and insurgency in Balochistan, still a lot more needs to be done. Moreover, terrorism in Pakistan has external dimensions as well. The situation in Afghanistan and TTP sanctuaries on the Afghan soil are a great threat to peace and stability in Pakistan. Pakistan, therefore, has to double its efforts in promoting peace in Afghanistan in collaboration with the regional powers like China and Russia. The US can also play an effective role in restoring trust in Pak-Afghan relations and restore the ambience of bonhomie between the two countries so that the Pakistan can relaunch its efforts to bring the Taliban to the negotiating table.

With regard to Indian sponsored terrorism, Pakistan must persist to expose Indian interference in the country and the involvement of RAW in the country. Pakistan has done well by sensitising the US and UN on the issue by presenting dossiers on the Indian machinations. However, there is a need for a diplomatic offensive on the global level to build pressure on India to dissuade her from destabilising Pakistan. It should

simultaneously continue efforts for resolution of disputes with India either through bilateral channels or through the involvement of the international community particularly the UN and the US.

Internally, there is a need to implement all the elements of NAP in a well coordinated manner and by developing an effective counter-terrorism narrative to deal with the phenomenon of terrorism and religious extremism on ideological basis. Bringing the seminaries into the mainstream of the national education system and the scrutiny of their funds and activities is also imperative. In this regard, religious scholars and leaders of the religious outfits and those running the seminaries need to be taken into confidence on the issue.

The media and society also share a great responsibility in this regard. The media, has a pivotal role to play in changing the perceptions and attitudes of the people and motivating them to participate and support the efforts of the government in cleansing the society of the scourge of terrorism and religious extremism.

There is also a need for an action against corruption through an across-the-board process of accountability because it has been a hurdle in the economic progress and political development. The amount of resources and money that is purloined through corrupt practices has assumed astronomical proportions. If corruption is curbed, the country can surely get out of the vicious circle of resource constraint and break its begging bowl. Tackling corruption would help in a big way in the implementation of the CPEC project and also in attracting foreign direct investment from other countries, which Pakistan badly requires.

Conclusion

To conclude, almost the entire political leadership, establishment, economists, intellectuals, media and critics of the government are unanimous in their opinion about the CPEC as a

game-changer. They all consider it as an epoch-making opportunity for Pakistan to tide over its economic woes as well as to give permanence to the strategic and bilateral relations between Pakistan and China. The history of their cordial relations, shared outlook on regional issues and the non-existence of any irritant and territorial dispute between the two, amply suggest that there will be no substantial and fundamental change in the dynamics of relations between the two countries in the foreseeable future. This element is indeed advantageous for both the countries and can go a long way in realising the objectives of the CPEC, provided they are able to subdue the inimical factors like terrorism and security issues facing the region that have direct bearing on it.

Domestic and External Dimensions of the China Pakistan Economic Corridor

Muhammad Khan^{*}

Abstract

This paper offers an insight into domestic and external factors affecting the China-Pakistan Economic Corridor (CPEC). The paper will assess the utility of connecting the Gwadar Port with Kashgar in the western China. The port provides an access to the Middle East, Persian Gulf and Africa through the Arabian Sea. As a strategic linkage between Pakistan and China, the corridor will not only benefit these two countries but also other regional countries. The CPEC will provide an alternative overland route for the transportation of its energy needs to China from the Middle East by evading the Malacca's vulnerability. The CPEC is an historical opportunity for strategic linkage but there are many domestic and external challenges, which may be confronted in the process of completion. Dealing with the security challenges and desire of the people that the CPEC must pass through their areas is a domestic factor of Pakistan which needs efficient handling. In terms of regional and global factors, Pakistan can make use of seasoned diplomacy and political engagements securing its best national interest in prudence. The primary focus of this paper is to evaluate the feasibility of the CPEC on three basis: geographical constraints, regional and global conspiracies, and economic opportunities. The paper also examines the ever-blossoming Sino-Pakistan economic relations within the CPEC context.

Introduction

The CPEC is a project with immense economic potential and geo-political significance. The project has been referred to as a

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watershed moment for Pakistan with the promise to change the geo-strategic landscape of the country and the region. However, it is also feared that clashing geo-economic interests may lead to undesirable competitions at regional and global level. In view of perceived Sino-American competition and the US efforts to entangle china, the CPEC project attains further geo-political significance for the stakeholders. Besides, there is a commonality of interests between the United States (US) and India, particularly against the rising global status of China. These interests may create hurdles, which demand a comprehensive security approach employing all elements of national power to ensure its timely completion.

Indeed, the CPEC is an important regional component of the “One Belt One Road” (OBOR) initiative undertaken by China. Though Chinese President Xi Jinping unveiled the concept during his speech in Kazakhstan at Nazarbayev University¹ on September 7, 2013, the idea has been rooted over the decades emanating from the economic development of China and its desire for a strategic outreach to Europe and Africa in addition to Asia. It is revival of the historical Silk Route, keeping in view the requirements of modern means of communications and infrastructural demands. Chinese economic development and growth of highways and railroad network propelled it to extend a linkage to Africa and Europe.

Apart from Pakistan, Kazakhstan is going to be a buckle of this Chinese initiative.² Its location is unique; a gateway to the Caspian Sea on Europe and boost its economic growth to a greater extent. Besides, it has Eurasian character because of having some of its parts situated in the west of the Ural River

¹ B R Deepak, “One Belt One Road”: China At Centre Of Global Geopolitics and Geo-Economics? – Analysis,” Eurasia Review, News and Analysis, <http://www.eurasiareview.com/04122014-one-belt-one-road-china-centre-global-geopolitics-geo-economics-analysis> (accessed June 29, 2015).

²Daniel Runde, “The Buckle in One Belt One Road,” *Forbes* (Kazakhstan), June 30, 2015. <http://www.forbes.com/sites/danielrunde/2015/06/29/kazakhstan-buckle-one-belt-one-road>

(Europe) and being a member of the Eurasian Union.³ It shares its border with both China and Russia, thus strategically located and ideally suited as a junction between the two major powers and joining two competitive continents as well. The corridor investment programme, the Central Asia Regional Economic Cooperation (CAREC), multilateral institutions and development banks have funnelled billions of dollars in loans and grants to fund an international corridor that will connect China to Western Europe.⁴

As an important regional component of OBOR, the CPEC will connect western Chinese city of Kashgar with Gwadar Port through a road and rail network, comprising eastern, western and central routes in Pakistan. The estimated cost effect of the project is US\$45.7 billion and it is planned to be completed in 15 years in four phases. The distribution of expenditures would be: US\$11.8 billion for the development of infrastructure; road and railway network and US\$33.8 billion will be spent on various energy projects.⁵ With a planned portfolio, the size of the investment in the CPEC over the next 15 years will equal the gross Foreign Direct Investment (FDI) inflows into Pakistan since 1970.

Highlighting the significance of this strategic project, Chinese officials stated that the CPEC will serve as a driver of connectivity between South Asia and East Asia.⁶ In the highly globalised world, it is perceived that a well conceived and established economic relations stand at parity with the diplomatic relations between states. Even seasoned diplomatic engagement and foreign policies of states largely owe to the

³Katharina Hoffmann, Eurasian Union — a New Name for an Old Integration Idea. *Russian Analytical Digest*: 112, 2012.

⁴Ibid.

⁵Reuters, China Commits US\$45.6 billion for economic corridor with Pakistan, *Express Tribune* (Islamabad), November 21, 2014.

⁶Stated by Hua Chunying, the Chinese Foreign Ministry spokesperson. See Shannon Tiezzi, "China-Pakistan Flesh out New Economic Corridor; China-Pakistan Economic Corridor is a part of Beijing's greater strategic plan," *Indian Strategic Studies*, February 20, 2014, http://strategicstudyindia.blogspot.com/2014_02_20_archive.html

healthy economic ties. In the same backdrop, the multi-dimensional friendship between Pakistan and China is considered as an ideal friendship between the two states. The geographic proximity, domestic compulsions and many regional and global factors added to the strength of Sino-Pakistan relationship.

Pakistan has been realising the need of a corridor since the 1990s. The Chinese side took quite some time owing to its own strategic needs. However, the new Chinese leadership under President Xi Jinping and Premier Li Keqiang set the CPEC as priority for the Chinese government. Earlier, the Premier Li Keqiang supported the idea of the CPEC during his visit to Pakistan in May 2013. Chinese determination in this regard can be visualised from the statement of Premier Li, who categorically said that “China will give Pakistan every support and assistance and by helping Pakistan, we have to help ourselves.”⁷ This statement indicates the firmness of Pakistan-China friendship and resolve to construct the CPEC. Indeed, China highly regards Pakistani support, which it rendered to it in its formative years. The need of the hour is that leadership and people of both countries should work as a team to further cement the social, political and economic relations as reassured by Chinese Premier Li, “To be friends forever is the cherished desire of both nations.”⁸

The project once materialised, would serve to be the shortest route connecting Pakistan with China through Karakorum Mountains. The Karakorum Highway (KKH) was constructed by both the countries as a joint venture to strengthen the economic, social and diplomatic relations. Keeping that in view, both countries envision putting this linkage into maximum use for serving their interests as well as promoting harmony and goodwill. Apart from boosting trade, the CPEC will uplift the economically less developed region of Xinjiang. The CPEC will

⁷Raja Muhammad Khan, “China Pakistan Economic Corridor and beyond,” *CPGS*, <http://cpakgulf.org/2014/01/pak-china-relations-economic-corridor-and-beyond/>

⁸ Ibid.

not only uplift Xinjiang region economically but would also bring phenomenal economic transformation in the Gilgit-Baltistan region of Pakistan.

The CPEC will promote trade and commerce between both the countries. For China, this corridor would become the shortest route to transport energy sources from the oil rich Middle East and Africa through Gwadar Port to China without heavy dependence on sea routes, which pass through, security wise risky areas like the Straits of Malacca and Lombok. China is keenly interested in the development of this corridor because it cannot afford disruption in its energy supplies given the increasing threat of regional and international powers in the straits of Malacca and the South China Sea.

The Corridor will promote inter-connectivity, better ties between the nations, and will further the Free Trade Agreements (FTAs). A number of major development projects relating to energy, economy and infrastructure will be initiated under the CPEC which will serve as a breath of fresh air for the sluggish economy of Pakistan. Apart from the traditional fossil fuels, the CPEC will also help in strengthening cooperation in nuclear, solar and biomass energy, which would prevent environmental damage and unnecessary pollution of the atmosphere.

The Gwadar Port as the central point and the CPEC on the whole, will play a role of a 'game-changer' in the energy sector because it will provide one of the shortest routes for the bulk of the energy trade. It can ensure uninterrupted supply of resources, which was becoming difficult owing to the potential security threats facing China in the Straits of Malacca and South China Sea. These maritime sea routes are no longer completely feasible routes for China because of the increased naval presence of the US and its allies in the straits of Malacca and the adjoining areas, so the overland corridor will serve as the best alternative for Chinese energy transportation and economic uplift of its underdeveloped region. The Chinese Government

has allocated funds for the preliminary research to fully comprehend the on-ground feasibility of the project.

Strategic Scan

The most significant conclusions that emerge from the strategic environment in the context of CPEC are:

- i. Converging strategic interests in the CPEC and geo-strategic realignment enhances China's stakes in the security paradigm of Pakistan with broader implications for the region, in general, and India, in particular;
- ii. China is uniquely placed to favourably influence the key regional stakeholders — Russia, Iran and Central Asian states, thus, boasting the prospects of regional connectivity through the CPEC;
- iii. Pakistan's natural inclination towards China and the latter's strategic leverage vis-à-vis Russia underscores a strategic re-alignment in the making;
- iv. Access to the Indian Ocean via Gwadar will increase Chinese influence in the region and intensify competition with India, while also somewhat mitigating the effects of US re-balancing towards Asia Pacific — an attempt to encircle China;
- v. Indian frustration over the emerging corridor, which perceives economically ascending Pakistan as a hurdle in realisation of its aspirations for regional dominance;
- vi. Due to crucial geo-strategic location of Gwadar, its importance in the entire trade corridor is likely to increase particularly for regional countries like Iran and the Gulf states;
- vii. Given the competing economic interests, prospects of Iran's collaboration with the US and India may increase which may have ramifications for both China and Pakistan. However, possibility of Iran joining the CPEC, instead of opposing it, opens up new economic and geo-political dimensions. Iran's nuclear deal and removing of sanctions would enable it to have more flexibility in diversification of its relation and particularly with China with whom it already has good relationship;

- viii. Growing Chinese influence in reconciliation efforts in Afghanistan and the emerging trade corridor provides Afghanistan a golden opportunity to benefit from the same and enhance its regional connectivity.

Regional Implications of the CPEC

Sino-Pakistani Perspective

The CPEC will stimulate economic growth with corresponding effects all along its routes. It will also benefit the surrounding population socially, economically and educationally. The CPEC will link the country to regional hubs to accrue benefits of connectivity and increase relevance thereby enhancing geo-economic stakes of global players in Pakistan. It will help in redefining the increasing urbanisation, reducing burden on existing mega cities. Economic opportunities all along the route will improve the living standards of people. It will also help bridge Pakistan's societal fault-lines, which will result in enhanced national integration and deepening strategic linkages between Pakistan and China. The existing trends of extremism and militancy will be reduced gradually, since the economic opportunities will be more attractive than the evil practices of terrorism.

From the Chinese perspective, the major geo-strategic advantage of the CPEC will be to circumvent the US Asia Pivot Policy. Since there is an imbalance in the economic and social development of the eastern and western China, the latter being under developed, the CPEC will balance the socio-economic development towards the West by developing the western China. Development of the western China will raise the living standards of the people of this region, along with curbing the radical tendencies in the form of the East Turkistan Islamic Movement (ETIM) and other ethnic groups, existing in this autonomous region. Sustenance of economic growth by adopting shortest trade route to the Middle East and Africa will have financial dividend for China to the tune of over US\$110 billion annually. China will have a favourable position in the

Indian Ocean region. It will surely provide a great safeguard against the possible South China Sea route disruption and will overcome its Malacca Dilemma.

Indian Perspective

India has always been wary of the Sino-Pakistani ties on regional and global issues. The contemporary developments in the China-Pakistan relationship and strategic partnership further exacerbate Indian concerns among its policy makers, political leadership and especially its defence and security establishment. Indian problems in the region are further complicated by lack of regional integration and east-west connectivity and India's perception of Pakistan as a threat to its interests in the region and beyond.

With regard to the CPEC, there is feeling in New Delhi that after completion of this project, Pakistan will be out of Indian economic influence. The project, indeed, heralded end of India's long cherished dream of bringing Pakistan under its hegemonic sway, the starting point of the Indian power syndrome. Now, there will be no more hope of bringing Pakistan under Indian economic sway India has serious feeling that, through the CPEC and Gwadar, there will be direct Chinese access to the Arabian Sea and possible enhanced naval presence in the Indian Ocean region, which India asserts, belongs to her only. In view of the strategic significance of the Indian Ocean, Prime Minister Narindra Modi, boldly expressed in March 2015 that India will work to ensure a safe, secure and stable Indian Ocean region that delivers us all to the shores of prosperity.⁹ This announcement is in line with the Indian maritime strategy and Indian doctrine: former Indian Prime Minister Indira Gandhi once asked all major powers to withdraw from the India Ocean. Apparently, the above statement aimed at warding off the major power's rivalry in the

⁹ C. Raja Mohan, "Modi and the Indian Ocean; Restoring India's Sphere of Influence" in *Asia Maritime Transparency Initiative*, June 18, 2015, <http://amti.csis.org/modi-and-the-indian-ocean-restoring-indias-sphere-of-influence/>

Indian Ocean. Nevertheless, gradually, it was felt that, the statement was well thought-out and part of India's long-term plan of consolidating on the Indian Ocean as "India's Ocean."

In the South Asian regional context, China already has its strategic linkages through its projects in countries like Hambantota in Sri Lanka, Sittwe in Myanmar and Chittagong in Bangladesh.' With the Chinese presence in the Indian Ocean, India has a strong feeling that its ability to become foremost naval power in the western Indian Ocean will be curtailed in the days to come.

Since a significant portion of the CPEC passes through disputed areas of Jammu and Kashmir, India fears that the project will give legitimacy to Pakistan's stance on Kashmir dispute. Indian military's firing along the Line of Control (LoC) and statements of its ministers and officials indicate this frustration. Indeed, India is the main hurdle in the resolution of the Kashmir dispute. From the perspective of trade with Afghanistan and Central Asia and for a sustainable growth, India requires an energy bridge through Pakistan that it was leveraging against free trade opportunities for Pakistan in the SAARC region.

The CPEC can allow Pakistan to participate in regional trade without having acquiesced to Indian regional hegemony. India is also worried over the increasing Chinese footprints in Pakistan. Furthermore, the planned road and railway infrastructure will facilitate Pakistan in the projection of its economic as well as military strength. The project, once accomplished, will help Afghanistan have improved relations with Pakistan leading to greater economic and social integration with a degree of interdependence between the two countries. This cooperation, integration, and interdependence will extend to Central Asia. This is going to be a nightmare for India. Moreover, for India an alarming scenario could emerge once Iran decides to join the project to benefit from gas exports to China.

Challenges Ahead

There are positive signs that the CPEC will change the economic and strategic environment in the region. Notwithstanding, there are challenges that the project might face, such as the external and internal challenges.

External Challenges

It includes the super power rivalry, regional power play, the geographical constraint of the CPEC and the Chinese stance towards them.

Superpower Rivalry

The ongoing confrontation between China and the US is likely to affect the CPEC project negatively. Its regional allies and the US may use selective elements of national power to reverse the Chinese gains. At the global level, the US considers Chinese rise, its economic prowess and harmonised neighbourhood policy of President Xi as a shrinking space for itself and its status as a super power diminishing. In this Asian century and the global economic competition, who will lead the world, is a great worry for the sole Super Power.

In the historical perspective, in 1980s, the US wanted to have military post in the strategically significant coastal areas of Pakistan, adjoining the Persian Gulf. The former Soviet Union, before its break up, also tried to get access to the Indian Ocean.¹⁰ With new realities and redefined goals of international powers, the post-2014 scenario, both regional and the global powers including China, US and India, are

¹⁰William R. Keylor, *Twentieth-Century World* (New York: Oxford University Press, 2001), 500.

expanding their sphere of influence in the regional politics of South and Central Asia.¹¹

The long years of bilateral relations between the US and Pakistan have been vacillating between good to average and, at times, at the lowest ebb. These twists and turns in the bilateral relations have their anchorages in the Cold War and the wider politics of South Asia.¹² Contrary to Russia, Europe and America, the Sino-Pakistani relationship has developed into healthy economic cooperation, strapping strategic partnership and people-to-people mutual contacts. This strengthening of bilateral relations between China and Pakistan have been inscribed in the hearts of the people.¹³

Undeniably, in the face of adversarial relations with India, Pakistan wants to build a time-tested friendship and seeks a trusted ally in the form of China to keep the Indian regional designs at bay. Both the US and India are against the Chinese development of Gwadar Port and now construction of the CPEC. To counter the significance of Gwadar Port, India provided technical and financial assistance to Iran for the construction of Chabahar Port.¹⁴ India's growing influence in this region is a cause of concern for both Pakistan and China.¹⁵ In the past few years, both the US and India have

¹¹ Central Intelligence Agency, National Foreign Assessment Center Memorandum CIA/PA/B0-10015-m Pakistan dated 10 January 1980.

¹² Foreign Affairs, Defence and Trade Division, Pak-US Relations, *CRS Issue Brief for Congress*-December 24, 2013.

¹³ Zahid Hussain and Jay Solomon, "Pakistan's Ties to Beijing Face New Challenges; Abduction of China Workers Forces Musharraf to Balance Militant War, Ally Interests," *Wall Street Journal* (New York), October 12, 2004.

¹⁴ Economic Zones to be built in Xinjiang by 2020, *China Daily* (Beijing), November 6, 2013, www.chinadaily.com.cn

¹⁵ Bhavna Singh, "China's Modernisation Rush: Kashgar at Crossroads," *IPCS*, January 16, 2012, www.ipcs.org

collaborated with regional countries like Bangladesh, Sri Lanka and Myanmar to reduce the Chinese influence.¹⁶

Regional Power Play

Among the external factors, Indian rivalry is quite clear. Right from the very start of the Gwadar Port in 2002, India has been creating irritants and disinformation about the project. India tried to counter the project through a number of ways by provoking Iran for the construction of Chabahar Port, and by providing financial and technical assistance and construction of roads in Afghanistan linking it with Central Asia. It is not a secret that India fuelled militancy in Balochistan by sponsoring the separatist groups. Currently, India is showing its concern over the CPEC on the ground that it will pass through Gilgit-Baltistan, which India believes, is the part of the disputed territory of Jammu and Kashmir.

It is also a fact that there is a strategic competition of India with China and a historical rivalry with Pakistan. Thus, it is not only spreading disinformation about the CPEC but also extending support to militancy and terrorists in Pakistan. However, Indian rivalry and a series of hurdles being created should not deter Pakistan and China from undertaking this strategic project. Rather, the opposition should give impetus towards the speedy implementation of the CPEC. Perceived negative impact of the project on regional countries would be that, regional countries like Iran, UAE, and India, may join hands against the project and Gwadar Port, which will subsequently lead to a confrontationist approach.

¹⁶ “Pakistan Port Integral to China Maritime Expansion,” *Dawn* (Islamabad), February 17, 2013.

Geographical Constraints of the CPEC

The geographical constraints of the 3000 km long planned route must be taken into account. The absence of proper roads and railway linkages will create a need for significantly improvising the road and railway network which will bear its additional cost of material and manpower. It is to be understood that as it is necessary to build the required infrastructure and to invest in construction of the required routes, it is also essential to maintain them in proper condition to guarantee smooth functioning and prevent additional loss of money in repair work. The length of this route signifies the importance of detailed planning and careful consideration of its all aspects to prevent unnecessary maintenance costs.

Apart from the south, the geography of the northern Pakistan also presents a challenge to the CPEC. The widening of KKH will somewhat reduce the problem being faced but this does not address many local issues such as construction of the nearby Diamer-Bhasha dam. There is also no clarity on how the rugged mountainous region of the northern Pakistan will be effectively utilised for the CPEC without costing too much on maintenance. Further work is needed on this aspect in order to determine the practical feasibility of this project.

Chinese Stance and Interests

China as the global economic giant is enjoying significant influence in the region. It is likely to become the world's biggest economy by 2020. Being a major factor in global politics, China exerts its influence in the Indian Ocean, based on two main factors: 1) to maintain its historical linkage with the area; and 2) to safeguard its own sea routes. Chinese current strategic thinking

revolves around the security of its energy imports.¹⁷ Since, oil trade and energy resources are key factor for the Chinese economy and trade, therefore, it seeks to overcome the security and maritime hurdles it faces in its traditional route through the Strait of Malacca, as explained earlier.¹⁸ China desires to have alternative trade routes in order to conduct the oil and energy resource trade smoothly and without major security threats.

With the view to prepare to confront the challenges of modern warfare, China has already revised its doctrine and on the basis of high-tech equipments it is procuring, manufacturing and developing its naval forces as a blue water navy. China also has procured an aircraft carrier from Russia and is working on another in order to be effective in the Pacific and the Indian Ocean.¹⁹ While strictly maintaining its policy of non-interference, China is aware of security threats, emanating from the South and East China Sea as well as from the larger Indian Ocean. Furthermore, the US deployments in the region have been viewed with major concerns by China, mainly for the safe passage of the Chinese energy imports.²⁰

Internal Challenges

Besides external challenges there are internal challenges as well, for example, the security vulnerabilities, the capacity of

¹⁷ Joseph S. Nye Jr., *Soft Power, The Means to Success in World Politics*, (New York: Public Affairs, 2004),144.

¹⁸ Christina Lin, "The New Silk Road: China's Energy Strategy in the Greater Middle East" *Policy Focus*, 109, (April 2011), www.mettransparent.com

¹⁹ Rahul Bedi, "India and China vie for regional supremacy," *Jane's Intelligence Review*, (September 01, 2000).

²⁰ Nan Li, "11 September and China: Opportunities, Challenges and War Fighting," Working Paper No. 32, *Institute of Defence and Strategic Studies* (September 2002).

the state to be able to fulfil its side of bargain and the Indian response and opposition to the project.

Security Vulnerabilities

Besides social aspects, there are security vulnerabilities attached to various routes and segments from Gwadar to Khunjarab, due to sectarian, ethnic and nationalist fault-lines. The major vulnerabilities, province wise are as follows:

Balochistan: The vulnerability in the province is mostly because of remoteness and exploitation by dissident and sub-nationalist elements, which carry out attacks on non-Baloch populace and kill even those locals who are not in line with their “mission.”

Southern Punjab: Criminals and members of banned organisations like TTP, LeT *etc.* taking refuge in remote areas of southern Punjab remain vulnerable.

Khyber Pukhtunkhwa and Gilgit-Baltistan:

Inhospitable and sparsely populated mountainous areas in the proximity of South Waziristan and tribal belt in the north of Dera Ismail Khan remain vulnerable to terrorist activities. In Gilgit-Baltistan, sectarian issues remain exploitable.

Capacity of the State

Besides external dimensions, the ultimate fate of the CPEC will depend on whether the State of Pakistan is able to fulfil its side of the bargain. The corridor will involve a series of complicated infrastructure and investment projects needing more than political will to execute. Currently, there exist numerous organisational and infrastructural shortcomings in governance and accountability structure of Pakistan. At the level of state, the following pre-requisites need to be put in place:

- i. An institutional mechanism for implementation of the project and effective public- private-sector entity, that is able to collaborate seamlessly. There is no way to do this through shadow structures unless the whole government is mirrored in a set of parallel institutions.;
- ii. An effective and efficient in-built mechanism for safeguarding Pakistan's interests and overseeing through a monitoring system and continuously evaluating various stages of the project's implementation;
- iii. Adequate internal transport linkages with the corridor;
- iv. Qualified management for controlling operations of Gwadar Port and city;
- v. Border Management Authority and a congenial legal framework, custom policies, and regulations between Pakistan and China for facilitation of business community.

Indian Response

Although the CPEC is being viewed with concern by global and regional players but principal threat to its timely realisation emanates from India. It is in a paradoxical situation while formulating response to counter the CPEC i.e. whether to engage in this mega connectivity project (CPEC) or stay out of it. It can:

- a. Support or stay quiet on the CPEC thus indirectly conceding to China-Pakistan alliance in region & beyond;
- b. Opposing it vigorously revives dormant Kashmir issue against its interests.

How Could India Operate against the CPEC

There may be certain rational elements in Indian polity that want to accrue prospective economic dividends by co-opting with the CPEC but it runs contrary to extremist *Hindutva* mindset, which presently drives the ruling nationalist party. Therefore, it ostensibly appears that India has adopted a confrontational approach to forestall this project, which entail the following options:

- c. The non-kinetic warfare coupled with politico-diplomatic coercion
- d. Reliance on exterior manoeuvre
- e. Application of military instrument

A combination of the non-kinetic warfare and exterior manoeuvre appears to be the most likely option. The manifestation of these by India can be through some key enablers such as:

- i. India's diplomatic clout and global relevance;
- ii. Collaboration with other hostile intelligence agencies, especially the US Central Intelligence Agency (CIA) and National Directorate of Security (NDS) of Afghanistan;
- iii. Through exploitation of Pakistan's weak state capacity and societal fault-lines;
- iv. Political expediencies of nationalist parties and exploitable political leadership;
- v. Availability of dissident elements in the political and religious circles; and
- vi. Using international and local NGOs.

Possible Strands of the Non-kinetic Warfare

Primarily there can be two main strands of asymmetrical warfare lying in perception and physical domains:

a. Perception Domain

Creating and accentuating controversies over the CPEC such as:

- i. Portraying Punjab focused development by propagating the eastern route benefiting only Punjab and also Sindh;
- ii. Deprivation of smaller provinces and inequitable distribution of Special Economic Zones (SEZs);
- iii. Questioning and exploiting the issues related to the transparency of project;
- iv. Capitulation of the government to China's pressure for early connectivity of the CPEC; and,
- v. Raising the issue at international level for the passage of the CPEC through disputed areas.

b. Physical Domain

- i. Disrupting Early Harvesting Projects (EHPs) through sabotaging thereby incurring inordinate delay in the implementation of project;
- ii. Creating law and order situation either through the promotion of extremism and terrorism or by carrying out high profile assassinations in Gilgit-Baltistan, Khyber Pukhtunkhwa and Balochistan, and effectively linking it with local conflict pattern; and
- iii. Terrorist activities employing members from the ETIM directed against Chinese nationals to create fissures within Pakistan and China.

Converting Challenges into Opportunities

Policy Measures to Make the CPEC a Reality

The CPEC project is of strategic significance, so are the challenges. Therefore, the gravity of the situation warrants sound statecraft. It is imperative to adopt a concerted approach employing all the potentials and elements of national power for a comprehensive response to these challenges. In this regard there is a need that both the aspects, internal and diplomatic, may be activated to bridge the existing gaps and counter the external conspiracies and propaganda campaign of the adversarial powers.

Addressing Internal Aspects

Owing to many domestic controversies prevailing within provinces over the CPEC, there is a need of strong resolve by the national leadership to build political consensus and bring social harmony over the project. This can be done by dispelling controversies at the national level. In this regard, convening All Parties Conference (APC) on May 28, 2015 under Prime Minister, Nawaz Sharif, where all political and religious parties showed consent for the initiation and completion of the CPEC. This step should be precedent with future developments as well. As decided in the APC, the western route proposed in the CPEC will be constructed first as it is considered first priority.²¹ According to the APC, through road networking, the areas of Hassan Abdal, Mianwali, Dera Ismail Khan, Zhob, Quetta, Kalat, Nag, Bisema, Panjgur, and Turbat will be connected to Gwadar.²²

Economic investments and completion of mega projects are directly linked with security guaranteed situation and a well

²¹Muhammad Saleh Zaafir, "APC reaches consensus on corridor," *News International* (Rawalpindi), May 29, 2015.

<http://www.thenews.com.pk/Todays-News-13-37723-APC-reaches-consensus-on-corridor>.

²² Ibid.

administered law and order situation. Although, Pakistan Army will provide the security all along the CPEC route, it is obligated upon the federal and provincial governments to improve upon the state of law and order in their respective areas of responsibilities. For this purpose, there is an immediate requirement that the capacity building of law enforcement agencies be done in short-term, primarily to alleviate the concerns of China or else to dispel the propaganda campaigns of the anti-CPEC forces.

The developmental projects, still waiting for implementation in the vulnerable areas like the province of Balochistan and may be in Gilgit-Baltistan areas, need to be implemented on priority basis. This has to be done primarily to drive out the impression that the province has been deliberately kept underdeveloped and still being ignored. This step would address the real concerns of deprived people of these areas and offset the exploitative strategy of the sub-nationalists who have many regional and global forces at their back.

The western borders of Pakistan are quite unstable for over a decade now. In the past, the unfriendly Afghan government has been instrumental in destabilising FATA and other areas all along the Pak-Afghan border. India has been using the Afghan soil for harbouring, training, and financing the militants and sub-nationalists and other anti-Pakistan elements. There is a need to stabilise western frontiers of Pakistan, otherwise, India would retain the capability to disrupt the CPEC project. The ongoing Pak-Afghan correlation has made unprecedented progress in this regard. However, there is still a need to bridge the trust deficit between Islamabad and Kabul, which has existed for decades now.

A skilled, dedicated and intrepid work force would be needed for the timely implementation of the CPEC. By contrast, Pakistan has not been able to develop such a human resource capacity as yet. In the absence of such a human resource capacity, the local populace of Pakistan would be deprived of the job opportunities stemming from the CPEC. In that case, the

Chinese will bring in their skilled work force to work on the project. In order to address this issue, the government should immediately focus on human resource development through enhancing the administrative, technical and operational efficiency of the indigenous work force. This process will be beneficial on three accounts. Firstly, there would be reduction in the unemployment ratio in Pakistan. Secondly, there will be substantial decrease in the trends of militancy and extremism which, at times, originate from unemployment and social deprivation. Thirdly, the local populace, particularly the youth, will accrue major benefits from the economic opportunity the CPEC would provide. These steps would bring the youth of Pakistan in the sphere of economic activities and resultantly increase the productivity.

Diplomatic Domain

In the era of globalisation, it becomes extremely essential for diplomats to play their part in liberalising the international community in favour of such mega projects of national interests. The project has the potentials to connect the surrounding regions in the subsequent phase. Thus, the CPEC would be beneficial for not only China and Pakistan but other Asian countries as well. This aspect of the project has to be explained to international community and regional opponents of the project. Indeed, at a time when there are many regional and global rivals of the CPEC, Pakistan should adopt an institutionalised approach in addressing foreign policy challenges for thwarting the propaganda against the project by regional as well as extra-regional competitors in order to create a favourable environment for the project.

At the level of diplomacy, Pakistan should form strong regional alliances with other states. Through such diplomatic exercise, Pakistan can accrue maximum benefit from the project by raising the stakes of its allies. The US is a super power and views China as its peer competitor. It also views the project as a shrinking space for its national interest. On the diplomatic and political level, Pakistan should engage the US constructively

and convey that the project, owing to its wider implications of economic development and regional connectivity, is equally beneficial for the region particularly for Afghanistan.

After finalisation of the deal over its nuclear programme with P5+1, Iran should find increasing opportunities for its strategic linkages with China, particularly in the field of economy and oil and gas export. Iran should not become a part of Indian blackmailing, which would never serve its purpose on long-term basis. Pakistani diplomats and political leadership should convince India about the usefulness of the CPEC for the Indian economy and its energy needs, upon its completion. Indian policy makers should be visionary to take advantage from the project in future. However, in the event, if India still opts to continue with its confrontational approach, Pakistan may contemplate re-orientation of its foreign policy from constructive engagement to defensive insulation. It can be done by erecting layers of economic and diplomatic barriers to India's interests in the West and Central Asia.

Media Campaigning

As far as CPEC is concerned, Pakistan should follow the Chinese principle of, "work more and talk less." Through well orchestrated media campaigning, there is a need of building narratives and project themes for unity at home, and for national and regional integration.

Tackling the Security Concerns

The CPEC is expected to bring a paradigm shift in Pakistan-India security calculus. With the development of the corridor from medium to long-term, Pakistan's military should lay more emphasis on maritime domain, as China's major concern is security, while conceiving the project. It is mainly because the 3000 km long CPEC passes through areas that have geographical barriers as well as physical threats from the militants. This threat is more pronounced at two extreme ends (Kashgar area because of the ETIM and Gwadar owing to

Baloch sub-nationalists). Besides there have been sporadic terrorist activities elsewhere in Pakistan.

In order to address the China's security concerns, Pakistan army has decided to raise a special Security Division that will cater the security needs of the CPEC. This was assured to China on the eve of Chinese President's visit to Pakistan on April 20, 2015. This security division will comprise of nine battalions of Pakistan Army and troops from civil armed forces under a Major General. The troops will have specialised training to deal with all types of the threats. Though the global and Pakistani media over exaggerate the security issues, the fact is that there is a remarkable reduction in terrorist activities in Pakistan after the Operation Zarb-e-Azb.

Conclusion

The vision behind the CPEC lies at the heart of President Xi's two signature initiatives: the Silk Road Economic Belt in the north and the 21st Century Maritime Silk Road in the south. Together, they would connect China by land and sea to Central and West Asia, South Asia, and onward to Europe. Therefore, the CPEC is going to be a reality as it serves the strategic and national interests of both China and Pakistan. The irritants created are petty and tactical in nature. Pakistan will ensure the security of the CPEC. The project would accrue benefits not only for Pakistan and China but also for India and other regional countries. The CPEC can be brought into reality by a meticulous planning by both the countries at grassroot level. There is a need that all issues pertaining to terrorism, domestic politics, geographical constraints, the people's concern and manpower, financial aspects, international conspiracies and politics, and regional security must be given due consideration with all aspects debated thoroughly. There is a need that the government of Pakistan should review the country's economic policies to reduce existing trade imbalances between the two countries as China is the largest trading partner of Pakistan while it is the second largest trading partner of China in the South Asian region. Moreover, the law and order situation in

Pakistan has badly affected the trade and commerce. Above all, the CPEC has the potential to reinvigorate Pakistan's trade and economy.

Impact of Gwadar Port on the Economy of Pakistan under the China Pakistan Economic Corridor

*Ahmad Rashid Malik**

Abstract

Seaports are central to a nation's wealth and development that requires huge assistance and investment. In 1854, the British colonial authorities designed Karachi Port for military and commercial purposes, under imperial designs, to ship military personnel and hardware and handle merchandise trade of cotton from Sindh and Punjab to textile mills in Manchester. This, however, changed the economic landscape of this area. The port emerged as the largest grain exporting destination in the whole British Empire. In 1980, a consortium of international partners built Bin Qasim Port, for purely commercial purposes. Development of coastal area in Balochistan drew the government's attention by the 1970s but adequate action could not be taken for one reason or the other. Because of Gwadar Port's immense economic and commercial potentials, China offered loan assistance in 2001 which signalled a change in the fate of Gwadar because of its connectivity with China and Central Asia as a regional hub port.

Statement of Purpose

The primary purpose of this research paper is to explore economic potentials of Gwadar Port and its connectivity with China, Central Asia, and other adjoining regional countries. It also aims to look at its geo-strategic imperatives under the China Pakistan Economic Corridor (CPEC). The core argument of this paper is that Gwadar Port will tap its share of trade as a regional hub port that would change the economic geography of Pakistan and the region. Having enormous economic potentials

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and benefits, Gwadar Port would make Pakistan the “Asian tiger” of this century.

The study addresses the following questions:

- 1) What is the geo-strategic and economic significance of the Indian Ocean for Pakistan
- 2) How Gwadar phenomenon developed historically
- 3) What is the geo-strategic significance of Gwadar Port for Pakistan
- 4) Why has China been the interested in developing and linking Gwadar Port with western China
- 5) What are the economic potentials of Gwadar Port for Pakistan’s economy and the region)

It is pertinent to mention that marines and coastlines studies have not attracted the attention of scholars and mostly this important area of research remained barren. Therefore, this research paper intends to fill that gap.

Significance of the Indian Ocean

The Indian Ocean is the most ancient sea passage dating back to 5000 years.¹ Higham argues that cotton was the oldest commodity exported from Mohenjodaro via the Indian Ocean in 3000 BC.² The Indian Ocean starts from East Africa to the Indian subcontinent and Australia with a range of 60,000 sq km that touches Africa, Asia, Australia and the Southern Ocean. Moreover, four critically important access waterways namely: the Suez Canal (Egypt), the Bab el Mandeb (Djibouti-Yemen), the Strait of Hormuz (Iran-Oman), and the Strait of Malacca (Indonesia-Malaysia), are located in the Indian Ocean. There are 31 littoral states of the Indian Ocean including Pakistan. Extra-regional powers occupy a number of islands with the most strategic one, Diego Garcia, controlled by the Great Britain and the United States to exert their influence in the Indian Ocean.

¹ Michael Naylor Pearson, *The Indian Ocean* (London: Routledge, 2003), 3.

² Charles Higham, *Encyclopedia of Ancient Asian Civilisations* (New York: Facts on Files, 2004), 228.

It is a fact that the classical power of a nation hinged around its naval capability and it is still relevant in the contemporary international relations. Robert D. Kaplan, in his latest study, *Monsoon: The Indian Ocean and the future of American Power*, writes that monsoon countries such as India, Pakistan, China, Indonesia, Burma, Oman, Sri Lanka, Bangladesh, and Tanzania will be dynamic countries in the 21st century. He argues that the Indian Ocean should be central to American foreign policy.³ He predicts that the New Great Game of Asia will be played in the Indian Ocean, bringing attention of the United States, China, and India for scrabbling for ‘new colonies’ in the form of water control and influences.

Modern national power is even greatly associated with its maritime status, that is, the number of naval personnel, ships and ports, and technological superiority. Generally, sea-borne trade consisted of 80 per cent of a nation’s overall trade. Among the five continents, Asia has the largest capacity of the sea-borne trade. There are about 4,764 seaports around the world with 50,000 merchant ships. The United States, Great Britain, Canada, Japan, and China are the five major maritime strategic and commercial powers. In Northeast Asia, Japan and China possess technological and commercial supremacy in maritime sphere. In Southeast Asia, Indonesia possesses the largest maritime capability whereas in South Asia, India has been emerging as a maritime and economic power. Pakistan has been encountering India’s strategic hegemony to some extent.

³ Robert D. Kaplan, *Monsoon: The Indian Ocean and the Future of American Power* (Random House, 2011).

Table No.1
Countries with the Largest No. of Seaports

Countries with Largest No. of Seaports				
US	UK	Canada	Japan	China
532	389	239	292	172

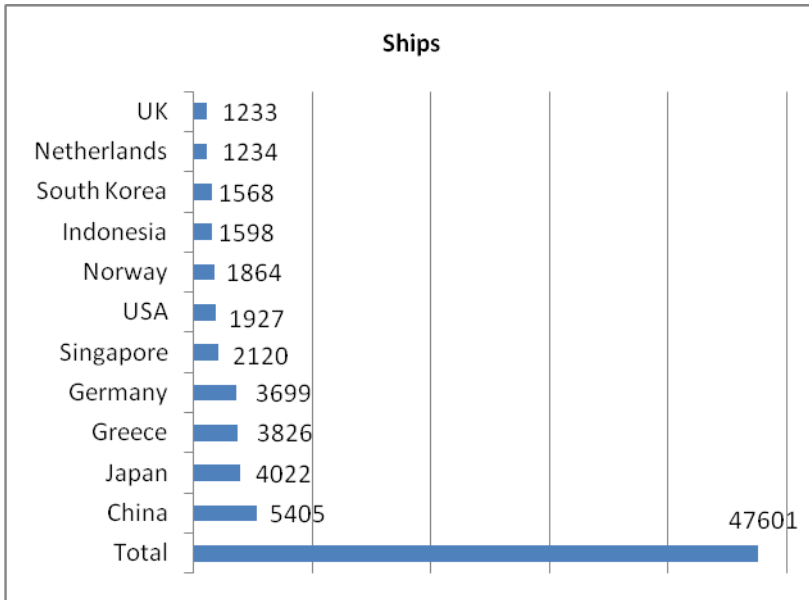
Source: *World Port Source* <http://www.worldportsource.com/index.php>

Table No.2
Seaports in Asia

Seaports in Southeast Asia							
Brun ei	Cambodia	Indonesia	Malaysia	Myanmar	Philippines	Thailand	Viet nam
1	2	154	25	2	62	20	15
Seaports in Northeast Asia							
China	Hong Kong	Japan	Macau	N. Korea	Taiwan		
172	2	292	1	8	6		
Seaports in South Asia							
Bangladesh	Maldives	India	Pakistan	Sri Lanka			
4	1	76	3	4			

Source: *World Port Source* <http://www.worldportsource.com/index.php>

Figure No.1
Ten Largest Ship-owner Countries



Source: The United Nations Conference on Trade & Development (UNCTAD), Review of Maritime Trade 2014 (Geneva: United Nations, 2014).

The above figures illustrate that Asia, China, Japan, Singapore, Indonesia, and South Korea own a large number of ships that is 31 per cent of the total 47601 ships sailing for merchandise trade in waters around the world. Sea-borne trade comprises 80 per cent of a nation's GDP.

According to World Bank's estimate, the total GDP of Pakistan, currently, is US\$ 232.2 billion of which roughly 34.2 per cent (that is equal to US\$ 77 billion) is generated through merchandise trade. Out of the world's ten largest containers cargo handling ports, the top three belong to China, which are Tianjin, Qingdo, and Ningbo. Moreover, China operates world's six the largest containers handling ports by productivity. The remaining ports are Yantian, Xiamen, Nansha, ranked as the top

most cargo volume handling country.⁴ China's case also demonstrates that berth efficiency is not drastically needed.⁵ Out of the top ten sea terminals, China operates eight of these terminals, ranking only Yokohama Port as the top port. This is an extraordinary performance by Chinese ports authorities that made China — a leading economy. Chinese experience and its support for the development of Gwadar Port, along with its road connectivity with western China, Afghanistan, and Central Asia, would become a catalyst in changing the old pattern of economy and bringing about robust growth. China's confidence and its expertise in merchandise trade could transform Gwadar Port into world's top class heavy ship cargos handling regional hub port. Owing to its geo-strategic location as a gateway to western China and Central Asia, Gwadar Port will compete well with Jabel Ali and Khor al Fakkan Ports, in the United Arab Emirates and Chabahar Port in Iran respectively. With this unique feature, Gwadar Port will be having an outstanding capacity to deal with merchandise trade.

A study of the United Nations suggests that ports are now congested with large cargos and new ports should be set up considering environmental conditions under the rules of environmental protection.⁶ Within this context, China has been investing in building new ports in Pakistan, Sri Lanka, Bangladesh and Myanmar for energy security and merchandise trade purposes, viewing them as less susceptible to the intervention of the United States, India and Japan. Gwadar Port could become a maritime chokepoint like the Straits of Malacca but favouring China.

More importantly, it is the coastline that makes Pakistan strategically vital for Afghanistan, Central Asia, and western China. Located on the vital oil and trade sea route in the

⁴ The United Nations Conference on Trade & Development (UNCTAD), *Review of Maritime Trade 2014* (Geneva: United Nations, 2014), 68.

⁵ In case of Yokohama Port in Japan, it is berth efficiency that made Yokohama world's best port. Ibid.

⁶ The United Nations Conference on Trade & Development (UNCTAD), op.cit.

Arabian Sea and also being a gateway to oil and natural rich Central Asia, Pakistan occupies an important place in the Indian Ocean. This made Pakistan a gateway to the Central Asia, western China, and the Persian Gulf from the South Asia.

After the Partition of India in 1947, Pakistan inherited 1059 km coastline out of which 259 km falls in Sindh and 800 km in Balochistan. Karachi Port used to be the only source of merchandise trade since the colonial time. By the end of the 19th century, Karachi's multi-ethnic population reached 105,000 and by 1901, population grew to 117,000.⁷ With the opening of the Suez Canal in 1869, the importance of Karachi Port for British shipment further grew to handle merchandise trade of cotton from Sindh and Punjab to mills in Manchester. As population and trade grew manifolds after the emergence of Pakistan, need for another seaport was greatly realised.

After Karachi Port, the first phase of the Bin Qasim Deep-Seaport was set up in 1976, 28 km southeast of Karachi to share at least 40 per cent excessive load on Karachi Port. A consortium of a number of countries (such as Canada, UK, France, West Germany, Belgium, and Japan) contributed to the construction of Bin Qasim Port which was completed in September 1980. The port handles steel, oil, chemicals, liquids, gas, coal, cement, fertiliser, and wheat shipment.

It was within this context of the port and merchandise trade expansion that, in 1993, the government decided to build the third port, Gwadar Port, to deal with excessive cargo that could not be handled at Karachi and Bin Qasim ports and to provide a passage to Afghanistan, China and Central Asia. The cabinet approved the Gwadar Port project in June 1994. The government instructed the Karachi Port Trust to finance the development of Gwadar Port with Rs. one billion. In February 1996, the government financed Rs. two billion for the project. In the same year, over 43 companies showed interest to

⁷ Muhammad Rafi, *Karachi: Early History*, 2011, http://www.ourbeacon.com/cgi-bin/bbs60x/webbbs_config.pl/md/read/id/314123119163516

construct the port. In March 2002, an agreement was reached with China Harbour Construction Company to construct the Phase-I of the project at the cost of US\$ 248 million with another agreement between Pakistan and China. Pakistan incrementally capitalised on the Gwadar importance as explained in the following section.

Phenomenon of Gwadar

A brief historic context is essential to understand the phenomenon of Gwadar. Gwadar used to be a small fishermen village until recently. The name ‘Gwadar’ is a *Balochi* word, meaning ‘air corridor’. In old time, ‘Gwadar’ was also known as ‘Gedrocia.’ Alexander the Great and Spaniards also conquered Gwadar. Before it became part of the Arab Caliphate during Hazrat Umar Farooq’s era up to the Umayyid Caliphate, it was part of the Persian Empire. Later on, Portuguese occupied Gwadar for a brief period during the 16th Century.⁸ The Arabs brought African slaves to sell them in the subcontinent by using the Makran coast.

Gwadar has a long turbulent history of its ownership from the 18th century onward. Gwadar was under the suzerainty of the princely state of Kalat in Balochistan. In 1784, The Khan of Kalat, Mir Muhammad Naseer Khan, handed over Gwadar to Sultan bin Ahmad of the Al-Said dynasty of Sultanate of Oman.⁹ Gwadar was used by Oman’s royal family leaders to seek political asylum to regain power in Oman during this period. Sultan Ahmad retained Gwadar’s possession after he returned and regained power in Oman.¹⁰

At the same time, Gwadar served as a headquarter of Assistant Political Agent from 1863-69 during the British times.

⁸ Lonely Planet, *Pakistan & Karakorum Highway* (London: Lonely Planet Publications Pvt Ltd), 156.

⁹ Some sources say that it was Taimur Sultan.

¹⁰ See Rai Muhammad SalehAzam, “Gwadar’s Accession to Pakistan,” January 5, 2013, http://thepakistaninationalist.blogspot.com/2013/01/gwadars-accession-to-pakistan_6696.html

The British laid down telecommunication lines in the area. Gwadar had not been a part of Pakistan when it came into existence after the partition in 1947. The state of Kalat joined Pakistan on March 27, 1948 and Kharan, Makran, and Lasbela earlier acceded on March 17, 1948, thus demand to include Gwadar into Pakistan gained strength. Pakistan requested to the Sultanate of Oman to revert Gwadar to Pakistan's territory. In the 1950s, negotiations were held between Pakistan and the Sultanate of Oman with Great Britain as the interlocutor.

The area was reverted to Pakistan in September 1958. Pakistan paid US\$ 3 million to the Sultanate of Oman and Gwadar became part of Pakistan on December 8, 1958, after 178 years of Oman's rule.¹¹ The announcement of the accession of Gwadar was made by Prime Minister Malik Feroz Khan Noon on September 7, 1958.

Geo-strategic Importance

The US Geological Survey found Gwadar suitable for a deep seaport in 1954. In 1964, Pakistan indicated to build Gwadar Port. However, due to a number of reasons, the project could not be started. Pakistan also did not lay focus on Makran coast development until 1970s. In 1977, Gwadar became a district. The coastline of district Gwadar is 600 km long. The government declared Gwadar as the third warm-water port in 1993 and decided to lay down the road and rail network. China showed its interest in building Gwadar Port in 2001. The plan to develop a deep seaport in Gwadar was commenced in 2002. The foundation stone of Gwadar Port was laid down in March 2002 and Gwadar Port Authority was set up in 2003 to look-after the development of the port city.

Looking at the regional and extra-regional power play in Indian Ocean and considering its vital importance in the 21st century, the significance of Gwadar Port became more prominent. Gwadar is a deep-sea warm-water port at the mouth of the Persian Gulf, where tankers carry 13 billion barrel oil per

¹¹Ibid.

day as well as mechanised goods to Europe and Southeast and Northeast Asia. Makran coastline is 754 km long, facing the Arabian Sea in the south. To its west, at the mouth of the Persian Gulf, is Iran, 120 km away, at the tip of the Strait of Hormuz, just 380 km away from the Sultanate of Oman.

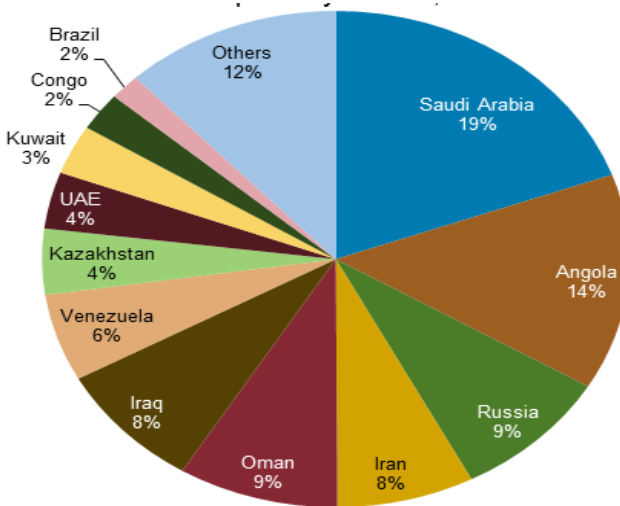
In case of an emergency and hostile at from the east (India), Gwadar is much safer and less susceptible to any naval blockade by India or any other adversary. India has hardly opposed Gwadar Port until China has taken interest and started its construction work in 2002. Gwadar has the capacity to provide access to China, Afghanistan, and Central Asian States, making it a regional hub port. It is in this sense that, in spite of internal issues and divergent interests, and disputes with India and suspicion raised by the United States, Pakistan is strongly committed to build Gwadar Port and its link with China at all costs.¹² Pakistan should strongly dispel misperceptions about Gwadar Port held by the regional and international states. To this end, it should be conveyed that Gwadar port would be used primarily for commercial.


Role of China

China has established its role in Gwadar at two levels: developmental role as loan provider and constructor of Gwadar Port during 2002-2006, and as a commercial manager since 2013. Energy supply security from the Persian Gulf and trade expansion with Pakistan are the two primary reasons for China's link connectivity with Pakistan through Gwadar Port. The growing Chinese economy is the world largest consumer of energy (oil and gas) and its demand for energy has been ever-increasing. The Persian Gulf is an important source of oil import by China, fulfilling its 51 per cent of needs (2.9 million bbl./d) in 2013 as shown in the following figure.

¹² *News International* (Rawalpindi), July 25, 2015.

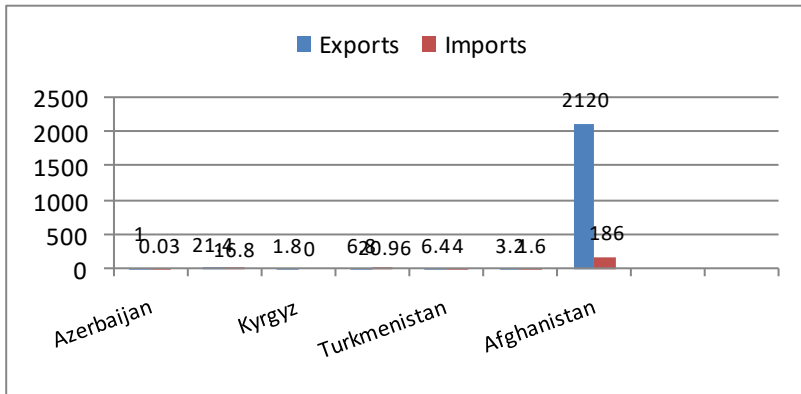
Figure No.2
China's Crude Oil Imports 2013



 Source: FACTS Global Energy, Global Trade Information Services.

Saudi Arabia, Oman, Iran, Iraq, the United Arab Emirates, and Kuwait are China's chief destinations for oil import. The purpose of the Gwadar Port is to secure the supply of oil from the Persian Gulf to western China. Some fraction of oil would be diverted from shipping through the Malacca Straits to Gwadar Port for its land-borne transportation to western China. From China's point of view, the route will be economical, decreasing the distance from 16,000 km to 3000 km in addition to inland distance from east China to west China. Second, China has a substantial merchandise trade that passes through the Persian Gulf besides its trade with Iran and Pakistan. The new route will enable China to secure the supply of its exports and imports. China's trade with the Gulf countries, Iran, and Pakistan are as under:

Figure No.3
China’s Trade with the Gulf, Iran, and Pakistan (US\$ Million)



Source: IMF, Direction of Trade Statistics. Washington: International Monetary Fund, 2015.

Moreover, China’s total two-way trade with the Gulf, Iran, and Pakistan was recorded at US\$ 244 billion in 2013 with US\$ 92 billion exports and US\$ 152 billion imports. This trade consists, mainly, of crude oil from the Gulf and Iran, making China’s oil dependency on Gulf oil as high as 47 per cent (Figure 3). Gwadar Port will provide logistic supplies to the exports of crude oil from the Gulf and Iran to western China, giving a shorter, economical, and safer access.

It is to be noted that China’s role has been different from the colonial rulers that developed Karachi Port for imperial purposes by the 19th century. China is a welcomed developmental partner of Pakistan and now it has been especially developing Gwadar Port. The port and route development is mutually beneficial to both the countries to link western China’s Autonomous Province of a Xinjiang to Gwadar Port. China’s technical and financial assistance were paramount factors in the development of the port. The first phase of the port was completed by China Harbour Engineering Company in 2006, with Chinese assistance worth US\$ 220 million, which is 75 per cent of the US\$ 248 estimated cost. The National

Highway Authority (NHA) constructed 653 km long costal highway linking Gwadar with Pasni, Ormara, and Karachi during 2002-4. Gwadar will be linked to Rattodero in Sindh by building 820 km long Motorway (M-8).¹³

The total port area is about 64,000 sq km with three multiple berths. The port contains modern facilities for shipment and unloading. The port would cater to all type of ships. The Special Economic Zone (SEZ) would be expected to attract investment.

After completion of the first phase of Gwadar Port in 2006, the management rights of the port for 40 years (up to 2047) were awarded to the Singapore Port Authority (SPA) and its subsidiary the Concession Holding Co. (HC) in February 2007, which committed to invested US\$ 550 million in five years (by 2012) under a concessional agreement worth US\$ 750 million in the Export Processing Zones (EPZ).¹⁴ The port was inaugurated on March 20, 2007. There was a delay in the Gwadar Port development, from 2007 to 2013, due to slow pace of work and lack of investment by the company. One of the reasons was the company's concern about law and order situation in Balochistan.¹⁵ Secondly, the Supreme Court issued a stay-order against the allotment of land to a foreign company filed by local citizens and the Governor of Balochistan.¹⁶ This led the SPA to scrape the deal.

Consequently, the agreement was transferred to a state-owned China Overseas Port Holding Company (COPHC) in February 2013, which set up its subsidiary China Overseas Ports Holding Company Pakistan (Pvt.) Ltd, also known as "COPHC Pakistan." The COPHC is a world out-class marine company and a fast emerging multinational, which provides

¹³ Abdul Khaliq, "Gwadar Port: Another Robbery at Provincial Autonomy," (in Urdu), *Jang* (Rawalpindi), March 3, 2013 (Magazine section), 2.

¹⁴ Syed Fazl-e-Haider, "Pakistan's port opens new possibilities," *Asia Times* (Hong Kong), March 22, 2007 and *Dawn* (Karachi), August 9, 2012.

¹⁵ *Dawn* (Islamabad), August 9, 2013.

¹⁶ *Ibid.*

expert marine services, containers, terminals management, and maintenance of port service facilities. It has set up three companies namely: Gwadar International Terminals Ltd, Gwadar Marine Services Ltd, and Gwadar Free Zone Company Ltd. The port harboured its first cargo of 60,000 tons of wheat shipment from Canada on March 15, 2008, which was the largest consignment in Pakistan's history to handle such a single cargo. Under the COPHC Pakistan, the port has reached a milestone of commencing its second commercial containerised cargo shipment vessel MV "Zi Jing Song" which approached the Gwadar International Terminals on May 11, 2015, ushering in a new era in the history of Gwadar Port.

The development of Gwadar Port will be linked with Kashghar for purely commercial purposes like that of Bin Qasim deep-seaport. Gwadar's significance is thus natural as it is close to the Persian Gulf, Iran, and is a source to cater to the needs of the China, Afghanistan, and Central Asian countries.

Economic Potentials

Since its construction work in 2002, there has been unprecedented economic growth in almost all sectors of local economy.¹⁷ An addition to the revival of the ancient Silk Road and opening of new avenues of connectivity for China and Central Asia, Gwadar Port unveils huge potential for Pakistan's economy: additional revenue; employment opportunities; transit trade; investment; setting up of industrial zones; energy plants; fish, fruit and vegetable exports; and real-estate boom.

The present capacity of Pakistan's maritime strength is not conducive to make any dent in its economy. Karachi and Bin Qasim are the only available ports to handle merchandise cargos

¹⁷Qaisar Ullah, Madeline Berma, and Faridah Shahadan, "The Economic Impact of Gwadar Port Development on Gwadar Region, Pakistan," Proceedings of the 3rd Asia-Pacific Business Research Conference February 25-26, 2013, Kuala Lumpur, Malaysia, <http://www.wbiworldconpro.com/uploads/malaysia-conference-2013/economics/215-Qaisar.pdf>

and the Pakistani sea fleet does not cater to their growing needs either. According to the All Pakistan Shipping Association (APSA), only 31 companies are registered with it.¹⁸ Pakistan's national flag career fleet comprises of only 17 ships, which needs to be expanded to a large scale.

In future, the development of Gwadar Port holds immense economic returns for Balochistan and the regional countries provided the plan goes according to estimates and expectations.¹⁹ More importantly, Gwadar Port will be a new addition in expanding merchandise trade of Pakistan.

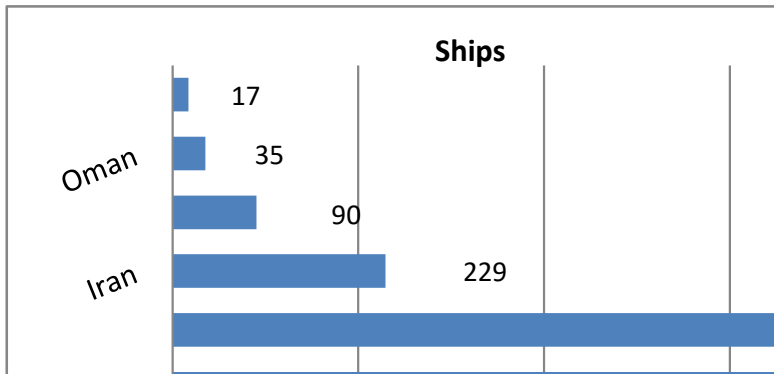
Moreover, Gwadar Port will serve as a hub port for China and Central Asia.²⁰ Since their independence in the early 1990s, Central Asian Republics have been handicapped by their inability to access warm-water port. The easier access to them is through Pakistan through Karachi, Bin Qasim or Gwadar port. Natural resources of Central Asia and their desire for connectivity depend on sea access through Gwadar.

¹⁸The All Pakistan Shipping Association, <http://apsa.org.pk/exmember.htm>

¹⁹Zahid Anwar, "Gwadar Deep Sea Port's Emergence as Regional Trade and Transportation Hub: Prospects and Problems," *Journal of Political Studies*, vol. 1, no. 2, (n.d), 97-112.

²⁰See Ammad Hasan, "Pakistan's Gwadar port's prospects of economic revival," Monterey: *Naval Postgraduate School*, 2005, <http://hdl.handle.net/10945/2138>

Figure No.4
Ships Ownership by Selected Countries



Source: The United Nations Conference on Trade & Development (UNCTAD), Review of Maritime Trade 2014 (Geneva; United Nations, 2014).

The port has the potential to convert Pakistan into a regional trading hub of energy, merchandise trade and regional connectivity. Gwadar Port would trigger the revival of Pakistan's economy at a very large scale, similar to the Suez Canal opening in 1869, which provided the shortest route between Asia and Europe. It will also provide a shortest route to western China, Afghanistan, and Central Asia. Transit trade is yet another advantage for Pakistan. The Shanghai Cooperation Organization (SCO) and Economic Cooperation Organization (ECO) members and observers could easily use Gwadar Port for commercial links to other regions.

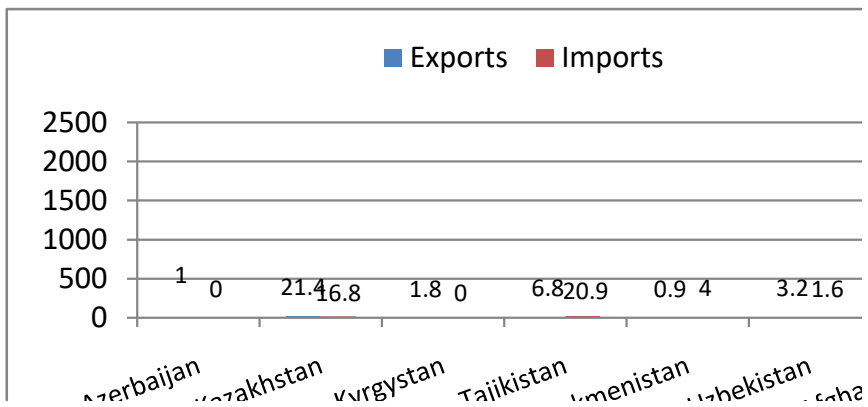
Since the construction of Gwadar Port, in 2002, and institutional arrangements between the two countries such as the Early Harvest Programme (EHP), Preferential Trade Agreement (PTA), and Free Trade Agreement, bilateral trade has increased from US\$ 1 billion to as high as US\$ 15 billion, by the end of 2015 (highlighted in the following table). With Gwadar Port's full operation, bilateral trade will increase many folds.

Figure No.5
Pakistan-China Trade 2001–2013 (US\$ Million)



Source: IMF, *Direction of Trade Statistic*. Washington: International Monetary Fund, 2015.

Figure No.6
Pakistan’s Trade with Central Asia and Afghanistan (US\$ Million)



Source: IMF, *Direction of Trade Statistics*. Washington: International Monetary Fund, 2015.

Since the independence of the Central Asian republics, Pakistan's trade with them is yet to be improved. Among other institutional and non-institutional factors, lack of sea access has long been considered an obstacle. The total trade of Pakistan has been recorded at US\$ 78 million with six Central Asian Republics in 2013. Likewise, trade with Afghanistan has been recorded US\$ 2.3 billion for the same period. The opening of Gwadar Port and its connectivity with this region would open up new vistas for trade expansion. Above all, oil pipelines such as the Pakistan-Iran Gas Pipeline (IP) and the Turkmenistan-Afghanistan-Pakistan-India gas pipeline (TAPI) would get additional boost and significance.

During President Xi Jinping's visit to Pakistan, on April 20-21, 2015, China pledged around US\$ 46 billion of investment package by signing 51 Memoranda of Understanding (MoUs) heavily focusing on energy projects of worth US\$ 33.79 billion. The ports' connectivity will attract huge investment across many countries, besides trade promotion and industrial development in the EPZ.

Policy Considerations

The following policy considerations have been realised in this study in order to convert Pakistan into a "tiger economy" in the 21st century:

- 1) Gwadar port has immense economic potentials for Pakistan and the surrounding region. Besides agriculture and industrialisation, the government should look at maritime trade which has been ignored in the past. The port should only be used for commercial purpose and no country should attach military strings to it.
- 2) China is world's largest steel producer. At Gwadar Port, with the help of China, a large steel mill should be set up to meet the growing demand of steel in the country and for export to adjoining countries. The new steel mill would play a distinctive role in the growth of Pakistan's economy.

- 3) Ship-building industry should be set up, at Gwadar or Gaddni, on priority basis.
- 4) The Gaddani ship-breaking industry should be revived, which used to be the world's leading ship-breaking industry in the 1970s-1980s.
- 5) The present ship fleet of Pakistan (17 ships) is not comparable to make a dent in its merchandise trade. Pakistan should replicate the example of Japan and South Korea to handle global merchandise trade. Privatisation of shipping industry should be encouraged and the policy should be adopted in the Federal budget 2016-17.
- 6) There should a public-private partnership and the local and global private sector should be encouraged to play a proactive role in the promotion of shipping industry and merchandise trade of Pakistan. The country should learn from the shipping industry of China, Japan, South Korea, Singapore, the UAE, Greece, and Germany.
- 7) The huge skilled and un-skilled human capital of Pakistan could be a huge asset in developing Pakistan's merchandise trade transportation around the world.
- 8) Gwadar is just a beginning to build more ports in the coastal areas of Balochistan and Sindh such as at Sonmiani, Jiwani, Pasni, Gaddani, and Ormara to meet the maritime deficiency and enter into a new era of merchandise trade.
- 9) If Pakistan develops a port at Ramin in the proximity of Chabahar, it could easily meet the challenge posed by Chabahar and would render the Indian leverage over Afghanistan and Central. Asia, useless. Pakistan should lock this opportunity as well.

Conclusion

The New Great Game will not be fought in the hinterlands of Central Asia but in the Indian Ocean where Gwadar Port would play a leading role as a regional hub-port connecting Gulf with western China and energy-rich Central Asia. The United States lost the opportunity to develop Gwadar Port offered by Pakistan in the early 1970s, which China capitalised much later at the dawn of the 21st century as a development partner and as a commercial manager. By no means, Gwadar Port, a naval port, is to be used by China as its naval outpost in the region. The port is primarily built for commercial purposes to be used by the landlocked western China, Afghanistan, and Central Asia, and may include Mongolia and Russia. The port will provide an alternative long-term energy security to China in case of its commercial and naval blockade by any power, possibly at the Strait of Malacca or elsewhere as well, as the port will add a new dimension to Pakistan's maritime security and to help build its merchandise trade. Gwadar would provide geographical connectivity to China, Afghanistan, and Central Asia to expand their merchandise trade with Pakistan and the surrounding regions. Gwadar port is a "win-win" project for the entire region. The port has immense potential to convert the economy of Pakistan into a robust and true "Asian tiger economy" in the 21st century.

China Pakistan Economic Corridor: Infrastructure Development

*Hussain Qazi**

Abstract

The Frontier Works Organisation (FWO) is undertaking massive infrastructure development program all over Pakistan and particularly the China Pakistan Economic Corridor (CPEC). It is constructing an important part of the CPEC's Western Route in Balochistan and a substantial portion of the Eastern Route besides maintenance of the Karakoram Highway (KKH). Road projects in Balochistan will effectively link Gwadar Port with Quetta, Chaman and Rattodero at the Indus Highway and bring forth a quantum change in socio-economic dimensions of Balochistan in particular and Pakistan in general. With the completion of 870 km portion of the road infrastructure developed by FWO, not only people of interior Balochistan will be benefitted but Gwadar Deep Sea Port would also be linked with Chaman, reducing the distance by nearly 400 km. Similarly, construction of Lahore-Islamabad and Karachi-Hyderabad Motorways on Built-Operate-Transfer (BOT) basis will facilitate the pace of development to take on the challenges of the CPEC effectively.

Introduction

Roots of China-Pakistan linkages dates back to many centuries into the fabled Silk Route connecting the civilizations of India, China, Persia and Europe. Though separated by the formidable mountain ranges of Himalayas and Karakoram, the two regions remained connected through numerous mountainous tracks and routes which not only facilitated trade and travel but also the flow of ideas, culture and religion. Construction of the

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Karakoram Highway which was completed in 1978 provided all weather links between Pakistan and China, hence, further promoting trade and culture.

Completion of Gwadar Port in 2007¹ was seen as a landmark development not only for Pakistan but also for the vast landlocked region of Central Asia. The strategic location of the Gwadar Deep Sea Port and the necessary requirements of regional connectivity helped in shaping up the contours of Pakistan-China connectivity through a commercial and reliable trade corridor that could link western Chinese region with the Middle East, Africa and Europe.

The distance between Gwadar and Kashgar, Xinjiang province (China) is nearly 2,800 KM while the long term alignment of the route in Pakistan comes about 2,442 km, comprising highways, energy pipelines and industrial estates stretching from Gwadar to Kashgar through Khunjerab to benefit the economies of the two countries and the region. The project envisages the establishment of communication infrastructure links, Economic Zones and development projects all along the Corridor. With decades of trust and friendship at the back, the two countries believe that the CPEC will not only compliment economic development of the two countries but will benefit new emerging regional cooperation between Central Asia, South Asia, Middle East, Africa and Europe by integrating over three billion people².

The CPEC was formally announced during the Chinese President Xi Jinping's visit to Pakistan in April 2015. China promised to invest around US\$33.8 billion in various energy projects and US\$11.8 billion in infrastructure projects. According to the Asian Development Bank (ADB), the project "will provide connection between economic nodes or hubs, centered on urban landscapes, in which large amount of

¹Gwadar Port Authority, November 11, 2015, <http://www.gwadarport.gov.pk>

²Government of Pakistan, Planning Commission (CPEC Secretariat) Brief on China Pakistan Economic Corridor

economic resources and actors are concentrated. They link the supply and demand sides of markets”.³

Communication infrastructure of the CPEC is often described as a land bridge that will connect the vast but landlocked Western Chinese region with the Arabian seaport of Gwadar thereby giving it a direct and shorter access to the trade and energy markets of the Middle East and beyond. It entails construction of some new roads along its Eastern, Central and Western Routes besides up gradation of existing roads. Above and beyond road links, laying of energy pipelines and construction of the railway tracks along with their upgradation are to follow. However, the vision, competence and resolve of the planners and executors at various tiers shall remain fundamental for the successful and timely implementation of the ambitious and onerous undertaking.

FWO, the leading infrastructure development organisation of Pakistan, created specifically for the Pakistan-China connectivity through construction of Karakoram Highway five decades back, has a pivotal role to play in implementation of this gigantic and crucial venture. Since its inception, FWO, true to its name, has worked relentlessly to open up the length and breadth of Pakistan particularly the far-flung frontier areas with state of the art communication infrastructure.

In its earlier pursuit in Balochistan, FWO successfully undertook the construction of the 650 km long Makran Coastal Highway which proved to be a catalyst for the socio-economic development of the coastal belt. Today FWO is proactively pursuing and leading the effort to enhance connectivity of Gwadar Deep Sea Port with up country and major trade routes through construction of roads in Balochistan as a vital part of the Western Route of CPEC. Besides these roads, the Eastern Route is also being upgraded through the construction of the motorways where FWO is also actively involved. Moreover,

³ Hans-Peter Brunner, “What is Economic Corridor Development and What Can It Achieve in Asia’s Sub regions?,” (PDF).ADB Working Paper Series on Regional Economic Integration: 117 (August 2013).

FWO is working on a comprehensive Business Development Plan and initiatives to exploit the true potential of CPEC. This paper encompasses a brief historical perspective, strategic significance of the CPEC and the role of FWO in its implementation, besides unfolding and introducing certain key initiatives in the realm of infrastructural development.

Historical Perspective

Two great routes, including the Grand Trunk Road (GT Road) and the Silk Route have served the Indian subcontinent. These routes maintained a steady flow of the merchants, scholars, artisans, pilgrims, soldiers and other travellers between Central Asia, South Asia and Western China.⁴ Link with China through Silk Route was not a single road but a vast network of interconnecting routes that linked the East and the West for nearly two millennia. The East-West Axis of the Silk Route connected China with the Roman Empire while passing through Central Asia and Turkey whereas the Southern Axis linked it with the Indus Valley through Gilgit and Srinagar.

Figure. No.1
Ancient Silk Trade Route



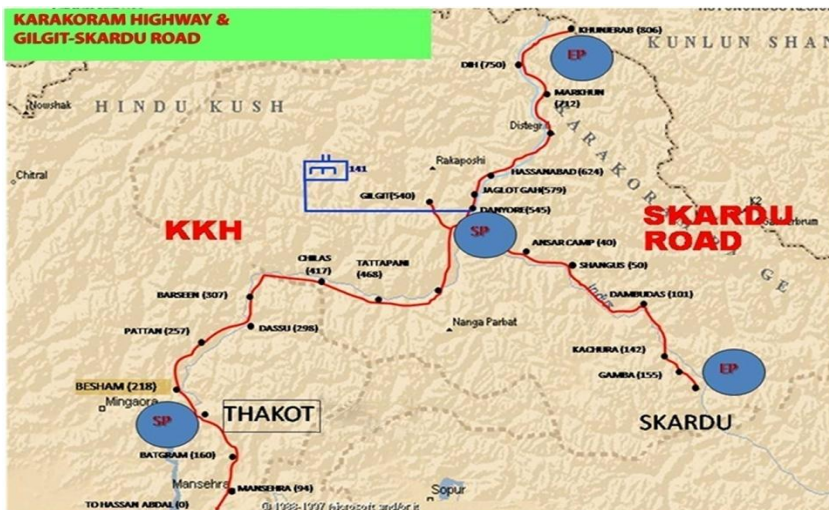
Source: *Ancient Trade Routes*, www.silkroutes.net

⁴Norell Mark, *Travelling the Silk Road* (The American Museum of Natural History, New York 2011)

Karakoram Highway

Prior to the partition of Indian Subcontinent in 1947, the northern areas were accessible via two routes: the Srinagar-Astore-Gilgit mule track and the Kaghan Valley Track over the Babusar Pass and Chilas. After 1948 Kashmir War, the Srinagar Route was denied to Pakistan and the entire northern areas became dependent on the Kaghan Valley Route. In 1948, Pakistan Army Corps of Engineers was tasked to upgrade 198 km mule track into a jeep-able road which they accomplished in just 74 days enabling adequate supplies to be timely pushed forward in response to India's aggressive designs.⁵ In 1958, construction of the Indus Valley Road (IVR), about 402 km length, linking Swat with Gilgit was assigned to army engineers. And soon afterwards an additional 120 km link road to Abbottabad for the black top access to Islamabad was completed.

Figure No.2
The Karakoram Highway

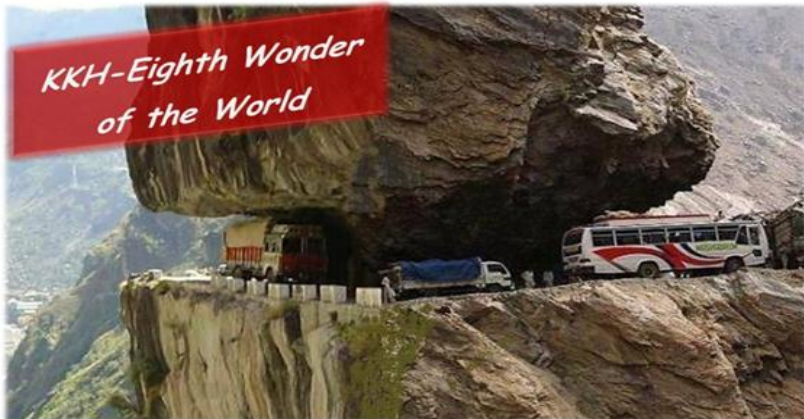


Source: *Karakoram Highway*. 2016, FWO Archives. www.fwo.com.pk

⁵Muhammad Mumtaz Khalid, *History of Karakoram Highway*, vol I, (FWO Rawalpindi) 2011.

In the aftermath of the 1965 Indo-Pak War, it was decided to have an all-weather, truck-able road link with China. This project, named the Karakoram Highway (KKH) envisaged improvement and extension of the IVR beyond Gilgit, linking it with China at Khunjerab Pass⁶ and simultaneously a similar highway on Chinese side was to be constructed by the Chinese road builders linking Khunjerab Pass (4,719 m) with TashKurgan, Kashghar and Urumchi. To complete this daunting task, Government of Pakistan raised a composite construction organization namely Frontier Works Organisation (FWO) in October 1966.⁷ The Karakoram Highway was inaugurated in 1978 and with this the dream for carving out an all-weather truck-able link between the two countries was realized. With the accomplishment of this dream, the road builders had found their way through formidable heights and treacherous valleys of the three grand mountain ranges of the world and the experience was to tremendously benefit the two countries in coming times.

Figure No.3
Eighth Wonder of the World Up in the Mountains



Source: Up in the Mountains. 2010, FWO Archives, www.fwo.com.pk

⁶Ibid.

⁷ Col Manzur Hussain, “Brief History – Construction of Karakoram Highway,” Headquarters FWO, Rawalpindi.

FWO has been rehabilitating and upgrading KKH besides linking it with motorways of Pakistan. Moreover, the completion of Makran Coastal Highway and Gwadar Sea Port in 2006 was an historic development leading to the planned execution of the CPEC.

CPEC: Geostrategic and Economic Significance

Gwadar is considered to be the gateway to South West and Central Asia. Located at the mouth of the Persian Gulf, 624 nautical km to the east of the Strait of Hormuz, Gwadar port has immense strategic significance. It extends from the Persian Gulf through the Indian Ocean to South East Asia and the Far East. Gwadar is located at the crossroads of three sub regional systems, including South Asia, West Asia and Central Asia, bridges the gap for transportation of this vital source of energy. Thus, Gwadar Deep Sea Port retains a pivotal and intrinsically fundamental role in the future economic prospect of about 20 countries of Central Asia, South Asia and China by providing economically viable, cost effective and shortest route for transit and supply.⁸

The CPEC will reduce sea land route distance between Europe and Western China to less than half. According to a recently conducted trial for transportation of containers from Beijing to Gwadar and Karachi through sea route and land route through Khunjrab, containers transported through land route took almost half the time with approximate saving of 7 to 14 cents per kg, which translates into a saving of over 10 Billion US dollars per annum on the average.⁹

⁸Nadir Mir, *Gwadar on The Global Chessboard* (Lahore: Ferozsons, 2010).

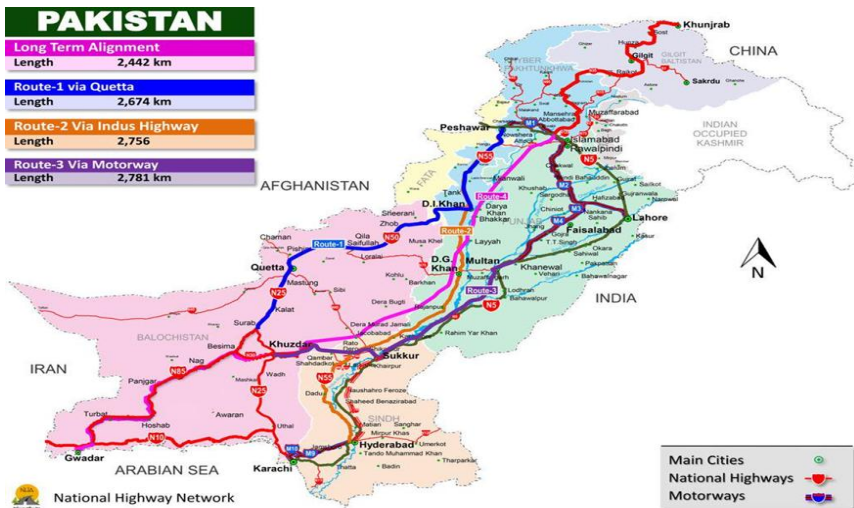
⁹Public Talk given by Maj. Gen. Muhammad Afzal, “*Role of FWO in National Infrastructure Development*,” October 21, 2015, Institute of Strategic Studies, Islamabad.

Figure No.4
CPEC's Regional Connectivity



Source: CPEC's Regional Spread. 2016, FWO Archives, www.fwo.com.pk.

Figure No.5
The Three Routes of CPEC



Source: The Three (3) Routes of CPEC. 2016. National Highway Authority, Pakistan.

Significance and Gains for Pakistan and China

The CPEC is a classic manifestation of convergence of geo-strategic and geo-economic interests of the two countries bonded in time tested socio-economic and diplomatic relations with absolute trust and confidence in each other. Early implementation of the CPEC would be transformational for Pakistan's economy and dovetail perfectly with China's strategy of developing its inland and western regions.¹⁰ The corridor is being regarded as a win-win strategy for both Pakistan and China and is a comprehensive package of opportunities and initiatives. Major gains for the two countries are briefly as under:

China's Gains

Gwadar Port will not only serve as a shortest route for China's oil supply but it will also reduce the cost of supplying oil by billions of dollars. China's oil imports from the Middle East and Africa will not be dependent on shipping through the Straits of Malacca and the dangerous maritime routes through South China, East China and the Yellow Sea. Besides economic factor, this would be a great strategic advantage. This would be a great economic as well as strategic advantage.

Pakistan's Gains

Fully functional Gwadar Port connected with China and Central Asia can play a vital role in the economic revival of Pakistan being located at the crossroads of huge supplying and communicating markets.¹¹ Additionally, easing out of energy crisis under the CPEC would be instrumental to spur the country's industrial, agricultural and overall sustainable economic growth.¹²

¹⁰ Brief China Pakistan Economic Corridor, Planning Commission, Govt of Pakistan

¹¹ Nadir Mir, *Gwadar on the Global Chessboard* (Lahore: Ferozsons, 2010).

¹² Ibid.

With 95% of Pakistani trade through sea and its economy heavily dependent on sea trade, development of Gwadar Port and its connectivity is of extreme significance to reduce the burden on Karachi and Bin Qasim ports (both are already operating to their full capacity) for furtherance of Pakistan's Sea borne trade.

FWO's Role in Development of the CPEC

FWO owes its birth in 1966 to Karakoram Highway, one of the most ambitious projects ever undertaken in the history of roads and highways. By managing a large work force stretched over inhospitable and harsh mountain ranges for over 887 km, FWO succeeded in carving out the "Eighth Wonder" of the World in 1978.¹³ Today, FWO is a vibrant construction entity of 45,000 professionals equipped with over 5,000 pieces of state of the art construction machinery, stretched all across Pakistan besides venturing overseas.

In last 50 years of devotion and dedication, FWO has significantly contributed in national development spearheading the construction Industry of Pakistan. In the meanwhile it has diversified its range from roads, highways and bridges to technically advanced projects in the field of thermal and hydroelectric power, drainage networks, irrigation canals, dams, tunneling, mining, airfields, telecommunication projects, infrastructure development and railways. FWO is also one of the pioneers of BOT regime in Pakistan - currently undertaking various mega BOT projects all over Pakistan.

Some of the landmark accomplishments of FWO, other than KKH, include the Gilgit-Skardu Road, Thermal Power Station Muzaffargarh, Mansehra-Naran-Jalkhad Road, Torkham-Jalalabad (Afghanistan) Road, Skardu Airfield, Lakpass & Jandola Tunnels, Khanpur Dam, GomalZam Dam, Rehabilitation of Sukkur Barrage, Demining / Rehabilitation Works in Kuwait and construction of Makran Coastal Highway.

¹³Anthony Paul & Dennis Wallis, "The Building of the Incredible KKH," *Readers Digest* (New York), November 1980.

For last few years, development works in FATA (Central Trade Corridor), Balochistan and North Western Areas have remained the main focus besides dualisation of Indus Highway (Sehwan-Ratodero Section) and Benazir Bhutto Bridge on the Indus River, which have been recently completed.

Figure No.6
Construction of KKH circa 1970



Source: Construction of KKH circa 1970. FWO Archives, www.fwo.com.pk.

Maintenance of KKH and Construction of Mansehra-Naran-Chilas Road

The foundations of the CPEC were laid in the KKH which is perhaps the most important and strategic route in the entire corridor. In 1958, a modest project was initiated to provide a road link between Swat and Gilgit which grew up into a mega highway project when, in 1966. It was decided to link China with Pakistan through an all-weather trade highway. Initially the construction remained limited to a shingled road, with temporary bridges, between Thakot and Khunjerab (about 400 km) and the link was affected in February 1971. In the second phase, the limits of the highway were extended up to Havelian, the temporary bridges were replaced with permanent ones and

the road was widened and carpeted to meet the highway standards. The project was completed in 1978. The work involved 21 million cubic meters of rock blasting and earthwork, using over 8000 tons of explosive and 80,000 tons of cement. On the average 15,000 men, 1200 vehicles and 1000 pieces of the plant-machinery were employed on the project. During the construction, 778 people lost their lives and 1230 sustained serious injuries.

However, KKH which passes through the world's highest mountain ranges requires frequent maintenance. Landslides, mud slides, avalanches, floods and earthquakes frequently occur at KKH. Furthermore, extreme weather and climate conditions further contribute towards deterioration of the road.

Figure No.7
Maintenance of Mountain Roads



Source: Mountain Roads require efficient maintenance. 2015, FWO Archives, www.fwo.com.pk.

The Government soon realized these difficulties and the responsibility for its maintenance was entrusted to FWO. Two special 'Road Maintenance Battalions' were raised by FWO for this purpose, which are deployed in detachments along the road equipped with requisite plant and machinery.

The landslide at Attabad, in Jan 2010, is a pertinent example of the maintenance issues faced at KKH. The landslide blocked River Hunza, which began to rise up to dangerous proportions. With great efforts, a spillway was carved out by FWO to obviate the danger of a lake outburst. Approximately 45 km of the road that was submerged was later rebuilt with three tunnels and five bridges

The 887 km Highway is being further expanded by NHA to cater to increased traffic. Raikot to Khunjerab has so far been upgraded while Raikot to Thakot has undergone major repair and maintenance in different portions. Moreover, the 120 km Thakot-Havelian Section is presently being upgraded through a Chinese firm.

Figure No.8
Mansehra-Naran-Jalkhad-Chilas Road



Source: Twenty Bridges have been erected at Mansehra-Naran-Jalkhad-Chilas Road to Facilitate Traffic. 2016. Husain Abdul Rehman.

FWO is developing Jalkhad-Babusar-Chilas Road, which has almost been completed. This road is a continuation of the Mansehra-Naran-Jalkhad Road, which is complete and takes in a large volume of traffic during summers. Together, the two roads span a distance of 234 km and provide an alternate to the KKH from Mansehra to Chilas through a strategic and vital link, which is 120 km shorter than the distance between the two destinations via KKH. The road is two lanes (width 7.5 to 9.3

meters) and caters to all type of traffic from end of April to September when it closes due to heavy snowfall at Babusar Pass.

To ease the way for vehicles in this mountainous road where the small causeways swell up to monstrous proportions in rainy seasons, numerous new bridges were constructed and old ones renovated at various places. In all nine bridges between Mansehra-Naran-Jalkhad and eleven at the Jalkhad-Chilas Section have been erected to facilitate the vehicular traffic.

Development of Western Route

The vast expanses of land and the thinly scattered population were a prime reason for the lack of adequate road infrastructure in Balochistan. With the development of Gwadar Deep Sea Port, construction of adequate road network became vital for the viability of the Port.

Figure No.9
A Road of the CPEC Western Route



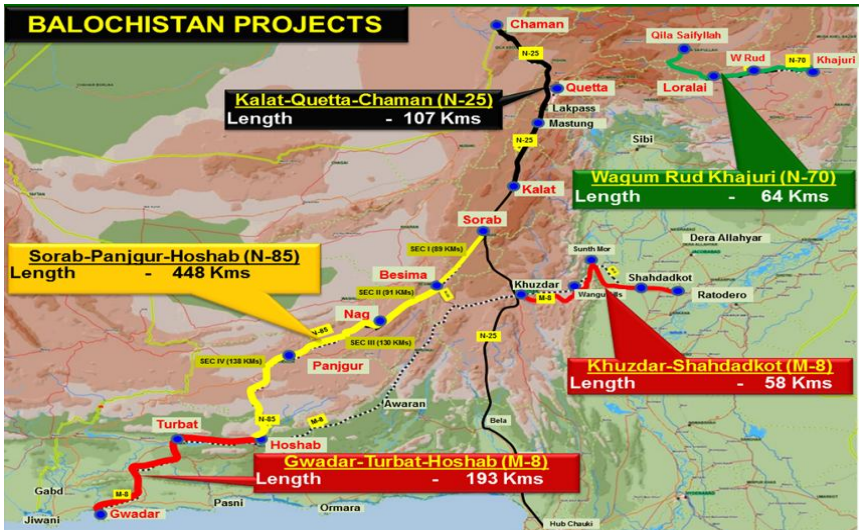
Source: A Road of CPEC Western Route. 2016, FWO Archives, www.fwo.com.pk.

Projects in Balochistan remain the focus and corner stone of the FWO endeavors. FWO is undertaking construction of 870 km

of the following roads in Balochistan as part of the Western Route of the CPEC to operationalize Gwadar Deep Sea Port by enhancing its connectivity:

- Gwadar-Turbat-Hoshab Section (M-8)
- Khuzdar-Shahdadkot Section (M-8)
- Sorab-Panjgur-Hoshab (N-85)
- Kalat-Quetta-Chaman Road (N-25)
- Wagum-Rud-Khajuri Road (N-70)

Figure No.10.
The New Roads from Gwadar



Source: *The New Roads from Gwadar*. 2016, FWO Archives, www.fwo.com.pk.

Completion of these projects by end of 2016 would effectively link Gwadar Deep Sea Port with Afghanistan and China. FWO is according top priority to these routes keeping in view the supreme national interest and accordingly almost 60% of its resources have been employed for construction of these road projects.

Figure No.11
The Road to Turbat



Source: On way to Turbat. 2016, FWO Archives, www.fwo.com.pk.

The M-8 Motorway reflects the vision of a progressive Balochistan. It is the first highway of the province, which shall be converted into a Motorway connecting Gwadar with the Indus Highway. Eventual alignment of this road will traverse along Gwadar, Turbat, Hoshab, Awaran, Khuzdar and Rattodero. However, it is in an initial phase. It will link Gwadar with the Indus Highway in combination with N-85 and a portion of N-25 (as shown in the map). Subsequently the portion between Hoshab and Khuzdar is planned to be constructed for the shorter and direct access. Traversing through the vast expanses of land of interior Balochistan, the highway shall usher in a new era of socio-economic development and prosperity. Presently, the trade trucks going upcountry have to take the longer route via Karachi, which increases logistic costs. With the direct and shorter route of M-8, the distance from Gwadar to the Indus Highway will be reduced by nearly 400 km.

Initially, work on different sections started during September 2004 by various contractors. However, the contract agreements were terminated in October 2010 due to adverse security situation as all the contractors expressed their inability

to work. In 2013, fresh bids were called but only FWO submitted its proposal and the work was awarded to FWO.

FWO has undertaken construction of Gwadar–Turbat-Hoshab and Khuzdar-Shahdadt Kot segments of M-8. The road is sponsored by NHA from PSDP Funding. The Gwadar– Turbat-Hoshab is 193 km long. It originates from Nalient on the Coastal Highway and terminates at Hoshab where it joins N-85. Pavement width of the road is 7.3 meters with 2.5 m shoulders. Scope of work included construction of 58 bridges and 578 culverts. Construction work started in June 2014 and completed in January 2016.

Construction of Khuzdar-Shahdadt Kot link is also underway. The 236 km link has been divided into 5 sections. Section 1 Khuzdar-Khori (39 km) and Section 5 Shahdadt Kot-Rattodero (44 km) have already been completed by FWO while work on Section 4 (58 km) portion between Wangu Hills and Shahdadt Kot is underway. Work on this section commenced during Mar 2014 and will be completed by June 2016. This road will provide a vital link between Khuzdar and the Indus Highway, thus, enhancing connectivity of Gwadar Deep Sea Port with the National Highway through M-8 and N-85. The road way width is 7.3 meters and shoulder width is 2.5 meters on both sides. 10 bridges and 199 culverts are included in the scope of the project. Other two sections (2 and 3) of the highway with overall length of 95 km have been entrusted to civil contractors by NHA.

Figure No.12.
The Road to Panjgur



Source: The road to Panjgur. 2016, FWO Archives, www.fwo.com.pk.

Despite odds, such as, adverse security situation, extreme weather conditions and logistic constraints, the construction work was executed at a fast pace and the Gwadar–Turbat-Hoshab section has already been completed and was inaugurated by the Prime Minister of Pakistan on February 3, 2016. This road is a vital part of CPEC’s Western, Central and Eastern Routes and will serve all Gwadar bound traffic.

The N-85 Highway is also known as the Gwadar-Quetta link. It originates from Hoshab and traverses northwards towards Quetta while passing through Panjgur-Besima and Sorab from where it joins Karachi-Quetta Highway (N-25) at Kalat. The highway passes through the remote towns of interior Balochistan and provides a direct and shorter access between Gwadar and Quetta. Construction of this highway was a formidable challenge in view of harsh terrain besides security and logistic constraints. FWO has mobilized resources to simultaneously work on various sections to ensure completion within stipulated timeline. The highway is being regarded as a

catalyst for the progress and development of interior Balochistan.

According to the scope of work, length of highway is 448 km, carriageway width is 7.3 meters with shoulders of 2.5 meters. Moreover, 15 bridges are to be constructed. The construction work has been divided into four sections: the Hoshab-Panjgur (138 km), Panjgur-Nag (130 km), Nag-Basima (91 km) and Basima-Surab Section (89 km).

Figure No.13.
N-85 Road, The Gwadar-Turbat Link



Source: N-85 Road, The Gwadar-Turbat Link. 2016, FWO Archives, www.fwo.com.pk.

Hoshab-Panjgur Section is 138 km long. Work on this section started in Apr 2014 and completion date is Nov 2016. Six bridges and 438 culverts are included in scope of this project. Panjgur-Nag Section is 130 km long and construction work on this section commenced during Jan 2014 and was completed in Oct 2015. Eight bridges and 354 culverts have been constructed. Nag-Basima Section is 91 km long. Here, the construction work commenced during May 2015 and

completion date is May 2016. Scope of work also includes 323 culverts. Work on 89 km long Basima-Sorab Section is also underway since Jul 2015 and is scheduled to be completed by Dec 2016. One bridge and 308 culverts are included in the scope of project.

Road Basima-Khuzdar (105 km) is likely to be awarded to FWO which will provide direct link between N-85 highway and M-8. Contractual formalities are being worked out by NHA.

Kalat-Quetta-Chaman Road (N-25) is funded by USAID and serves as an important trade route between Pakistan and Afghanistan. The 230 km long and 7.3 meter wide road (with 2.5 meter shoulders) is divided into four sections of which Sections 1 and 3 have already been completed while Section 2, Khad Koocha to Quetta (50 km), and Section 4, Jungle Piralizai to Chaman (57 km), are being completed by FWO. Also known as Regional Cooperation for Development (RCD) Highway, the road constitutes the shortest access from Gwadar or Karachi Ports to Kabul.

Work on Khadkhoa-Quetta Section started in Jun 2014 and has been completed. Construction of Jungle Piralizai-Chaman section is underway since Jun 2014 and is scheduled to be completed by May 2016.

Kuchlak Bypass of 16 km, along with 3 Toll Plazas, 2 Weigh Stations, and 4 bridges, has been added in the scope of project.

On way to Chaman, the road passes through Khojak Pass which is 102 km ahead of Quetta and 2256 meters high from the sea level. The site was amongst the toughest as it involved massive rock cutting in a harsh terrain. Narrow working space and heavy snowfall made the task even more challenging. Despite challenges, the construction work was completed well before the contractual deadline.

Despite serious logistic constraints due to remoteness of the area and unfavorable security situation, FWO is determined to

complete the onerous but formidable task of construction of road projects in Balochistan as part of Western Route within stipulated time line. FWO has already completed 690 km of roads out of 870 km, which is record by any international standard. Thirty one valiant workers of FWO have laid down their lives for accomplishing projects of national significance.

Figure No.14.
Socio Economic Impact Assessment of FWO Balochistan.



Source: Mahmood, Mir and Jahangir Zahid 2015, Socio Economic Impact Assessment of FWO projects in Balochistan.

It is also encouraging to note that an Impact Study conducted in areas adjacent to the projects during June 2015 revealed that the local populace cooperates and are increasingly becoming supportive of development works. Almost 80% of the individuals interviewed during the survey were of the view that these projects have had a positive impact on common man's life as well on their economic life. Traffic on these routes has almost doubled with significant reduction in travelling time from Quetta to places enroute N-25 and N-85. With the completion of these projects Gwadar will be effectively linked with Quetta and Chaman besides the Indus Highway which will not only ensure operationalization of strategically located Gwadar Deep Sea Port but will also generate economic opportunities for the people of interior Balochistan along the Western Route. Therefore, it will be serving as a catalyst for

socio-economic development of this remote and deprived area.¹⁴

Development of Eastern Route of the CPEC

FWO is currently undertaking repair and modernization of Lahore-Islamabad Motorway (M-2) whereas the 4 lane Karachi-Hyderabad Super Highway is being upgraded into a 6 lane motorway in its pursuits along the Eastern Route.

Lahore-Islamabad Motorway (M-2)

Under the Concession Agreement, M-2 has been handed over to FWO in 2014 for concession period of 20 years. Project was inaugurated on 15 December 2014 and work commenced during January 2015 after largest financial close in the history of transportation and communication sector in Pakistan. Against construction period of 3 years, FWO is all set to complete the overlay in 18 months. FWO has especially imported state of the art machinery with the cutting edge technology for the project which has been introduced in Pakistan for the first time. The scope of work encompasses following:

Figure No.15.
Construction of Lahore-Islamabad Motorway (M-2)



Source: Construction of Lahore-Islamabad Motorway. 2016, FWO Archives, www.fwo.com.pk.

¹⁴Brief on Balochistan Projects (FWO Publication)

- Rehabilitation of M-2 and restoration of its ride quality
- Modernization of the existing communicating facilities
- Rehabilitation of the existing structure
- Provision of opportunities for economic activities, rest and recreation along M-2

The rehabilitation of M-2 that was started in end January 2015 is progressing at a fast pace. About 650 km of overlay has been completed (up to mid April 21, 2016) out of a total length of 714 km carriageway. Though the contractual completion is scheduled in Jan 2018, work is scheduled to be completed by June / July 2016.

FWO has especially imported state of the art machinery with cutting edge technology for the project which has been introduced in Pakistan for the first time. Moreover, FWO has been introducing the culture of enhanced safety and convenience of commuters during the construction phase in Pakistan by employing international standard marking and safety system. A million trees overall will be planted for the ease and comfort of travelers out of which 300,000 have already been planted. Besides rehabilitation and overlay, FWO has planned modernisation of the motorway. Some salient features of this modernisation are:

- Up-gradation of petrol pumps and development of marts
- Development of horticulture and landscaping
- State of the art theme parks and advertising
- Modernisation of toll system and service areas
- Insurance against commuters' life loss, vehicle damage and theft
- Launching of LPG stations
- Launching of dedicated FM Radio Channel and weather broadcast
- State of art vehicle recovery and ambulance facilities
- Surveillance system through installation of cameras at every Km

M-2 will also serve as the Western Route till completion of the entire Western Route. The present traffic volume on M-2 is just 19% of the total capacity, which is estimated to increase to 55 percent in the next three years’.

Figure No.16
Motorway Construction



Source: Motorway Construction. 2016, FWO Archives, www.fwo.com.pk.

Conversion of the existing 4 lane Karachi–Hyderabad Superhighway into a 6 lane Motorway (M-9) has been entrusted to the FWO in 2015 for a concession period of 25 years. The project was inaugurated by Prime Minister during March 2015. All initiatives planned for M-2 shall be extended to this project as well. The rehabilitation work is expected to complete in Jul, 2017. Massive tree plantation is also planned alongside the road and being undertaken simultaneously during the construction phase to cater for environmental protection.

The scope of work encompasses following:

- Rehabilitation of 136 km long Super Highway into 6 lanes motorway on BOT basis
- Construction of 275 km long service road (TST)

- Construction of 8 new Interchanges and rehabilitation of 2 existing ones
- Rehabilitation of 11 bridges
- Establishing 4 Service Areas
- State of the art IT System to be installed for better monitoring and control

FWO is also in the process of bidding for different sections of the Karachi Lahore Motorway.

Miscellaneous Planned Initiatives

It is said that the civilizations are born by the rivers and extended by roads. Roads and routes are a catalyst of development, Being a public sector entity, FWO has always strived for the development of homeland. Some of the planned initiatives for the development of national infrastructure and economic development are as under:

Dedicated Freight Corridor

FWO is working in close harmony with Pakistan Railways for development of ‘Pak-China Dedicated Freight Corridor.’ The Corridor will extend from Karachi and Gwadar to Kashghar and eventually link the regional rail networks in the neighborhood.

Oil City and White Oil Pipeline

To meet the strategic needs of Pakistan, besides the huge contemplated and projected requirements of the CPEC, an Oil Village with a capacity of 50,000 MT on Build-Own-Operate (BOO) basis and connecting it with White Oil Pipeline is being planned. Another mega initiative is Gwadar-Kashgar Cross Country Oil Pipeline with 400,000 MT storage facilities.

Economic Development Plan along Major Routes

Under this plan, a number of smart cities, industrial zones, container terminals, grain and fuel storage facilities, warehouses, dry ports and thermal power plants are planned

along Lahore-Islamabad Motorway, Karachi-Hyderabad Motorway and Dedicated Freight Corridor.

Energy and Water Sector Projects

In order to develop energy and water sector in Pakistan, FWO has planned to undertake and develop mega dam projects as well as medium size Hydro Power Projects.

Challenges and the Way Forward

Besides strong political will and intent of our leadership, the planners must be realistically mindful of the likely impediments in the actualisation of the CPEC. While assessing the concerns and challenges that may impact the implementation of the CPEC, the foremost requirement is the institutionalised approach at national level for formulation of policy framework in coordination with all stake holders and Chinese Government while the remaining cognizant of our key national interests and harmonising all aspects of corridor including planning, management and implementation of approved projects. Pakistan's supreme interests need to be safeguarded at all costs by ensuring total control of the state with regard to the ventures in Pakistan by the foreign investors. Transparency and visibility at state level also needs to be ensured.

Addressing security concerns of the Chinese is yet another challenge for Pakistan warranting special measures at State level considering the fact that certain players within and outside are vehemently opposing the CPEC and may do anything to jeopardise it.

The last but not the least is the capacity issue, which can be a huge challenge in the implementation phase until and unless promptly addressed by raising and training a huge technical and skilled work force needed for this enterprising venture. In order to address this, National University of Technology and Skills Development (NUTECH) has been conceptualised. Proposed university to introduce the concept of basic to higher education

in the field of technology and skills development for the first time in Pakistan, though already adopted in the advanced countries.

Conclusion

As described by President Xi Jinping, “Pakistan and China are Iron Brothers¹⁵” and the friendship between the two countries will emerge stronger in the coming years. The two neighbors have co-existed peacefully for the past thousands of years. The world’s tallest mountain ranges which separate the two countries were bridged for making the KKH which provides a suitable land link between the two countries.

Similarly, the CPEC is a prized opportunity for Pakistan to realise its true strategic and economic potential and is regarded as a “Game Changer” for Pakistan and the region. The benefits of the project will materialise gradually and the require determination from Pakistan and China to achieve their cherished goals in the best possible manner. FWO, in its capacity, has been striving to play its essential part rather leading the implementation of the CPEC.

¹⁵ Chinese President Xi Jinping’s state visit to Pakistan, <http://www.thenews.com.pk/print/12125-pakistan-is-chinas-iron-brother-president-xi>

Annexure

List of Pakistan-China MoUs

ISLAMABAD — Pakistan and China on April 20, 2015 signed 51 MoUs, reflecting their strong commitment to shared development of the two brotherly countries.



Signing of MoUs of CPEC between Pakistan and China

The memoranda of understanding signed by both sides are listed below:

1. Joint Statement between the People's Republic of China and the Islamic Republic of Pakistan on establishing the all-weather strategic cooperative partnership.
2. Minutes of the 4th JCC of China-Pakistan Economic Corridor.
3. Economic and Technical Cooperation Agreement between the Government of the People's Republic of China and the Government of the Islamic Republic of Pakistan.
4. Exchange of Notes of feasibility study of the Demonstration Project of the DTMB between the Government of the

People's Republic of China and the Government of the Islamic Republic of Pakistan.

5. Exchange of notes on provision of Anti-Narcotics Equipment between the Government of the People's Republic of China and the Government of the Islamic Republic of Pakistan.
6. Exchange of notes on provision of Law Enforcement Equipment between the Government of the People's Republic of China and the Government of the Islamic Republic of Pakistan.
7. Exchange of Notes on Feasibility Study of Gwadar Hospital between the Government of the People's Republic of China and the Government of the Islamic Republic of Pakistan.
8. MOU on provision of Chinese Governmental concessional Loan for second phase up-gradation of Karakorum Highway (Havelian to Thakot) between Ministry of Commerce of the People's Republic of China and Ministry of Finance and Economic Affairs of the Islamic Republic of Pakistan.
9. MOU on provision of Chinese Governmental concessional Loan for Karachi-Lahore Motorway (Multan to Sukkur) between Ministry of Commerce of the People's Republic of China and Ministry of Finance and Economic Affairs of the Islamic Republic of Pakistan.
10. MOU on provision of Chinese Governmental concessional Loan for Gwadar port East Bay Expressway Project between Ministry of Commerce of the People's Republic of China and Ministry of Finance and Economic Affairs of the Islamic Republic of Pakistan.
11. MOU on provision of Chinese Governmental concessional Loan for Gwadar International Airport between Ministry of Commerce of the People's Republic of China and Ministry

of Finance and Economic Affairs of the Islamic Republic of Pakistan.

12. Protocol on Banking Services to Agreement on Trade in Services between the Government of the Islamic Republic of Pakistan and the Government of the People's Republic of China.
13. MOU on provision of Material for Tackling Climate Change between National Development and Reform Commission of the People's Republic of China and Ministry of Finance (EAD) of the Islamic Republic of Pakistan.
14. Framework Agreement on Cooperation on Major Communications Infrastructure Project between the Government of the People's Republic of China and the Government of the Islamic Republic of Pakistan.
15. MOU on Cooperation between NDRC of the People's Republic of China and ministry of Planning Development and Reform of the Islamic Republic of Pakistan.
16. MOU on Pro Bono Projects in the Port of Gwadar Region between Ministry for Planning, Development and Reform of the Islamic Republic of Pakistan and the International Department of the Central Committee of the Communist Party of China.
17. MOU on establishment of China-Pakistan Joint Cotton Bio-Tech Laboratory between the Ministry of Science and Technology of the People's Republic of China and the Ministry of Science and Technology of the Islamic Republic of Pakistan.
18. Framework Agreement between the National Railway Administration, Government of the People's Republic of China and the Ministry of Railways, Government of the Islamic Republic of Pakistan on Joint Feasibility Study for

up-gradation of ML1 and Establishment of Havelain Dry port of Pakistan Railways.

19. Protocol on the Establishment of China-Pakistan Joint Marine Research Center between State Oceanic Administration of the People's Republic of China and the Ministry of Science and Technology of the Islamic Republic of Pakistan.
20. MOU on cooperation between the State Administration of Press, Publication, Radio, Films and Television of China and Ministry of Information, Broadcasting and National Heritage of Pakistan.
21. Triple Party Agreement between China Central Television and PTV and Pakistan Television Foundation on the re-broadcasting of CCTV-NEWS/CCTV -9 Documentary in Pakistan.
22. Protocol on establishment of Sister Cities Relationship between Chengdu city Sichuan Province of PRC and Lahore City.
23. Protocol on establishment of Sister Cities Relationship between Zhuhai City, Guangdong province of the People's Republic of China and Gwadar city, Balochistan of the Islamic Republic of Pakistan.
24. Protocol on establishment of Sister Cities Relationship between Karamay City, XianjianUgur, autonomous region of the People's Republic of China and Gwadar city, Balochistan of the Islamic Republic of Pakistan.
25. Framework Agreement between NEA and MoPNR on Gwadar-Nawabshah LNG Terminal and Pipeline Project.
26. Commercial Contract on Lahore Orange Line Metro Train Project.

27. Agreement on financing for Lahore Orange line Metro Train project.
28. MOU on financing for KKH up-gradation Phase-2 (Havelian to Takot), KLM, Gwadar East Bay Expressway, Gwadar International Airport Projects.
29. Financing Agreement relating to the 870 MW Hydro-Electric Suki Kinari Hydropower Project between EXIM Bank of China, Industrial and Commercial Bank of China Limited and SK Hydro (Private) Limited.
30. Financing Cooperation Agreement between the EXIM Bank of China and Port Qasim Electric Power Company (Private) Limited (on Port Qasim 2x660MW Coal-fired Power Plant).
31. Framework Facility Agreement for 720MW Karot Hydropower Project between China Development Bank Corporation, EXIM Bank of China and Karot Power Company (Private) Limited.
32. Term Sheet of the facility for Zonergy 9x100 MW solar project in Punjab between China Development Bank Corporation, EXIM Bank of China and Zonergy Company limited.
33. Drawdown Agreement on Jhampir wind Power project between UEP Wind power (Private) Limited as Borrower and China Development Bank Corporation as lender.
34. Terms and Conditions in favor of Sindh Engro Coal Mining Company for Thar Block II 3.8Mt/a mining Project, Sindh province, Pakistan Arranged by China Development Bank Corporation.
35. Terms and Conditions in favor of Engro Powergen Thar (Private) Limited, Sindh province, Pakistan for Thar Block II 2x330MW Coal Fired Power Project Arranged by China Development Bank Corporation.

36. Framework Agreement of Financing Cooperation in Implementing the China-Pakistan Economic Corridor between China Development Corporation and HBL.
37. MOU with respect to Cooperation between WAPDA and CTG.
38. MOU among PPIB, CTG, and Silk Road Fund on Development of Private Hydro Power Projects.
39. Facility operating Agreement for Dawood Wind Power project between ICBC and PCC of China and HDPPL.
40. Framework Agreement for Promoting Chinese Investments and industrial Parks Developments in Pakistan between ICBC and HBL on financial services corporation.
41. The financing term sheet agreement for Thar Block -I between ICBC, SSRL.
42. Energy Strategic Cooperation Framework Agreement between Punjab Province of Pakistan and China Huaneng Group.
43. Framework Agreement on the China Pakistan Economic Corridor Energy Project Cooperation between Ministry of Water & Power and China Export & Credit Insurance Corporation (SINOSURE).
44. Cooperation Agreement between Sino-Sindh Resources (Pvt.) Ltd and Shanghai Electric Group for Thar Coalfield Block I Coal-Power integrated Project in Pakistan.
45. Cooperation Agreement for Matiyari-Lahore and Matyari (Port Qasim)-Faisalabad Transmission and Transformation Project between National Transmission Distribution Company (NTDC) and National Grid of China.

46. IA on Port Qasim Coal fired Power Plant between Power China and GoP.
47. Facility Agreement for the Sahiwal Coal-fired Power Plant Project between industrial and Commercial Bank of China Limited, Huaneng Shandong Electricity limited and Shandong Ruyi Group.
48. Cooperation Agreement on Hubco Coal-fired Power Plant Project between CPIH and Hubco Power Company.
49. Facilitation Agreement on Salt Range Coal-fired Power Project between CMEC and Punjab Government.
50. MOU between NUML Pakistan and Xinjiang Normal University, Urumqi China for Cooperation on Higher Education.
51. Agreement on collaboration on establishment of NUML International Center of education (NICE) between NUML Pakistan and Xinjiang Normal University, Urumqi, China.

On this occasion the two leaders inaugurated the following projects by unveiling the plaques:

- a. Industrial and Commercial Bank of China, Lahore Branch.
- b. Energization of 100 MW solar power plants at Quad-i-Azam solar park, Bahawalpur.
- c. FM 98 Dosti Channel studio PBC-CRI, Islamabad.
- d. Demonstration project of DTMB Broadcasting in Pakistan.
- e. China Cultural center Pakistan.
- f. China-Pakistan Joint Research Center for small hydropower, Islamabad.

- g. China-pakistan cross-border optical fiber cable system project.
- h. Metro rail transit system on the Orange Line in Lahore.
Ground breaking of following power projects was also jointly done by Prime Minister Muhammad Nawaz Sharif and President Xi Jinping via video link:
 - i. Karot 720 MW Hydropower project.
 - ii. Dawood 50 MW Wind-power project.
 - iii. Sachal 50 MW Wind-power project.
 - iv. Zonergy 900 MW solar project.
 - v. Jhimpir 100 MW Wind-power project.

Source:<http://boi.gov.pk/ViewNews.aspx?NID=%20762>

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