

# China-Pakistan Economic Corridor and Dynamics of Regional Connectivity: Prospects and Challenges

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## Abstract

*Since 1950, China and Pakistan have enjoyed historic friendly relations. They helped each other during the times of need and have supported each other at various regional and international forums. Currently, they are engaged in building the China-Pakistan Economic Corridor (CPEC), which is a component of China's gigantic economic venture, One Belt, One Road (OBOR). Later termed as Belt and Road Initiative (BRI), it is a framework of regional connectivity to enhance geographical linkages and to improve roads, rail networks with frequent and free exchanges of growth while moving towards more optimal business by win-win model. The CPEC, being its flagship project, has the potential to bring incredible financial gains for the BRI countries. In this connection, the South Asian countries and the global community have mixed perception about the project. However, the CPEC is important for regional countries because it will bring socio-economic prosperity and technological advancement. The CPEC will offer China and Pakistan an opportunity to promote regional connectivity, trade growth and infrastructure development. Pakistan views the corridor not only as an infrastructure and economic development programme but a key initiative for the country's economic prosperity. Nevertheless, China needs to expand its influence in the peripheral neighbourhood, consolidate its global presence and secure future supply routes of energy and trade goods; This will help Pakistan become one of the beneficiaries of the Chinese investment in the region.*

**Keywords:** CPEC, China-Pakistan Relations, Gwadar Port, Indo-US Reaction, OBOR, BRI.

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## Introduction

Two centuries ago, the iconic French general and dictator, Napoleon Bonaparte, predicted the true potential of China by saying, “China is a sleeping lion in Asia. Let her sleep for when she wakes she will shake the world.”<sup>1</sup> Yesterday’s words are the reality of today because Beijing has wakened up from its deep slumber as rightly noted by the French President Francois Hollande, “today, the lion has wakened up but it is peaceful, pleasant and civilised.”<sup>2</sup> In the same manner, the Chinese President, Xi Jinping, victoriously acknowledged in 2014, that the emergence of modern China is no less than economic flashpoint in the world.<sup>3</sup> As of now, Beijing is in a struggle to continue pragmatic economic diplomacy for the reason to maintain its historical legacy as an Asian power.<sup>4</sup> In the past, the imperial powers dragged China into Opium Wars (1839 and 1856) but the Chinese spirit prevailed and recognised itself as a strong and stable country. So, in the present scenario, it is the only country that has the potential to directly challenge the American global leadership and influence in the world.

China is a remarkable country not only as a swiftly rising market in the world but also as a manufacturing hub for international operations. It has initiated global investment, trade and capital flows in the world and sustaining the desired economic development since the last two decades. Even being the most populous country, its enormous economic growth in per capita income is more than eight per cent a year, which has changed the living standard of its people and converted the country into a global economic power.<sup>5</sup>

Furthermore, the growth of China is concentrated around the fastest-growing consumer market, heavy industries, technological know-how, manufacturing, agriculture and telecommunication. China’s economic growth model has successfully generated adequate employment for skilled

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<sup>1</sup> Isaac Stone Fish, “Crouching Tiger, Sleeping Giant,” *Foreign Policy*, January 1, 2016.

<sup>2</sup> Teddy Ng and Andrea Chen, “World has Nothing to Fear from Awakening of Peaceful Lion,” *South China Morning Post*, March 28, 2014.

<sup>3</sup> “China’s Dream: Investment along the New Silk Road,” *News*, April 9, 2014.

<sup>4</sup> Timothy R Heath, “China’s Evolving Approach to Economic Diplomacy,” *Asia Policy*, no. 22 (July 2016): 157-91 and Shannon Tiezzi, “China Economic Diplomacy: Shaun Rein on the War for China’s Wallet,” *Diplomat*, December 13, 2017.

<sup>5</sup> “China’s Economy Grows 6.7% in 2016,” *BBC News*, January 20, 2017.

labour. The Western countries balanced China's fast development by keeping distance between investment and export; moving toward a more moderate pricing system for land, power and fuel; applying substantial reforms in the financial sector and approving larger exchange rate flexibility. After coming to the power in 1978, Deng Xiaoping decided to introduce "open door policy" to make China 'Asian giant,' which yielded in double-digit growth with around 680 million Chinese lifted out of poverty: a tremendous achievement of economic progress in human history.<sup>6</sup>

By its economic miracles, China's rise seems to have a long-lasting impact on the world. The dawn of the 21st century observed an enormous uprising of China as a universal market leader.<sup>7</sup> The implication of this miracle reverberated across the entire international economy and carried a change in the products markets, patterns of buying and selling, investment strategies, as well as natural resources and the environment.<sup>8</sup>

## China's Economic Potentials

China is the emerging and leading economic power of the world, which is growing at an average of 10 per cent a year, highest in the world. The leading British magazine, *Economist*, predicted that, in the coming years, China has the potential to take over the US as the world's biggest economy with the advantage of the state-of-the-art technology and supplying goods as per the demand of the buyer.<sup>9</sup> Moreover, China represents about 30 per cent of the global GDP of US\$23.19 trillion, which exceeds America's GDP, which is US\$19.42 trillion. It has become the global leading trading country, beating the US which is a significant breakthrough for the nation.<sup>10</sup>

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<sup>6</sup> Ezra F Vogel, "China under Deng Xiaoping's Leadership," *East Asia Forum*, Harvard University, September 27, 2011.

<sup>7</sup> "China and World Bank: 30 Years of Partnership," World Bank, September 13, 2010,

<https://www.worldbank.org/en/news/feature/2010/09/13/china-world-bank-30-years-partnership> and Jonathan Eckart, "8 Things you Need to Know about China's Economy," World Economic Forum, June 23, 2016.

<sup>8</sup> *World Bank: Country Study* (Washington, DC: World Bank Press, 2016), 46-88.

<sup>9</sup> *Economist* (London), July 2016 and March 2018.

<sup>10</sup> Katsuhiko Hara and Issaku Harada, "US Overtook China as Top Trading Nation in 2016," *Nikkei Asian Review*, April 13, 2016.

Furthermore, China is the world's largest manufacturing economy and has built an unmatched eco-system that enables a continuous process of innovations. The economists have predicted that the 21st century is the Chinese century and the country will be the world's largest economy as compared to Japan and Europe for an unforeseeable time.<sup>11</sup> It is estimated that China's spending on Research and Development (R&D) is more than Japan, India and other developed economies of the world.<sup>12</sup> Therefore, China has announced a 15-year comprehensive science and technology programme in which it aims at upgrading R&D spending first to three per cent of GDP by 2018 and then to 3.5 per cent by 2025.<sup>13</sup>

### **Concept of Belt and Road Initiative**

The China-Pakistan Economic Corridor (CPEC) is a vital component of BRI, which will positively redesign the world economic order beginning with a promoting land-based "Silk Road Economic Belt" and the "Maritime Silk Road." The "Belt" is a global infrastructure network and connectivity development project which will stretch from Xinjiang (China) through the Central Asian Republics (CARs) to Moscow and reaching to Europe. In the same way, the maritime highway will build a chain of ports and coastline infrastructure from South and Southeast Asia to East Africa and the northern Mediterranean Sea.<sup>14</sup> Stretching over about 65 countries, BRI aims at directly associating the investment with Asia, Europe, the Middle East and Africa with a massive logistics and transport network. According to the World Bank report, BRI is a grand opening for investment, as the Chinese are perceived to be spending around US\$40 trillion for global investments.<sup>15</sup> In this connection, under BRI, China will build 56 economic zones in 20 different countries and, in return, will collect nearly billion in shape of tax

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<sup>11</sup> Reinilde Veugelers, "China is the World's New Science and Technology Powerhouse," *Bruegel News Letter*, August 30, 2017 and Mengjie, "China's R&D Spending close to Developed Country Level," *Xinhua*, October 10, 2017.

<sup>12</sup> S K Shah, *India and China: The Battle between Soft and Hard Power* (New York: Penguin Viking, 2010), 189.

<sup>13</sup> Joseph E Stiglitz, "The Chinese Century," *Conde Nast*, January 2015 and Jin Kai, "Are We Living in a Chinese Century?," *Diplomat*, January 23, 2015.

<sup>14</sup> Nadege Rolland, Testimony before the US-China Economic and Security Review Commission, "China's Belt and Road Initiative: Five Years Later," *National Bureau of Asian Research*, January 25, 2018.

<sup>15</sup> World Bank Country Report, "CPEC and OBOR: Its Economic Impact on Global Economy," Washington DC: Columbia Press, 2017, 32-87.

return and projects will generate massive employment opportunities in different countries.<sup>16</sup> From a highly pragmatic perspective, BRI is a grand project to integrate China in the global economy.<sup>17</sup> The economic and industrial projects are indicative of the fact that China is clearly adopting a different method of government-to-government cooperation while improving the economic profile of low-and middle-income countries that are situated across silk-road.<sup>18</sup>

## Development of CPEC

During the global financial crisis of 2007-2008, President Xi Jinping mentioned China's pragmatic engagement across the world. These engagements prepared the context in which China started to work with Pakistan and offered new areas of investment and partnership. The bilateral economic cooperation began to deepen in the early 1990s but the official joint declaration was signed in 2003 by the Chinese President Hu Jintao and his Pakistani counterpart President Pervez Musharraf, which emphasised on different areas of collaboration for future understanding.<sup>19</sup> In 2006, a mutual announcement became a source of strength and cooperation when the Free Trade Agreement (FTA) was signed by President Hu Jintao during his official visit to Pakistan.<sup>20</sup> In this regard, the main breakthrough was achieved in 2013 when an official agreement was signed resulted into creation of the CPEC for greater economic partnership

The agreement of the CPEC was initially signed in 2013 during President Xi Jinping's visit to Pakistan in 2015. Through the Chinese assistance and technological contribution, the CPEC would construct a

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<sup>16</sup> Janne Suokas, "China Signs Belt and Road Deals with 69 Countries and Organisations," *GB Times*, August 18, 2017.

<sup>17</sup> "Keywords of China's Major-country Diplomacy: Six Major Economic Corridors and AIIB," *Xinhua*, September 18, 2017, [http://www.xinhuanet.com/english/2017-09/18/c\\_136618958.htm](http://www.xinhuanet.com/english/2017-09/18/c_136618958.htm)

<sup>18</sup> Jean-Pierre Lehmann and Ivy Buche, "One Belt-One Road: China's Re-Engineering of the Global Business Environment," IMD Publication, February 2016, [www.imd.org/cln](http://www.imd.org/cln)

<sup>19</sup> "Joint Declaration between China-Pakistan," *Dawn*, March 9, 2003.

<sup>20</sup> "Free Trade Agreement with China," *Dawn*, November 27, 2006 and see also Younas Dagha, "In growing Relations with China, Don't Opt for Protectionism," *Dawn*, May 13, 2018.

3,000 km trade route in the next 15 years.<sup>21</sup> Labelled as the “flagship project” of China’s BRI, the CPEC manifests that geo-economics is operating alongside geopolitics in bringing Beijing and Islamabad even closer.<sup>22</sup> China has assured to allocate US\$46bn to US\$57bn in the developmental projects in Pakistan. Beijing is willing to establish a commercial track from the Chinese Northwestern area of Kashgar (Xinjiang province) to the southern Pakistani port of Gwadar which is on the mouth of the Persian Gulf region.<sup>23</sup> The project will not only revive the economy of Pakistan but it will also make the country a major key component in China’s grand economic strategy to construct a modern “Silk Road” and sea trade paths with other parts of the world.

Furthermore, the CPEC has been called a “game-changer” and a “fate changer” for Pakistan because the “unprecedented” Chinese investment will be completed in the coming decade which will certainly make Pakistan the Asian Tiger.<sup>24</sup> In this milieu, 25 mega projects have been planned to be completed in the next five years. For energy projects, US\$34 billion investment was already reserved and US\$12 billion for the development of infrastructure structure. It was also assessed that around US\$15.5 billion would be invested in power generation projects as coal, solar, wind and hydroelectric projects.<sup>25</sup> The CPEC includes 21 agreements on energy projects with a capacity close to 10,000 MW have completed. Thus, the power generation projects under the CPEC would increase Pakistan’s electric energy generating capacity which already enhanced by 7,000 MW with another 3,000 MW to be incorporated into the system.<sup>26</sup>

Moreover, under the CPEC around 3,000-kilometre-long network of roads, railways and pipelines to transport oil and gas from southern Pakistan’s Gwadar port to Kashgar will be constructed within ten years.<sup>27</sup> In this regard, China with its fastest economic growth rate has a desire to

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<sup>21</sup> “Economic Corridor Project,” *Al Jazeera*, March 18, 2016.

<sup>22</sup> “Why Pakistan is a Natural ‘Flagship’ For China’s One Belt, One Road Initiative,” *WPR*, March 31, 2017.

<sup>23</sup> Fahad Shah, “Does the China-Pakistan Economic Corridor Worry India?,” *Al Jazeera*, February 23, 2017.

<sup>24</sup> S Akbar Zaidi, “The New Game Changer in Pakistan,” *Hindu*, May 28, 2016.

<sup>25</sup> *Ibid.*

<sup>26</sup> Anjum Altaf, “CPEC: Lessons from History,” *Dawn*, January 17, 2017.

<sup>27</sup> “China-Pakistan Economic Corridor (CPEC),” *Global Security*, <https://www.globalsecurity.org/military/world/pakistan/cpec.htm>

develop its southern areas because its port is 4500 km away from Sinkiang and Gwadar is closer at 2500 km. For China, the access to the Strait of Hormuz through the Gwadar port would be easy as compared to other sea routes. For this purpose, China have plans to upgrade Gwadar port and connect it with sea and roads. Therefore, the Chinese are constructing 14 km superhighway and an airport to link with the Persian Gulf region.<sup>28</sup> They are also involved in upgrading the 1,300-km Karakoram Highway (Silk Road), which is the strategic and commercial highway between China and Pakistan. The CPEC will certainly increase the capacity of China to access different ports for oil and gas through Gwadar, which seems to be a reliable link for China's economic survival.<sup>29</sup>

### **Regional Connectivity and the Economic Corridor**

Strategically, Pakistan is situated in the volatile region of South Asia which is a hub of great power politics. Its geographical position has given valuable opportunities to the CARs to access Gwadar port which is the economical and shortest direction of 2600 km as compared to Iran's Chabahar port (4500 km) which is located in Southeast of the country on the Gulf of Oman. Afghanistan as a landlocked country, can also use Gwader port which is deep-water port and fascinates to many countries of the region. In addition, the CPEC is an innovative idea and new horizon of achievement and it is a great incentive in a way that immense progress through the CPEC will stabilise Pakistan-China relations.<sup>30</sup> In fact, the country needs to endorse trade with the global community as a replacement of dependence on foreign loans and credits for economic development. Therefore, the CPEC has enabled Pakistan to achieve the growth target of 6.2 per cent because of the continuity of economic policy and stability. There are chances that if Pakistan continued its present leap of growth, it would be involved in the best and advanced economies of the world.<sup>31</sup>

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<sup>28</sup> Zofeen T Ebrahim, "What's Happening at Pakistan's Gwadar Port?," *Diplomat*, June 17, 2017.

<sup>29</sup> "Gwadar and China's Power Projection," *News*, July 9, 2016 and see also Zofeen T Ebrahim, "China-Pakistan Economic Corridor: A Boon for the Economy, A Bane for Locals," *Dawn*, May 12, 2016.

<sup>30</sup> Ahsan Iqbal, Federal Interior Minister talked with media at a dinner of the 3rd CAC Pakistan Summit and Expo, for reference see *News*, October 13, 2017.

<sup>31</sup> "CPEC Opens New Horizon of Development to the World," *Express Tribune*, December 6, 2017.

Historically, China is linked to different regions and the rest of the world through the Ancient Silk Road and it will not only connect to China but to the Arabian Sea, South and Southwest Asia and Central Asia. The rail linkage will also be established between China and Pakistan which envisions a multi-dimensional economic project and, in this backdrop, the progress of Gwadar port is one of the promising development to hugely benefit various regions.<sup>32</sup> Therefore, the grand plan of development contributes to the development of neighbouring countries alongside regional integration. In this way, the CPEC has the potential of regional cooperation. Some of the positive indicators are mentioned below:

- a) Groundwork for Transport Setup
- b) Energy Continuity
- c) Supply-Chain and Logistic Centre
- d) Commercial Activity and Trade Movement
- e) Peace Plan and Developmental Strategies of Region
- f) Multiple Developmental Options
- g) Technological and scientific Cooperation
- h) Agrarian and Farming Cooperation
- i) Holiday Business and Tourism Industry
- j) Knowledge Market and Informative Connection & Health Assistance
- k) Human Organizational Skills and Development
- l) People-to People Cooperation
- m) Improvement of Security and Stability<sup>33</sup>

### **Afghanistan's Interests in CPEC**

Afghanistan, as a landlocked state, is situated in a highly *volatile* strategic location standing at the crossroads of Central Asia, South Asia, East Asia and West Asia. For a long time, it worked as an important economic gateway for the “Silk Road” and other historic trade passage in the region. Afghanistan has expressed its interests to join the CPEC but, as of now, Kabul is the target of Indo-US influence that wishes otherwise. Eventually, Pakistan's threat perception is heightened by with India's ominous presence

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<sup>32</sup> Portia B Conrad, “China's Access to Gwadar Port: Strategic Implications and Options for India,” *Journal of the National Maritime Affairs* 13, no. 1 (2017): 55-62.

<sup>33</sup> CPEC: China Pakistan Economic Corridor, Official Website of the Government of Pakistan, <http://cpec.gov.pk/vision-mission/3>

in Afghanistan. However, apart from all-time Indo-Pakistan enmity, China is playing a decisive role in reducing Afghanistan's grievances toward Islamabad by offering a chance to both the countries to engage in bilateral economic cooperation, which comes in the form of the CPEC.

Furthermore, Afghanistan has shown its willingness to join the CPEC as Afghanistan's envoy in Islamabad, Omar Zakhilwal, highlighted that Kabul wishes to join the CPEC and emphasised that economic project of this level certainly have potential benefits to all the regional countries.<sup>34</sup> Both China and Pakistan favour a stable and peaceful Afghanistan because the former has its commercial interests in Kabul's natural and mineral resources and the later, besides economic advantages, wants to ensure easy access to the energy-rich CARs.<sup>35</sup> The experts argued that China and Pakistan both can utilise natural resources of the CARs which are important to fulfil energy requirements of both countries.<sup>36</sup>

### **Iran and CPEC**

Iran has shown its long-standing interest to join the CPEC as its policymakers view the corridor as a cornerstone for the country economic prosperity. For Pakistan, Iran's participation in the CPEC will introduce new dimensions in the bilateral relations. This cooperation will accelerate the pace of inter-regional connectivity resulting into self-sustaining economic growth models and reduced reliance on the Western countries. Thus, Iran's participation in the CPEC will certainly accentuate economic gains. These economic benefits will help Iran as well since its economic development has been severely restricted due to nuclear-related sanctions.<sup>37</sup> With this backdrop, the CPEC is no less than a glimmer of hope for a struggling economy like Iran. This possibility gives the hope that, in the foreseeable future, Iran can find a well-suited place in the global economy.

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<sup>34</sup> "Pakistan, China Want Afghanistan to Join CPEC, Belt & Road Initiative," *News*, October 14, 2016 and see also "CPEC Pivot for Afghanistan," *Afghanistan Times*, May 16, 2017.

<sup>35</sup> Anurag Ram Chandran, "Why Afghanistan Should Join CPEC," *Diplomat*, May 5, 2017.

<sup>36</sup> Akber Ali, "China Pakistan Economic Corridor: Prospects and Challenges for Regional Integration," *Arts and Social Sciences Journal III*, no. 1 (2016): 35-38.

<sup>37</sup> Sualiha Nazar, "Why Iran Needs to Explore Participation in the China-Pakistan Economic Corridor," *Diplomat*, October 14, 2015.

The oil-rich Iran entrance into the international market will radically modify the global oil market as well.<sup>38</sup>

On the other hand, China needs uninterrupted energy supply to continue its economic growth and is looking for alternative routes to import oil. For Iran, the CPEC will be the impending project which will be a real asset for the country. So, the CPEC is a golden opportunity for Iran with the perfect opening to become stable economically while nurturing relations with its immediate neighbours.<sup>39</sup> Being in its primal mode, the triangle of China-Pakistan-Iran (CPI), operation particularly in South and Southwest Asia, can help accrue huge benefits in inter-regional cooperation.

### **CPEC and Central Asian Republics**

Central Asia's geostrategic prominence in global politics is vital. Right at the heart of Eurasia, the five Central Asia Republics (Tajikistan, Uzbekistan, Turkmenistan, Kyrgyzstan, and Kazakhstan) are blessed with a vast array of natural resources. In the contemporary age of geo-economics, China is determined to expand its interests in the region for its strategic and economic interest in the heart of Asia and to prevent extremism and insurgencies in the region.<sup>40</sup>

China perceived that Central Asia is its natural asset and gateway of its steady economic growth and energy demands. They thought that the region is a vital bridge for future trading and influence in the world. Zbigniew Brzezinski mentioned that Central Asia is going to be the centre of gravity in the post-Cold War era and predicted its strategic prominence beyond doubt since it hosts three most-cultured and innovative economic zones in the world.<sup>41</sup> In this context, the inter-connectiveness and economic attraction for great powers have given impressive position to emerge as an important strategic player and the region of Central Asia could be used as a

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<sup>38</sup> Ibid.

<sup>39</sup> Seyed Hossein Mousavian, "What Trump Needs to Know About Iran," *World Post*, June 1, 2017.

<sup>40</sup> Strobe Talbott, "A Farewell to Flashman: American Policy in the Caucasus and Central Asia," July 21, 1997, <http://www.state.gov/www/regions/nis/970721talbott.html>

<sup>41</sup> Zbigniew Brzezinski, *The Grand Chessboard: America's Primacy and its Geostrategic Imperatives* (New York: Basic Books, 1997), 14-67 and Julian Reder, "The Apotheosis of Central Asia?," *International Policy Digest*, June 4, 2016.

gun-boat for great power politics.<sup>42</sup> In this direction, China's interests in Central Asia are primarily economic and largely associated with access to energy resources. The region could be the main source for China's energy demand in future. However, China is also seriously concerned with socio-political unrest in Uyghur populated Xinjiang.<sup>43</sup> Beijing believes that domestic security is essential to its economic growth and constriction is also important to reduce western military and political influence.<sup>44</sup>

Moreover, the CARs have greeted the CPEC with the hope that the "great plan will promote the development and economic prosperity."<sup>45</sup> Turkmenistan has permitted to use "crown jewel" of the CPEC, the recently developed Gwadar deep-sea port in Pakistan, which will provide Turkmenistan with the access to the Indian Ocean.<sup>46</sup> In this regard, Tajikistan is also looking for an entrance to Gwadar port and it is the only option to connect with the world. It has perceived that Tajikistan might offer a land link to Pakistan with the CARs via Murghab in Tajikistan, which Pakistan and Tajikistan have already approved new highway project connecting to the other countries.<sup>47</sup> Similarly, Kazakhstan and Kyrgyzstan are also interested to introduce combined economic programme through the CPEC for future economic growth. Nevertheless, the short passage for the CARs to link with Gwadar would desire to cross Afghan areas and the rest of infrastructural development and investment of the CPEC will be run by Pakistan which India's supported rebellion have been created insecurity and instability in the province of Khyber Pakhtunkhwa and Balochistan, where Gwadar port is functioning.<sup>48</sup> Also, western China and Central Asia both have no easy access to seaport because these areas are

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<sup>42</sup> David Denoon, "The Strategic Significance of Central Asia," *World Financial Review*, February 4, 2016.

<sup>43</sup> Yao Jing, "CPEC Main Pillar of China's Foreign Policy," *Nation*, January 23, 2018.

<sup>44</sup> Shi Zhiqin and Lu Yang, "The Benefits and Tisks of the China — Pakistan Economic Corridor," Carnegie-Tsinghua Center for Global Policy, December 21, 2016.

<sup>45</sup> "Exclusive: CPEC Master Plan," *Dawn*, November 26, 2016 and see also "Chinese Ship, Trade Convoy Reach Gwadar Port," *Dawn*, November 12, 2016.

<sup>46</sup> Azhar Rashid, Geo-Strategic to Geo-Economics: Pakistan, China and Central Asia," Un Published Thesis, Department of Political Science, University of the Punjab, 1, 2018.

<sup>47</sup> Anish Mishra, "Tajikistan: Pakistan's Gateway to Central Asia," *Diplomat*, August 7, 2017.

<sup>48</sup> *Ibid.*, and Ahmad Rashid Malik, "CPEC Relevance to Central Asia," *Nation*, November 21, 2017.

landlocked and desire direct contact with the Arabian Sea and the only close available option is Gwadar and looking forward to materialise as soon as possible.

### **India's Opposition to CPEC**

The CPEC envisions regional integrations and it will create greater advantages not only to China and Pakistan but to the entire South Asian region. It is a multidimensional project and has the potential to increase trade volumes, attract investment, industrial development and agricultural production and enhance employment opportunities. It would definitely act as a game-changer but India claimed that the CPEC terms and conditions have been decided bilaterally between Pakistan-China and directly India is not the party.<sup>49</sup> India perceived that the country's involvement in the project would separate us from the genuine or legitimate stand on Kashmir dispute. They believed that the CPEC runs from one side to other within the disputed territory i.e., Pakistan's administered Kashmir (Gilgit-Baltistan) and India observed that the CPEC is an open violation of its sovereignty.<sup>50</sup>

Furthermore, India considers the CPEC as a source of terrorism in Kashmir, which it claims as its integral part.<sup>51</sup> According to Stockholm International Peace Research Institute (SIPRI), India's criticism on the CPEC is based on New Delhi's perception on the "internationalisation of Kashmir" issue as Beijing's increasing influence in the region including the Indian Ocean will challenge New Delhi authority.<sup>52</sup> India also views Gwadar a deep-sea port as an essential share of China's "String of Pearls" policy which expands from Beijing eastern coastline to the Arabian Sea. Thus, New Delhi assumed that the CPEC is a part of the Chinese grand

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<sup>49</sup> K J M Varma, "China Dismisses India's Concerns over OBOR, Cites Global Support for CPEC," *Livemint*, May 15, 2017.

<sup>50</sup> "Prime Minister Narendra Modi told that CPEC is Unacceptable for India," *Hindu*, March, 16, 2015.

<sup>51</sup> Priyanka Singh, "India's Participation in CPEC: The Ifs and Buts," *Journal of Institute for Defence Studies and Analyses (IDSA)* (February 17, 2017):11-32.

<sup>52</sup> "Why India Fears Pakistan's CPEC, Swedish Think Tank (SIPRI) explains in first global report on China-funded Corridor," *Daily Pakistan*, February 6, 2017 and *Dawn*, February 6, 2017.

strategy to gain access through the shortest route and supply lines by Gwadar and to take advantages of strategic chokepoints of the Indian Ocean.<sup>53</sup>

Moreover, India is also feeling the threat from the CPEC because the project will transform Pakistan's economy and New Delhi could not afford strong and stable Islamabad.<sup>54</sup> Similarly, China's intention is to re-structure the Himalayan dry ports for economic and trade business between Tibet and India which is not in the interest of New Delhi. Therefore, India urges China to open the border through the Indo-Tibetan belt instead of dreamy to link with the CPEC.<sup>55</sup> In this connection, the Indian political experts called the CPEC a "disguised political disturbance" with the extreme level of "strategic content" which has challenged India.<sup>56</sup>

Additionally, India is also critical of the CPEC because it will further strategically strengthen relations between Pakistan and China which is basically failing to implement New Delhi plan of isolating Pakistan internationally by blaming it for supporting terrorism in the region. Further, India has a policy of containment for China-Pakistan and New Delhi has developed Chabahar port in Iran, barely 75km from Gwadar and it will enable India to approach Afghanistan through the land access and it will be better linking to Afghanistan. According to Simon Tisdall, the US is pushing India to stay in Afghanistan and to maintain close political and strategic support to Kabul as India is seeking to take benefits and protect the geopolitical interest in the region just to contain the strategic position of Islamabad.<sup>57</sup>

### **Extra Regional Perceptions: US and CPEC**

Historically, the US and China relations have been a sensitive, critical and complex phenomenon. Both have a history of understanding and both perceived each other aggressive and expansionist power. After the end of

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<sup>53</sup> Tojo Jose, "India and the China-Pakistan Economic Corridor Project (CPEC): What are the Implications?," IndianEconomy.net, May 28, 2016.

<sup>54</sup> Rajeev Sharma, "Here's Why Indian Strategists should Worry about China's \$46 Billion Funding to Pakistan," *Firstpost*, April 21, 2015.

<sup>55</sup> Claude Arip, "For India, CPEC is a Corridor to Nowhere," *Pioneer*, December 29, 2016.

<sup>56</sup> Jose, "India and the Chia-Pakistan Economic Corridor Project (CPEC)."

<sup>57</sup> Simon Tisdall, "India may Pay Heavily in Future for Supporting the Karzai Regime," *Guardian*, October 5, 2011.

the Cold War, the US has adopted a policy of encirclement of China and tried to disrupt, destabilise and weaken China's position. On the other side, Beijing has a peaceful and pragmatic policy to deal with the US and its allies without hurting and losing national interests. Apart from the bitter history, both countries have developed a tendency to move toward the diagonal one way or the other but after the end of the Cold War, the US again has been treating China as an adversary but China slammed the US for having a cold war mentality.<sup>58</sup> In the changing scenario, the US has given importance to India in order to boost New Delhi's confidence against China and to prevent China from becoming a dominant power of the region.<sup>59</sup>

In this connection, the US and India signed a defence agreement in 2016 which has a direct impact on both Pakistan and China. New Delhi and Washington also finalised a US\$4 billion deal in which the US will provide C-17 super aircraft fleet to India and it is the second-largest in the world and also helping to strengthen New Delhi ability in the area of maritime security in the Indian Ocean to reduce the Chinese influence in the region.<sup>60</sup>

On the diplomatic front, the US has come out officially to oppose the CPEC project and called it "controversial."<sup>61</sup> According to Jim Mattis, Defence Secretary of State, "the CPEC and One Belt, One Road will run altogether by Pakistan's northern territory and the US would like to back its Asian partner i.e. India."<sup>62</sup> Thus, Trump administration has unearthed its resentment against the multi-billion dollar CPEC and the US official seem to be backtracking on the US policy towards Pak-China relations. Apart from the resentment, the US Ambassador to Pakistan, David Hale, had categorically welcomed the economic growth expected as a result of the CPEC, Pakistan will be stable. During his visit to the office of Federation of Pakistan Chambers of Commerce & Industry (FPCCI), the envoy complained that his country was not asked to be involved in the CPEC. He

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<sup>58</sup> Wendy Wu, "China Slams US Cold War Mentality after Trump Brands China a Rival Power," *South China Morning Post*, December 19, 2017.

<sup>59</sup> Dean Cheng and Lisa Curtis, "The China Challenge: A Strategic Vision for US-India Relations," The Heritage Foundation, July 18, 2011.

<sup>60</sup> "Power Struggle in Indian Ocean," *Dawn*, August 30, 2016.

<sup>61</sup> The US Defence Secretary, James Mattis, told the Senate Armed Services Committee about the CPEC and OBOR. See details in *New York Times*, October, 6, 2017 and see also *Dawn*, October 7, 2017.

<sup>62</sup> *Nation*, October 7, 2017.

said that China was given special preference, while the US was overlooked and adding that the inclusion of the US in CPEC will have positive outcomes.<sup>63</sup> The experts argue that the opposition by the Trump administration reflects that the White House is trying to appease India and has decided to make the project controversial. The US argued that in the contemporary globalisation setup, the world has too many belts and roads and no country can have monopoly over this.<sup>64</sup> However, more than 130 countries and 70 global institutions have signed agreements of cooperation on BRI with China including the UN General Assembly and the UN Security Council has also incorporated in their vital resolutions.

## Conclusion

China has acquired economic supremacy in the world. It is a large-scale investor in modernising the state and society and has put itself in the appropriate place as a leader of a new wave of globalisation through its massive economic investment. The country has initiated grand economic ventures, BRI for instance, which reflects upon China's leading role in bringing about the regional integration. Moreover, the CPEC is the grand economic programme which is not only a game-changer but a fate-changer and guarantees of the country's stability and security. The Chinese investment in Pakistan will make China-Pakistan relations strong which is vital for political and economic stability in both countries and both will largely expand the scope of the sustainable and stable development. In this context, the development of Gwadar port in Balochistan would be a great sign of economic progress of the unprivileged province. Moreover, the CPEC will increase the energy capacity of the country in order to meet the demand of industry and people. It is estimated that the project will help reduce the concerns of China's underdeveloped Xinjiang province. However, Pakistan will also overcome its domestic problems due to economic activities and trade benefits. For China, the project has yielded brilliant chances for its peaceful rise with the cooperation of Islamabad and will certainly help to counter the Indian influence in the region through economic investment.

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<sup>63</sup> "David Hale Complains of US Exclusion in CPEC," *News*, December 24, 2017.

<sup>64</sup> *Washington Post*, October 7, 2017.

