

## CHINA PAKISTAN ECONOMIC CORRIDOR: INTERDEPENDENCE TO REGIONAL INTEGRATION

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### Abstract

*In the changing regional geo-political scenario China, Pakistan and other regional countries are set to play a vital role in the emerging regional economic corridor. China Pakistan Economic Corridor (CPEC) as part of “One Belt, One Road” grand strategy connect countries with China through economic collaboration extending from South East Asia to the Europe through maritime and land routes comprised of emerging markets of Africa and Middle East energy resources.*

*This paper has investigated the significance of CPEC in parlance of theoretical framework of complex interdependence because the phenomenon of interdependence has tied state and non-state entities in economic and strategic dimensions. Regional connectivity results from systematic, upgraded and need-based interaction in perspective of CPEC for socio-economic, industrial, energy and trade development.*

*CPEC is important not only for Pakistan and China but also for the other regional countries such as Afghanistan, Central Asian Republics, Iran and India. As international and regional politics follows interest's game hence CPEC has also become matter of concerns for both regional and international players which has been amply illustrated by this research. These concerns are followed by arguments that CPEC may be seen in a broader perspective of interdependency with emphasis on strategic and economic dimensions guaranteeing regional connectivity and integration.*

*CPEC can serve as a main trade avenue not only for China and Pakistan but for Central Asian Republics, Afghanistan, Iran and India as well. This study has argued that CPEC has the potential of becoming an energy transit corridor for growing economies. It has advantages for India also in form of improved infrastructure, communication and access to CARs market. Simultaneously it imparts an opportunity of flourishing and trade to*

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*the Afghanistan's industries. Iran can also have benefit by ensuring Chabahar port outstretched to CPEC.*

*CPEC has potential geopolitical risks as hostile environment of South Asia and the respective power rivalry and policy shift of world powers towards this region as manifested by the US pivot to Asia and the former concern over Chinese presence in the Arabian Sea in Asian region, Gulf states considering of Gwadar Port as rival port, Indian opposition of CPEC by arguing that it passes through Pakistan's held Kashmir on which India has also claim.*

*China and Pakistan in order to escape proxy tussle in Baluchistan need to settle Indian apprehension about the project, Confidence Building Measures (CBM) must be incorporated in order to promote closer ties with Afghanistan, Pakistan must attempt for having stable relations with Iran in order to overcome impediments to the CPEC success. By making CPEC a reality the benefits will be reaped by whole region and the very enmity of India with Pakistan and China can be turned into mutual beneficial economic relations. If India becomes a partner in the project then certainly the concerns of India will be settled down.*

**Key Words:** Geo-political, Economic Integration, Gwadar port, One Belt, One Road.

## **Introduction**

Regional connectivity is a crucial part of the Vision 2025 of Pakistan. (Pakistan 2025: One Nation, One Vision) The Pak-China Economic Corridor (CPEC) is integral part of Belt Road Initiative (BRI) for having benefits of regional connectivity and trade with various associations such as the Central Asia Regional Economic Cooperation (CAREC), South Asian Association for Regional Cooperation (SAARC), Association of South East Asian Nations (ASEAN), and the Economic Cooperation Organization (ECO).<sup>1</sup> President of China, Xi Jinping proposed an enduring "China-Pakistan Community of Shared Destiny" during his meeting with Mamnoon Hussain on 19<sup>th</sup> February 2014.<sup>2</sup> CPEC is a component of Chinese grand economic vision of inter- and intra-regional connectivity.

The project would connect Kashgar in China northwest with Pakistan's Gwadar Port, in the Arabian Sea. The initiative is Chinese struggle for approaching warm water. The comparatively under-developed

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<sup>1</sup>Pakistan 2025: One Nation, One Vision, Ministry of Planning, *Development, and Reform; Government of Pakistan. Regional connectivity is mentioned as one of the seven elements of the vision alongside: People First, Inclusive Growth, Governance, Water Energy Food, Private Sector, and Knowledge Economy*, 88-89.

<sup>2</sup>Zhou, Gang. Former Chinese ambassador to Pakistan, at the Think Tank seminar on "Building 'China-Pakistan Community of Shared Destiny' in the New Era", 2014.

western part of China being hub of Uyghur movement is needed to prosper and developed like western provinces amidst concern of China to stabilize Xinjiang. The need for securing Chinese access to warm waters in the Arabian Sea through Gwadar is important because it provides shortest and cheapest route to markets all over the world.

CPEC is a land based part of One Belt One Road (OBOR) encompassed both land and sea projects. It was launched by Xi Jinping, the head of state (China) in the month April of 2015 with a worldwide applause by analysts and strategists.

OBOR links South Asia with South East Asia and Africa through both land and maritime routes such as railway lines, roads and energy infrastructures along with sea routes. According to HSBC research report an amount of 29 % of the world GDP along with 64 % of world population came from countries situated along OBOR. In 2013, China made two major announcement for developing sea routes and international land which led to Belt Road Initiative (BRI). The Silk Road Economic Belt (SREB) not only ties Pakistan and China but also the whole region guarantying huge economic benefit. Besides economic benefits, the BRI has impacted the changing geo-politics of the region. The regions under BRI comprised seventy percent of energy resources and a major chunk of the Muslim countries lies there.<sup>3</sup> The plan will have impact on foreign image of the US and the latter stance on the BRI will shape the China relations with the US.

The vision of establishing a Silk Road economic belt and Maritime Silk Road was established by the Chinese Ministry of Commerce, Reform Commission, Ministry of Foreign Affairs and National Development. It comprised five tiers for connectivity such as physical, economic, financial, human and policy giving impetus to the ancient Silk Route. This will tie civilizations of Europe, Asia and Africa. BRI was put forward by President Xi Jinping in 2013 for achieving development, cooperation, mutual gains and peace. Main motives of the OBOR are: firstly, securing coordination of policy in Asian continent, secondly, economic integration of the region, thirdly, free trade and liberalization of trade and lastly, ensure regional connectivity.<sup>4</sup> Recently, Xinjiang which is perturbed due to presence of fissiparous elements of Uyghur provides Chinese access to Eurasia. It has a long history of cultural exchange and trade with parts of Asia as South and Central Asia to its west. The Silk routes pass through Xinjiang to inner China which provides chances of its becoming progenitor of cultural exchange and trade for the countries next to its western part. Considering the

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<sup>3</sup> Gal Luft. *It takes a road*. (USA: Institute Analysis, Institute for the Analysis of Global Security, 2016).

<sup>4</sup> Shayam Saran, "What China's One Belt and One Road Strategy Means for India, Asia and the World" (The Wire (India), 10<sup>th</sup> September, 2015).

Silk Road, China has established the initiative of land and sea routes for commercially connecting it with the world through trade in efficient ways.

China's goals in launching OBOR and initiating CPEC revolves around its pursuit for new markets, having contracts of ports, power station and rails, securing markets for Chinese companies of Infrastructure development, future offshore facilities, approaching Middle East energy resources through roads, pipelines and power stations, development of backward western provinces as Xinjiang, and flourishing connections with Central Asian Republics for enhancing trade and commerce, to internationalize Chinese currency and to have good relations in the region.

In 2014, Chinese export amounted services and goods of worth dollar 2.37 trillion made it greatest exporter having a great chunk of retail space worldwide. Due to its location and export potential along with its routes for growth of export drives China to establish trade routes with regional countries.

Time duration of CPEC spans over almost one and half decade plan comprising four phases; short-term projects, medium-term projects, long-term projects and Early Harvest Projects (EHPs). There are 21 larger projects with capacity of producing 34.5 billion dollar and 16,400 megawatts of electricity. By the end of 2018 14 projects are expected to be completed with addition of 10,400 megawatts of electricity to national grid of Pakistan. Not only it will cover recent shortage of 4500 megawatts of electricity but will also generate an additional 5900 megawatts of electricity.

The China-Pakistan Economic Corridor has taken into account the new trends and dimensions of world politics by creating a developed organized and systematic interaction for industrial, energy and trade, and socio-economic progress and development. It provides a chance of improving relations of Pakistan and China with Central Asia, Europe and Middle East. Both Pakistan and China foresee enormous gains from connectivity via railways, sea lanes, pipelines of energy and highways. Not only Pakistan and China but other regional countries joining this project will accrue socio-economic dividends too.

Moreover, the CPEC will cover trade of distance 16,000 km between the South China Sea and Arabian Sea to approximate distance of 2,500 km. An oil pipeline of 2500 km from Gwadar to Kashghar for exporting oil from Middle East is also planned.<sup>5</sup> The CPEC is also

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<sup>5</sup> Aarish U. Khan, "Bringing Gwadar back to life" in *The Spokesman*, (Islamabad: February 20, 2013), 93-95.; See also Raja Muhammad Khan, "Pak-China Strategic Relations: Regional and Global Impacts" in *Regional Studies*. XXXI( 1), p.45.

contemplated integral for China's trade with Afghanistan along with its projection into Africa and west Asia.<sup>6</sup>

Providing connection of Gwadar with Kashgar and then with CARs is a way to enhance trade of Pakistan not only with China but also with CARs. Similarly the Iran Pakistan Gas Pipeline is expected to include China too. Gwadar Seaport as trade route between western part of China and the Persian Gulf is significant as it took only two weeks in transporting goods to that part of China.<sup>7</sup>

This paper is divided into three main section whereas section one deals with significance of CPEC for Pakistan, China, Afghanistan, Central Asian Republics and Iran while section two illustrates role of CPEC in regional connectivity and integration through interdependency theory and then section three describes potential irritants to CPEC in form of major and regional powers concerns and how it can be addressed through highlighting grounds of complex interdependence. Finally, policy options are presented for overcoming geopolitical challenges in order to accrue maximum benefits of CPEC for the whole region.

### **Regional Interests and Connectivity through China Pakistan Economic Corridor**

The fulfillment of the Chinese ambition of becoming a global power rests on the most crucial requirement of ensuring regional connectivity. President Xi said in the National People's Congress (NPC), foreign affairs committee that China will keep neighbors on priority in Chinese diplomacy<sup>8</sup>. It redefines the China's foreign policy because previously the fear of China-US rift had abstained her from developing ties with neighbors.<sup>9</sup> For achieving regional integration, CPEC is pre-requisite which will lessen Pakistan dependence on other western powers especially the US and will connect regional countries through interdependence. Regional integration is crucial because without regional integration Japan lost the chance of getting status of world second largest economy hence eventually powers will come to the point of regional integration. CPEC will accrue advantages to Iran, India,

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<sup>6</sup> Christopher Ernest Barber, The Pakistan-China Corridor: A new project will give Pakistan the tools of globalization. Will it use them?’, *The Diplomat*. (27<sup>th</sup> February, 2014U. <http://thediplomat.com/2014/02/the-pakistan-china-corridor/>

<sup>7</sup> Aarish, U. Khan, “Bringing Gwadar back to life” in *The Spokesman*, (Islamabad, 20<sup>th</sup> February, 2013).

<sup>8</sup> Shakeel Ahmad Ramay, *CPEC: A Chinese dream being materialized through Pakistan*. (Islamabad: Sustainable Development Policy Institute, Pakistan, 2016).

<sup>9</sup> Yan Xuetong, *Silk Road Economic Belt Shows China's New Strategic Direction: Promoting Integration with its Neighbors*. (The Carnegie Tsingua Center for Global Policy, 2014).

Afghanistan and other SAARC countries by exporting oil, gas from Iran, Gulf countries and CARs. CPEC is destined to integrate and connect the region by ameliorating infrastructure which will take all the regional countries as Pakistan, China, Afghanistan, Iran, CARs into the same orbit by having a market of two billion people which eventually will facilitate, strengthen and stabilize the region.<sup>10</sup>

Similarly Pakistan will get connected with not only Iran but also with other neighbors as Afghanistan, India and extended neighbors like CARs through West-East connection. Through the route the future trade with CARs and energy import from Gulf countries and Iran via cheapest route passing through Pakistan will be visualized.

Pakistan will become economic focal point for not only regional countries but also Middle East and Central Asia although many strategic challenges are looming large at this stage. By making CPEC a reality the benefits will be reaped by whole region and the very enmity of India with Pakistan and China can be turned into mutual beneficial economic relations because if India becomes a partner in the project then certainly the concerns of India will be settled down. As such India will be greater benefactor of CPEC as it will be a cheaper and shorter trade route with CARs as compared to trade through Chabahar port of Iran. Secondly, it will help in resolution of Indian and Pakistan conflicts because both as economic partners in the region will be tied together under the phenomena of interdependence. This grand project will benefit whole region with long lasting impact on global trade dimensions and trends.

At the very outset its prospects to China are to be taken in to account. China is likely to accrue great benefits from CPEC through longest trade supply route by escaping the Malacca Straits dilemma. With this route ten days will be taken for Chinese transportation to various regions of the world. Moreover, it will develop the backward western part of China. At the same time Kashghar will become focal point for the trading purpose of all regional countries. Hence keeping the prospects of Kashghar through CPEC Chinese companies are planning of opening in this part of China.

China is dependent on 10,000 kilometer long maritime route connecting its eastern part with the Middle East region passing through Indian Ocean for its export and import with the Middle East. Hence the distance will be reduced to 2500 kilometers only due to this corridor by providing a safe and short route. As already stated China's main aim is development of its relatively backward region in particular Xinjiang which is perturbed with fissiparous elements too. The forty years export based economic development has widen economic gap between eastern and

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<sup>10</sup> Lin Wang, *Opportunities and Challenges of the China-Pakistan Economic Corridor (CPEC) and Implications for US Policy and Pakistan*. *Asia Pacific Bulletin*.no. 395, 2017.

western provinces as coastal cities of eastern part was more industrialized with major industries set there. According to 2013 report, the per capita income difference among western provinces of Xinjiang, Qinghai and Guizhou, and Gansu per capita income was one third to the half of the Fujian Guangdong, and Zhejiang, the eastern provinces. Accordingly in 2015, three to five decades were required for western provinces to come on equality with the rest.<sup>11</sup> Eventually, China in its thirteenth five year plan carved China mission of making Xinjiang a channel to be connected with central, southeastern and west Asia. It can be focal commercial point for Middle East and South Asia supplies. Hence the corridor will bring stability and peace in the region and will ensure more trade and energy trade with natural resources rich Central Asia.

Xinjiang through corridor will yield in enormous growth by the export of finished goods and machinery to the markets of Central Asia and South Asia will import the raw material required for economic growth and development. Goods imported through first consignment of Sea food coming to Xinjiang from Indian Ocean through corridor were ten times cheaper.<sup>12</sup> Moreover, CPEC is best possible alternate to the Malacca Straits which will be giving safe side to China in case of South China or Asia Pacific dispute.

### **Alternative Energy Source**

The uninterrupted supply of energy is important to sustain its fast growing economy. Recently sixty percent of Chinese energy is produced from coal which is having grave environmental dangers. Hence for future energy sake China will depend on oil reservoirs of Middle East and the project is providing the best possible oil route for the import. Oil refinery construction at Gwadar by China is one of the steps towards fulfillment of its oil requirement. Plan of 2500 kilometer pipeline to be laid inside Pakistan is under progress thus to avoid long and unsafe maritime routes. China through Pakistan will approach warm water of Indian Ocean as best alternate to SLOCs of East China Sea which is hindered by Indian factor.

CPEC providing strategic advantages to Pakistan by having more consolidated partnership with China and increasing its strategic significance as a bridge between Asian, European and African regions of the world. Moreover the economic benefits will come in form of greater opportunities of jobs, overcoming energy crisis, advanced agricultural ways for yielding greater production. It will generate national income due to more production

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<sup>11</sup> Peter Ferdinand, Westward ho-the China dream and 'one belt, one road: Chinese foreign policy under Xi Jinping. *International Affairs*, no. 92, (2016), 941-957.

<sup>12</sup> Ma Jingjing, China-Pakistan economic corridor aims to boost trade between two countries. *The Global Times*, (2017).

from Special Economic Zones along with CPEC, boost in trade and more transit charges will be source of income.

CPEC is imparting an opportunity of economic development to Pakistan whereas as already mentioned that Pakistan will become economic hub for not only the region but the US and China economic and security interests will also converge here.

Pakistan China Economic Corridor can play more significant role and can become a blessing for the economic development of Pakistan when Foreign Direct Investment (FDI) has sharply fallen due to security situation in Pakistan. This economic corridor will play an important role in the revival of Pakistan economy because of its strategic potential. Due to the development of trade routes and industrialization astride the corridor, the immediate and adjoining area will have prosperity and social uplift.

The corridor will yield in billion dollars from transit revenue for having maximum maritime dividends which require building shipping industry. Enhance and strong economy will resultantly improve basic infrastructure of Pakistan, basic facilities will be within reach to the people of Pakistan. The people will have more job opportunities' and better life, which will play a major role in improvement of internal security situation.

Pakistan Sea Lines of Communications (SLOCs), starting from the Persian Gulf, are vulnerable to threat emerging from Indian/ USA Navy. After the establishment of Gwadar port, Pakistan will be able to counter the Indian Blue water navy aspiration along with American fleet. Pakistan–China naval joint venture will also be a counter balance force in Indian Ocean to deny maneuver space to Indian Navy and will make maritime correspondences more secure for business shipping of both countries.

With the development of this corridor Balochistan province will attract investment not only local but also foreign. Few benefits for this province are:-

This corridor will generate job opportunities for local. The people of Gwadar, Makran and other districts will have ample employment and job incentives which will surely raise their living standards.

### **Afghanistan's Interests**

Gwadar provides Afghanistan with the shortest and economic entry to the Indian Ocean. Afghanistan will have all the port related services, warehouse, transit conveniences and import opportunities.

Afghanistan will get more chances of flourishing its economy and regional integration. Both exports and domestic consumption based industries should be main objective of Afghanistan which can be visualized through CPEC.

Afghanistan abounds in natural resources as coal, oil and gas but unfortunately it is short of working economy at the moment. For this sake Pakistani port, infrastructure, roads coming under CPEC will assist in



economic reconstruction of Afghanistan. Hence the accomplishment of the project will guarantee peace and stability in Afghanistan.

BRI give Afghanistan a chance to flourish its economy and economic development. However, the required is that Afghanistan is avail the chance and become a regional trade and transit hub. It needs internal infrastructure development and external connectivity and benefiting from projects like China's Belt and Road Initiative (BRI) and Russia, India, and Iran's International North-South Transport Corridor (INSTC) that have emerged recently.<sup>13</sup>

China is linked to northern Afghanistan through the launch of the Sino-Afghanistan Special Railway Transportation Project and the Five Nations Railway Project. China is eager to connect itself to southern Afghanistan through the China-Pakistan Economic Corridor (CPEC). But Afghanistan has hesitation as its caught in the middle of a dispute between Pakistan and India over CPEC passing through disputed territory. China and Afghanistan have already undertaken a fiber optic link through the Wakhan corridor. They are up to link the BRI to various energy projects and extractive sectors. Kabul-Urumqi flights restarted in 2016.<sup>14</sup>

### **Central Asian Republics Interests**

Central Asia is an active engagement with Afghanistan on several fronts, an imperative for Afghanistan to be treated by its neighbors as a "normal country". But projects have to be launched in organized manner and not like the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline. Those have generated political maneuvering but no gas since 1995. Afghanistan linkage to Central Asia will not only bring northern route to Afghanistan for CARs but also over the Caspian Sea to Azerbaijan and Europe. Pakistan and Iran have to work for development of infrastructure, safeguard the territory and eradicate corruption in order to avail the exports of \$ 3 trillion worth minerals of Afghanistan.

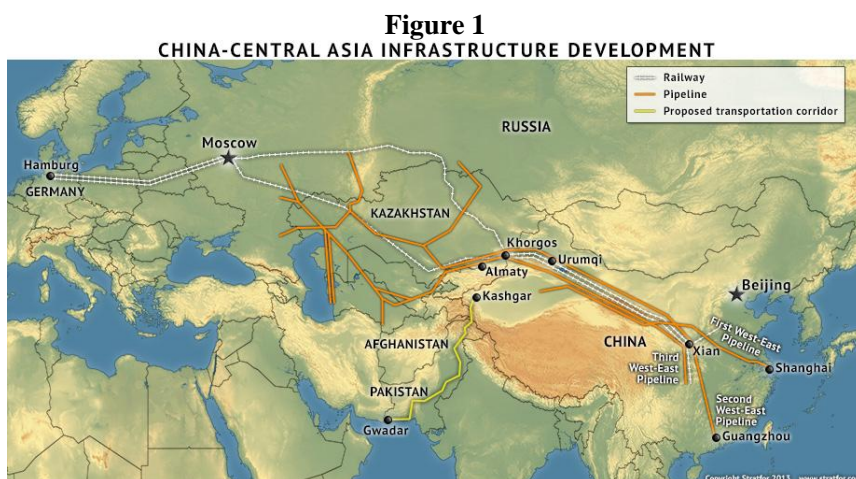
Central Asians Republics are multi-ethnic, secular Muslim societies, middle income, and having industry but also infused with religious extremism, criminality and tribalism. It is not the same for local. For regional observer, Dr. S. Frederick Starr, Afghanistan is part of CARs as both are multi-ethnic. Afghanistan abides by Turkmen, Kyrgyz, Tajiks and Uzbek whereby Uzbek is one of the official languages in Afghan's constitution. The culture and language linkages integrate Afghanistan into Central Asia. In the regional economic context Uzbekistan (having borders with all of others) and

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<sup>13</sup> Mariam Safi and Bismillah Alizada, *Afghanistan: Prospects and Challenges to Regional Connectivity*, (April 19, 2019). <https://thediplomat.com/2019/04/afghanistan-prospects-and-challenges-to-regional-connectivity/>

<sup>14</sup> Ibid.

Kazakistan with huge economy and population will lead. China's BRI will be channelized by the Uzbekistan's openness. Moreover, Uzbekistan is capable of industrial development, young labor force.<sup>15</sup> The direct positive impact will encourage China and other regional countries for investment in Central Asia transport infrastructure, oil, railways, gas, dry ports, electricity sector and agriculture.<sup>16</sup>



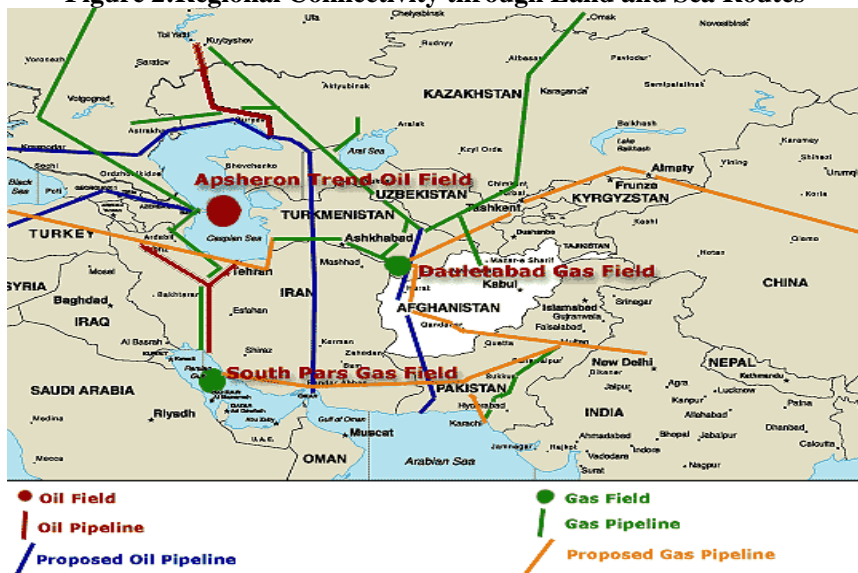
Since Karimov's death, Mirziyoyev has done his best to hedge against China's economic clout, reportedly reaching investment deals worth \$12 billion and trade deals worth \$3.8 billion in April of last year.<sup>17</sup>

<sup>15</sup> Indra Overland and Roman Vakulchuk, *China's Belt and Road Gets a Central Asian Boost* *Uzbekistan's transformation will fast-track the new Silk Road*, (May 03, 2018).

<sup>16</sup> *Ibid.*

<sup>17</sup> Nicholas Trickett, *What a US-Iran War Means for Afghanistan and Uzbekistan*. *The Diplomat*, (December, 13, 2018).

Figure 2:Regional Connectivity through Land and Sea Routes



CPEC provides a chance to CAR to have an access to the Indian Ocean. The region needs to redefine their political stance in world politics. They have to focus on their own identity and tackle for their economic growth and development. The latter demands a protected and trusted transit for their exports because all other routes are costly and not safe. However, with building infrastructure till Kashgar, the transit through Gwadar port is more beneficial for Central Asian Republics.

### Dividends to Asian Countries

Establishment of Gwadar port will have a positive impact on Asian countries specially Iran and India. Iran can take benefits of oil refinery, while India can take advantages of being third country exploiting competition between Iran and Pakistan.

### Iran Interests

Iran wants to export oil/gas pipelines of its oil reserves to the region and various parts of the world. In its pipeline with India, Bangladesh and China are also offered to be included in. Besides 900 km portion of Pakistan Iran gas pipeline is completed by Iran and the portion by Pakistan is waited. Pakistan contracted agreement in June 2016 whereby China will connect gas pipelines from Gwadar port to Iran border and then to Nawabshah of Pakistan. Pakistan finalized an agreement where China would proceed to lay the gas pipeline from Gwadar Port, from the Iran border, to the Nawabshah. It being component of CPEC provide Iran connection with Pakistan’s gas

market along with chance of extending gas pipeline to China which will compel Iran to have share in CPEC.

Chabahar can become extension of CPEC by having role in CPEC economic activities. Cargo discharged at Chabahar will conveniently shipped through the economic corridor. Gwadar as deep sea port has capacity to deal with heavy cargo ships hence cargo handlers of both the ports will maintain working terms. All this will tie Pakistan and Iran together for serving mutual interests. Chabahar will yield in more benefits if it is connected with CPEC.

In order to broaden its economy from oil and gas dependence Iran needs to have economic integration with regional economies and Pakistan provides good chance in this perspective. Here the business exposure is significant development providing a ground whereby international business dynamics will be provided to the business of Pakistan, Iran and Afghanistan and enabling them for competing in global market.

Considering Iran's economic integration with China then back in 2016 both China and Iran made trade deal of a 600 billion dollar and to enhance bilateral trade extending multifaceted ties in coming decades. Both countries agreed on strengthening strategic relations. However security and economic relations will be visualized by Iran entry in CPEC because the entry will yield in traffic, economic flow, markets besides other commercial and economic opportunities. Moreover, economic zones will drive Chinese entrepreneurs desiring Iranian markets and partnerships for having approach to the labor of Pakistan. It will have healthy competing environment for both Iranian and Pakistani entrepreneurs. Hence it is win-win situation for all regional countries. China will apply diplomacy and capital in connecting and involving sixty countries in this grand project. The USA is uncomfortable over the project due to possible Indian hostility for the project. Chinese watchers present in USA have termed Chinese posture of showing itself as benign power and addition of validity to the Xi's legacy.

### **Theory of Complex Interdependence**

Robert O Keohane and Joseph Nye the pioneers of the Theory of Interdependence developed the model as response to the traditional approach of classical and structural realism emphasizing on economic and military potentials for describing state behavior. Dependency is a conditioned indicated by external determinants and dependence on each others. Interdependence is interconnectedness among states or among actors of other states.<sup>18</sup> Reciprocity is key factor here emphasized on complicated ways where transnational actors are interdependent and responsive to each other requirements. Complex Interdependence illustrates that states are not

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<sup>18</sup> Robert O. Keohane and Joseph S. Nye, *Power and Interdependence: World Politics in Transition*. (Boston: Little, Brown & Co. 1977), 10.

only the deciding actors, and besides security affairs the social welfare matters also remain on global agenda and cooperation and conflicts also determine international politics.<sup>19</sup>

Complex interdependence embodied both cooperation and competition in relations of state and non-state entities whereas the policies and actions of each entity have impact on all the actors involved hence mutuality of interests matter the most. Interdependence comprised cooperation and dependence, cooperation and interaction in many crucial fields and conflicts also. “The politics of economic and ecological interdependence involve competition even when large net benefits can be expected from cooperation.”

Conflict and war can be managed by cultivating cooperation in socioeconomic and technical areas of mutual interest across the territorial boundaries of states. With the cultivation of an inter-state cooperation economic dividends can be earned in case of the powerful elite and politically relevant segment of the population learn from the experience of cooperation within a region and beyond.<sup>20</sup> The principle of regional or sub-regional economic groups and cooperation is emphasized more than ever. Recently greater attention is on economy as policy instrument than relying on traditional military power.<sup>21</sup> European Union is a good example in this context. Similarly, the CPEC shapes the regional and world politics by flourishing updated and the required interaction for industrial, socio-economic and energy development.

### Strategic Dimensions

China Pakistan Economic Corridor safeguarding mutual benefits and interests by a model of coordination and strategic communication between Pakistan and China for having more and more linkages in economy and trade with regional countries in order to overcome energy crisis besides increasing exports. Common interests and mutual benefits epitomizes a model of cooperation, coordination and strategic communication between China and Pakistan to strengthen connectivity in areas of trade and economy with states in the region to fulfill growing energy requirements and enhance exports.<sup>22</sup>

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<sup>19</sup> Marc A. Genest, Marc, *Conflict and Cooperation: Evolving Theories of International Relations*, (Belmont, CA: Thomson & Wadsworth. Gieco., 1996), 140.

<sup>20</sup> Hasan Askari Rizvi, *Pakistan and the Geostrategic Environment* (London: Macmillan Press), 1993, 139.

<sup>21</sup> Joseph S. Nye, Jr., *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004), 1-32.

<sup>22</sup> Umbreen Javaid & Rameesha Javaid, Strengthening Geo-strategic Bond of Pakistan and China Through Geo-Economic Configuration. *Pakistan Economic and Social Review*, 129( 1), (Summer 2016), 123-142.

CPEC is connected with SEZ of the Kashghar and if Northern network is ensured then it will link CPEC with Europe, Russia and CARs. Pakistan is having significant location of situated at the focal point of Persian Gulf, oil rich Middle East and resource rich Central Asia. Baluchistan will integrate the region whereas it will amalgamate Egypt in the Middle East, the European states and key global locations in Eurasia. The Land Silk routes and Maritime Silk routes would connect the states through regional trade leading to socio-economic boost. Gawadar Port is focal point of BRI.

For normalizing economic and diplomatic relations with the neighbors Pakistan should connect CPEC to the West (Iran and Afghanistan) and to the East (India); which will yield in regional integration and economic connectivity and will become a game changer for overcoming conflicts and boosting cooperation.

The corridor provides Beijing access to the Arabian Sea by enhancing its trade with regional countries and with Europe and Africa along with the Middle East.<sup>23</sup> Pakistan will be safeguarded presence of Chinese marines. Gwadar will enable Pakistan to check SLOCs openings from Persian Gulf and Straits of Hormuz.<sup>24</sup>

In the wake of the new developments emerging out of US-Iran nuclear deal followed with the removal of sanctions, Iran's newly reestablished position in international relations offers new avenue for cooperation with Pakistan. Successful orientation in the direction of east will not only foster deep regional cooperation but provide ample opportunities for the CPEC in general and the Western alignment of the economic corridor in particular. Interaction in the field of energy and trade would benefit much from a rapprochement between Islamabad and Tehran. Moreover, with the launching of an Iran-Pakistan pipeline, a new vista of potential cooperation will open.

The interest of Russia lies in the project as this would provide her a chance to reach the warm waters.

China has invested heavily in oil and gas resources in Kyrgyzstan, Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan thus bringing China and Russia to the same pedestal, having the same regional interests. Above that, the growing isolation from the West has made the Sino-Russian strategic partnership a growing reality. The rise of a more politically and militarily assertive Russia and an economically predominant China may be

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<sup>23</sup>Raymond Lee, *The Strategic Importance of Chinese-Pakistani Relations*. (August 3, 2016). Retrieved February 10, 2017, from Reuters: <http://www.reuters.com/the-strategicimportance-of-chinese-pakistani-relations>

<sup>24</sup>Chen Jidong, Regional Railway hub in Pakistan and China's Role. *Policy Perspectives no. 10*( 2), (2013), 117-122.

represented as the two principal forces challenging the United States in the global world order. This mutual agreement is based on dissatisfaction with a US-led world. Their alliance holds the potential to incite a historical shift in terms of the global economic structure and bring change to the balance of power in the Asia-Pacific. It is salient to note the nuances that bring these two countries together strategically go beyond a simplistic impression that they share a visionary common ground for the world order. Both states deem one another to be a source for the balance of power in their common rivalry against the United States.

### **Economic Dimensions**

Greater economic activity, particularly in trade, technical fields and social development states provides opportunity to the states to enhance relevance of countries for each others, promote cooperation by boost to economic interaction as trade, technical cooperation and social sector development. The strategic position and CPEC provides a best chance to Pakistan to emerge as trading centre. It is also an opportunity for both countries to enhance cooperation with Middle East, Europe, West Asia and Central Asia.

With the theory of interdependence in international and regional politics and positive connectivity with immediate neighbors in back ground, it is imperative for Pakistan to inculcate more active relations with the immediate neighbors for sharing energy and pursuing economic development and trade rather than putting the focus on security only. Such overtures will give a impetus to Pakistan's economy. All the areas contiguous to the Corridor are likely reap the fruits of major economic uplift.

The project has equal benefits for China providing a road and sea link to the Xinjiang region, connecting it with the Middle East and the Arabian Sea and the rest of the world. In the case of the functioning of those roads, pipelines and sea ports the economy of the Xinjiang region will observe a tremendous boost. China will get ingress to a sea free of conflict not like the South China Sea outlet. This will also ensure its reduced dependence on the Strait of Malacca. Such a development will lower the chances of the threat of a blockade of Chinese oil supplies through the Strait of Malacca by the USA and allied navies in the wake of a future war in Asia.

This also places China in a new role which includes cooperation with Pakistan for countering terrorism in the region. China has embarked upon with a mission with Afghanistan to ensure the internal political stabilization and economic development in Afghanistan.

CPEC along will transform Pakistan as an emergent of trade and commerce focal point in Central and South Asia. The Gwadar port as an economic center of Pakistan will be important port in Arabian Sea. It will link Pakistan with Central Asia via 1300Kilometer-long Optic Fibre Project.

When Gwadar port will working the all trade of Central Asia will channelize through the shortest route which will be beneficial for Pakistan also.

It provides alternate route to China's trade and is capable to attract investment, enhance trade and facilitate commercial transportation. Pakistan will gain from revenues in transit fees in addition to the Gwadar sea port being located at the cross roads of the three commercially important regions namely- West Asia, Central Asia and South Asia.

Through Gwadar International and regional trade will impart new shareholders in Afghanistan who will certainly work for normalization in Afghanistan. With Chinese scheme of building more than one billion US\$ road infrastructure including a six lane 1,240 km long expressway between Karachi and Lahore to be completed in 2017, together with plan of up gradation of Karakoram Highway, and modernization of transportation in Rawalpindi, Karachi, Lahore, and three other Pakistani cities outside of the CPEC sphere a new era of mutual cooperation will usher in.

### **International Repercussions**

The CPEC have irritants in shape of geopolitical and security factors due to prevailing regional geopolitical unease and policy parameters of world powers towards the region. Moreover, extremist factors of international, national nature are also causing disruption to the project.

### **USA Factor**

In post Second World War the United States has emerged as a significant actor in South Asian politics. With enhanced US investment in crucial areas the leverage will increase. China's presence in the Arabian Sea may be apprehensive to the USA hegemony in Asian region because China can be counter force to the US ambition of controlling oil and gas resources of the region.

The regional configuration has been changed by China's rise whereby it is US foreign policy priority to maintain its role. The US and China security interests are getting similar on peace, counter terrorism and economic cooperation in the region. Whereas the divergence of interests is on geo-political competition and counter-terrorism goals and the risk will be enhanced if the US takes China as competitor.

The complexity of China and US relation is obvious but the project is significant for the US market hence in the US some official and scholars have taken it a great opportunity especially private and corporate sectors have been keen in BRI. But on the other hand the potential of CPEC is paid no attention when it is taken as an element of mere strategic competition between the two countries. China is anticipated with short term interests of forging an illiberal economic order in place of liberal international order



which will weaken the influence and interests of the United States.<sup>25</sup> According to Pakistan standpoint, the US is uneasy about Pakistan becoming economic hub.<sup>26</sup> Israeli analyst Ian Price has stated that CPEC does not suit to the US and by having no direct way to interrupt it has indirectly played by scattering the militants out of Pak-Afghan border region through military operation into the area which was marked by China for CPEC.<sup>27</sup> Hence keeping the sensitivity in consideration both Pakistan and China needs cautious policy towards CPEC. Accordingly, Pakistan has created security force of 15000 for protection of Chinese workers and the project. This security division comprises 9000 regular army soldiers besides 6000 paramilitary forces.<sup>28</sup>

### Indian Factor

While contemplating China relations with India, and Chinese regional diplomacy, mutual benefit and inclusiveness CPEC loom large challenge. China and Pakistan are in need of dispersing Indian threat to the project because it can cause proxy tussle in the already volatile Baluchistan. Indians would not like to see Pakistan prospering, with increasing nuisance value in the region. Development of Gwadar Port is being seen by some circles as a step towards strategic encirclement of India. Through BRI, China will attempt Indian cooperation or neutral role by India at least. However, in the context of divergence of interests Indian stand seems of active opposition by all means possible.

India will gain huge benefits if becomes part of this project whereby all stakeholders will have financial advantages from the project as improved communication infrastructure and access to CARs markets of energy along with reduction of regional disputes. India will have easy and prompt access to CARs, China, Middle East and Afghanistan. India will have opportunity to be involved in Iran-China railway project which in turn enhance bilateral trade of India with Iran. Moreover, but connecting India needs greater diplomatic efforts besides political will.

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<sup>25</sup> Daniel S. Markey and James West, *Behind China's Gambit in Pakistan* (New York: Council on Foreign Relations, 2016.) <http://www.cfr.org/pakistan/behind-chinas-gambit-pakistan/p37855>).

<sup>26</sup> Sophia Siddiqui, US not Happy over Pak-China Growing Relations, CPEC, *Pakistan Observer*, (2016). <http://pakobserver.net/us-not-happy-over-pak-china-growing-relations-cpec/>).

<sup>27</sup> Ian Price, Is the US Trying to Sabotage the China-Pakistan Economic Corridor? *Diplomat*, (2016). <http://thediplomat.com/2016/09/is-the-us-trying-to-sabotage-the-china-pakistan-economic-corridor/>).

<sup>28</sup> Muhammad Asad Chaudhry, 15,000 Security Personnel to be Recruited to Protect CPEC. *Daily Times*, (2016). <http://dailytimes.com.pk/islamabad/16-Jul-16/15000-security-personnel-to-be-recruited-to-protect-cpec>).

India will have chance to tap consumer market of 180 million in Pakistan whereby Pakistan will have 1.2 billion buyers in hand. This will tie both the countries in mutual gain relationship. Hence GautamBambawale, Indian envoy has showed eagerness for having business with People Republic of Pakistan. India if included in CPEC will change recent Asia-EU trade dimensions by having greater chink in European economic configuration and even surpassing EU-US trade alliance. Moreover the sphere of relations of Russian-Indian will be enhanced and strengthened by this entry of the India which will benefit the whole region. As it will improve economic relations of Pakistan and India and economic dependence will hamper both countries from any further military misadventure. By any resistance to Chinese investment in regional countries, India would cause its own economic miseries. Moreover, the ground of objection that CPEC passes through disputed territory of Pakistan occupied Kashmir is inadequate for Indian aloofness from this gigantic economic opportunity. Furthermore, Chinese ingress in the region as having trade partnership with South and South East Asian countries is hard to bear with by India.

India is connected with China in trade and commerce of worth USD 80 billion US dollars which is dominated by China. Both countries have border issues hence the relations will have an opportunity of normalization if India becomes part of the project. Because CPEC is not zero-sum game rather through CPEC the infrastructure in the region encompassing Kashmir will be improved which in turn will facilitate access of India to CARs too.

The Indian has opposition to the corridor is on the ground that its route passes through Pakistan held Kashmir.(claimed by India as its part). Therefore India is covertly striving to destruct the corridor in order to cause havoc to both Pakistan and Chinese economies which is very apprehensive. While becoming part of BRI Indian would automatically deem to have given acceptance to Pakistan claim on Pakistan occupied Kashmir hence the India is hesitant to have entrance in the project. India is grappling to shrink space for China in the Indian Ocean because the Chinese ingress and leverage in the Indian Ocean is keeping US and India on tenterhooks. Accordingly, India is doubting the Asian Infrastructure Investment Bank led by China which is sponsoring OBOR projects.

For making CPEC feasible and a success story for ensuring regional connectivity and integration there is need of ameliorating regional infrastructure and communication, enhancing transit trade and imparting more financing opportunities to the traders.

### **Gulf States and Iran Factor**

Gwadar port can be considered as a rival port for the Gulf States, especially UAE and Iran. Sharing of benefits by Pakistan is a major worry for those countries. UAE and Iran have great concern due to close proximity

of Iran's ports Chahbahar/ Bandar Abbas and UAE port of Dubai Port World.

Regional rivalries ranging from border attacks on Iran and development of Chahbahar Port invested by India, to traditional tensions between India and Pakistan, hinders the CPEC progress. Security concerns of Afghanistan and past scenarios that project favoritism in Afghan politics, from Pakistani soil such as support to Taliban, U-turns in policy to become Front Line Ally of U.S against war on Afghan soil also add to worsen regional situation. To contain China, U.S perpetuated its proxy war and also its increased influence on India is likely to impede support from regional powers for the project.

CPEC can be beneficial in reducing Indian growing projection in CARs economies while strengthening own trade relations with CARs.

Together with manipulated situation by extra regional forces and regional tensions, law and order situation in Pakistan and political consensus between federal and provincial government demonstrate more doubts about success of project. There has been a series of target killings of educationist, doctors, professionals and foreign investors. Such an impression of terror stricken region results in cautious foreign direct investments. The strategy of the violence, target killings especially skilled and educated, hatred for foreign investors, disruption of development projects and killings of workers, abduction of foreigners dim the prospects of the Kashgar-Gwadar Economic Corridor and gas pipeline projects. In near term, the situation has less chances of significant improvement and will cause negative consequences for Balochistan under umbrella of Baloch nationalism. The cross border trade between China and Pakistan would require an affable policy that encourages business community. Security situation in Pakistan, in the wake of threats from the BLA and ETIM supported by their sympathizers in Pakistan and rising Chinese concerns over security of its nationals in Pakistan are affecting projects executed by Chinese companies in Pakistan.

Only secure and developed region can ensure the active participation of investors and improving import / export of goods. China has been heavily investing in infrastructural projects and has agreed to invest around \$ 52 billion in next 5 years.

### **Recommendations**

The prime objective of Pakistan's foreign policy should be to develop promising relations with all major powers and maintain warm political and economic ties with its neighbors. The ultimate success of the CPEC hinges on peaceful regional conditions. Following policy options will work as;

1. Peace full co-existence should be the hall mark of the policy

2. Pakistan, China and other regional countries through interdependency have to converge on mutual interests in order to ensure regional connectivity and integration.

3 Zero tolerance against militancy and terrorism in all its forms is required.

4. The impediments between Pakistan and Afghanistan trade relations must be removed. Pakistan needs to revisit its policy of favoring segments in Afghan power politics and assure its noninvolvement in internal politics of the country. Confidence Building Measures (CBM) must be incorporated to promote closer ties with Afghanistan government. To boost ties, projects like CASA-1000 must be operational which will develop the Central Asia South Asia regional electricity market, (CASAREM) – which is regional energy trade based long term project.

5. For accomplishment of un-hindered completion of CPEC Pakistan should develop stable relations with Iran. The hurdles in relations with Iran happen when Pakistan have pro- Saudi Arabia stance and policies hence the wise course for Pakistan is to adopt a balanced approach towards both Iran and Saudi Arabia. The government of Pakistan must grapple for securing border, to have remedy for sectarian tussle and to address uneasy relations of both the neighbors.

6. Indo-Pak relations have not been on with smooth trajectory since independence. The two countries can be mutually benefited if they start implementing policy of issue resolving. China is one of the India's top trading partner and also investing in India despite the border disputes. Pakistan can use China's influence to incorporate India into the project on later stages. Indian alignment with the project will also reduce the militancy and security concerns in Pakistan.

## **Conclusion**

To conclude, CPEC provides both China and Pakistan with tremendous opportunities for not only improving the trade cooperation between them, but to gain easy access to the resource rich countries of the region and beyond. The accessibility to CARs offers both Pak-China a large market for export of their goods and services and also for CARs to have access to the Chinese eastern ports and Gwadar. The oil and gas pipelines originating from CARs will surely fulfill the demand of energy starved China and energy deficient Pakistan. Pakistan can become regional hub of power if utilises this golden opportunity. Stability in Afghanistan is directly proportional to the success of the project

Moreover, development of the corridor will enhance regional cooperation, public interaction, cultural exchange and tourism. In addition, the establishment of transport network and special economic zones will help eradicate poverty and create economic activities in the rural and deprived areas. Due to the development of trade routes and industrialization astride

the corridor, the immediate and adjoining area will have prosperity and social uplift.

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