

China Pakistan Economic Corridor: The Emerging Trends

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Abstract

China-Pakistan Economic Corridor (CPEC) is a dream project of China based on Public Private Partnership (PPP) Model and it values \$62 billion and Its many projects are still under construction. It is argued that being a Mega project of China it will rapidly modernized infrastructure {including port areas} in Pakistan and will also strengthen its economy by the constructive works such as transportation, energy projects and special economic zones. China has planned to build a vast network of Highways and Railways under CPEC. Moreover, it is said that this project will link seaports in Gwadar and Krachi as well as some other central points in Western China and Central Asia. However, this project is based on PPP Model; therefore, over \$33 billion worth of energy infrastructure will be constructed by private consortia to elevate the shortage of energy in Pakistan. According to an estimate CPEC will also create 2.3 million jobs between 2015-2030 and will also add 2 to 2.5 percentage points to GDP. Consequently in the year of 2015, China and Pakistan have signed 20 more agreements worth \$1.6 billion under CPEC plan in Nov. 2016, China announced an additional \$8.5 billion investment in Pakistan to upgrade Pakistan's main Railway line from Krachi to Peshawar. In Jan. 2017 Chief Minister Pervez Khattak of Khyber Pakthun Khwaha stated that he had received assurances from Chinese investment companies that they would invest up to \$20 billion for different projects. China has also announced to provide interest free loans for several projects in Gwadar totaling \$ 757 million. Meanwhile India has raised her objections that China intends to establish its hegemony on the border line and it can create serious security problems for India in future. Recently Doklam dispute has confronted peace and stability of border areas which has become a cause of concern for India. To conclude the present research paper highlights the emerging trends of

CPEC including security concerns of India.

Keywords: CPEC, OROB, Gwadar Port, Karakoram Highway, Security Concerns.

Introduction

China-Pakistan Economic Corridor (CPEC) is a mega project of China which is now under construction. However, plans for this project were initiated in the decade of fifty and the motivated plan for the construction of Karakoram Highway started in 1959. Furthermore, China took deep interest in Pakistan's deep water harbor at Gwadar in 1998 which was started to construct in 2002 by China and it was completed in 2006. Here it is noteworthy to say that blockade of the Strait of Malacca by the U.S. and its allies would cut China off from Middle East oil supplies and from its second continent Africa. That is why: China is shoring up Sri Lanka's major parts and working feverishly with Pakistan to build an alternative route to Middle East and Africa as the China-Pakistan Economic corridor. Then the present form of CPEC was first suggested by Pakistan People's Party when Pakistan's president Arif Ali Zardari invited heads of all the political parties to a lunch in honour of the Chinese Premier Li Keqiang at the Aiwani-e-Sadr on 22 May 2013. Now both the countries agreed to build an economic corridor between the two states and both the countries signed MoU on Maritime cooperation, an agreement

on boundary management system and another on border ports. In Feb 2014, Pakistani President Mamnoon Hussain visited China to discuss about the plan for economic corridor. In November 2014, China announced its intention to finance Chinese companies as part of its \$45.6 billion energy and infrastructure projects in Pakistan as part of CPEC. Further, China stated that CPEC will be a strategic game changer in the region, which would go a long way in making Pakistan a richer and stronger entity than ever before. Then on April 2015, Pakistan and China signed an agreement to cooperate work on the \$46 billion agreement with approximately \$28 billion worth of fast tracked early 'Harvest Projects' to be developed by the end of 2018.

The Emerging Trends of CPEC

Pakistan stated in 2015 that China-Pak friendship is higher than the mountains. The same thing was also repeated by the China, in this regard, on 12 August 2015 both the countries signed 20 agreements worth \$1.6 billion for the advancement of CPEC projects. Meanwhile both the countries agreed to co-operate in the field of energy and space research. Likewise, in September and October 2015, the UK announced

two separate grants to Pakistan for the construction of roadways and in November 2015 China Included CPEC projects into its 13th five year development plan. In December 2015, China and Pakistan agreed to invest \$1.5 billion to set up an information and technology park as part of CPEC project. Further, on 8 April 2016, China signed worth \$2 billion of additional agreements covering infrastructure, solar power and logistics. In November 2016, the first convoy from China carrying almost 250 container meant for export to ports in Bangladesh, Srilanka, the UAE and the EU arrived in Gwadar port. It was the first formal operation of CPEC project. Next to it, on December 2, 2016, the first cargo train launching the direct rail route and sea freight service between China and Pakistan departed from Yunnan. Moreover, a cargo train loaded 500 tons of commodities left Kunming for port city of Guangzhou from where the cargo was to be loaded on ships and transported to Karachi marking the opening of a new route under CPEC. It is hoped that the new route will cut logistic cost up to fifty percent.

Meanwhile, in November 2016, China announced an additional \$8.5 billion investment in Pakistan to upgrade infrastructure including main railway

line from Karachi to Peshawar. In Feb. 2017, the Egypt also showed its interest in CPEC cooperation in March -2017, an agreement was signed for the projects including oil refinery, irrigation, motorway and hydro-electric projects worth of \$12.5 billion. From the initial value of \$46 billion, China invested \$13.79 in energy sector of Pakistan to curb the shortage of energy. An amount of \$11.19 billion was also invested in transport sector including 1240 km Karachi-Lahore motorway which is a six lane corridor. China also installed to modernize the Karakoram Highway which runs 1300 km from Kashgar, the ancient Silk fload crossing in Slnklang, all the way into the heart of Punjab. Though CPEC is very crucial for China and Pakistan. Therefore, China's aid exceeded to the US. Moreover, CPEC is 3218 km lengthy route that will be completed in the first phase of mega projects embodied by highways, railways and pipelines. It Is hoped that this mega project will be helpful to accelerate the pace of economy and eliminating Pakistan's energy crisis. It would also exceed FDI in Pakistan and it is estimated that CPEC project would produce seven lakhs direct jobs in Pakistan during the period of 2015-30 adding up the growth rate up to 2.5

percent. In between CPEC will link China and Pakistan to the markets of Asia, Africa and Europe. After the operation of Gwadar port, it would reduce sea route distance of 5000km. Likewise, out of 20 agreements of energy, 14 power plants will be able to produce 10,400 megawatts of energy by March 2018.

Major Projects under CPEC

Some of the major projects under CPC are :-

Gwadar Project

The fact is that Gwadar is the crux of the CPEC projects which is envisaged to be the link between China's ambitious, 'One Belt-One Road' (OBOR) project and its maritime silk-road project. However, initial infrastructure works at Gwadar port were completed in 2007. Nevertheless, still today China plans to upgrade and expand Gwadar port stalled. China aims to upgrade it for the larger vessels up to the tonnage of 70,000 including the construction of \$130 million breakwater around the port as well as construction of a floating IPG facility connecting it with Iran-Pakistan gas pipeline. Moreover, the expanded port is located near a 2282 acre free trade area in Gwadar which is being modeled on the lines of the 'Special Economic

Zones' (SEZs) of China. It is said that business established in the SEZs will be exempted from Pakistani income, sales and excise duty for 23 years. The SEZs are to be completed in three phases. The china will grant Pakistan \$230 million to construct a new international airport in Gwadar which is to be operational by December 2017. The city of Gwadar is further being developed by the construction of a 300 MW Coal Power Plant and a new 300 bed hospital.

Roadway Projects

China has planned upgrade and overhaul to Pakistan's transportation system under CPEC project. China has announced financing to \$10.63 billion for this purpose and \$6.1 billion have been allocated for constructing 'Early Harvest' roadway projects. Three corridors have been identified for cargo transport: The Eastern Alignment, Western Alignment and Central Alignment. China has highlighted the route of National Highway 35 as Karakoram Highway under CPEC plan. The Karakoram Highway spans the 887 km long distance between China-Pak border and the town of Burhan. The China has identified an area between Thakot and Rajkot for hydropower projects. Sections of NH-35 around these projects will be completely rebuilt in

tandem with dam construction. Some improvement projects on this site are expected to be completed by January 2017. However, a large earthquake rocked the region in 2010 nevertheless; these projects were started again in 2015.

Railway Projects

The China has planned to reconstruct and overhaul the railway lines between Peshawar and Multan under first phase. In the second phase, it has marked Multan and Hyderabad railway line and phase three of this project has been identifying by the green line between Hyderabad and Karachi. Therefore, the CPEC project emphasizes to upgrade Pakistan's agreeing railway system including rebuilding the entire main line between Karachi and Peshawar by 2020. It is estimated that the railway will provide direct excess for China and East Asian goods to Pakistani seaports at Karachi and Gwadar by 2030. The CPEC 'Early Harvest/ plan aims at to overhaul of 1687 km long main line between Karachi and Peshawar. The CPEC project also includes a plan to connect Gwadar to the town of Jacobabad (Sind) which is at the intersection of main line two and three. Moreover, under the CPEC plan Lahore Metro's construction work has been started and it will complete in 2025 with its increasing

capacity. Likewise under the CPEC project a construction of 682 km long Khunjerab Railway line will also be completed by 2030.

Energy Project

Today Pakistan's energy generating capacity is 24630 MW which shows a shortage of 4500 MW. Keeping the tact In view, the CPRC project has focused to invest \$33 billion In energy sector and as a part of 'Early Harvest scheme of the CPEC, an estimated 10,400 MW of electricity generation Is to be made by March 2018. This work will be done by private sector and the EXIM Bank of China will finance these private investors. Likewise, China's Zonergy Company has constructed the largest solar power plant near the city of Bahawalpur with the capacity of 1000 MW by December 2016. A wind farm is also under development by Hydro-China at a cost of \$1:5 million to generate 50 MW of electricity. The China has also financed for SK Hydro power plant in Kaghan Valley of Pakistan's Khyber Pakhtunkhwa province. Therefore, despite many renewable energy projects, the China has invested a worth of SS.8 billion coal power projects which are to be completed by 201S.

LPG Project

The China has announced to build a \$2.5 billion 711 km gas pipeline from Gwadar to Nawabshah as a part of CPEC. This pipeline is designed to be a part of 27751km long Iran-Pakistan gas pipeline. However, this project is to be constructed by 2018.

India's Security Concern

India has always raised objection to the CPEC project as upgrade works to the Karakoram Highway in Gilgit Baltistan territory that India claims its own. During the visit of our PM Sh. Narendra Modi to China in 2015, our Foreign Minister Smt. Sushma Swaraj objected that the entire CPEC project passing through Gilgit-Baltistan are unacceptable as they require construction in the claimed territory. Moreover, India repeated India's stance during a meeting in August 2016 with China's Foreign Minister Wang Yi- stating that India would resolutely oppose the corridor in Kashmir. However, India did not object to Chinese construction of the Karakoram Highway between years 1959 to 1979. But after 2010 earthquake, the presence of Chinese troops in the region irritated India, when the Chinese construction companies took part in 14 posts - earthquake reconstruction projects in the disputed region. India raised her territorial objections. Today

India think that China and Pakistan do not Intend only to develop corridor but also It Is motivated by the strategic intent of besieging India. But china has always dismissed India's concern and described that CPEC is only a commercial project. Former Indian Security Advisor, Mr. M.K. Narayanan stated in May 2016 that CPEC must be viewed as a major security threat to India by the both countries. Still today India thinks that CPEC is a great security concern and it will be opposed by India at every step.

Conclusion

To conclude, CPEC is not only related to infrastructure development activities, but also it is broadly related to various areas of corporation such as energy, agriculture, service and technology. It has paved a way to economic cooperation between Pakistan and China. Now both the countries seem to cooperate on anti-narcotic efforts. This project will provide China an alternative route for energy supply as well as a new route by which Western China can conduct trade. Some of the scholars state that CPEC will write a new history of globalization. Moreover, it is a landmark project in the annals of history of Pakistan. Nevertheless, we cannot ignore the fact that CPEC project has created security tensions for India. That

is why India has always raised her objections on this project as a critical issue.

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