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Institute of South Asian Studies
National University of Singapore
29 Heng Mui Keng Terrace
#08-06 (Block B)
Singapore 119620
Tel: (65) 6516 4239 Fax: (65) 6776 7505
www.isas.nus.edu.sg
<http://southasiandiaspora.org>



China-Pakistan Economic Corridor

Sajjad Ashraf¹

Pakistan's National Assembly, the Lower House of Parliament, has given post-facto approval for a major project that has come to be known as China-Pakistan Economic Corridor (CPEC). The addition of CPEC to the China-Pakistan agenda blends with Beijing's Silk Road initiative that is designed to connect China, through a series of infrastructure projects, with Central and South Asia and even the eastern edges of the Persian Gulf region.

The project, planned to connect Kashgar in China's western region with Gwadar Port on the Baluchistan coast in Pakistan – through rail, road, and oil and gas pipeline – is expected to spur investments along the way and boost trade flows. The CPEC is also likely to result in the setting up of economic zones along the way, with emphasis on energy production that will help ease Pakistan's chronic energy shortages.

The CPEC, an idea speculated for decades, gained traction when, in February 2013, Pakistan transferred the contract to upgrade and operate its deep-water Gwadar port, at the mouth of Straits of Hormuz, from Port of Singapore Authority to China Overseas Port Holdings. Much of the world's oil traffic flows through this Strait, and a good bulk of it goes to China. With the idea firmly on the table now, the Chinese banks and companies pledged over US\$ 45.6

¹ Mr Sajjad Ashraf is a Consultant at the Institute of South Asian Studies, an autonomous research institute at the National University of Singapore (NUS), and an Adjunct Professor at the Lee Kuan Yew School of Public Policy at NUS. He was Pakistan's High Commissioner to Singapore from 2004 to 2008. He can be contacted at sashraf1947@gmail.com. Opinions expressed in this paper, based on research by the author, do not necessarily reflect the views of ISAS.

billion² for energy- and infrastructure-projects along the corridor, during Pakistan's Prime Minister Nawaz Sharif's visit to China in November 2014. The agreements demonstrate a deepening strategic linkage between the two countries.

CPEC is a collection of projects and has thus embraced several existing projects. In Baluchistan it includes expansion of Gwadar Port, the east-west expressway and the international airport at Gwadar. The Chinese investments are expected to add 16,000 MW³ of electricity by 2021, easing Pakistan's energy shortages to a considerable extent.

Beginning from the early-1960s, with China's assistance in building the Karakoram Highway, China-Pakistan cooperation has had a security dimension. The Chinese-built Gwadar Port has been back with them for operations since 2013. Strategic thinkers, especially in India, suspect that Gwadar will eventually serve as a Chinese naval facility, in addition to being a terminal for the CPEC. The Chinese, main suppliers of Pakistan's military hardware, have built two nuclear power plants for Pakistan, and two more are under construction.

China-Pakistan relations are also exemplified through the Free Trade Agreement (FTA) the two countries had signed in 2006. By 2009 China became the largest supplier of goods to Pakistan. While China-Pakistan trade increased eight-fold during the last decade Pakistan's trade only tripled during this time.

China-Pakistan relations are mutually advantageous. While Pakistan looks at China as perhaps the only reliable friend, providing security, Pakistan provides connectivity for China to the Arabian Sea. The expanding Chinese investments in its western region necessitate provision of matching facilities down the line to the Pakistani coast. China also understands that Pakistan's importance in the Muslim world provides Beijing with a ready opening into the Islamic bloc. As relations between China and Pakistan continue to develop in diverse fields, Pakistan's roller-coaster political-security-and-economic ride means that Islamabad is a bigger beneficiary of the two. The trust level for China in Pakistan is, therefore, high.

² <http://www.reuters.com/article/2014/11/21/us-pakistan-china-idUSKCN0J51C120141121>

³ Ibid

Controversy

However, like most projects in Pakistan, the CPEC is caught in conspiracy-theories from its very early stages. Reports have emerged that the government has changed the CPEC's road and rail network route to favour Punjab and Sindh, the two relatively better-off provinces. Such connectivity has implications for the location of other economic units. In typical flip-flop, the ministerial responses have ranged from denial to a virtual admission of such a route-change. This amounts to the government accepting that it has for now picked up the most beneficial route from amongst various options. The Chinese, Pakistan claims, are in agreement on route-selection. If the original route-plan is followed, it is said, there is a likelihood of a delay in operationalising the CPEC, as building new rail- and road-connections is time-consuming. Securing the Chinese investments early, as long as the basic contours of the plan remain in place, will quickly help inject much-needed capital into Pakistan's investment-shy market.

Pakistan continues to face many challenges to its security, especially in areas of Khyber Pakhtunkhwa and Baluchistan, where militants target power pylons, gas pipelines and other points, causing economic consequences. The new route almost entirely bypasses Baluch and Pashtun areas, and runs through Sindh and Punjab. The smaller provinces, KPK and Baluchistan, are calling foul. Asfandiyar Wali Khan, head of KPK-based Awami National Party, accuses the Punjabi-dominated federal government of discrimination against the smaller and less-privileged parts of Pakistan. "We want a brotherly federation, one that treats all equally",⁴ he adds. The change of route means that the less-privileged areas get deprived of a chance of getting their populations involved in economic activity. With fewer chances for economic engagement, the chances of the youth turning extremists go higher. Baluchistan evidently has the most to lose by this change of route.

External Factors

India, on its part, has reservations over the project, as some of its sections run through Azad (Independent) Jammu and Kashmir (AJK), the areas of the state that Pakistan claims it liberated from India after a short war in 1947. Conversely, Pakistan questions the development of hydroelectric projects in Jammu and Kashmir region, currently administered

⁴ China-Pakistan Economic Corridor, Centre for Research and Security Studies, Islamabad. March 16, 2015

by India. India is also wary of the military potential of Karakoram Highway, built by the Chinese and passing through AJK. Indian sensitivities were ruffled when Prime Minister Nawaz Sharif performed the ground-breaking ceremony for a US\$ 297-million, 4-lane highway, parts of which pass through AJK. The Indian fears were aroused further when the Chinese Prime Minister labelled the CPEC as a flagship project to strengthen connectivity with neighbouring countries and as a strategic framework for pragmatic cooperation between China and Pakistan.

Regardless of political and military implications of this major project, it has several benefits for the people of the region. Pakistan, suffering from chronic energy shortages and limited trade with its immediate neighbours, will be better-connected and will hopefully become energy-sufficient. A Pakistan-centred road network will facilitate contacts between Pakistan's neighbours on east and west. India and Iran need this corridor for closer integration with each other's economy. While the CPEC facilitates movement of goods and services in the area, China's involvement in the region's economy turns adversaries into stakeholders in maintaining peace and stability in the South and Central Asian regions.

The proximity of the Gwadar Port to the energy-rich Persian Gulf region, while benefitting Pakistan, will give China a direct land link to energy- and trade-sources. This will reduce China's dependence on the longer Indian Ocean routes through Malacca Straits and the South China Sea. The Chinese understand that, for the CPEC to succeed, peace in the region is essential, for which both Afghanistan and Pakistan must cooperate. China hosted an Afghan Taliban delegation in December 2014. There is speculation that China is playing a role in getting various stakeholders in Afghanistan together. For China, this will translate into expanded power and influence in the region. The challenge is for Pakistan and Afghanistan to establish peace and order within. India's concerns will only be addressed if other regional players join together to improve connectivity for economic development. A troubled region will thwart the intended benefits of the CPEC. If countries, both regional and extra-regional, can get power politics out, the CPEC has the potential to uplift the region and beyond.

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