

**PAKISTAN-CHINA ECONOMIC RELATIONS AND ITS GEO-POLITICAL
IMPLICATIONS: A STUDY WITH SPECIAL FOCUS ON
CHINA-PAKISTAN ECONOMIC CORIDOR (CPEC)**

Dr.Farooque Ahmed Leghari

Lecturer, Department of International Relations University of Sindh, Jamshoro

Dr.Ravichandran Moorthi

*Associate Professor, School of History Politics & Strategy
University Kebangsaan Malaysia*

ABSTRACT

The Pakistan-China relations date back to 1950. Pakistan is the third country to recognize China when it appeared as a state in 1948. Many Pakistani leaders have underscored the importance of the Chinese ties with Pakistan. In 2006, President Pervez Musharraf gracefully described China-Pakistan relationship as “deeper than the ocean and higher than the mountain”. Notwithstanding this statement, bilateral relations have not been void of challenges. There have been some challenges resulting from periodic changes between military and democratic governments in Pakistan, and a number of domestic uprisings in China. The Cold War dynamics in the 1960s till the 1980s and Pakistan border dispute with colonial-cousin India had made the China-Pakistan relations even more significant. While bilateral relations have always had a geo-political outlook, economic relations have become vital and plays a more pivotal role in the last two decades of relations. Although China is Pakistan’s biggest trading partner, trade volumes still remained meager, with trade balance notoriously favouring China. Pakistan’s trade deficit with China widened to \$6.223 billion in 2015. The volume of Pakistan’s overall trade with China was \$10.029 billion in the fiscal year 2015-16, including \$1.903bn exports and \$8.126bn imports. While these figures suggest enormous trade lethargy, China, in recent years, has shown heighten interests in investment in Pakistan. In early 2015, China revealed a \$46 billion infrastructure-spending blueprint for Pakistan, which will serve as a cornerstone to Beijing’s motivation to open new trade and transport routes connecting Asia. In this paper, the author examines the trajectories of China-Pakistan economic relations and will attempt to draw analysis on how these trajectories impact the regional geopolitics of the region.

Keywords: CPEC, China, Pakistan, Geo Political, Geo Strategic, Implications, Insurgency, India

INTRODUCTION

China and Pakistan have a long history of cordial relations with each other. Both countries have developed a partnership in economic and security sectors. This bond had been further strengthened with Chinese investment of more than \$ 46 billion dollars in Pakistan under China Pakistan Economic Corridor (CPEC) which has been increasing with the passage of time to \$ 55 billion and now has reached at \$ 62 billion (Siddiqui, 2017). Both states have to take benefit from CPEC. Though China will be the biggest beneficiary, it does not mean in any way that Pakistan will not be able to take benefit of CPEC.

The new game changing agreement between the two countries will not only benefit Pakistan on the economic front but it will further boost up its security. Its long-standing history of disputes and war with India had been the reason that Pakistan had always been suffering from the element of insecurity against its conventionally strong neighbor. Pakistan's search for the alliance partners is not the new one as it became visible when it joined South East Asian Treaty Organization (SEATO) and Central Treaty Organization (CENTO) after its early years of independence.

Pak-China alliance has provided Pakistan with a greater strength to face its foes. China's investment in Pakistan will play its role in Pakistan's prosperity on the one hand and will reduce its dependence on the United States on the other. Pakistan and the United States have been in collaboration with each other since long but having distrust against each other. It has been witnessed that whenever the US interests are over in the region, it turns a blind eye to Pakistan. Therefore, China and Pakistan's increased economic collaboration will help Pakistan to strengthen its economy and have lesser dependence on the United States.

HISTORICAL OVERVIEW OF PAKISTAN CHINA RELATIONS

The strong bond between Pakistan and China developed in early 1960s which had its roots in Indian enmity. Both states had a common enemy in shape of India and that brought them together into one alliance. With the start of 1960's decade, the two countries started extending the cooperation with each other and first in this row was border agreement between the two parties in 1962, which settled the border dispute between the two states followed by Pak-China trade agreement on January 5, 1963 (Pringsheim, 1965). Pakistan started

supported China's admission at the United Nations during the coming years. Chinese Premier Chou En-lai visited Pakistan in 1964 which was followed by Pakistani President Ayub Khan's visit to China in 1965 (Pringsheim, 1965). These steps strengthened the ties between the two countries. According to Vertzberger (1983) "over the years Pakistan has become the principal recipient of Chinese foreign economic aid. From 1956 to 1979 China distributed \$4,960 million in aid, of which Pakistan received \$620 million-about 13% of the total and almost a third of China's aid to Asia and the Middle East".

Indian reservation on Pak-China relations seems clear from the statement of Indian Ambassador to the United States on September 15, 1965. "What seems impossible to deny is that the Chinese and the Pakistanis are working in the closest possible co-operation to increase the military and the economic pressure on India and to encourage internal disorder with a view to weakening, and if possible causing the break-up of, the Indian Union" (Pringsheim, 1965).

The war between India and China in 1965 played a major role in bringing China and Pakistan nearer to each other. After that China came clearly on Pakistan's side. As it was noticed in Indo-Pak war in 1965, when China threatened India not to spread the war to many frontiers against Pakistan. That further strengthened ties between the two states. Then it comes the time of Indo-Pak 1971 war where though China did not come practically to support Pakistan in war but it provided a diplomatic support to Pakistan. As rightly pointed out by Sidky (1976), China's policy of friendship with Pakistan and its perception of the situation on the South Asian subcontinent has been a classic application and expression of united front tactics, perhaps the most dominant theme of Chinese foreign strategy in the 1970s.

It is also worth noting that Chinese support in establishment of Pakistan's nuclear weapons program is audible. It has been China which has been supporting Pakistan in getting the latest military capabilities including the missile technologies.

CHINA PAKISTAN ECONOMIC CORRIDOR (CPEC)

CPEC is an important economic agreement for both Pakistan and China as it is going to bring development to the two regions. The agreement on CPEC was signed on 14th April, 2015 between Chinese President Xi Jinping and Pakistan's Prime Minister Nawaz Sharif. China's President Xi Jinping visited Pakistan and signed an agreement

of \$ 46 billion (£30.7bn) for China-Pakistan Economic Corridor (CPEC) which will include the investment in roads network, railways and the pipelines between the two countries and this will cover the distance of 3000 km (1800 miles) from Pakistan's Gwadar to China's Xinjiang region. This project will give China direct access to the India Ocean (BBC, 2015).

According to the BBC report (April 22, 2015), "The corridor through Gwadar gives them their shortest access to the Middle East and Africa, where thousands of Chinese firms, employing tens of thousands of Chinese workers, are involved in development work. The corridor also promises to open up remote, landlocked Xinjiang, and create incentives for both state and private enterprises to expand economic activity and create jobs in this under-developed region. China could also be trying to find alternative trade routes to by-pass the Malacca straits, presently the only maritime route China can use to access the Middle East, Africa and Europe. Apart from being long, it can be blockaded in times of war".

The CPEC not only fulfills Chinese economic interests but also provides it with strategic and geopolitical advantages because Gwadar can be developed into a well-equipped military base in the future. The CPEC also provides Pakistan with an opportunity to show its better image in the world as its image has been distorted with extremism, terrorism and corruption in the country. With the interest of the regional powers such as Russia, Iran and Saudi Arabia in CPEC, this project has got more charm than ever (Zaffar, 2016).

Special Economic Zones: There are many opportunities for Pakistani industries in CPEC as the creation of Special Economic Zones will benefit them to come into cooperation with Chinese state-run enterprises which will be opening factories inside these economic zones and will help develop Pakistan's industrial base (*The New York Times*, 2017). When asked about concerns in Pakistan, the Foreign Ministry spokeswoman Hua Chunying reported that "The dividend, the well-being delivered by the corridor will benefit the people of both China and Pakistan, as well as of the region" (*The New York Times*, March 29, 2017).

Under this investment, about nice Special Economic Zones will be established with one in Punjab, Khyber Pakhtunkhwa, Baluchistan and Islamabad, two in Sindh and one each in Fata, Azad Kashmir and Gilgit-Baltistan (Hussain, 2017). The CPEC is the willingness of

China to take benefit on the investment opportunities present inside Pakistan. "China believes that the economic outcome of this investment would have a positive impact on Pakistan's economy, which, in turn, would result in political stability" (Paracha, 2017). Pakistan's Army Chief Gen Qamar Bajwa, while on visit to the headquarters of the 15,000-man newly-created Special Security Division (SSD), charged with the security of Chinese on CPEC and non-CPEC projects stated that "we are fully prepared to meet all security challenges to the projects of CPEC and Chinese nationals living in the country" (Dawn, March 12, 2017).

Development in Energy Sector: The huge Chinese investment in Pakistan's energy sector will help the country to cover severe energy crisis the country is facing at the present times and it will also help Pakistani cable industry. "Kamal Amjad Mian, who is involved in Cable business in Pakistan, thought China's decision to invest \$36 billion (28.84 billion pounds) in the Pakistani power sector would benefit his electricity cable business, and, anticipating increased demand, his family spent nearly \$30 million on a second plant to double output" (*The New York Times*, March 29, 2017). Though some cable firms are worried about the situation as they think it will be difficult for them to compete with the Chinese companies, "We have to make sure (CPEC) doesn't become a Trojan Horse and start hurting existing industry", said Ehsan Malik, chief executive of the Pakistan Business Council.

Development of Roads Network: The CPEC connects Kashgar to Gwadar through vast and complex network of roads measuring about 3000 km. This project will be completed by 2030. The vast network of roads will benefit Pakistan as it improves its transportation network in the country. "China will save millions of dollars every year by shortening its route for energy imports from the Middle East by about 12,000 km and also gets greater access to the Indian Ocean. On the other hand, Pakistan expects infrastructural enhancement and the reduction, or even elimination, of its severe energy crisis by getting in return an estimated \$34 billion for various hydro, solar, thermal, and wind-driven power plants" (Zaffar, 2016).

China and Pakistan Economic Alliance and Pakistan's Security: Pakistan will also get eight sub-marines from China which will surely elevate Pakistan's naval strength. Gwadar not only provides China with economic benefits but also with strategic advantages as the

post can be developed into a well-equipped military naval base in the future (Zaffar, 2016). According to T.V. Paul (2017), China has a clear alliance with no state other than Pakistan. This shows where the two states are going in their future course. With huge Chinese investment inside Pakistan, the security of Pakistan has been strengthened. China cannot afford to lose its investment in Pakistan in any case. Therefore, Pakistan's borders have been more secure after the launch of CPEC than earlier. In these present conditions, no state can think of going from a war against Pakistan as no one can keep China on the sidelines. Chinese will practically involve in any conflict initiated against Pakistan. That is the reason that Indians are against CPEC because they don't want the alliance between the two states to be further strengthened.

On the other hand, with strengthening of its alliance with China, Pakistan has also become in a stronger position to face the United States. China-Pakistan Economic Corridor reduces Pakistan's dependence on the United States. Because wherever Pakistan will be left alone by the United States, China will be there to support it.

Pak-China Alliance and India

The US experts think that Pakistan and China alliance is based in their rivalry against India (NDTV, March 15, 2016). "China is 'unlikely' to give up on the USD 46 billion China-Pakistan Economic Corridor being built through Pakistan-occupied Kashmir despite India's protests, but it may not be interested in taking sides in the Kashmir dispute due to close economic ties with both nations, state-run media said" (NDTV, August 16, 2016).

Chinese state-run media tries to influence India to support CPEC (NDTV, March 7, 2017). While Pakistan's offer to India to join CPEC, India has reservations on the project as it thinks it crosses from the disputed territory. China has also supported Pakistan's invitation to India to join CPEC. "China said it has an 'open attitude' to India joining the \$46 billion economic corridor but it wants to know New Delhi's response to a top Pakistani army general's offer to participate in the project" (NDTV, December 26, 2016).

Pak-China Alliance and the United States

The United States as being an adversary to China in 1950s changed its perception against Chinese in the later decade and asked

Pakistan to play its role in managing United States and China relations. "The achievements of Pakistan governments are considerable and, in particular, their ability to make Pakistan an ally of the United States and simultaneously a good friend of Communist China must be considered a contemporary miracle of diplomacy" (Levi, 1962).

"There are indications the Americans have been encouraging China to play a stabilizing role in Afghanistan. And few in Pakistan believe that American influence is likely to significantly recede from this region in the short run. In the long run, though, the Americans will definitely be working on strategies to cope with the rise of Russia and China, and what that means for the resource-rich regions of Central Asia and the Middle East. Likewise, while the Indians have China as one of their largest trading partners, they may have long-term security concerns about Chinese control of the Pakistani port of Gwadar" (BBC, April 22, 2015).

CHALLENGES TO THE CPEC

The CPEC is the great initiative which can bring a development to both China and Pakistan as it will help the two states' backward regions to develop on a fast track. The optimists consider it as a great opportunity while the pessimists are not so sure about its success and indicate to the challenges faced by the CPEC. The following are identified as the major challenges to the proper implantation of CPEC.

Domestic Instability in Pakistan

Taliban Insurgency: Pakistan is facing instability since long in its different provinces especially in Baluchistan and Khyber Pakhtunkhwa. The instability in Afghanistan has put severe impact on Pakistan since decades. Taliban insurgency has caused severe losses on Pakistan as thousands of people have lost their lives and the country's economy has been strangled. Pakistan's military has been fighting with these Taliban terrorists for many years and hundreds of soldiers have lost their lives. Though Pakistan has been able to break the strength of these Taliban terrorists but still the challenge remains there in which these terrorists need to be eliminated. Different Taliban groups in the country have been involved in the kidnapping of different Chinese personnel which has caused a serious concern on Chinese side on various occasions. The recent in this row is the kidnapping and killing of two Chinese nationals in Baluchistan which

made the headlines in the two countries. “The deaths of two Chinese citizens in Pakistan suggest that as Beijing’s strategic and economic footprint grows so too will the threats posed to Chinese interests” (CNN, 2017).

Baluchistan Insurgency: Baluchistan is the largest province of Pakistan in territory and is a major part of CPEC as the Gwadar Port is located in it which is the heart of this project. The people of Baluchistan are poor and backward. There have been grievances among the people against the state since long and they consider Punjabis (who are in majority in Pakistan’s military and bureaucracy) responsible for the injustice done with them since independence. This sense has given birth to Baluch insurgency against Pakistan in which some militant Baluch groups have initiated fight and cause different types of attacks to harm Pakistan’s national interests. Though Pakistan claims that it has control over the situation but the reality does not support the state’s claim. Therefore, Baluch insurgency is still a serious road block in the way of the success of CPEC.

Pakistan’s Weak Economy: “Pakistan’s Gross Domestic Product (GDP) has also soared over the last few years, a lot of that is thanks to the growth in the middle classes, in part fuelled by the Chinese investment boom that is part of Beijing’s One Belt One Road initiative” (BBC, 2017) but Pakistan’s economy is weak and always remains in the doldrums. “While both countries say the project is mutually beneficial, data shows a different story. Pakistan’s exports to China fell by almost eight percent in the second half of 2016, while imports jumped by almost 29 per cent. In May, Pakistan accused China of flooding its market with cut rate steel and threatened to respond with high tariffs. Jonathan Hillman, a fellow at the Center for Strategic and International Studies in Washington said: There are all of these hopes and dreams about Pakistan exports but if you’re connecting with China, what are you going to be exporting?” (Dawn, 2017). There are serious questions moving in the country over its capacity to support to CPEC and take advantage out of this project because if the CPEC is only going to serve Chinese interests then the grievances in Pakistani people are further going to be increased which will not have a good impact on CPEC.

International Challenge to the CPEC

Indian Factor: India has called CPEC a disputed project and it has refused to recognize it. India claims that CPEC passes through a disputed territory and has also asked China to withdraw from this

project. Both Pakistan and China have rejected Indian claims and have invited Indians to join it as this project will bring prosperity to the whole region. Indians reluctance to recognize CPEC will have severe challenges to it as India will try its best to bring instability with sub-conventional warfare in Pakistan's those regions where from CPEC passes. Pakistan already blames Indians for their support to Baluch insurgency in Baluchistan region. On the other hand, India has invested in Chabahar Port to open a new trade route to Afghanistan and the Central Asian republics. Chinese and Pakistani officials need to take Indians seriously as they can prove to be a serious road block in the way of the success of CPEC.

The US Factor: The US factor is another factor which will try to cause hindrances in the success of CPEC because the US has fears of Chinese increased powers on the one hand and the fear of Russian increased power on the other hand as it wants to contain the both powers. It is the reason that the US is supporting India to contain China in the region. "The Trump administration has informed Congress that it too believes the China-Pakistan Economic Corridor (CPEC) passes through a disputed territory — originally an India claim aimed at thwarting the development plan" (Dawn, 2017). The policy makers in China and Pakistan also need to consider the US as a challenge to this project's success.

Geo Economic Challenges Faced by CPEC

Lack of Educated and Skilled Labour: If we talk about Pakistan's Baluchistan province which can be called as the hub of CPEC, we notice lack of education and lack of expertise in indigenous people over there. It will be great challenge for Pakistani and Chinese authorities to bring up with solutions to deal with this issue. There is need for both China and Pakistan to start a massive campaign to people skilled and educated in Baluchistan to deal with this crisis because due security concerns, the people from other areas of Pakistan are not ready to work in Baluchistan.

Programs to Strengthen Pakistan's Industry

There is a need to strengthen Pakistan's industry because there are fears among some Pakistani people that this project will result in Chinese hegemony on Pakistan and some also compare it with East India's hegemony and control over sub-continent before India and

Pakistan's independence. "Lawmakers from the upper house expressed the fear that the CPEC could turn into another East India Company if the country's interests were not actively protected. Another East India Company is in the offing; national interests are not being protected. We are proud of the friendship between Pakistan and China, but the interests of the state should come first," Senator Tahir Mashhadi, chairman of the Senate Standing Committee on Planning and Development, said when some committee members raised the concern that the government was not protecting the rights and interests of the people (*Dawn*, 2017).

There is need for the Chinese government to take measure to strengthen Pakistan's industrial sector that it can produce results to its people because prosperity among the people will end the grievances and will lead to the success of CPEC.

Inclusion of Russia and Iran in CPEC

There is greater need for Russia and Iran's presence in CPEC as it will strengthen this project and will guarantee the prosperity of the whole region. Though the negotiations are going on in this connection but still the two countries have not officially joined the project. There is greater need for China and Pakistan to convince the two countries to join the project.

Convincing India to join the CPEC

There is a greater need for India's presence in CPEC because without one of the major powers of the region, it will be difficult for any project to get its complete results. Chinese Foreign Ministry Spokesman Geng Shuang told media briefing: "We welcome other countries including India to participate in the Belt and Road Initiative (BRI) on the basis of voluntarism" (NDTV, 2017). Though the Chinese and Pakistani officials have asked India to join CPEC but there is need to further boost up negotiations to included India in this project. And if India joins CPEC, it will bring the whole region to the path of prosperity and billions of people will be able to take benefit of this project.

CONCLUSION

Pakistan and China's economic relations have been benefiting the two countries since long. But the China-Pakistan Economic

Corridor (CPEC) will provide a new road map for the region's prosperity. It will benefit not only Pakistan and China but also to the other states of the region.

Pakistan will get the biggest benefit out of the CPEC as it will be able to boost its economy. The CPEC helps Pakistan to cover its long-standing energy crisis. It also helps the country to manufacture better roads and railways networks in the country. It also helps Pakistan to establish new industries in the country. The most import benefit is the operationalization of Gwadar Port.

On the other hand, China will get access to world markets through Gwadar which will help the Chinese economy to groom. The CPEC will also help Chinese backward areas to develop. The CPEC also serves the strategic interests of the two countries as the two states finds into each other an alliance partner. Pakistan with its clear alliance with China feels itself more secure against India and less dependent on the United States.

REFERENCES

- BBC. (2015). China's Xi Jinping agrees \$46bn superhighway to Pakistan, April 20.
- BBC. (2015). Is Pakistan-China silk-road a game changer, April 22.
- Dawn, (2017). COAS Vows to Meet CPEC Projects Security Challenges', March 12.
- Dawn. (2017). One-way street: CPEC more about expanding China's growth than benefit for Pakistan. August 02.
- Iqbal, A. (2017). CPEC passes through disputed territory: US. *Dawn*. October, 7.
- Karishma, V. (2017). A long term view: The man who took a chance on Pakistan. *BBC*. June 1.
- Khurram, H. (2017). CPEC Enclaves, *Dawn*, March 9.
- Levi, W. (1962). Pakistan, the Soviet Union and China, *Pacific Affairs* 35(3), 211-222.
- Michael, C. (2017). Executions in Pakistan: Is ISIS targeting China? *CNN*. June 16.
- NDTV. (2016). Beijing Unlikely to take sides between India and Pakistan: Chinese State Media, August 16.
- NDTV. (2016). China-Pakistan ties driven by rivalry with India: US Experts. March 15.
- NDTV. (2016). Want to Know India's Response to Pak's New Silk Road Offer. December 26.
- NDTV. (2017). India Should Shed Reservations And Join Belt And Road, Says China. October, 26.

- NDTV. (2017). Urging India to join CPEC Project, Chinese media likens PoK with Taiwan. March 7.
- New York Times*. (2017). Some Pakistani Power Firms Stuck in Slow Lane on China's Silk Road, March 29.
- Paracha Nadeem F. Smoker's corner: Are we ready for CPEC? Dawn, Feb 5, 2017.
- Paul, T.V. (2017). Asia in Trump Era, Lecture at Universiti Kebangsaan Malaysia, April 5.
- Pringsheim, K. H. (1965). China's Role in Indo-Pakistani Conflict, *The China Quarterly*, 24, 170-175.
- Siddiqui, S. (2017). CPEC investment pushed from \$ 55 billion to \$ 62 billion, *Express Tribune*, April 12.
- Sidky, M. H. (1976). Chinese World Strategy and South Asia: The China Factor in Indo-Pakistani Relations, *Asian Survey*, 16, (10), 965-980.
- Syed, I. R. (2016). CPEC could become another East India Company. Dawn. October, 18.
- Vertzberger, Y. (1983). The Political Economy of Sino-Pakistani Relations: Trade and Aid 1963-82, *Asian Survey*, 23 (5), 637-652.
- Zaffar, H. (2016). CPEC: Boon or Bane for Pakistan? *The Diplomat*.
-