

CHINA-PAK ECONOMIC CORRIDOR: SOCIAL ANALYSIS FOR PAKISTAN

Mr. Muhammad Abdullah Avais¹

Ms. Saima Shaikh²

Dr. Hakim Ali Mahesar³

Ms. Fehmida Memon⁴

Abstract

In this millennium Economic Corridors (ECs) are lynch excels for the development of any country. As compared to other countries, China is more reliable and all weather partner of Pakistan without any interference. Over the years, both the countries have developed strong bilateral trade and economic collaboration. Economic Corridor from Gwadar to Kashgar through rail and road connections would be the great source of change and development in the region. Furthermore, it will provide the best and the shortest supply route to China as well as land locked countries of the central Asia. CPEC provides a unique opportunity for Pakistan to bolster its strategic and economic position coupled with many social benefits. It could also serve equally to Pak-China interests. This research is explanatory research therefore, secondary data from different sources: that was available but needed to be explained is being utilized. The main aim of the research is to analyze the benefits of Economic corridor and formulate suggestions for its betterment. Tax free industrial states

¹ Ph.D. Scholar, University of Sindh, Jamshoro, abdullahawais77@yahoo.com

² Professor, Department of Sociology, University of Sindh, Jamshoro, chair.socio@usindh.edu.pk

³ Assistant Professor, Institute of Commerce, University of Sindh, Jamshoro, hakim.mahesar@usindh.edu.pk

⁴ Assistant Professor, Department of Political Science, University of Sindh, Jamshoro

may cater more foreign investors around the economic corridor. This connectivity project is expected to generate millions of direct and indirect jobs. Similarly, local people must be involved in economic benefits of EC for long term achievements of project goals.

Keywords: *Economic Corridor (EC), History, Pak-China Relations, Friendship, Social benefits*

Introduction

In this industrial era, economic corridors have appeared as a significant tool of regional development and cooperation in global village. In the context of globalization, connectivity, diplomacy and trade are not standing alone activities, rather these are parts of a comprehensive concept. Pakistan and China have a long and deep history of cooperation as well as mutual benefits, i.e. economic, trade and defense since 1950. Basically, China-Pak relationship is characterized as covering of geo-vital, financial and political issue with mutual consent. This relationship is evidence of geographic proximity, regional trade facilitation for both countries through economic and trade activities (Haider, 2005). The basic major four elements, which worked as lever in relationship of both countries, are: 1963s boundary agreement in between Pak-China, China's support in 1965 Pak-India war, Pakistan's role of bridge in between China and Europe especially USA in 1970 and China's veto power in UN Security Council in 1972 on issue of Pakistani prisoners of 1971 war (Khan, 2011).

In 2008 Pakistan signed an agreement of "Free Trade" with China. From 2008 to 2013, leadership of both countries arranged exchange visits to create more cooperation in many fields. July, 2013 was a turning point in bilateral history of China-Pakistan, when a memorandum of understanding (MoU) was signed with China to construct an economic corridor to connect Kashgar, an important city of China with Gwadar port of Pakistan via Gilgat-Baltistan (Khan, 2014). According to the said MoU, it was decided to construct 4,000 KMs long rail-road network, 12-13 special economic zones, with financial and technical assistance of China. Estimated cost of this project was 46 billion US\$ (Ibid, 2014). Through this corridor Pakistan may cater foreign investment in transport, communication and energy sectors.

Originally the idea of EC was established in President Musharaf's era due to development of Gwadar port. But unfortunately the Singapore Port Authority was assigned to functionalize Gwadar port instead of China. In 2013 after MoU with China the control of Gwadar port was handed over to China. In master plan of EC, it was decided to connect Kashgar with Gwadar through Indus and Karakoram road networks and further with Central Asian states to provide them cost and time efficient chain of supply of trade (Malik, 2012). Roughly 03 billion people of the region will be benefitted from the EC.

For the successful completion of project following tracks will be constructed:

1. A six lane motor way between Karachi to Lahore.
2. Up-gradation and repairing of Coastal Highway between Gwadar to Karachi.
3. Feasibility and construction of rail track between Havelian to Xinjiang via Abbottabad.
4. Construction of an International Airport at Gwadr (Rahman 2013).

Pak-China relationships are deepening and progressing day by day. Therefore the government of Pakistan decided to celebrate the year 2015 as "Year of Friendly Exchange". Two Confucius Institute were established in "National University of Modern Language (NUML) and Karachi University (Yingyu, 2015). A Pak-China friendship center has been inaugurated in Islamabad in December 2010 (Khalid, 2013).

Statement of the Problem

The Peoples Republic of China and Islamic Republic of Pakistan have very deep friendly ties since independence of China. This article discusses the benefits of economic cooperation between Pakistan and China after Chinese investment through Pakistan China Economic Corridor (CPEC) in different sectors like transportation, infrastructure and energy. Pakistan has served as a bridge between China and Europe after independence of China. In this paper the researcher will try to discuss socio-economic benefits of economic corridor. Almost all countries of region have welcomed this Chinese initiative except India (Ranjan, 2015).

Scope and Significance of Study

Although relations between Pakistan and China are exemplary and but it must be kept in mind that, this relation of “Iron Brother” needs to build on rationality basis instead of geo-strategic on the basis of Indian hostility. It must be kept in mind that the states have no permanent enemies and permanent friends. According to new ground realities, Pakistan must develop its relations with China from stereotype bilateral relations to strong strategic- economic partnership. Through this, not only Pakistan but also economy of all countries will be benefitted .The scope of this study is to cater the socio-economic benefits of economic corridor on Pakistan in light of Pak-China relationship. After the analysis of benefits, the researcher will try to formulate some suggestions to make economic corridor successful. The ongoing research is explanatory research. Therefore all secondary source or data that was available and needs to be explained has been utilized

Concept of Economic Corridors

Trade is always primary pillar of every country since pre-historic time and its roots can be traced in circa (Bahtiyar, 2014). Economic corridors have philosophy of cultural of trade agreements and movement of products as well as services and information in a geographical locality among people and across boundaries (Hopewell, 2015). Silk route, running from Africa to China is a living example of financial and economic growth (Topik and Pomeranz, 2014).

Table 1: Major Trade Corridors

Corridor	Region	Characteristic	Funding Mechanism
Trans-Kalahari Corridor	Africa	Economic Dev.	Government, Private, World Bank, Aid
Novadutra	Latin America/ South America	Econ. Dev, Trade Integration	Government, Private
North/South Corridor	Asia	Trade Integration, Econ. Dev.	Public/Private Partnership

North/South Corridor	Africa	Trade Integration	Public/Private Partnership-sub-regional organizations initiatives
East/West Corridor	Asia	Trade/Economic Integration	Public/Private

Source: (Bernstein, 2009)

Table I is showing that important trade corridors in different regions along with characteristics of corridors and funding mechanism. The main theme of all corridors is to increase trade and economic activities in region and social development of people through different funding sources.

EC for Pakistan

This corridor is necessary for Pakistan due to socio-economic condition of country. In Pakistan, internal business situation is very bad and industrial sector is 50% less performing due to electricity short fall. While due to war on terror, we have faced roughly loss of 35 billion dollars and direct foreign investment is decreasing due to law and order as well as geo-political situation. Furthermore, 41% poverty rate may shake the foreign exchange (Khan and Khan, 2012). Therefore, the EC is oxygen for economy of Pakistan. It truly can substitute of lifesaving drug for dying economy of Pakistan.

Benefits of EC

Chinese premier Wen Jiabao assured to Pakistani prime minister in a meeting that China would stand with Pakistan in all circumstances (Kardon, 2011). It is estimated that \$ 100 million annually can be generated from oil & gas transit through economic corridor (Starr, 2007). It will provide a socio-political opportunity to Pak-China to cater stake and power in regional politics. Thus, we can say that EC will provide the road-network of opportunities for Pakistan.

Figure-1: Corridor of Opportunity

Source: (Ahmar, 2014)

Through the EC, Turkmenistan, Kazakhstan and Uzbekistan may export liquid cargo through pipelines and by road. Now they are using 1800 KMs long route via Mediterranean Sea through Caspian region. While proposed EC will reduce 400 KMs mileage and this route will be the natural alternative route for them and may shake the monopoly of Russia in Black Sea (Khan, 2013).

Table II: Pak-China Shares in EC Projects

Estimation of Local Component	Investment of China in billion US \$	Domestic Share (%)	Domestic Share in billion US \$
Energy	33.7		10.4
Coal (7560 MW)	8.8	20	1.8
Wind (200 MW)	0.5	20	0.1
Hydel (1590 MW)	4.2	50	2.1
Solar (1000 MW)	1.7	0	0
Second phase	9.5	20	1.9
Mining expenditure	9	50	4.5
Road	5.9	80	4.7
Rail	3.7	50	1.8

Mass Transit in Lahore	1.6	50	0.8
Gwadar Port	0.7	50	0.3
Total	79.4		18

Source: (Ahmar, 2014)

Analysis: The table is showing the investment of China in different projects of EC corridors along with the share of Pakistan. It describes that only in energy sector China's direct investment is \$ 33.7 billion. While in other projects participation of China is 5.9 in roads, 3.7 in rail, 1.6 in mass transit @ Lahore and \$.7 billion for up-gradation of Gwadar port. Other side the picture shows that Pakistani share is \$18 billion.

1. Pakistan is facing wave of energy crisis, unemployment, terrorism and violence. This project is blessing of God. It will boost the economy of Pakistan greatly.
2. Pak-China economic corridor is a cluster corridor. Therefore, Pakistan may get maximum benefits. Pakistan have chance to enhance capacity of trade companies and bring innovative ideas in business.
3. EC will be the source of income generation activities in different sectors like travel, real estate and banking. New employment opportunities will also be opened for the professionals and skilled labour workers (Khan and Khan, 2012).
4. It is assumed that 3 billion people will be benefitted from EC. Thus, we can say that almost all citizen of Pakistan will be benefitted (Khan, 2013).

Conclusion

The Pakistan has nascent economy and it is a golden opportunity for Pakistan to learn best practices of import, export and economic strategies from China. China is largest trade partner of Pakistan but success of CEC will impose deep and positive impacts on relations of both countries. CPEC will boost our socio-economic development through rapid growth of GDP. The EC is oxygen for dwindling Pakistani economy. From economic point of view, this corridor will bring deprived and troubled areas like Baluchistan (Pakistan) and Xingjiang (China) on the way of development. The peace, geo-political, economic stability, solidarity and development of these less developed and deprived areas

(Baluchistan and Xingjiang) would be expected result of Economic Corridor. That will bring economic development and prosperity in both countries. CPEC is a God gifted opportunity for the prosperity and welfare of Pakistan. It will be real game changer in the region. Materialization of CPEC has the power to transform Pakistan into a regional hub for trade and investment building infrastructure and has the great social benefits package for the people of Pakistan.

Recommendations

- The membership of Shanghai Cooperation Organization (SCO) and Central Asian Cooperation (CAC) is beneficial for Pakistan. Therefore, Pakistan should strive for more effectiveness.
- Identification of more potential areas for mutual trade.
- Tax free industrial states may cater more foreign investors near the EC.
- To involve local people in economic benefits for long term achievements of project goals.

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