CPEC; A Roadmap of Region’s Development

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Pakistan and China all-weather friends have strengthened their economic, political and strategic relations with the passage of time. Both of them emphasize their economic relation that remains neglected through the ages. In the year 2013 a milestone was achieved when the agreement of China, Pakistan Economic Corridor (CPEC), stimuli to economic relations was concluded. The project would not only connect Pakistan and China, but is potential enough to integrate Asian countries. It will contribute to the improvement of strategic and economic environment of the region. There are some challenges as the project has some diverse effects on the political interests of some actors. The major objective of the study is to expose the economic and strategic importance of CPEC and to find out its impacts on Pakistan’s development. To achieve the mentioned objective, empirical, analytical and predictive methodology is applied. This research concludes that the project would be a game changer.

**Keywords:** CPEC, integration, economic, Pakistan, China

The changing patterns of the region, where states are trying hard to boost economic relation, compel Pakistan and China to re-shape the already friendly relations to deal with the demand of the day. The agreement of 2013 regarding China, Pakistan Economic Corridor (CPEC) is another milestone in their relations towards new heights of economic and strategic cooperation. The project would be a catalyst of economic integration in the defined region. The regional connectivity will act like a catalyst for economic growth of paralyzed economies of the region. It would connect rural and urban area’s economic resources to economic hubs. As the composition of offshoots, roads and routes the project would have massive impacts on neighboring states. CPEC is no doubt an economic blessing which would ultimately bring development to Pakistan.

**Geography of CPEC**

This mega project is composed of road, railway lines, pipeline and fiber optic cables which linking Pakistan with China via GB (Gilgit Baltistan) and four provinces of Pakistan. The project has two parts, Eastern and Western alignments.

**Eastern Route**

Both Pakistan and China agreed to initiate the Eastern portion of the corridor because of two reasons. i.e. China’s corporations allegedly willing to undertake the building of the eastern alignment on the basis of Build, Operate Transfer (BOT) and security. Under the new plan, the project will cross few areas of Baluchistan and KP (Khyber Pukhtunkhwa) where the security situation is unstable. Two provinces showed their deep concern about the altered plan of CPEC (The News, 2014).

Route of Eastern alignment is from Gwadar to Kashgar via costal highway, then to interior Sindh, to Central and Northern Punjab, to Islamabad, Haripur, Abbotabad, Mansehra, Diamer, Gilgit

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and Khujrab. A portion of the corridor will also run through the capital of Pakistan’s Kashmir, Muzaffarabad. A link from Taxila via Torkham, Peshawar would connect the Jalalabad area of Afghanistan to the corridor. India would be connected to corridor on two points through Hyderabad-Mirpurkhas-Khokarapar and through the Lahore Wagha border.

A. **Western Route**

This is the initial and original plan which government differs until the completion of Eastern alignment. Under this plan the corridor will have to start from Gwadar, runs through Khuzdar, Dera Bugti (Baluchistan), D.G Khan (Punjab), D.I Khan, Peshawar (KP), Islamabad, and the rest of the Eastern alignment route. Under this plan Afghanistan would be connected to a corridor through Quetta and Iran through Quetta-Kho-e-taftan link.

![Map of Pakistan showing Western, Middle, and Eastern alignments](source national highways authority)

**Significance**

Chinese president Xi Jinping introduced new foreign policy direction “Constructive Engagement”. To move forward constructive engagement agenda special focus was put on economic engagement. He is eagerly pursuing this agenda via the silk route; consist of road, rail and maritime network. Popularly known as, “one belt one road”. Many Western countries, academicians, and India consider CPEC as strategic corridor, which cover Pakistan’s trade and development needs. According to Andrew major portion of the deal and cooperation is under the carpet. He uses the term “cooperation in shadow” for these relations (Andrew, 2015).

The fact in point is that CPEC is not only significant for Pakistan, but for China as well, as regional connectivity is essential for it as a global power in future. During his visit to Saudi Arab and Egypt Chin’s president Xi Jinping offer $55 billion loan for infrastructure and industrial development in the Middle East, both Saudi and China agreed on “Comprehensive strategic partnership” framework. He announced most significant statement “We are not setting up proxies or building a sphere of influence in the region” (ABC, 2016). All these are part of constructive engagement which speed up trade ties and will ultimately boost demand for Chin’s products.
CPEC is located on the junction of Silk Road economic belt and twenty first century maritime Silk Road (Foreign Ministry Spokesperson, April 20, 2015). China is committed to give about $46 billion, which is around 20% of the annual GDP of Pakistan (Stevens, 2015). In CPEC project 17000 MW electricity would be generated by $34 billion cost. Remaining money would be invested in infrastructure development like railway lines between Karachi and Peshawar (Shah, April 20, 2015). The proposed completion date of the project is 2030 (Shah, April 20, 2015). The economic corridor will cut the road distance by 12,000km from Middle Eastern to Western China via Gwadar, Pakistan and will host massive road and rail network, energy pipeline and business zones (Rediff News, April 20, 2015). Completion of the hydro, coal, solar and wind energy projects, about $15.5 billion’s worth, would contribute 10400 MW to national grid. An optical fiber cable of $44 million is linking the two nations (BBC News, Asia, April 20, 2015). Liu Jiancho Chin’s assistant foreign minister clarifies Indian concern about corridor that it goes through a disputed area of Kashmir, in media talk “The project between China and Pakistan does not concern the relevant dispute between India and Pakistan. So I do not think that the Indian side should be over concerned about that” (The Economic Times, April 20, 2015).

ODI’s (Overseas Development Institute) of China are mainly South East Asia oriented, but since 2003 Chin’s intentions diverted towards South Asia. It is hard to ignore Chin’s geopolitical reasons behind solidification of economic ties with South Asia. China is investing huge amount in CPEC in order to pursue its national interests. Its investment of 45.6 billion dollars in energy and infrastructure will give profit to Chin’s farms. According to media reports Chin’s Banks and government give loans to companies for their projects, thus assembling its commercial projects with direct influence on Chin’s loose economy (The New York Times, April 21, 2015).

China is largest oil importer that’s why energy security is its main objective. Its energy pipelines cuts thousands of kms of sea distance via South East Asia (Stevens, 2015). China isn’t only going to invest in CPEC but also intended to invest in “Silk road economic belt with Central Asia, maritime road with South-East Asia and in South Asian economic corridor. China is eagerly looking India as a partner in “Maritime Silk Road” an attempt to connect China to Europe via India and Africa. India has an important role in Chin’s vision of economic integration. China is hoping compatibility of vision with Indian economic goals (The Diplomat, May 29, 2014). Agreement regarding establishment of sisterly relations between Gwadar and Karamy (Xinjiang), Lahore and Chengdu (Sichuan) and Zhuhai (Guangdong) and Gwadar established (Dawn, April 21 2015). According to premier of Pakistan Mr. Sharif with this corridor Pakistan would become a hub of regional economic activities (Business Insider, April 20, 2015).

CPEC project
Following to three meetings of the JCC (Joint Cooperation Committee) conducting on 27th of August 2013, 19th of Feb 2014 and 27th of August 2014 fifty one MoUs were signed to develop various projects between China and Pakistan during the visit of Xi Jingping Chin’s president to Pakistan on 21 April 2014. CPEC project is categorized into three phases. The short term project is to be completed up to 2017 known as an early harvest project. Up gradation of KKH to Islamabad, Lahore-Karachi Motorway, orange line metro train, Special Economic Zones on CPEC, New Airport Hospital and vocational institutes at Gwadar, dry ports and development of the East Bay expressway are included in this phase (The News, February 21, 2014). Midterm phase is estimated to be completed till 2025 while the long-term or third phase would be completed in 2030 (The News, August 28, 2014). The
second meeting of JCC focuses on EHP (JCC, August 28, 2014). CPEC isn’t only the early harvest projects, but beyond this (Khan, 2015).

**Gwadar port’s regional trade potential**

South and Central Asian integration boosted significance of Pakistan’s location. This integration would boost economic growth as well. Gwadar port’s construction is an important development in the region’s infrastructure integration (Anwar, 2008). The port’s most significant potential of the port is to facilitate Central Asia’s international trade and in the long term to act as transshipment port. Proximity to Central Asia makes it the most viable trade outlet for the international community. ADB declared Gwadar as a potential port for significant regional economic collaboration. The port is of great importance for regional connectivity of road and rail, Gwadar to Central Asia via Afghanistan (Pakistan Development Forum, Islamabad, 12-14 May 2003). When the second phase of the port would be completed it will get the capacity of handling fourth generation container ships, 15 to 20 meters. Gwadar is not only important for domestic trade and economic development but for the region as well, the proposed trade potential of the port for its neighboring countries are as follow.

**Central Asian Republics**

Located in its proximity Gwadar is an important opportunity for central Asia to export its world’s largest oil and gas resources (Haider, 20013). As it reduced the distance of Central Asia republics by 500 km that’s why it would enhance transit fee significantly (Haider, 2011). Gwadar port is an alternative for Central Asia to warm waters via Afghanistan. It has the potential to replace the port of Dubai, which is an important hub of economic activities (POT, 2006). Pakistan is eager to use the port as energy and trade corridor with Central Asia, China and Afghanistan. Pakistan is the only viable option for Central Asia and Gulf’s world largest oil and gas reserves. In case of blocked of Persian Gulf Gwadar will be an alternative. That’s why it is known as all-times access point.

Enormous resources of Central Asia spotted it as significant area. The flow of these resources will be marketed through Gwadar port. TAP will pump Turkmenistan’s oil and gas to world markets through Gwadar port. About 65 million people are living in these six states. Azerbaijan, Kazakhstan and Kyrgyzstan are away from Pakistan, which cause less flow of goods through Gwadar. The remaining three because of their closeness to Pakistan are potential users of the port. The total estimated trade of the region is $ 20 billion, including $12 million export. Estimated trade, in term of weight and volume is 80 million (ADB, 2005).

A highway, 500 km, connects Gwadar through Rabat, Panjgur, and Chaghi, to Herat (Afghanistan) will directly connect Central Asia. With the completion of this road Russian trade is expected through Gwadar, as she expressed her desire to be a part of CPEC (the News, 2016). This route will quicker and cheaper than that of from South Asia to Suez, to the Mediterranean, to the Atlantic and to Baltic port of North Sea. Russian exports use of the prior track would reduce delivery time by 20 days and per container cost by $ 400-500.

Estimated resources of the Caspian Sea are US $ 4 trillion. Central Asian region by 2050 will provide about 80% of American oil. Through TAPI, Turkmenistan can export its gas to world markets via Gwadar. The oil resources of Caspian region is estimated 17-49 billion barrels and its gas reserves are about 232 trillion cubic feet. There are three more ports which due to its location and nearness are the main competitors of Gwadar. The trade potential of these republics is as below.
### Table

**Trade potential CARs**

<table>
<thead>
<tr>
<th>Country</th>
<th>Crude Oil (Million Barrels)</th>
<th>Natural Gas (Trillion Cubic Feet)</th>
<th>Coal (Million Short Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>5,417</td>
<td>65</td>
<td>37,479</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>40</td>
<td>0.2</td>
<td>895</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>12</td>
<td>0.2</td>
<td>Minimal</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>546</td>
<td>101</td>
<td>Minimal</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>594</td>
<td>66.2</td>
<td>Minimal</td>
</tr>
<tr>
<td>Total</td>
<td>6,609</td>
<td>232.6</td>
<td>38,374</td>
</tr>
</tbody>
</table>

### Impacts of CPEC

According to Pakistan’s Economic survey 2013-14 Sino-Pak bilateral trade increased 124 %, to $9.2 billion in 2012-13 which was $ 4.1 billion in 2006-7. Pakistan’s export enlarged by 400 % from about $ 600 million in 2006-7 to $ 2.6 billion in 2013-14 (Pakistan Economic Survey 2013-2014). CPEC would further boost up trade between these states. During his visit to Pakistan in 2013 Prime Minister Li Keqiang urged construction of CPEC (Tiezzi, 2014). Pakistan’s government showed its eagerness as well. This corridor is connecting Gwadar port Pakistan to Kashgar China. It will not only make Gwadar fully functional, but would convert it into a significant port of the region. The port was handed over to China overseas port handling company in Feb 2013. Gwadar since then is turning into a fully operational deep sea port (South China Morning Post, 2014). The corridor is a connection between China, Middle East and Africa and would reduce 12000 km distance in oil supply from the Middle East to China’s port.

CPEC would not only satisfy the needs of Pakistan and China, but will also serve the entire regional stability and economic integration (China Daily, 2013). It is a comprehensive developmental program consist of rail, road, pipeline and fiber optic links. This 2700 km link will connect Gwadar to China and further to India, Afghanistan and Iran. The highway is linking Xinjiang to Gilgit-Baltistan and Khyber Pakhtunkhwa. Along with links connecting certain other projects like free zones, economic zones and power generation are also included in CPEC (Pakistan Today, 2014).

China is looking forward to stabilize its trade and commerce links with the various regions. Xi Jinping on September 2013 stressed rediscovery of old trade links between northern, central and Southern Xinjiang, which links China to Pakistan, Europe and Russia (Jia, 2014). It is assumed that with the construction CPEC Pakistan would become the hub of regional trade, it would boost up economic activities because of economic, industrial and tax free zones. There is a forecast that CPEC would connect India and Afghanistan, though, is too early to say, that will enhance region’s trade and economic cooperation, ultimately promote peace and stability in the region.

Gwadar has pivotal role in CPEC, without full operationalization of the port; it is difficult for China to see the proposed corridor as corridor of energy, the major objective behind the project. Situated on the mouth of the Persian Gulf, which transports one third oil of the world, Gwadar is a key player in energy of import of China, providing a short route (Chowdhury, 2013). It is viewed that the completion of CPEC will place Gwadar in situations of extreme geo-strategic competition (CPGS, 2014). Gwadar port gives strategic edge to Pakistan and China in Indian Ocean that boost up the already existing Indian concerns about Chinese involvement Hambantota, Chittagong and Sittwe.
ports (Chowdhury, 2013). To meet with its energy needs Indian government decided to invest in Chabahar port which would prove it an access to central Asia (Dawn, 2014). Chabahar is located in Sistan Iranian Balochistan where there is unrest due to ethnic issues.

China wants to resolve the issues in the Middle East, to resolve Iranian nuclear Issue and is eager for its political settlement (CPGS, 2014). China is trying to resolve Indo-Pak issues as well (CPGS, 2014). To China, Pakistan is a window to CARs (Pakistan-China Institute, 2014) but unrest in Afghanistan is main concern not only for China but also for regional countries as well. She invested $7.5 billion, the biggest investment in Afghanistan (Pakistan-China Institute, 2014). China boosted bilateral and trilateral efforts to restore peace and stability in Afghanistan. In this regard, she hosted Heart of Asia conference and also show its commitment to table Afghan issue on top of the agenda in SCO (Pakistan-China Institute, 2014).

**Role in Economic development of Pakistan**

CPEC is like a wildcard for Pakistan as it faces certain challenges in the fields of economy and politics. The project would enable Pakistan to provide strong basing to its economy, to reshape its relations with its neighbors and to transform the Gwadar port into trade and economic hub of the region. The project would be a remedy for all the problems of Pakistan’s paralyzed economy and a new horizon for the socio-economic condition of the people as their life standard would be improved. Several special economic zones would be established in Khyber Pukhtoonkhwa, Sindh, Punjab, Baluchistan and Gilgit Baltistan. Ultimately, potential international investors would be part of the project, drive Pakistan’s economic growth. Iran, Kingdom of Saudi Arabia and very recently Russia showed their interests in the project (Daily the News, 2016).

**Infrastructure Development:**

CPEC is a complex project includes energy pipelines, railway tracks, roads and Gwadar’s port complex. The infrastructure once developed would be beneficial for Pakistan. Billions of dollars loan with a very low interest rate and extended grace period is given to Pakistan that saves Pakistan to knock the doors of other financial institutions. Planning Minister of Pakistan Mr. Ihsan Iqbal told that out of $46 billion of China’s investment $ 11 billion is for infrastructure development of corridor (Salman, 2015).

**Security Partnership**

This economic corridor will boost security cooperation between Pakistan and China. To insure security of the project, both countries agreed on a joint security mechanism. The devastating situation of Pakistan and Xinjiang region of China, especially after September 2001 during the war on terror is a matter of concern in both of the countries would be normalized by the project and even will bring peace to the entire region.

The project is an opportunity to bring Sino-Pakistan to extend their naval cooperation, especially in joint exercises and training against piracy in open Seas. Power dominance game in the Indian Ocean compels Pakistan and China to come close in a naval alliance. The strategic naval cooperation of Sino-Pakistan would scuttle the ambitions of Indo-US domination in the Ocean (China-US Forum, 2015). Gwadar port has potential to be converted into a naval base in the future (The Express Tribune, April 15, 2015). CPEC base cooperation between China and Pakistan would contribute to make the balance of power in the entire region.
**People-to-People Contact**

The project is an opportunity to boost up people to people contacts between these states which would instigate harmonious neighborhood. Chinese president Mr. Xi Jinping is of the view that masses play a vital role in advancing the progress of the nation and history. Our people continuously support this all-weather friendship and cooperation. To celebrate diverse events of friendship the platform of sister cities, media organization and cultural centers should be used. China is intended to provide 2000 training opportunities along with 1000 language teachers for Pakistan in coming five years (Jinping, 2015). He further appreciates Pakistan’s role to enhance people support in this regard.

**Conclusion**

China, a gigantic economic power, is eagerly working on regional integration and is playing a very active role in this regard. SCO (Shanghai Cooperation Organization) is part of such activities that are integrated economies of member states. Further China has invested huge amount in region’s infrastructure development, especially in South Asia. To finance Asian countries and prevent them from any foreign engagement she proposed AIIB (Asian Infrastructure Investment Bank) in 2013 and the idea was materialized in coming years. On the basis of such rapid development most of the scholars declare Asia as the future of the world and that the world’s leadership would be shifted to Asia. All these developments indicate that there would be economic integration in the region, ultimately transform into political Integration. Such integration would results development in Pakistan as it is the mouthpiece of the project.

Gwadar port has marvelous economic potentials. The port will be a hub of economic activities for the republics of Central Asia, having the potential to be a major regional transshipment port, when fully operational. It has potential to provide a naval base to Pakistan in the west of Karachi. CPEC, a mega project would connect the port not only to China, but would also to the entire region. The project will not only enormously contribute to the socio-economic development of the local people but to the entire region as well. This economic integration would transform Pakistan’s under developed economy to a vibrant economy of the region.

The construction of CPEC is the most significance consensus by the leaders of China and Pakistan. It will optimize the trade and energy cooperation between China and Pakistan and benefit over three billion people in China, South Asia and Middle East.

CPEC realizes the new realities of global and regional politics by cultivating a more systematic, up-graded and need-based interaction for socio-economic, industrial, energy and trade development. The CPEC project will transform Pakistan’s geographic location into an asset. The business community and private sector need to come forward, and play their role in making CPEC a success. The role of think tanks, media and educational exchanges will also be useful in allaying the negative perceptions and apprehensions over the CPEC project.
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