

CHINA PAKISTAN ECONOMIC CORRIDOR : THE GAME CHANGING PROJECT FOR PAKISTANI ECONOMY

By

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CPEC

China-Pakistan Economic Corridor (CPEC) is a major and pilot project of the Belt and Road Initiative which is proposed by Chinese President Xi Jinping. CPEC has become the framework and platform for comprehensive and substantive cooperation between China and Pakistan. CPEC is the important consensus reached by the leaders of both countries. The leaders of our two countries have attached great importance as well as rendered active promotion to the construction of CPEC. It has also won across-board support from the political parties and peoples of our two countries, which provided profound and solid public support for CPEC.

CPEC is of great significance to the development of China-Pakistan all-weather strategic cooperative partnership and the building of the community of shared destiny between China and Pakistan. CPEC will provide new opportunities, new vision as well as new impetus to China-Pakistan relations. CPEC is facing Pakistan as a whole and will bring benefits to Pakistani people. It will effectively promote the economic and social development of Pakistan. The construction of CPEC will enhance connectivity and integration of development strategies of China and Pakistan, which is in the fundamental interests of our two peoples. Both sides are committed to building CPEC and completing a number of major projects with high quality and on schedule, so as to achieve win-win results and bring benefits to people in China and Pakistan as well as other countries in the region.

Read about the CPEC and Gawadar here

China's Investments

In December 2013, China committed \$6.5 billion for the construction of a major nuclear power project in Karachi. In May 2014, another agreement was signed to supplement Orange Line metro train project in Lahore worth \$1.27 billion. In November 2014, the two countries signed 19 agreements related to CPEC. In addition, Chinese firms started work on six mega power projects in Gilgit-Baltistan such as Dassu, Phandar, Bashu, Harpo, Yalbo to tackle Pakistan's energy crisis.

Quest for Warm Waters

Mindful of the under development of its western provinces which are its soft belly and ongoing Uighur movement, China wants speedy modernization of Xingjiang and other under developed provinces to bring them at par with eastern provinces. For the accomplishment of these dreams, China needs access to warm waters in Arabian Sea through Gwadar since this route to world markets is the shortest and the cheapest. This access was never granted to Russia.

Visit of President Xi Jinping

With this objective in view, President Xi Jinping visited Islamabad on April 20-21, 2015 and raised the level of investment from \$ 26 billion to \$ 46 Billion. He signed 51 agreements/MoUs worth \$28 billion, with \$17 billion in pipeline spread over 15 years. His visit achieved the milestone of the groundbreaking of historic 3,000 km-long strategic CPEC.

Projects in Hand

it includes \$ 33 billion worth energy projects such as coal, solar, hydroelectric power projects which will inject 10,400 MW electricity in the national grid by 2017/18, and hydro power projects. Other projects are fiber optic cable from Xingjiang to Rawalpindi, 1240 km long Karachi-Lahore motorway, metro and bus service in six major cities, up gradation of 1300 km long Karakorum Highway, oil/gas pipelines to connect Kashgar to the seaport of Gwadar, 1,800-km railway line, commercial sea-lanes, special economic zones, dry ports and other infrastructure.

TABLE OF PROJECTS:

“Early Harvest” Energy Project	Capacity	Location
Pakistan Port Qasim Power Project.	1,320 MW (2 x 660 MW plants)	Sindh
Thar-I Project	1,320 MW (4 x 330 MW plants)	Sindh

“Early Harvest” Energy Project	Capacity	Location
Thar-II Project and coal mine	1,320 MW (2 x 660 MW plants)	Sindh
Sahiwal Coal Power Project	1,320 MW (2 x 660 MW plants)	Punjab
Rahimyar Khan coal power project	1,320 MW (2 x 660 MW plants)	Punjab
Quaid-e-Azam Solar Park	1,000 MW	Punjab
Suki Kinari Hydropower Project	870 MW (expected completion in 2020)	Khyber Pakhtunkhwa
Karot Hydropower Project	720 MW (expected completion in 2020)	Punjab
China Power Hub Generation Company	2X660 MW	Balochistan
Thar Engro Coal Power Project	660 MW (2 x 330 MW plants)	Sindh
Gwadar coal power project	300 MW	Balochistan
UEP Windfarm	100 MW	Sindh
Dawood wind power project	50 MW	Sindh
Sachal Windfarm	50 MW	Sindh
Sunnec Windfarm	50 MW	Sindh
Matiari to Faisalabad transmission line	660 kilovolt	Sindh and Punjab
Matiari to Lahore Transmission Line	660 kilovolt	Sindh and Punjab

Routes

There was no so-called “original route” as talked by politicians. Many routes came under discussions from time to time and looking at their feasibility and significance, they were discussed. There is no straight road but a corridor with multiple passages and a network of roads and railways to be built over the years step by step looking at the importance and need.

The Government decided to build the Western route on priority basis to bring about the socio-economic change. Politicizing of roads and its network is not in the interest of Pakistan. Politicians must avoid this controversy. They should patiently wait to see the benefits of the CPEC projects reaching down to common masses. It is like a chicken-egg policy. It goes step by step.

Three routes have been marked up till now which are given below:-

Central Route :

1) Central route will originate from Gwadar, Quetta, and reach DIK via Basima, Khuzdar, Sukkar, Rajanpur, Liya, Muzaffargarh, Bhakkar, DIK.

EASTERN ROUTE

Eastern route will include the following cities

- 1) Gwadar
- 2) Basima
- 3) Khuzdar
- 4) Sukkar
- 5) RYK
- 6) Bahawalpur
- 7) Multan
- 8) Lahore/Faisalabad
- 9) Islamabad
- 10) Mansehra.

Western Route

Western route originating from Gwadar will pass through

- 1) Turbat
- 2) Panjgur
- 3) Basima
- 4) Kalat

- 5) Quetta
- 6) Zhob DIK
- 7) Mianwali
- 8) Hasanabdal
- 9) Islamabad

Importance of Gwadar

Gwadar is one of the least developed districts in Baluchistan province. It sits strategically near the Persian Gulf and close to the Strait of Hormuz, through which 40 per cent of the world's oil passes. Work on Gwadar deep-seaport had started in 2002 with China's investment. In 2013, management of the seaport which was in the sloppy hands of Singapore PSA International was handed over to China's Port Holdings. It is planned to develop Gwadar into free trade zone with a modern airport on the model of Singapore or Hong Kong and a gateway to CPEC. It will be largest, deep seaport, overshadowing Chahbahar and Dubai seaports.

Views of Analysts

Some analysts perceive Gwadar seaport turning into China's naval base in the Indian Ocean, enabling Beijing to monitor Indian and American naval activities and thus frustrating their ambition to convert the ocean into exclusive Indian lake. Modernization of Pak Navy by China is seen as a step in that direction. Analysts say the projects conceived under CPEC will ease Pakistan's energy shortages and make a substantial difference in the long term.

Some experts opine this initiative can bring greater cohesion in South Asia, one of the world's least economically integrated regions. It is also feared that clashing geo-economic interests may lead to unhealthy competition.

Gains for China:

While the CPEC may be 'monumental' for Pakistan, for China it is part of more ambitious plans to beef up the country's global economic muscle. Chinese officials describe the corridor as the "flagship project" of a broader policy — "One Belt, One Road" — which seeks to physically connect China to its markets in Asia, Africa, Europe and beyond. The New Silk Road will link China with Europe through Central Asia and the Maritime Silk Road to ensure a safe passage of China's shipping through the Indian Ocean and the South China Sea. CPEC will link China with nearly half of the population of the world.

Access to Indian Ocean via Gwadar will enable China's naval warships and merchant ships to bypass Malacca Strait and overcome its "Malacca Dilemma".

Development of Gwadar seaport and improvement of the infrastructure in the hinterland would help China sustain its permanent naval presence in the Gulf of Oman and the Arabian Sea.

At the same time, the new silk roads are bound to intensify ongoing competition between India and China –and to a lesser extent between China and the US – to invest in and cultivate influence in the broader Central Asian region.

Indian Concerns:

Modi is at the horns of dilemma; whether to bow to RSS agenda of Hindutva and remain captive to entrenched interest groups and lobbies in India with hardened mindset who are doggedly resisting any paradigm shift in relations with rising China and cling to the myth of Mahabharat. The dice of connectivity loaded by China has left India confused and bewildered, whether to remain tied to the aprons of declining super power which is not in a position to make big investments, or to hitch the bandwagon of ascending power which promises a lot.

Modi's position will become more vulnerable when Pakistan starts politically stabilizing and economically shining and Lahore turning into a regional capital and he unable to fulfill the development agenda.

India is also concerned about China's huge investment in Pakistan, particularly its recent decision to fund a new batch of nuclear reactors. Pakistan plans to add four new nuclear plants by 2023, funded by China, with four more reactors in the pipeline (adding up to a total power capacity of 7,930 MW by 2030). China is helping Pakistan in producing plutonium at Chinese built Khushab reactor and will also sell 8 submarines worth \$5 billion, which will give a quantum jump to Pak Navy's sea capability.

Possibility of India making another somersault after finding the dicey US Asia-Pacific pivot less attractive and China's policy of peace and friendship more beneficial cannot be ruled out. However, this strategic shift will take place only when China agrees to give preference to India over Pakistan (as had happened in 1990 when the US ditched Pakistan and befriended India).

Amazing Facts about Pakistan: The land of pure

Pakistan's Travails

Pakistan has remained under a dark star for a long period. It has bravely sailed past the period of trials and tribulations but at a very heavy cost. Pakistan has acted as the frontline state against the Soviets and against global terrorism and suffered enormously, but in the process it allowed China 35 free years to develop and prosper unobtrusively.

Changing Geo-Political Environment

Geo-political scenario is fast changing and things are brightening up for Pakistan after its long rocky journey. China has entered into a new era of geo-economic relationship with Pakistan and plan to boost two-way trade from current \$12 billion to \$20 billion. Pak-Afghan relations have dramatically improved. ISI and NDS have inked intelligence sharing agreement. Afghanistan and China no more listen to India's song of terrorism emanating out of Pakistan.

Pakistan wisely deciding not to take part in Yemen war has helped in improving Pak-Iran relations. Possibility of revival of IPL project and its extension up to China has brightened up after gradual lifting of US sanctions on Iran. Russia is warming up to Pakistan and establishing military ties with it. China and Russia are strategic partners and boosting their respective strategic ties with Iran. Pakistan is likely to be inducted as member of the SCO and possibly member of BRICS.

Internally, Pakistan economic indicators and GDP are improving; foreign exchange reserves are rising and inflation is down. Railway has gone in profit for first time. Energy crisis is being tackled earnestly. The leaders and the led are on one page to deal with scourge of terrorism on war footing. The world is fast changing its negative opinion about Pakistan and it is now being looked at with respect. Pakistan flags are being routinely hoisted in occupied Kashmir; IDPs are returning to South and North Waziristan, and so are Afghan refugees.

China has risked investing so much of amount in Pakistan since it is convinced of the genuineness of the Pakistani claim of a paradigm shift in its approach to terrorist groups. This change has come as a consequence to across the board Operation Zarb-e-Azb in FATA and spectacular successes achieved against terrorists of all hues including the Uyghur.

The Silk Road Economic Belt will not only connect and develop China and Pakistan but also the regional countries for the first time and promote peace. This phenomenon will be against India's aggressive chemistry.

Pakistan's Expected Gains

- a. CPEC has opened vista of great opportunities for Pakistan and will greatly help in overcoming poverty, unemployment, inequities of smaller provinces and help Pakistan in becoming the next Asian tiger.
- b. CPEC from all counts will prove a game changer and will make China a real stakeholder in Pakistan's stability and security. It is a win-win situation for both. It will greatly expand the scope for the sustainable and stable development of China's economic development.
- c. Investments by China will boost Pakistan's \$274 billion GDP by over 15 %.
- d. Corresponding progress and prosperity in Pakistan and China's patronage will help Pakistan in getting rid of the decade old labels of 'epicenter of terrorism', 'most dangerous country' and a 'failing state'.
- e. Given the solid foundations of friendship at the people-to-people level between China and Pakistan, Chinese influence in Pakistan is destined to endure the test of time.
- f. Pakistan seems to have found a savior in China, which has promised to stand by the country in its dark hour. Once Pak-China connectivity strike roots, Pakistan's geo-strategic security interests whenever threatened will be guarded by China.
- g. China's investment surpasses all foreign investments in Pakistan in the past. Win-win cooperation is based on trust, confidence and convergence of interests. The Chinese influence in Pakistan has touched an unprecedented high level and it has surpassed the US which has remained the most preferred ally since 1954.
- h. The US which has repeatedly betrayed Pakistan and is widely disliked by the public will have to negotiate with Pakistan harder than ever from now onward. The elites under the magic spell of the US are also inclined to change their western oriented mindset and change their orientation.
- j. Pakistan enjoys a more favorable fiscal budget situation compared to India by reducing its budget deficit to 4.7% of GDP in 2014 (as against India's 7%) and Pakistan is much cheaper as an emerging market.

k. China's economic and military assistance will help Pakistan a great deal in narrowing its ever widening gap in economic-military-nuclear fields with India and in bettering its defense potential.

l. Keeping strategic parity with India has now become an achievable goal for Pakistan.

m. Revival of economy in the coming period is bound to make Pakistan an attractive destination for foreign investors and will greatly help in removing socio-economic inequities of smaller provinces and in squeezing the space for anti-Pakistan elements.

n. The success of the Sino-Pak partnership is critically linked to the success of stabilization of the Afghan situation. China and Pakistan have a shared interest in the stabilization of Afghanistan, because the main threat to the realization of the "Belt and Road" projects in Pakistan come from the terrorist groups operating out of the Af-Pak region.

o. Pakistan is far more comfortable with China as a facilitator of the Afghan peace talks than it is with the US, whose intentions are highly suspect.

p. China's investment in Pakistan has conveyed a big message to the other South Asian countries such as Sri Lanka, Bangladesh, Nepal to hurry and climb on board the Chinese "Belt and Road Initiative" to derive growth benefits.

q. Pakistan's gravitation in the direction of China and Russia at this juncture underscores a strategic realignment in the making.

r. China is uniquely placed to pull the key regional states – Russia, Iran, Central Asian states to its side.

Efforts to Scuttle CPEC

Strategic economic moment for Pakistan has arrived and interesting part is that Pakistan has assumed the position of economic pivot for the whole region. This paradigm shift in circumstances is a cause of great worry for the enemies of Pakistan both within and outside. India, Iran, UAE, Gulf States, Israel, US are unhappy. For India, CPEC is a thorn in its paw.

They have put their heads together to work out new strategies how to block the forward march. RAW has

opened a special office in Delhi and has been allotted \$300 million to disrupt CPEC. Already one can notice sudden upsurge in acts of terror in the three restive regions and activation of certain NGOs and think tanks all trying to air misgivings and create fear psychosis.

ANP, Baloch nationalists, PKMAP raised serious objections on the routes of CPEC and alleged these have been changed. Even PTI and JUI-F showed inclinations to climb the bandwagon of anti-CPEC forces. Objections were being raised despite assurances by the government that no change has been made.

Controversies Raised in CPEC

Eastern route benefits Punjab and Sindh and bypasses major portion of Baluchistan and KP.

In their view, western route is original route, conceived in 2006 and is shortest.

CPEC not transparent and kept under wraps.

Three-route theory is a cover story to hide change of route.

Eastern route is six-lane motorway.

Western route is 1-2 lane roads.

Orange Line Train project is from CPEC allocations.

Special Economic Zones are inequitably distributed.

Eastern route is unsafe being close to Indian border.

Government's Stance

No original route in existence before 2013.

CPEC project director Maj Gen Zahir Shah stated that no document is in existence showing original route; hence changing of original route doesn't arise.

- Western route will be developed as motorway by extending Kashgar-Karakorum Highway.
- Work on three routes has started simultaneously.
- 15 year project has short/mid/long term projects.
- Government and China wished to first develop eastern route due to factors of security, better infrastructure and early completion.
- Western route will be a long term project since it is uninhabited, insecure, time consuming.
- Provincial capitals will be nodes of CPEC.
- Orange Line project is Punjab project funded by Punjab govt.
- Proposed 16 industrial zones not yet finalized.
- Development of backward provinces is high priority of govt.
- Power projects are more in KP, followed by Sindh, Punjab and Baluchistan respectively.

Ramifications

Political consensus, security and law and order are pre-requisites for early completion of CPEC

China has other options to exercise if Pakistan fails to deliver.

Pakistan cannot afford to lose this golden opportunity.

Successive governments will have to remain focused and committed to completion of projects in hand.

Provinces should focus on industrial parks, energy projects instead of routes.

Trade routes are not developed on basis of ethnicity but on basis of convenience and requirements.

There is skepticism that administrative, technical and operational capacity of workforce and staff of Pakistan employed in CPEC may not match the Chinese efficiency/commitment, and also fail to absorb huge investment productively.

Actions in hand

Operations in restive areas have been geared up.

Agenda of NAP has been expedited, although not satisfactorily.

10,000 strong Special Security Division has been created to provide foolproof security.

APC was held on May 13 to remove misgivings on CPEC. Another meeting was held on May 28 and in this consensus was achieved after PM agreed to develop western route first.

Special Parliamentary Committee has been formed to address complaints.

Working groups will be formed in July and economic zones decided in consultation with provinces.

No funds will be transferred from CPEC allocations for Orange Line project. China will however gift additional funds to complete this project in two years.

Conclusion:

The CPEC connected to Gwadar has the potential to radically alter the regional dynamics of trade, development and politics. CPEC is a game changer for the entire region. It will uplift the lives of about 3 billion people across China, Central Asia, South Asia and the Middle East.

The time and tide is not in favor of the detractors. They will die their death in the hurricane of CPEC since China is determined to make Pakistan a success story. \$62 billion economic package is Chinese gift for people of Pakistan.