



CHINA PAKISTAN ECONOMIC CORRIDOR (CPEC): ANALYSIS OF INTERNAL AND EXTERNAL CHALLENGES

Maryum Ashraf¹
Awaisra Shafiq^{2*}
Sana Batool³

^{1,2}Lecturer in Department of Management Sciences Government Sadiq
College Women University, Bahawalpur, Pakistan

³Department of Economics The Islamia University Bahawalpur, Pakistan



(+ Corresponding author)

ABSTRACT

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China Pakistan Economic Corridor (CPEC) is a comprehensive development strategy that not only causes to economic and social environment in two countries but also has potential of incorporation with other sub-regions of Asia. It is like a game changer project which could transform the fate of Pakistan. It helps to improve the trade, infrastructure, and enhance regional connectivity. Despite these opportunities there exist several internal and external challenges for the government of Pakistan to implement this multidimensional project. The study is organized to analyze some internal and external challenges for Pakistan that are associated with the implementation of CPEC project.

1. INTRODUCTION

The regional relationship and connectivity is one of the main aspects of Pakistan foreign policy. Pakistan after its independence to till now is trying to promote good relationships with its neighboring countries but to sustain decent and well-intentioned relationships with China is an integral part of Pakistan foreign policy. From almost last two decade China is a strategic partner of Pakistan which helps Pakistan to maintain power in the region. China Pakistan Economic Corridor (CPEC) is one the major example of Pakistan-China relationships (Abid and Ashfaq, 2015).

CPEC (one belt one road initiative policy) is 3218 Kilometer route consisting of railways, highways and pipelines that start from Gwadar on Arabian Sea near the border with Iran and pass from the beautiful area of Gilgit Bultistan in North and connect to Kashgar to Xinjiang in Western province of China to the rest of the World (Ramay, 2016). Shah (2016) CPEC is a promising beacon of development and peace in the region that will create transformational impact on people's prosperity. China Ambassador, Mr Sun Weidong said, the project will strengthen to both Pakistan and China on the basis of "one corridor, multiple passages" (Weidong, 2016).

The plan involves improving economic growth, investment in energy sector, mining and transportation, establishment of regional cooperation, trade diversification and political flexibility (Abid and Ashfaq, 2015). Through this project all planned projects are implemented that would be 17% of Pakistan's 2015 GDP. Thousands

of benefits are attached with the project. It will function as trade gateway not only for Pakistan and china but also to Africa, as well as Middle East (Khalid, 2015).

The Xinjiang that is western less developed part of China will have excess to the Arabian Sea. Route will go all the way from Kashgar to Gawadar that support to see rapid development. Similarly, for Pakistan, Energy security, rebirth of energy which will causes to expansion of industrial development and FDI, and cheaper trade (Ritzinger, 2015).

Table-1.1. Impact on GDP Growth Potential (2016-18)

| | |
|--|-------|
| Total investment size (%of GDP) | 16% |
| Total investment size (US \$ Billion) | 46 |
| Annual addition to Inv/GDP ratio (% of GDP) | 5.30% |
| Increment Private Sector Investment (% of GDP) | 1.80% |
| Additional GDP growth potential (% of GDP) | 0.50% |
| Total increase in GDP growth potential (Percentage Points) | 2% |

Source: [https://sdpi.org/publications/files/China-Pakistan-Economic-Corridor-\(Shakeel-Ahmad-Ramay\).pdf](https://sdpi.org/publications/files/China-Pakistan-Economic-Corridor-(Shakeel-Ahmad-Ramay).pdf)

CPEC will also help to raise SEZs (Special Economic Zones) in the Whole Country and give birth to 27 industrial cities. Development through this project also leads to development and Stability in Baluchistan (Elahi, 2015). The analysis of impact of investment on potential GDP determine that CPEC causes to increase GDP growth rate at 1.5% in next three years that also help to enhance private investment due to positive environment, stable economy and energy generation etc. (Rafi *et al.*, 2016).

Chinese President has also started to enhance relationship with other countries. President Xi's visit to Egypt and Saudi Arabia is another step to boost the relationships. Saudi Arabia and China have agreed to work on "Comprehensive Strategic Partnership" relationship. China has also offered to Middle East for the investment of \$55 as a loan for the development of infrastructure, trade and industry. These factors provide opportunity to China to establish and enhance strength on Gwadar Port for Indian Ocean (Talwar, 2015). However, despite to these opportunities, there exist some external and internal challenges. This paper contributes to determine the challenges that CPEC project is facing for both Pakistan and China that is also the uniqueness of this study. The purpose to conduct this study is to analyze the foremost external and internal challenges separately that are associated with this project and causes to create hurdles to finalize the project.

2. INTERNAL CHALLENGES

As the CPEC provides lot of opportunities to both countries, but many internal challenges are also existing that causes to create hurdles in the project. There is fear that demographic shift will take place due to CPEC. Since, it is a mega project that will connect the both countries with the network of railways and highways that will pass from the Gwadar (Baluchistan) to Sindh and then pass from Punjab to Khyber Pakhtunkhwa and meet the Gilgit Bultistan to Khashgar. There exist three routes: Northern, Eastern and Western and all of these routes are connected to Western route that meet the Karakoram to Kashgar, China. But controversies exist between these routes. Since it is claimed that higher importance at the first priority should be given on Western route but government allocation is more focusing on the eastern route rather than western route (Rafi *et al.*, 2016).

Table-2.1. Routes of CPEC

| | Central route | Eastern route | Western route |
|---|---------------|---------------|---------------|
| Average population density | 156 | 264 | 98 |
| Total area under cultivation(000 ha) | 5829 | 10322 | 2933 |
| Production of four major crops (000 tons) | 13754 | 30928 | 7430 |

Source: Dr Qasir Bengali, Paper for Chief Minister of Baluchistan

Another Controversy is that a huge acre of land would be occupied by rich investors from foreigners. People belong to that area is frightened about future occupation of their cultivated land (Elahi, 2015). According to an analysis Eastern route would be very expensive due to demographic shift, cultivated land take up, and due to these production losses (Arshad and Dong, 2016). Disputes due to land acquisition is the one of major high degree risk computed among macro and micro risks due CPEC (Zhang and Shi, 2016).

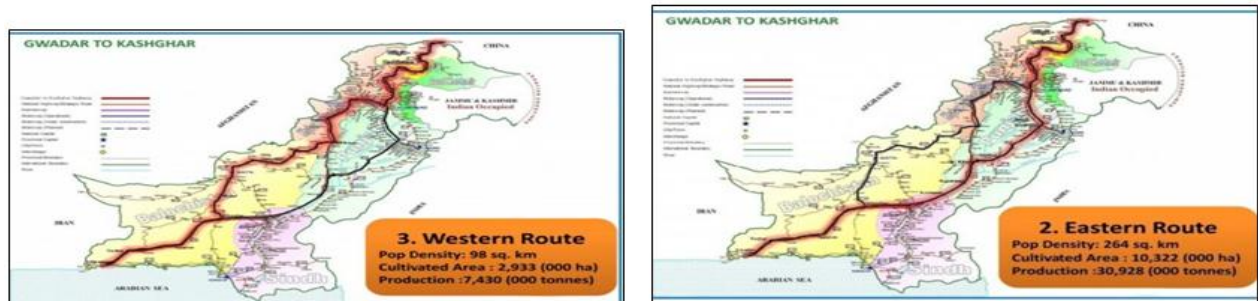


Figure-2.1. Comparison of Western Route and Eastern Route

Source: <https://globalvoices.org/2016/01/10/a-china-financed-economic-corridor-brings-promise-and-discord-to-pakistan/>

Another internal challenge that Pakistan facing, is unstable political conditions from last 6 decades. There are many political parties which have serious concerns on CPEC. Major parties including ANP, Bloch Nationalist, Pk MAP, and even PTI have serious reservations on different aspects of CPEC plans including fear that government would not provide equal opportunities to all the provinces (Abid and Ashfaq, 2015). The dissatisfaction of political parties on routes selection, funds distribution on projects and lack of transparency on CPEC plans and projects portrayed by government of Pakistan are factor for consideration (Ali, 2016).

Balochistan and Baloch itself are major issue for this project. Pakistan's province Baluchistan is feeling sense of deprivation on CPEC project (Ali, 2016). Baluchistan is the largest province of Pakistan based upon its area but least populated. Instability in Baluchistan is due to Indian agencies' invasions that lead to the developmental issues. Bloch nationalist movement is also causing instability due to its poor relationship with government of Pakistan (Alam, 2015). Internal Bloch leaders are also against this project as they thought it is a UN sponsored referendum against Baluchistan for its prospect (Abid and Ashfaq, 2015). After 9/11 Pakistan is faced very serious security threats from Tahreek E Taliban (TTP) which cause a serious security issues to this CPEC project. According to the terrorist attack report almost 1040 terrorist attacks have taken place in the six districts of Baluchistan. According to the report of China daily source almost 12 Chinese are killed and many are injured on the work sites in Pakistan in 2001 to 2008 (Arshad and Dong, 2016).

3. EXTERNAL CHALLENGES

Besides internal challenges, external challenges are come into consideration. The development that is expecting from the project has been made a great worry for the external enemies. Many Western countries, international media and academicians believe that it is a strategic corridor that will cover development and trade needs of Pakistan. It has been a highly controversial debate that created controversies on the Pakistani stakeholders (Ramay, 2016). USA, India and Israel are unhappy. For India CPEC is like 'thorn in its paw'. In India many critics raised concern about CPEC. During China visit in June 2015, Indian prime minister' Narendra Modi criticized it as "unacceptable" (Esteban, 2016). Basically, India reservations are related to the transport projects that are GilgitBultistan, since these paths are parts of disputed territory Jammu & Kashmir but China 'excess to Indian ocean and how it effect on India' security are threats to concern (Singh, 2015). To disrupt the project RAW has established special office and assigned \$300 million for this purpose. The support of Indian Raw, American CIA and Israeli Mossad are using terrorist elements, subversive-acts by supporting sub-nationalist and militants groups to

threaten and breakup the Pak-China plan i.e. they kidnapped and killed many Chinese nationals in last few years to show poor security and terrorism in Pakistan (Abid and Ashfaq, 2015).

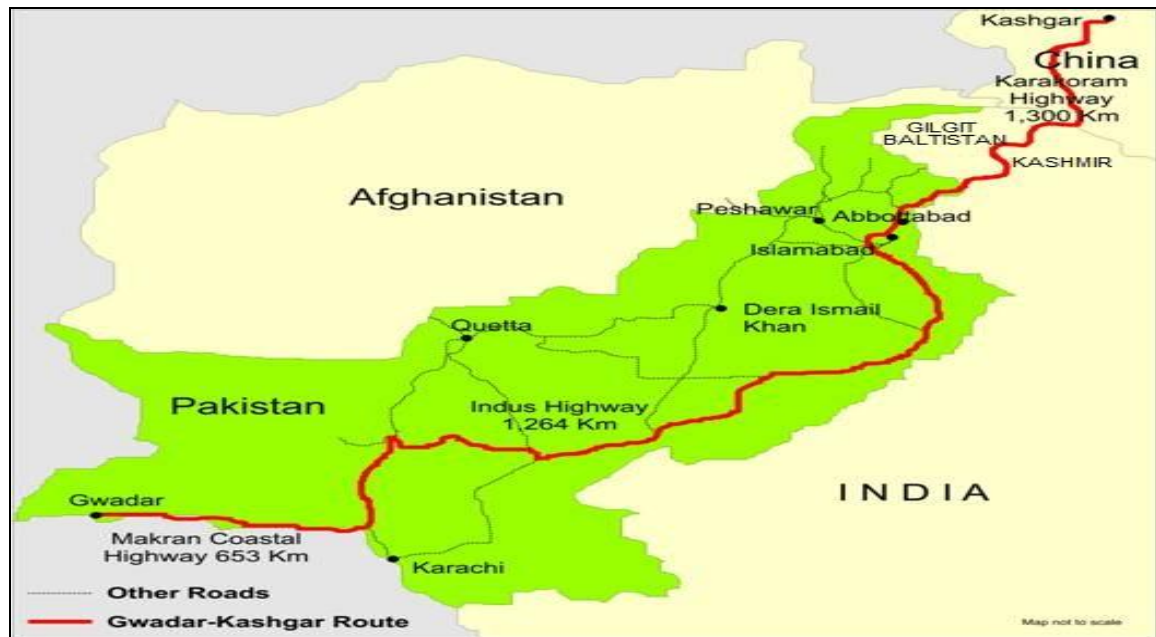


Figure-3.1. CPEC: Gwadar to Kashgar Route

Source: <http://shkazmipk.com/wp-content/uploads/2015/06/CPEC-1.jpg>

Another threat for US and India is that entire Muslim world would stand beside Pakistan after the completion of CPEC and new economic and defense agreements will take place that could deport the USA not only from this region but also from the Middle East (Ani, 2016).

Although it is not denied that CPEC can also facilitate Indian access to Central Asia. Security issues in Afghanistan are other major challenges for CPEC project completion. Peace in Afghanistan by the joint effort of government of Pakistan, Afghanistan and USA is a Chinese decision to recover the Afghan peace process. Since the peace in the region with regard to Afghanistan is an evident part of CPEC project (Esteban, 2016). In June 2016, the flare up at the Torkham border and Pakistan decision to install a gate on this border that is against the will of Afghan Government could bring negative consequences. The killing of Maullana Mansoor and backing Taliban leaders of Afghanistan, along with the Torkham border in addition to India- Iran support to Afghanistan not only block the CPEC strategy but also threat for CASA and TAPI(Turkmenistan Afghanistan Pakistan India pipeline) projects (Rahim, 2016).

The Chabahar port agreement between India and Iran and their mutual support to Afghanistan to safeguard trade route between India and Central Asia indicate a clear and long-persistent threat to CPEC (Esteban, 2016). Similarly, India cooperation with Afghanistan in their several projects has stuck regional policy of Pakistan as well as threat for CPEC (Ani, 2016).

The threat that is arising for USA behind anti-CPEC policies is that US seek the challenge for supremacy at the global level. The India desire to control Indian Ocean and USA control on shipping track globally growing tension for both nations. Since CPEC causes to provision of an open path for Indian Ocean for China that is not only a sustainable path for Pakistan's sustainable economy but will also causes to the development of global domination for China (Hayder and Khan, 2016).

4. CONCLUSION & RECOMMENDATIONS

CPEC is a long term profit gaining opportunity for both Pakistan and China. Gawadar Sea port is actually a transit corridor for business tycoons. Which will change the fate of Pakistan, poverty will alleviate and educated,

skilled and young population will get the opportunity of Jobs in their home country. But it is only possible when government of Pakistan will give full security and make the environment conducive for trade. For free trade and development of Baluchistan it is necessary to give a source of satisfaction to the local communities and regional bodies. Because due to route formations and other projects people of Baluchistan feel loss of their cultivated lands and off course production. Political parties and government of Pakistan should make consensus upon all the strategic and developmental plans of CPEC. Government of Pakistan should make an equal opportunity based plan to discuss issues and reservations of parties. External envision of RAW, ISIS, MOSAD in Pakistan, creating the environment of terrorism, and economic and social instability and if it would not be prevented it will surely damage CPEC plans and projects. However, to accomplish the project and make Pakistan as economically strong country the positive behavior of citizens, political parties, government and contribution of military alliance is compulsory.

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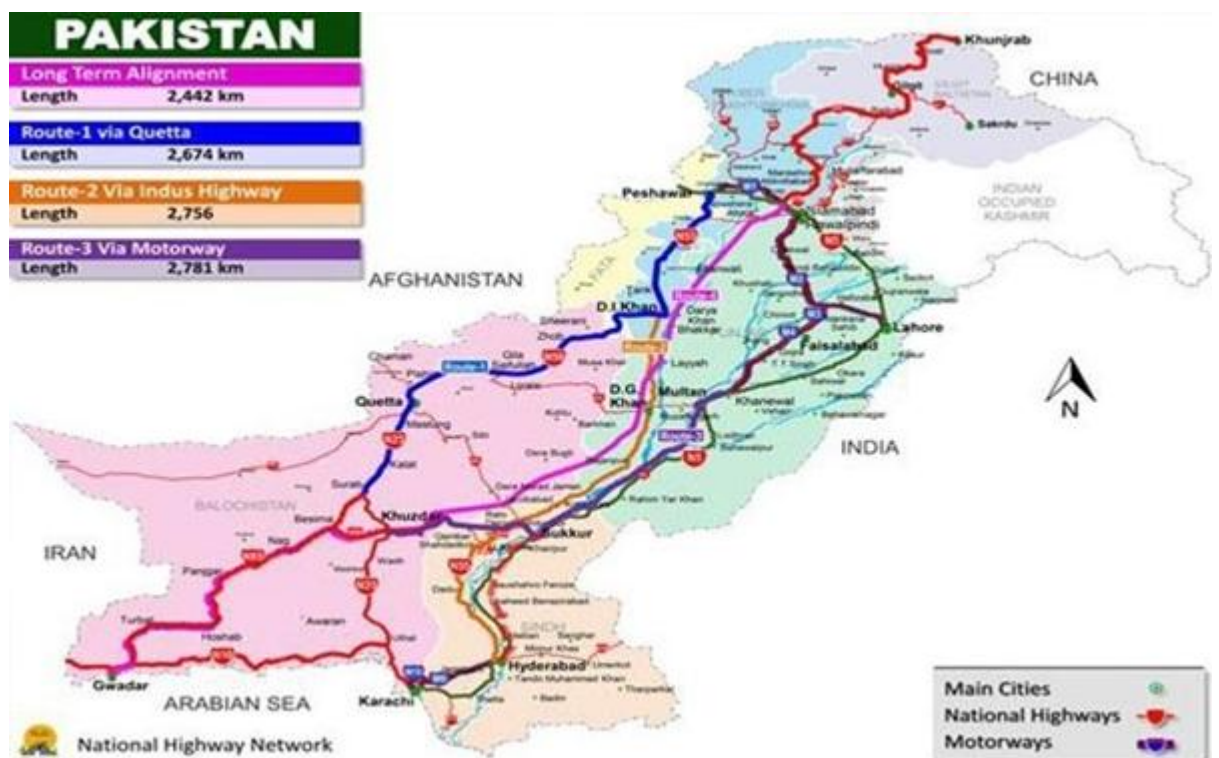
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