

China-Pakistan Economic Corridor and Its Geostrategic Importance In Terms of Belt And Road Initiative

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Abstract

This study will examine how the Belt and Road Initiative (BRI) will have an impact on the route through China-Pakistan Economic Corridor (CPEC), another extension of the BRI, either positively or negatively. CPEC is a joint project of Beijing and Islamabad. While the project is welcomed by the European, Eurasian and Central Asian countries, it concerns some other countries like India and Afghanistan. China is also making long-term plans with the CPEC, and it indicates that these infrastructure projects will provide peace and security in the region in the future. The dimensions of relations between China, Pakistan, and their neighboring countries in the scope of BRI will be explained.

Key Words: *Belt and Road Initiative, China-Pakistan Economic Corridor, Peace and Welfare*

Introduction

The People's Republic of China has taken the first step of a new project to revive the oldest silk road in the history in 2013. This project is the Belt and Road Initiative (BRI), previously known as One Belt One Road (OBOR). China has launched this project and announced the

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dream of BRI to the whole world. The BRI is divided into several infrastructure projects in itself. The most important two of these are the land silk road and maritime silk road. China states that these projects will cast a great influence over other developed and developing countries. However, some countries' suspicions over this initiative, have caused China to seek new alternative partners. One of these alternative countries is the Islamic State of Pakistan. The approaching of China to Pakistan, with the new infrastructure projects which will be beneficial to Pakistan, has led to the creation of a new economic corridor between the two countries. Pakistan is a developing country. Pakistani economists pointed out that China-Pakistan Economic Corridor is a great opportunity to revive the Pakistani economy. CPEC was first announced during Chinese President Xi Jinping's official visit to East and South Asia in 2013. President Xi indicates that CPEC is not only beneficial to Pakistan and China but also an important project for the world because of the business opportunities it will provide for other neighboring countries.² The new transit and trade facilities which will be constructed with CPEC will not only improve infrastructure projects that the Pakistani economy could not come up with but will also allow China and Pakistan to do cost-effective trade in the globalizing world.

Pakistan is also located in the critical point of the BRI route. Due to its geopolitical location, increasing population, and ease of access to sea ports it has become the most important country in terms of transportation for China. China aims to open to East and West Europe and through Eurasia by using the Land Silk Road via Pakistan. In addition, China seeks to expand trade with India, the Gulf, East Africa, the Red Sea, and the Mediterranean countries by using the Maritime Silk Road.³ China is making good use of this advantage and is utilizing Pakistan against India, its regional rival. India doesn't like this situation and is trying to prevent BRI from entering its domain of influence. As a result, the relation between the two states is strained day by day.

² Qureshi AH (2015) China/Pakistan economic corridor: a critical national and international law policy based perspective.

³ Kazi A (2017) "CPEC: Impact on Central and South Asia". In: CPEC Conference, Strategic Vision Institute, Islamabad.

Historical Development of the BRI

As is known, China's population constitutes 20% of the world's. Although it enjoyed the title of world's second-largest economy, it is still considered as a developing country and is still facing problems of poverty, health, and education.⁴ Chinese leaders have not only recognized such problems but also accepted to develop a new growth model to halt them. Until recently, this model has made the country the factory of the world. This model has worked well in China for the past 20 years and has facilitated the improvement of many infrastructures, and it does not mean that it will not be sustainable for a very long time.⁵ The new government foresees changes and introduces new plans and strategies. They are making new adjustments to cope with the developing environment. The Belt and Road is created with China's partners, to integrate China with the rest of Asia, Europe, and Africa and build infrastructure that will enhance economic growth in these regions and to form a win-win situation. Some see BRI as the Chinese version of the Marshall Plan. It would not be right to come up with such an idea because the Marshall Plan aimed not only to build infrastructure for new markets but also to mitigate the influence of the USSR block. The Marshall Plan was a very ambitious strategy managed solely by the United States. While on the BRI, 50 signatories are financed by the newly established Asian Investment Bank (AIIB), thus the risks of BRI are divided among partner countries.

BRI also has a series of projects that will link the Pacific Ocean and the Baltic Sea to each other through roads, rail, and maritime lanes to further liberalize trades around the world. After the BRI came out, its enormous size and predictions that it would be a game changer attracted

4 "The American Century Comes to an End and China Becomes the World's Largest Economy," *EuroNews* December 9, 2014.

Project Partner, *Projectpartner.org*. 2014, <http://projectpartner.org/poverty/5-causes-poverty-china/> (Erişim Tarihi: 05.04.2018)

Wu Jianmin, "One Belt and One Road, Far-reaching Initiative," op.cit., December 9, 2014.

5 Project Partner, *Projectpartner.org*. 2014, <http://projectpartner.org/poverty/5-causes-poverty-china/>

not only China but also its partners' interest. The expected cost is equivalent to about 21.1 trillion dollars.⁶

An old Chinese proverb says, "If you want to be rich, build roads first". Inspired by this proverb, the Chinese not only build roads, railways, communication lines and ports but also renew them through this project. Thus, they will complete one more goal, that is the amelioration of all infrastructure for regional economic development.

All the work of this project will be funded by several sources, the first being the Asian Investment Bank (AIIB), the second, the New Development Bank of BRICS, then, the Silk Road Fund, etc. In case of a possible crisis, the China ASEAN inter-banks union and the SCO inter-banks organization will also be ready to provide financial assistance.⁷

Historical Development of the CPEC

In 1983, a great fighter uprising began in Afghanistan. The USSR intervened the issue and sent troops to Afghanistan. In the meantime, the United States wanted to develop the port of Gwadar in Pakistan because of the engagement in Afghanistan. But after the withdrawal of the USSR from Afghanistan, the situation changed and the project remained unfinished.

Former Pakistani President Pervaiz Musharraf has spoken of the need to create new economic corridors to improve the country's economy, and it has received great attention from China. Four years later, Chinese Prime Minister Li Keqiang made an official visit to Pakistan and in May of 2013, the CPEC agreement was signed. According to these agreements, China and Pakistan have signed eight projects worth 18 billion dollars.⁸

In February of 2014, the Pakistani President made an official visit to China and said that the project should be furthered. In return, the Chi-

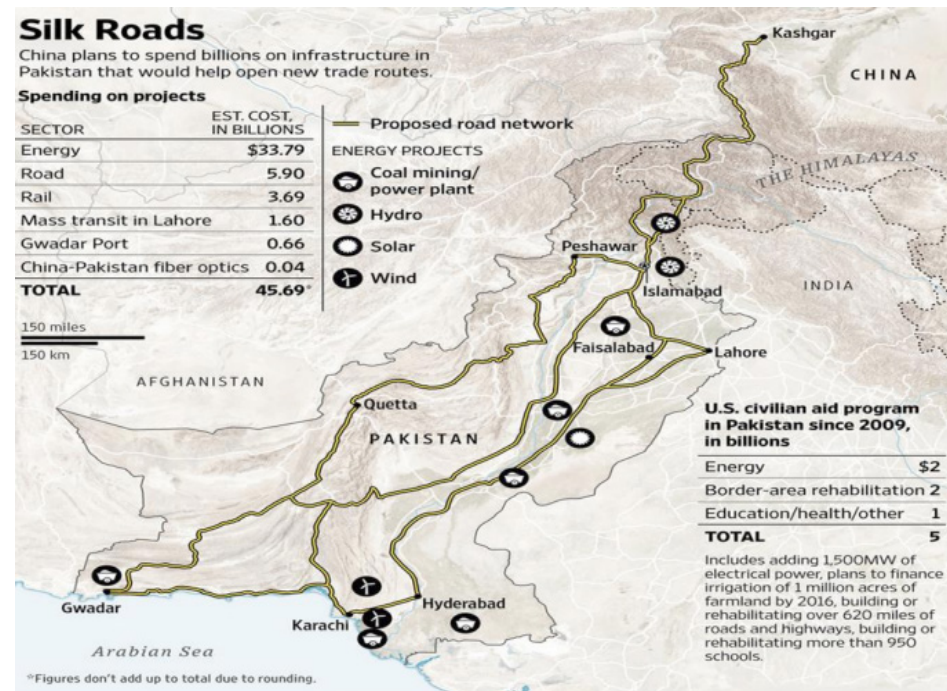
6 "Is China Incompatible With Democracy?," *Caucus Brief*, Washington DC: State Government of Virginia, 2014, <http://forbes.house.gov/news/documentsingle.aspx?DocumentID=397844>. (Erişim Tarihi: 19.04.2018)

7 Wu Jianmin, "One Belt and One Road, Far-reaching Initiative," op.cit.

8 Frederick Starr S (2007) *New silk roads: transit and trade in greater central Asia*. Central Asia-Caucasus Institute and Silk Road Studies Program at SAIS, Johns Hopkins University, Washington DC.

nese Banks and Companies have pledged 45.6 billion dollars in investment for the infrastructure projects that are expected to be built along the corridor route. In April of 2015, Chinese President Xi Jinping made an official visit to Pakistan and signed 51 agreements worth 46 billion dollars, including the development of CPEC.

Figure 1. Silk Roads⁹



At the CPEC Summit in May of 2017, the budget worth 46 billion dollars was increased to 55 billion dollars. China's 46 billion dollars investment in Pakistan did not only push Pakistan into the world's top 10 stock markets, but it raised Pakistan's credit ratings successfully in June of 2015 for the first time since 2008. These indications are proofs of how well the investments are made.¹⁰

⁹ The map of Pakistani Balochistan. Source: Carnegie Endowment for International Peace. Retrieved from: <http://carnegieendowment.org/2013/04/11/balochistan-state-versus-nation-pub-51488>

¹⁰ Ali S (2015) The far reaches of the corridor. The tribune, Islamabad.

China's Presence in Pakistan

In the scope of these projects, China aims to link its north-west Xinjiang region to Pakistan's Gwadar port. By this project, a 3000-km gigantic highway and railway will be constructed. In addition, pipelines for importing liquefied natural gas and oil from Iran and the Gulf countries will be constructed. The works about the projects have started quickly. However, during the progress, some hitches emerged, and some projects have been stopped. Chinese leader Xi Jinping called the Prime Minister of Pakistan, saying that he is showing great interest in these projects that the work should be started urgently and what is necessary for it should be done. China is aware of the security issues in Pakistan and all the problems that they may face in the projects. If the terrorism in the country does not clamp CPEC's efforts with sabotage plans, new factories, firms will be opened and unemployed people in the region will be employed. Besides, trade routes will always be open to both local and non-local people. The Chinese leader, who claimed that CPEC also would improve the relationship between India and Pakistan, said that the only thing that needs to be done is to provide benefits to each other, and then the searching for all the solutions will give a result.¹¹ Another reason CPEC is so important for China is that China will be able to bring itself to the Southern seas and contribute to its BRI through this connection.¹²

The naval fleet of Pakistan is less powerful and inexperienced than other major naval nations in the world. China and Pakistan, which saw the incapability of the fleet to guard the CPEC's ports, have issued a new military strategy document on May 26, 2015, under the name of "Active Defense" policy.¹³ With this, it is aimed to protect and defend the open seas and increase the efficiency of the sea combats. If this policy achieves its

¹¹ Claude Rakisits, A Path to the Sea; China's Pakistan Plan", *World Affairs*, (Fall 2015), p. 68.

¹² Shah Z (2015) China-Pakistan economic corridor and its importance. The monthly diplomatic insight Preston University, Islamabad 91: 10.

¹³ "Bloomberg Ranks Pakistan Among World's Top Ten Stock Market Performers," *Daily Times* (Lahore), July 4, 2015, <http://www.dailytimes.com.pk/national/04-Jul-2015/bloomberg-ranks-pakistan-among-world-s-top-ten-stock-market-performers> (Erişim Tarihi: 20.04.2018)

goal, 'Active Defense' will have the largest navy in Asia. Although this objective has yet to be heard aloud in the international arena due to the problems encountered around, the importance of this policy for regional energy security over the Indian Ocean and around against the piracy threats is emphasized. The main reason China considers Pakistan and CPEC so important is its view that China should maximize its own interests everywhere and conserve them, as well as improve its logistics.

Geostrategic Position of Pakistan and Its Increasing Importance for China

The southern region of Pakistan is the shortest route to the Indian Ocean and the Gulf of Basra where the international maritime trade takes place. By now, China is making 80% of its energy import-export by maritime routes. For this reason, it is necessary to use the Malacca Strait to reach the Indian Ocean. Using the Malacca Strait not only increases the transportation cost for China, it also brings the issue of energy security. The narrow and dangerous nature of the strait causes terrorists to attack the merchant ships. Through CPEC, China aims to shorten both cost and time compared to using the Malacca Strait, and thus to save billions of dollars. The way through the port of Gwadar is shortened by 6,000 miles compared to the way through the Malacca Strait.¹⁴

Another factor is that China also aims to develop its Eastern region through the economic corridor. China, allegedly, sees Muslim Uighurs and Turkestan Islamic movement as terrorist groups. Terrorism is generally linked to poverty around the world, and BRI has the vision to overcome it with trade and economic prosperity.¹⁵ For China, if the CPEC continues to develop properly, infrastructure that is needed in the undeveloped regions of Pakistan will be built. Thus, this route will be a transit

14 DAWN.com, "Army's Special Security Division to Protect Chinese Workers in Pakistan", (April 21, 2015), URL: <https://www.dawn.com/news/1177322>, (Erişim Tarihi: 21.04.2018)

15 Carlos Lozada, *Does Poverty Cause Terrorism?* Working Paper, (Cambridge: National Bureau of Economic Research, 2015), <http://www.nber.org/digest/may05/w10859.html>. (Erişim Tarihi: 21.04.2018)

route carrying Chinese goods. China views Pakistan as a new market with a population of 200 million.

With its presence in the Gwadar port through CPEC, China will closely follow the India-American relations in the Indian Ocean and the Basra Gulf. Additionally, China will connect itself to the Indian Ocean and fulfill the Motherland theory of China and will be able to access the African regions easily and quickly. The Motherland theory of China is as follows: In Heartland, China wants to control all economic corridors; in the Rimland it has already controlled Gwadar port and is showing its own power in the Middle East and Africa.¹⁶

Analysis of China's relations with India via CPEC

India has been one of the closest allies of the United States in recent years. In addition to the power struggles of Asia and China, India is also trying to strengthen its economy. For India, which is a hegemonic power in its own region, the US is the best competitor when it comes to fighting against China.¹⁷ During his official visit to India, the former US President Barak Obama met with Indian Prime Minister Modi. After this meeting, a new diplomacy called "Eastern Law" between the two countries emerged. Thus, India became the strategic pivot of the US in the region.¹⁸ India has barricaded China in front of its dream to develop CPEC, but on the contrary, it has opened the way for West-driven projects. India has prevented China from becoming a member of the South Asian Union where it can cooperate locally, which has given China a lot of enthusiasm to boost the BRI efforts.

16 John Calabrese, "Balancing on the Fulcrum of Asia; China's Pakistan Strategy", *Indian Journal of Asian Affairs*, (2014-2015), p.8

17 Ted Galen Carpenter, "Is India the Latest Component of a US-Led Encirclement Strategy Against China?," *China US Focus Digest*, February 12, 2014, <http://www.chinausfocus.com/foreign-policy/is-india-the-latestcomponent-of-a-u-s-led-encirclement-strategy-against-china/>. (Erişim Tarihi: 05.04.2018)

18 "As Obama Visits, Signs That India is Pushing Back Against China," *Reuters*, January 15, 2015, <http://in.reuters.com/article/2015/01/21/india-usachina-idINKBN0K-U11B20150121>. (Erişim Tarihi: 18.04.2018)

Sri Lanka also supported a regime like India that wants to block China's projects. India, which has territorial disputes with China, is having close ties with Japan and Vietnam that have not very good relations with China in the region. Indian Prime Minister Modi expressed concern for China and issued a declaration known as "Unacceptable" to stop the CPEC and other plans.¹⁹ India is considering creating a new energy corridor to Iran by using Trans-Afghanistan railway in Termez in Uzbekistan, to slow down China's progress.

India perceives disrupting CPEC and its projects and preventing everything it sees competing with its own desires licit. One of the clearest examples is the start of new investments to improve the Chabahar port, which is located in southern India. There are several reasons why China is at the forefront in the power struggle of China and India. One of the most important reasons is that unlike India, China is replicating and developing the port cities. Another reason is that China has offered very good conditions for the development of a port city to Sri Lanka, which is located near to India, and Sri Lanka has agreed to rent a land of 108 hectares to China Construction Co. Thus, China has added one of India's most important allies to its partner list.²⁰ After this, Indian Prime Minister Modi acknowledged that their initiatives against China's BRI and its extension in Pakistan, the CPEC, have progressed slowly.²¹

Conclusion

As a result, the CPEC project will make a new route arrangement linking Eurasia, Latin America, and Africa. With BRI's extension,

19 "China-Pakistan Economic Corridor 'Unacceptable, Modi Tells China," *Express Tribune* (Islamabad), *International New York Times*, June 1, 2015, <http://tribune.com.pk/story/895611/china-pakistan-economic-corridorunacceptable-modi-tells-china/>. (Erişim Tarihi: 22.04.2018)

20 Shannon Tiezzi, "Suspended Sri Lankan Port Project Complicates Sirisena's Trip to China," *Diplomat* (Tokyo), March 26, 2015, <http://thediplomat.com/2015/03/suspended-sri-lankan-port-project-complicatessirisenas-trip-to-china/>. (Erişim Tarihi: 05.04.2018)

21 "India Criticised for Opposing CPEC," *Dawn* (Islamabad), June 3, 2015, <http://www.dawn.com/news/1185887>. (Erişim Tarihi: 05.04.2018)

the CPEC project, China aims to provide common development, welfare enhancement as well as trouble-free transportation and security for energy with other countries. My own personal thought: The Indian government take more initiatives as a regional power for the recovery of the economy and the extinguishment of terrorism in the region, and for the re-stabilization of Central Asia and the Middle East. I hold the view that China's economic success is largely based on long-term strategies, state-adjusted harmonization and hierarchical structure, strong industrial policies, good family ties, disciplined work life and dynamic free trades. The expected prosperity will also increase if necessary measures are taken in the continuation of the project. By this initiative, China and Pakistan will forge new relations with countries that are far away in both physical and cultural sense. In this way, both countries will become active economically in the Middle East and Eurasia, which is generally known as the influence sphere of the US.

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