

**REGIONAL CHALLENGES AND OPPURTUNITIES TO THE CPEC
PROJECT**



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Declaration

This thesis entitled “Regional Challenges and Opportunities to the CPEC Project” is submitted as a requirement of MS degree in Political Science to the Department of Politics and International Relations. I solemnly affirm that this research is originally my work and none of the facts and data has been plagiarized. Any material cited from any source is given with proper source and citation.

Fatima Ali

Dedication

I dedicate this work to my parents and teachers, who taught us to think, understand and express.

Their unselfish and consistent support let me complete this work.

Acknowledgement

I must be especially grateful to Allah (S.W.A.A) for blessing me with the ability to understand, think and conduct. I am also indebted to express my thanks to my family, their support and love helped to accomplish this work.

I would like to express my gratitude to my supervisor Dr. Sadaf Farooq for being so supportive. Undoubtedly without her guidance and support this work couldn't have been accomplished.

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List of Abbreviations

AJK	Azad Jammu and Kashmir
ANP	Awami National Party
BLA	Balochistan Liberation Army
BLF	Balochistan Liberation Force
CARS	Central Asian Republics
CPEC	China Pakistan Economic Corrido
EC	Economic Zone
ETIM	Eastern Turkistan Islamic Movement
FATA	Federally Administered Tribal Areas
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GB	Gilgit Baltistan
KKH	Karakoram Highway
KPK	Khyber PakhtunKhawa
ME	Middle East
MFN	Most Favourite Nation
MOU	Memorandum of Understanding
MW	Mega Watt
NLC	National Logistics Cell
OBOR	One Belt One Road
PAT	Preferential Trade Agreement

PMLN	Pakistan Muslim League Nawaz
PPP	Pakistan People’s Party
PRC	Peoples Republic of China
PTI	Pakistan Tehrik-e-Insaaf
RAW	Research Analysis Wing
SCO	Shanghai Cooperation Organization
SEZ	Special Economic Zone
SREB	Sil Road Economic Belt
TTP	Tehrik-e-Taliban Pakistan
UAE	United Arab Emirates
UN	United Nation
UNDP	United Nations Development Program
US	United States

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ABSTRACT

The Pak- China relations are termed as “higher than the mountains and deeper than the oceans”. Since the establishment of the diplomatic relations both countries have carried out multidimensional cooperation in various fields including strategic, diplomatic, military, social, cultural and notably in the economic field. Pakistan-China economic relations appear to be evolving and getting stronger gradually. Bilateral trade is on its height, investments are increasing, and the number of development projects and joint ventures between the two countries have increased at a steady speed over the past few years. China has gradually emerged as Pakistan’s major trading partner both in sphere of exports and imports. Today, China-Pakistan Economic Corridor (CPEC) has become chat of the globe. This mega project is expected to become a strong bondage to enormously heighten trade and economic cooperation between the two countries. The corridor will connect Gwadar Port to Kashgar, China. CPEC is a wide-ranging development program that entails connecting Gwadar Port to China’s North Western region of Xinjiang through 2,700 km long highway from Kashgar to Gwadar. The projects aim at transforming regional trade routes, increase Chinese participation in the region and bridge the region’s infrastructure gap. CPEC is one of the largest and most significant project for Pakistan and the region also.

The aim of this research is to highlight the benefits and challenges to CPEC and the importance of Pakistan in the region after the signing of the China Pakistan Economic Corridor. It also analyses the rising resistance by other states like India, Iran which may create hindrances in the way to develop this project. This research aims to analyse the relationship between China and Pakistan from the perspective of complex interdependence. The reason why this theory is the best to explain this relationship is because it focuses on interdependence, harmony and economic collaboration for the mutual benefits of both the countries as China has gained its set of benefits by siding with Pakistan and get access to the warm water of the Indian Ocean through the CPEC.

Chapter 1

INTRODUCTION

China-Pakistan developed the diplomatic relations soon after the independence of China in May 1951, they have cooperated in different fields and proved to be the all weathered friends (Lee, 2016). The two nations have done multi-dimensional participation in different fields including the strategic, military, social, and eminently the economic field. This companionship of Pakistan and China is named as more profound than the seas and higher than the mountains, as both the nations are getting advantage of bilateral relations (Ahmad, Shah, Kayani, & Kayani, 2013). China and Pakistan established a joint committee on Technology, trade and economy in 1982, since then the trade between the two has seen great improvement. In January 1963, both the countries consented to their first trade arrangement.

The development of Karakoram highway in 1986 is additionally the super exchange between the two nations. It is called the friendship highway in china that interfaces China's Xing Jiang province with Gilgit Baltistan and Khyber Pakhtunkhaw in Pakistan and furthermore fills in as the popular tourist destination (Gillani, 2011).China and Pakistan in May 2001 consented to 6 arrangements and one MOU, went for giving economic and specialized participation to Pakistan in different fields including tourism, Saindak Copper Gold project and engines to the Pakistan Railway. China in the meantime started a new project which is near the heart of people of Pakistan, on March 2002 the former President of Pakistan General Parvez Musharraf and Chinese Priemer Wu Bang Guo attended the Gawadar Port ceremony. In the next years there has been official visits between the two, and each visit included another agreement and new area of collaboration (Ahmed, 2013). For example, the visit of President General Parvez Musharraf in 2003 concluded by signing a bilateral

agreement on enhancing the relations of the two countries. Subsequently another bilateral agreement in trade, energy and communication sector was concluded between the two nations in December 2004, this increased the volume of trade (Shabbir & Kazmi, 2007). In return the Chinese Prime Minister visited Pakistan in 2005 and this visit added another mile stone in the areas of cooperation including the health sector, defense, infrastructure, education and economic field. However, Pak-China signed the first agreement of free trade in 2006 aimed at reducing tariffs on some 787 items. Pakistan is lucky to be the first Asian country signed Free Trade Agreement with China. The idea was put into orbit in a real sense in the year 2007 by dividing it into two stages one of the phase ended in 2012 and the next one started in 2013 (Kataria & Naveed, 2014).

The month of April 2015 was a historic month for Pakistan when Chinese president Xi Jinping and Pakistan's Prime Minister Nawaz Sharif signed a mega economic project named as China Pakistan Economic Corridor (CPEC) of \$46 billion. This agreement of China is the largest investment in the in Pakistan (Godbole, 2016). The China Pakistan Economic Corridor (CPEC) can produce economic revitalization in Pakistan and prosperity in the XingJiang region of China. This geo strategic corridor is beneficial not only for Pak-China relations but also for the regional development that will ultimately benefit all neighboring countries coming into the connection (Palit, 2017). The benefits of CPEC includes advancement of infrastructure, establishment of production units, reduced distance for exchange of goods across the countries in the region. CPEC is a strategic plan that envisages multibillion dollar master plan and its time frame is extended to 2030. Under the CPEC project China promised to build a rail network of 4,000 km from Gawadar to Kashgar in China along with these advancements 13 SEZs will also be constructed (Toops, 2016).

China proposes to link this corridor with other countries like Iran, Afghanistan, CARs and India to Pakistan in the region. It is predicted the more than 3 billion people of the region will get benefits from this corridor (Hussain & Ali, 2015). The closeness of Xinjiang with Pakistan and the strategic Partnership between the two countries will be best served by the CPEC. Despite of all the proposed benefits the project is not without the challenges which includes the external challenges and internal. Internally, the eighteenth Amendment in the Constitution of Pakistan has given many controls to the provinces in Pakistan but the drawback of which is today the provinces with high powers are deterring the project regarding the route construction (Dawn, 2010). Mainly the opposition comes from the KPK and Balochistan which have raised questions regarding the planned route of the corridor which may create hinder in the successful finishing of the project. Additionally, the poor security measures in these areas are also a major threat to this project. Pakistan since its independence faces many phases of political instability which carries the potential to deter smooth implementation of the project (Khan, 2016).

Externally the project faces opposition from some regional and extra regional players which includes India, Iran and Afghanistan. Iran and India perceive this corridor a competition in the region and are engaged in the development of the Chabahar Port in Iran against the Gawadar Port. U.S is also worried about the foot prints of China in the region. Thus, the growing U.S Indian and U.S Iranian relations after the Nuclear Deal is alarming for both China and Pakistan. India losses no chance to compete China in the Region to counter the CPEC that's why building strong ties with Iran, U.S and Afghanistan (Ghoury, 2015).

1.1. Rationale of the Study

For the smooth functioning of the CPEC it is important to find out those factors which affect the implementation of the project. This research will explore the opportunities produced by the CPEC

and the challenges which this mega project is facing from the internal as well as from the external players in the region. It is important to bring under discussion the threatening factors to prepare the policies accordingly to beat the resistance towards the CPEC.

1.2. Statement of the Problem

The Pak- China economic relations are growing steadily due to the convergence of interests. China gave technical support to Pakistan and Pakistan also served as a link between China and Western world. CPEC will provide many opportunities to both Pakistan and China. However, there are many challenges from inside and outside the country in the way to the implementation of this project. Therefore, the study focuses on the opportunities provided by the CPEC and the challenges faced by China and Pakistan to implement the project in its real sense.

1.3. Objectives of the Study

The main objectives of the study are

- To find out the opportunities of CPEC for Pakistan and China.
- To analyze the internal challenges to the CPEC.
- To explore the challenges posed by the regional players.

1.4. Research Question

1. What opportunities CPEC project presents for China and Pakistan?
2. How the CPEC project is being affected by the internal challenges posed in the way of its implementation?
3. What challenges are posed by India, Iran and Afghanistan to the CPEC project?

1.5. Research Methodology

The research methodology used to conduct this research is qualitative the nature of which is descriptive and exploratory. Various sources have been used to collect data which includes primary and secondary as well. Among the primary sources online government documents and parliamentary reports are used. The secondary sources of data collection include books, articles, journals articles, newspaper articles, electronic sources and published reports.

1.6. Significance of the Study

The China Pakistan economic corridor will not only improve the strategic importance of the Pakistan but it will also start a new period of economic development. The project is expected to give tremendous boost to the economy of Pakistan and will produce a great opportunity for Pakistan to act as an economic hub in the region. The major significance of the study is to highlight the opportunities and challenges to the CPEC. The current study will be beneficial for the policy makers to play their role in the smooth functioning of the project as the study after analyzing the proposed challenges and threats will recommend some suggestions to make the project successful. This study will also be very helpful for the future researchers and will add the literature on the topic which is scarce at present.

1.7. Delimitations of the Study

As this study focuses on Pak- China Economic Corridor and challenges to implement this project in its logical and real terms. The delimitations of this research are that it will focus on the challenges to this economic project from inside the country and regionally by India, Iran and Afghanistan, although this project has challenges at global level but the focus of the study will only be the internal challenges in Pakistan and challenges from regional players.

1.8. Operational Definition of Major Terms

Economic corridors

As per the definition of Asian Development Bank economic corridors can be defined as the economic hubs or nodes which connect the economies of the world through the improved infrastructure in a well-defined geography. Economic corridors not only provide the economic integration of the states instead they provide special connections too.

2. Theoretical Framework

The theoretical framework that is applied to this research is Complex Interdependency theory introduced by Robert Keohane and Joseph Nye in 1977. By the term Interdependency we mean a situation in which all the state and non-state actors are dependent on each other. Joseph Nye and Keohane argue in the book “Power and Interdependence” that how today’s international politics is transformed by complex interdependence of states. As in today’s interdependence world complex cross border connections and interdependencies between the states and societies are increasing and the use of force (military) and power balancing are decreasing but remain important (Rana, 2015). The proponents of complex interdependent theorists reject the realist view that international relations like all other politics is a struggle for power, because realist view state as the only actor in international relations and ignores other non-state actors. But Robert Keohane and Joseph Nye challenge this assumption of realists and argue that peaceful co-existence is possible and non-state actors can also play their role in world politics (Rogerson, 2010). Complex interdependency theory has three main assumptions:

1. Multiple channels, which connect societies including informal relations between government elites and as well as among the non-governmental elites and transnational organizations (MNC’s, banks etc.).

2. The agenda of interstate relationship is consisting of multiple issues that are not arranged in a sequence and this absence of hierarchy among the issues means the military security does not consistently dominates the agenda, this distinction between domestic and foreign issues becomes blurred.
3. Military force is not used by the governments towards other governments within the region on different issues due to complex interdependency of world.

As we know that the world is completely globalized where states are mutually connected or interdependent on each other. Complex interdependency theory defines the complex ways in which state and non-state actors become dependent due to the growing ties and they are vulnerable to each other's actions and having sensitive attitude towards each other's needs. The reason why this theory can best explain the Pak- China relations is that this theory focuses on interdependency, harmony and economic collaboration for the mutual benefits, which China and Pakistan are going to prove through this Economic Project the CPEC (Femi, n.d). In this system of interdependence states cooperate because of their own interests and result of this cooperation will bring prosperity and stability in the region. In case of Pak- China Economic Corridor the truth is that we all are linked to each other by one way or other, and that is what this theory emphasis on. Today complex interdependence has become multidimensional including cooperation in various fields ranging from cultural, social and strategic to economic. In case of Pak- China relations both countries are bond by economic interdependence on each other, as china gets access to the warm waters of Indian Ocean through this project. The research further explores the depth of CPEC and how the relations between the two are interdependent. The proponents of complex interdependence fully realized that globalization has taken over, and the only way states are going to improve their relations with others states is they are creating deep rooted bonds with the states worldwide. So,

in this regard Pakistan and China have collaborated on economic and strategic fronts which have given both countries a huge advantage. The beginning of CPEC is the representation of complex interdependent practices of the world which shows cooperation and interdependence. The relationship of Pakistan and China be an ideal relationship which supports that complex interdependency is the best theoretical concept to define the relationship as such and this practice of the two countries guarantees the mutual benefit.

3. Literature Review

Syed (1969) in his study reveals that Pakistan and China are enjoying their relationship soon after the independence of the People's Republic of China in May 1951. As Pakistan was the first country in the region to recognize China as an independent state. Since then the two nations have cooperated in different fields including social, political, military and economic field. The Pak-China military relations begin when in 1965 China helped Pakistan. The border agreement between Pakistan and China during the Ayub Khan era (1959-1969) in 1963 was the indication of Pak-China cooperation on economic, social, military and cultural field. Since then the relations are growing increasingly and smooth and both nations are now enjoying a unique relationship in the region.

Kaushik (1985) states that the era of Zulfikar Ali Bhutto was also considered as the golden age in the history of Pakistan as this opened another era of cooperation between the two countries on different fields. The Chinese nation support Pakistan in very crucial times, the prime example of which is the Chinese support to Pakistan in the war of 1971. This was the era when the close ally of Pakistan turned blind eye towards Pakistan, but the Chinese nation at those crucial times helped Pakistan morally and technically. China clearly opposed and veto against the admission of Bangladesh as an independent state in the United Nations forum and thus china provided complete

political support to Pakistan at international forum. This was the era when Pak-china strategic alliances started, as china gave military support to Pakistan when the most trusted ally of Pakistan, the U.S at that time imposed sanctions on the military deals.

Ping & McCormick (2016) studies that in the long history of Pak-China relations both the nations have enjoyed a strong bilateral social, political, defense and economic relations. The Pak-China economic relations started with the signing of a trade agreement in 1963, later in October 1982 both the countries established a joint committee on promotion of trade, technology and economy. Another pearl in the relations of Pak-China was the construction of the KKH, which paved the way for furthering the relations of two. Later on Pak-China Preferential Trade agreement was signed in 2003 which was turned into the first Free Trade Agreement between the two. In 2010 Pakistan and China invited each other to open the bank branches in the two countries. Furthermore, in 2011 several agreements were signed including 22 agreements between the private sector and 13 at government level. Another gem was added to the string of Pak China relations is the Saindak project in 2012. In short the economic cooperation between the two is enormous. In the legacy of this friendship Pakistan and CPEC in 2015 aimed at improving the infrastructure to increase the trade volume in the region.

Since its independence China maintained good relations with Pakistan and there has been a strong flow of investment between the two countries. As Pakistan was the first country in the region to sign Free Trade Agreement with China in 2006 which has further deepened the relations of two. The new initiative of the Chinese Government to invest US\$ 46 billion in Pakistan in the form of China Pakistan Economic Corridor (CPEC) is the mile stone in the history of Pak-China relations. Under this mega project China will provide financial assistant to its companies to build wide range

infrastructure to connect both the countries. As this mega project is considered as the long term developmental plan as compared to the existing regional integration (Ghouri, 2015)

Fallon (2015) in his work analyses that the advancement of relations between China and Pakistan would play a better role in bringing regional peace and prosperity. For China Pakistan, is an important ally in the region because of its strategic location. China is developing strong economic relations with the South Asian countries to eliminate the western powers from the region. On the other hand, China is also important for Pakistan, as it has been helping and supporting Pakistan since its independence in different fields. In the world of complex interdependency both the nations are important for each other. Chinese investment in the form of CPEC is a good opportunity for Pakistan to uplift its struggling economy in the region.

Improved infrastructure is considered as the most important tool for any of the nation to gain economic advantages as it is a famous Chinese proverb that “if u want to be rich u should have a good and improved infrastructure”. In this regard the construction of CPEC route is expected to bring cross border physical infrastructure which will in return reduce the transportation cost, increased trade activities across the borders in the region and would bring regional integration and peace. As in his study Tinbergen (1962) focuses on the trade between the two countries is inversely proportional to the distance between the two. If the distance between them is short the trade volume will increase but if the distance is long between the two there will be difference in trade volume. So the improved infrastructure in any region of the world could led the trade volume to increase. The present initiative CPEC is somewhat related to this study that through this project China and Pakistan aimed at developing the infrastructure which will ultimately decrease the distance and led to increase the trade volume and the flow of FDI in the country.

Limao & Venables (2001) observed the reduction in transportation cost due to the improved infrastructure. Improvement of infrastructure and the transportation system can increase the export as well as the overall trade in the country. The poor infrastructure in a country is responsible for increasing the transportation cost and thus reducing the access to the market which will ultimately result in lowering the trade volume. In case of both the landlocked and coastal countries the inadequate infrastructure is responsible for increasing trade cost to 40 to 60 percent. Results of this study suggest that trade will increase if the infrastructure is well developed and maintained. Khan (2015) explains that the China Pakistan Economic Corridor is thus a multidimensional project aimed at connecting the two countries by developing the physical infrastructure. This includes the construction of roads, railroads, construction of communication networks and energy projects to bring closer the two nations in all aspects. The main catalyst in this reaction is the Gwadar port without the port this project is nothing. As ports are having great importance in the socio-economic development of the country, in this regard Gwadar port will help to execute this project in its real sense. Under the CPEC China signed MOUs to help Pakistan by constructing the fiber optical cable from Kashgar to the Islamabad. This project also includes upgradation of the Karakorum Highway through which Pakistan will be connected to China by passing through the mountainous region of Gilgit Baltistan. The construction of the Bhasha Dam at Diamer and Nandipur power generation projects are also part of CPEC. The results of the study concluded that this mega project will help Pakistan to make its economy strong as it is a golden opportunity for Pakistan.

The Pak-China Economic Corridor is expected to bring prosperity not only in the two countries but the whole region will benefit from this project. Due to the developed infrastructure, the transportation costs will be reduced which will attract the foreign investors from extra regional

countries as well as the local investors. The CPEC is a huge opportunity for the whole region, this project has the capacity to speed up the economic engine the region. As we see the FDI flow increases after the signing of FTA with China and CPEC project can add more to the flow. The FDI from extra regional countries will benefit the regional countries coming in connection with the CPEC. The study suggests that increase in flow of foreign direct investment is a good sign for Pakistan as it will speed up the economic activities in Pakistan and the region also (Parveen & Khalil, 2015).

In his study Holslag (2015) states that although Pakistan and China are having friendly relations in all the fields, still it is important to evaluate the factors that can affect Pakistan's ability to implement the project over a long period. Notably the important factors which could affect the implementation of CPEC in Pakistan is the Political instability and the policy inconsistency. Regarding the first factor the positive feature is that there is almost the consensus to continue friendly relations with China among the political parties in Pakistan. This means that in future there should be no more political instability in the way of smooth functioning of CPEC. But still there exists minor affecting political variables in Balochistan and KPK. As for the second variable is considered, Pakistan faced many times political turmoil resulted in policy inconsistency, which is directly linked to the economic growth to the large extent. Thus, the study of the author suggests that there should be policy consistency to achieve the fruits of huge investments.

Upadhyay (2015) in his study explained that basically, the CPEC is the part of China's One Belt One Road policy through which China will get access to the Indian Ocean and it is expected that Pakistan will become the hub for commercial activities in the region. CPEC faces many challenges from the regional players especially the most threat comes from India who is always worry about the growing role of China in the region. India therefore started to make its relations strong with

the CAR's and the landlocked Afghanistan. India also signed a deal with Iran to develop the Chabahar port to counter the Gawadar Port in Pakistan. Despite of knowing the fact that CPEC will also benefit the India and will promote the regional peace and stability India is still worry about the projection of CPEC and raised voice against the project many times.

Despite of having the challenges the CPEC project is of enormous benefits for both China and Pakistan. For China, the CPEC is important because it will reduce the route and transportation cost for China. At present China is importing oil and gas for full filling its energy needs through the Strait of Malacca which is longer route for China, while through Pakistan by using the Gawadar Port this distance will be cut down to 3,000 km only which is the shortest route to reach the Indian Ocean and beyond. For Pakistan, the Project is important as it will cut down the energy shortfall in Pakistan to the large extent and will also help Pakistan to stable its battling economy in the region (Irshad, Xin, & Arshad, 2015).

In his study Small (2015) describes the facinating picture of Pak-China friendship covering the different areas of cooperation. He further explains the Conditions and complexities in the bilateral relationship of Pak-China that how the both countries perceive and understand each other. The Pak-China relations are the example of long standing relation in the world, where the regions are witnessing the different changes at regional and international level. Despite of that changes the Pak-China relations are growing day by day and both the countries are engaged with each other on economic, political, social and military relations. At present these ties of the two have been made more strong by China's commitment to provide huge financial investment to Pakistan for the development and improvement of the existing infrastructure as a part of the mega project named as CPEC. The china Pakistan Economic Corridor (CPEC) is basically the one part of China's OBOR initiative in the region. China sees Pakistan as its most important ally in the region due to

its strategic location South Asia having access to the Indian Ocean through the Gawadar Port. For Pakistan China is also important because China has been supporting Pakistan technically and morally since the establishment of bilateral relations. This all weathered friendship of Pak-China is also recognized by the leaders of China as the former Chinese President Hu Jintao stated that China can give up with gold but never its friendship with Pakistan. President Xi Jinping also count the relationship of both the countries by stating that Pakistan and China are good partners, friends, neighbors and iron brothers and the relation between the two is remarkable that no one can break this. These remarkable statements by the leaders of China are the indication of Chin's long standing promise to the Pakistan by investing such a huge amount in Pakistan.

As many of the studies have been conducted on the topic since 2015 which discussed the CPEC internal challenges but a consistent and academic work is still required to address the issues on the topic. In the best of my knowledge this study is a first attempt that considered the local perspective of China-Pakistan Economic Corridor while exploring the opportunities produced by the project for both the countries and the challenges the project is facing from inside the country as well as from the regional players.

4. Organization of the Study

Chapter 1 titled "Introduction" gives an overview of the whole study which includes the literature review, research methodology and theoretical framework. Chapter two titled "Historical Background" discusses the detailed history of Pak-China relations and chapter 3 titled "CPEC Opportunities for China and Pakistan" addresses the opportunities provided by the project. Chapter 4 titled "Internal Challenges to CPEC" discusses the internal challenges to the project which includes the political instability in Pakistan, security issues, route controversy etc. Chapter 5 titled

“Regional Challenges to CPEC” addresses the challenges the project is facing from India, Iran and Afghanistan and the chapter 6 is followed by the conclusion and recommendations.

Chapter 2

HISTORICAL BACKGROUND

The history of relations between the two countries can be traced back from the period when the scholars, Pilgrims and merchants used horses and camels to travel through the silk route from one country to another. Despite of having ideological and cultural differences China and Pakistan never experienced a clash based on these differences, that's why the relations are strong and steady. (Ali, 1974). Both the countries are cooperating in multidimensional areas ranging from cultural, social, and economic to the defense. The Pakistan- China friendship have proved that no ideological and cultural or other differences can create a break in the relations of the two (Azeemi, 2007).

Pak- China relations follow the "principles of non-interference in internal affairs". Furthermore, with the joining of SEATO and CENTO, china never discouraged the Pakistan because china realized that it was the need of Pakistan to secure it from the hostility of India. Likewise, china also supported Pakistan in the wars of 1965 and 1972, provided the technical support to the military of Pakistan, as China wants to see the Pakistan at its best level in the economic field and as well as the defense field (Ahmed, 1981). China and Pakistan are not only good friends but also the good neighbors, that's why the friendship between them is called the "all weathered friendship" (Shah & Choudhry, 2013) . The Pak- China relations and the cooperation in different fields from 1950 to the signing of CPEC can be best understood by describing diplomatic, military and economic relations one by one in brief.

2.1. Diplomatic Relations

The historical background of Pak-China diplomatic relations can be followed back since 1950 (Ramay, 2015). As Pakistan was the main Muslim nation in the world to accept China as a free

state. The two nations set up formally diplomatic relations on May 21, 1951. Introductory period of relations between the two was less heartfelt because of Pakistan's cooperation with Western Block as Pakistan joined SEATO and CENTO in 1954 and 1955 respectively. This frustrates the relations of two bit, as the SEATO and CENTO was framed to contain communism. However, the Bandung Conference of 1955 gave a chance for both the nations to build their shared relations as the P.M of Pakistan Muhammad Ali Boghra accept this open door to make China guarantee that Pakistan has no antagonistic aims towards China and has joined these military unions, for example, CENTO and SEATO because of the risk they feel from India, and Pakistan won't participate in any of the activity which is against China.

The Chinese administration acknowledged the legitimization of Pakistan and in 1956 Pakistan's Prime Minister Hussain Shaheed Suhrawardy made a visit to China and Chinese Prime Minister Zhou En Lai went by Pakistan around the same time to support their relations (Shanglin, 2001). Although there were official state visits from both sides, however the things were somewhat moderate between the two nations as both nations were a piece of different block. The other purpose behind this was the visit of Pakistan's P.M Suhrawardy to the U.S in 1957 where both the countries agreed that the expansion of communism is the major threat to the peace in the region. China being a socialist nation clearly felt troubled (Quadir, 2001). At that point both the nations experienced a tough situation. Some studies documented that a Chinese map was shown to the General Ayub in 1959, in which extensive Pakistani region was appeared as Chinese region which set off a border clash amongst China and Pakistan in Hunza-Nagar (Gilgit Baltistan) border zone.

The relationship of Pak-China took another turn when Pakistan upheld China in Sino-Indian war, this was because the American support to India in the war which united Pakistan and China. In 1961, Pakistan voted in favor of the reclamation of China's rights in the United Nation (Chaudhri,

1986). In March 1963, another huge improvement happened, China and Pakistan consented to an arrangement on territorial relations and the development of another road connecting China's Xingjian locale with the Northern Areas of Pakistan in Gilgit Baltistan. Around the same time 1963 China and Pakistan consented to their first trade agreement, from that point forward the two-sided relations and high level state visits expanded. Amid the Pak-Indian war in 1965 China came nearer to the Pakistan and gave vital support (Ghengli, 1996). This likewise assumed an essential part in further enhancing the Pak-china relations and this additionally fulfilled the need of Pakistan for a true and loyal companion for help and support in its competition with India as this was the time when Pakistan's arms supplier U.S ceased the arms help to Pakistan. In the wake of 1971 war China gave political, financial, technical and moral support to Pakistan to beat the unbearable circumstance appeared due to the separation of East Pakistan which got to be Bangladesh. China likewise in support of Pakistan in 1972 utilized its power of veto in the UN Security Council against a determination to perceive Bangladesh as Independent state (Rahman & Hameed, 2009).

The former Foreign Minister of Pakistan Zulfiqar Ali Bhutto is embraced as the modeler of Pak-China fellowship in Ayub Khan's time. This period of Pak-China two-sided relations was on strong grounds and both the nations were extremely steady of each other. Pakistan additionally assumed to be a bridge between the China and the Muslim world and PIA was the 1st non-communist nation aircraft which begins its flights to and from China and this likewise breaks the segregation of China.

Another advancement of 1970's was the rise of a reformist in Chinese administration under the regime of Deng Xiaoping (Kataria & Naveed, 2014). Once the reformists take control in China they brought various changes in China's approaches and the nation was at last opened to the world to find a way to reinforce the relations in the more extensive areas. Under Deng regime China

enhanced its relations with India and embraced an impartial conclusion towards the South Asian locale and particularly towards the Pak-Indian clash over Kashmir and bolster Kashmiri's for the privilege of self-assurance as a peaceful answer for this issue. At that point the Foreign Minister of India Atal Bihari Vajpayee made effective visit to China and was trailed by various high level state visits between the two nations. Some senior analysts of that time viewed that this change of relations amongst China and India would negatively influence the Pak-China relations, however as it turned out, Sino-Pak relations were not influenced by this positive change in China-India relations (Makhdoom, Khan, & Khan, 2014).

Chinese president Jiang Zemin's visit to Pakistan in 1996 further settled a colossal fellowship and before the century's over the relations between the two was named as "higher than the mountains and more profound than the seas" (Aneeja, 2006). Presently numerous western researchers and eyewitnesses of Pak-China relations contrasted it with the US-Israel relations in the Middle East. China and Pakistan kept on having great relations during the period of 1990's despite the occasions like the presence of Taliban in Afghanistan, two nations upheld each other. India in 1998 test its atomic weapons and give an explanation that the Chinese threat was the motivation to create atomic weapons, Pakistan examined this issue with its partners especially with China before going to choose how to react to the Indian trial of atomic weapons (Krepon, n.d). General Musharraf's took-over in 1999 pushed Pakistan into a diplomatic isolation. China however was not in strong favor of this upset but rather viewed it as an inner issue of Pakistan. After the shocking attack of September 2001 Pakistan changed its strategy towards Afghanistan and agreed with the U.S in the WoT (War on Terror). Regardless of turning into a fight zone state in the region the Pak-China relations stayed solid and developed further. The visit of President of Pakistan Parvez Musharraf in 2006 consented to an arrangement to begin collaboration in the peaceful use of atomic power.

Within this visit of Musharraf 13 settlements and MOU's were marked in various fields including national security, trade and exchange, communication and energy (Sachdeva, 2006). Around the same time in 2006 in a visit to Pakistan the President Hu Jintao expressed that the Sino-Pak relations would stay unbroken under all conditions and the changing worldwide situation with basic difficulties would not influence the friendship of the two.

After assuming the office the President of Pakistan Asif Ali Zardari went to China in October 2008, which resulted in the signing of 11 MOUS to uplift the two-sided participation in various fields including trade/exchange, technology, infrastructure, energy, agribusiness, mining, industry, disaster help, media transmission, and space technology (Sidique, 2014). The year 2011 was commended as the time of friendship to check the 60 years of political relations between Pakistan and China (Gillani, 2011) . After assuming the Office Prime Minister of Pakistan Nawaz Sharif made an official visit to China in July 2013, on his visit to China both nations commonly marked an agreement on China-Pakistan Economic Corridor. CPEC is considered as president Xi's Silk Road Economic Belt (SREB) activity with an extreme plan to upgrade the communication of China and Pakistan with all local nations in the Central Asia and Asia. The stated economic venture would additionally upgrade the fellowship of two nations went for real reestablishment of infrastructure including road, rail, fiber optical systems, ports and gas pipelines to beat the energy crises and will boost up Chinese interest in Pakistan.

In this visit both the nations commonly marked 51 MOU'S to improve the relationship of two (Amjad, et al., 2013). Pakistan regarded China as most vital and loyal ally in the locale. The Pak-China relations are more grounded in the forthcoming years as they commonly began the CPEC project which will assist both the nations with guaranteeing their relations.

2.2. Military Relations

Even though the strategic relations were on its height because of the acknowledgment of PRC by Pakistan, yet the defense collaboration between the two nations began with the Indo-Pak war of 1965 because US which was the treaty partner left Pakistan all alone, this was the time when Pakistan and China understood the significance of respective relations (Khan & Ahmed, 2015). Since China straightforwardly upheld Pakistan morally and technically in 1965 war, this prompted to the development of strategical alliance in 1972 and from that point onwards China has always supported Pakistan to assemble a solid defense and military foundation. The establishment of Heavy Industries at Taxila in 1971 was started with the assistance of China. The HIT is presently giving substantial military equipment's to the armed force, for example, Al-Zarar Tank and Al-Khalid Tank. With the help of China in 1999, Pakistan Navy surprisingly launched the PNS (Pakistan Navy Ship) Shujaat at Karachi, from that point forward China is consistently supporting Pakistan by giving innovative and technological know-how to advance Pakistan's Ballistic Missile programs and Nuclear Weapons, this military connectedness created all through the 1980's and 1990's (Azeemi, 2007).

China's President Li Peng had visit Islamabad in 1989, this further reinforce the relations of two and this visit was additionally remarkable for setting up a Nuclear Power Plant in Pakistan. By keeping up true military relations with Pakistan in 1992 China give 34 short range ballistic M-11 rockets to Pakistan, this demonstrated another imperative improvement in defense collaboration (Javed, 2014). Pak-China collaboration in atomic area started in 1996 when the Chinese president Jiang Zemin went by Pakistan. In that visit, China made an agreement to construct an atomic reactor in Pakistan. The fulfillment of the 300 MW Chashma Nuclear Power Plant in 2000 was another achievement in Pak-China atomic collaboration. The China National Nuclear Corporation

(CNNC) and Pakistan Atomic Energy Commission (PAEC) had marked an agreement for the export of a three hundred MW atomic plant to Pakistan in 1991 however its operation began in 2000. The effective working of Chashma Nuclear Power Plant was on top of the priorities between the two countries (Ashraf, 2016). The former prime minister of Pakistan in 2005 inaugurated the new atomic plant named as Chashma Nuclear Power Plant II with China as the most critical investor.

A new milestone was added to this relationship when in 2011, Chashma Nuclear Power Plant II was completed. It was authoritatively inaugurated by former Prime Minister of Pakistan Yousaf Raza Gillani who said "it is yet another example of the Pakistan-China participation in technology and atomic science". This Nuclear Plant can generate 300 MW and has helped Pakistan to overcome the power crises (Jabeen & Mazhar, 2011). The combine military exercises in 2003 at Karachi was the first experience of Chinese military with foreign naval forces. These military exercises included the search and rescue operations, patrolling and trying to find suspected intruders. Both nations stated that the reason for those activities was essentially to take out terrorism inside the area. These joint military activities were stretched out over a time of weeks went for exchanging expertise and information through a wide range of training programs. Mahmud Durrani, a senior analyst, said "it is an antiterrorism move for the nations of South Asia and the bigger place that incorporates Afghanistan, China and central Asia, as we have a totally serious risk of terrorism, specifically in Pakistan". India expressed deep reservations over these military exercises that these were totally against the India and not related with terrorism. The first fast craft of Pakistan named as "Pakistan Navy Ship Azmat" in 2012 was also produced commonly by means of China Shipbuilding Industry Corporation (CSOC) and the naval force of Pakistan.

China is Pakistan's top provider of firearms, with regards to the Stockholm International Peace Research Institute (SIPRI), which tracks worldwide arms deals, offering 51% of the weapons Islamabad imported from 2010-2014. On April 19, 2015, China offer of 8 customary submarines of worth \$5 billion, biggest ever arms offer of China to Pakistan in its records. On June 2, 2015, senior armed force officers from China and Pakistan met in Beijing, promising to fortify sensible participation in enhancing the joint military exercises. In his get together with Pakistan Air Force Leader Air Marshal Sohail Aman, Fan Changlong, Vice Chairman of China's Central Military Commission, said the Chinese armed force is ready to work with the Pakistan to hold the development of military-to-military exchanges and lift functional collaboration in military, training, military gadget and anti-terrorism.

2.3. Economic Relations

There is a long history of Pak China relationship. Both nations have enjoyed long bilateral economic, defense and diplomatic relationships. The first Trade Agreement was signed between the two of nations in January 1963, this is how both nations entered their economic relationship. Furthermore, in October 1982, both countries mutually created Pakistan China Joint Committee on the Economy, Trade and Technology. Thus, the first economic activity between the two was conducted under the act of 1963, according to which both countries were liable to grant MFN to one another, which they successfully did (Shabbir, 2007).

The high point in the history of relationships of Pak-China was the development and construction of grand Karakorum Highway (KKH), which is highly remarkable part of their relationship and which also reinforce their further relations. Later, in 2003 Pak –China signed Preferential trade agreement (PTA), afterwards in 2006 this agreement was converted into a free trade agreement

(FTA). The First Free Trade Agreement between the two of nations was expected to increase the trade about \$15 billion in 2011, but the real picture was different and the trade fell short and was only about \$12.4 billion in 2013 (Ahmad, Shah, Kayani, & Kayani, 2013).

In banking sectors both the nations shared a long history of relationships as in 1951 Bank of China had opened its branch in Pakistan but unfortunately the India-Pak war of 1971 became a cause of inhibiting the operation of this economic venture. However, Pak China relationship in banking sector has resumed when in April 2008 Pakistan expressed its wish to launch its bank branches in China meanwhile dozens of contracts had signed regarding the cooperation in the economic and technical fields which was the result of the official visit of Pakistan's President Asif Ali Zardari to China. In 2010 Chinese president Wen Jiabo visited Pakistan and the host country invited China to open its bank branches in Pakistan and China also invited Pakistan to open branches of National Bank in China. Thus, in 2011, several agreements were signed including 22 agreements between private sector and 13 agreements at government level of total worth \$35 billion, a three year Currency Swap Agreement (CSA) was also signed in the same year (Kataria & Naveed, 2014).

Pakistan has constantly rest on China for need and support, and Pak-China friendship has proved unchanged all the time. One prime case of this happened in 2011 when US Navy fixed a struck raid compound in Abbotabad of Pakistan and murdered the Leader of Al_ Qaeda Osama Bin Laden. This depicted a negative picture of Pakistan to the world, China was at that time the main nation who demonstrated his fellowship with Pakistan and made assure that China will completely collaborate with Pakistan on war on terrorism (Khattak & Soherwordi, 2011).

During the state visit to Pakistan the Chinese priemier Wen Jiabao make Pakistan assure that China will support Pakistan in all conditions and circumstances. Pakistan also answered to China with

same signals and five-year expansion was given to the Chinese possessed firm chipping away at the Saindak Project in 2012. Another gem was added to the Pak-China friendship string when president Asif Ali Zardari marked four agreements during his visit to the summit of Shanghai Cooperation Organization (SCO). The visit of Chinese Premier Li Keqiang's to Pakistan finished up on consenting of 11 more agreements identified with the long economic participation on economic plan in 2013. The power generation ventures like Chichoki Mallian, Kohala hydro power project, Guddu power plant, Chashma atomic power plant and Karachi wind power venture were a piece of that arrangement. The year 2015 denoted the historical backdrop of Pak-China Relations as it was an essential instant for both the nations, the multibillion dollar project China Pakistan Economic Corridor (CPEC) was marked between the two, 51 MOU's were signed under this venture including collaboration in all fields, strategic, culture, economic and defense (Khan, 2014).

The deep-rooted history of Pak-China relations can be traced back from 1950 when Pakistan recognized China as an independent state. Since then both the countries are enjoying their bilateral relations in almost every field. Despite of having cultural and ideological differences both the countries never experienced any clash. China has provided technical and moral support in many critical situations e.g the Indo-Pak wars of 1965 and 1971. The long history of Pak-China proved that these two nations are not only good neighbors but good friends at all levels, that's why the friendship of two is today memorized as "deeper than the oceans and higher than the mountains".

Chapter 3

CPEC OPPORTUNITIES FOR PAKISTAN AND CHINA

3.1. Concept of Economic Corridors

Trade is one of the essential pillar of the nations and has a deep-rooted history (Avais , Sheikh, Mahesar, & Memon, 2016). Economic activities and transport always exist together. Transport corridors consist of multiple routes which connects the economic hubs within or across the countries. Upgrading the transport corridors and infrastructure further brings the investment to the country to develop different projects. Therefore, the transport corridors in specific region is established with better structure and administration which develops as an EC. Thus, the purpose of economic corridor is the integration of improved infrastructure along with economic activities like trade and investment in related sectors, it also includes the efforts to acknowledge the social and other results because of the increased connectivity through the economic corridors. As there is no clear definition of an economic corridor in literature, in general an economic corridor acts as a catalyst to increase the economic activities in a specific region or across the region. Thus, the economic corridor is the set of transport networks, communication facilities, human resources, energy networks and infrastructure. Trade facilitation and logistics services are the main substance in the development of an economic corridor (De & Lyengar, 2014).

The Economic corridors now gained a concentration worldwide and become a part of strategic change in many countries. Fundamentally, the Economic corridor is an economic project target of which is to increase the economic growth rate in a region. So, we can say that an EC is a developmental project aimed at increasing the rate of economic growth in a region in a certain period (Wolf S. O., 2016). An Economic Corridor joins the countries along a fixed geographical

territory and connects the economic hubs which are usually placed on urban landscape where greater number of economic resources and players are involved (Brunner, 2013).

Through the “One Belt One Road” initiative China is attempting to introduce a new period of economic integration along the broadness and length of Asia, Africa and Europe. These determined plans were first put into orbit by the president of China Xi Jinping in 2014 to relate china with all its neighbors in Asia and beyond including more than 60 countries. Xi Jinping has also focus this strategy in his both outside approach and domestic policy (Parker & Kennedy, 2015). The one belt one road initiative of China tends to create a free trade regime, aimed at providing the environment for regional cooperation that benefits all. This initiative of China is open to all countries for cooperation at regional and international level so that more beneficial results would be achieved (Zhiqin & Yang, 2016). China had announced a huge investment of 46 billion US\$ for CPEC and signed number of MOUs with Pakistan in 2015, the huge part of the investment would be invested to carrying out the energy related projects and transportation (Wolf P. , 2016). The analysts and experts consider CPEC as a great effort to increase the economic growth of Pakistan and to encourage the stability inside the country. It will also serve as a golden bridge for China as it will reduce the distance and China’s dependence on Malacca strait for passing Petroleum and Oil from Middle East to China (Zimmerman, 2015).

3.2. CPEC Projects Wise Budget Allocation

The Planning and development minister of Pakistan Ahsan Iqbal has said that priority is given to the energy projects under CPEC. Total of the 35% amount is invested in energy sector. Furthermore, he added that there should not be any discrimination against any province instead all four provinces would be given equal benefits and shares in CPEC (Zain, 2016). After signing the CPEC Project China has increased its FDI in Pakistan by investing in different energy and

infrastructure projects. Once these projects are completed and made functional it is expected that it will cut the energy short fall in Pakistan to the large extent. The work on different projects is already in progress and expected to be completed by the end of 2017, said the Planning minister of Pakistan Dr, Ahsan Iqbal (Rana, 2016). The Government of Pakistan has ensured that these projects will be functional till 2018 and will add 17000 MW of the total electricity to the national grid of Pakistan. Many of the CPEC energy projects will end the energy crisis from the country and Pakistan will trace the heights of prosperity (Ali, Gang, & Raza, 2016). Below is the detail of energy priority projects, energy actively promoted projects, infrastructure projects, and list of Gawadar related projects under CPEC.

Table 3.1 Energy Priority Projects

S.No	Project Name	MW	Estimated cost US\$ M
1.	Port Qasim Electric Company Coal Fired, 2x660,Sindh	1320	1,980
2.	Sahiwal 2x660 MW Coal Fired Power Plant, Punjab	1320	1,600
3.	Engro Thar Coal fired Thar, Sindh Surface Mine in Block B of Thar Coal field 6.5 mtpa, Thar	1320	2,000 1470
4.	Gawadar Coal/LNG Oil power project, Gawadar	300	600
5.	HUBCO coal power plant 1x660 MW, Hub Balochistan	660	970
6.	Rahimyar Khan Coal Power project, Punjab	1320	1,600
7.	SSRL Thar Coal Block I -6.5 mtpa Thar, Sindh SSRL 2x660 MW Mine MouthPower Plant, Sindh	1320	1,300 2,000
8.	Zongergy 900 solar park, Bahawalpur, Punjab	900	1,215
9.	Dawood 50 MW wind Farm, Bhambore, Sindh	50	125
10.	UEP 100 MW wind Farm, Jhimpir, Sindh	100	250

11.	Sachal 50 MW Wind Farm, Jhampir, Sindh	50	134
12.	Suki kinari ydro Power Station, KPK	870	1,802
13.	Karot Hydro power station, AJK & Punjab	720	1,420
14.	Matari to Lahore Transmission line		1,500
	Matari to Faisalabad Transmission line		15,00

Source: Ministry of Planning Development & Reform Pakistan (<http://cpec.gov.pk/energy>)

Table 3.2 Energy Actively Promoted Projects

S.No	Project Name	MW	Cost US\$ M
1.	Gaddani Power Park project (2x660MW)	1320	3960
2.	Gaddani Power Park Project (jetty+Infrastructure)		1200
3.	HUBCO Coal Power Plant 1x660 MW, Hub Balochistan	660	970
4.	Kohala Hydrel Project, Ajk	1100	2397
5.	Pakistan wind Farm III 2x50 MW(Jhampir, Thatta, Sindh)	100	150
6.	Thar Mine mouth oracle , Thar Sindh	13201	13001
7.	Muzzafargarh Coal power Project, Punjab	1320	1600

Source: Ministry of Planning Development & Reform Pakistan (<http://cpec.gov.pk/energy>)

Table 3.3 CPEC Infrastructure Projects

S.No	Project name	Length	Cost US\$
Road related projects			
1.	KKH Phase II (Thakot Havelian Section)	118	1305
2.	Peshawar Karachi Motorway(Multan-Sukkur section)	392	2846
3.	Khuzdar Basima Road N-30 (110km)	110	
4.	Upgradation of D.I.Khan- Zhob, N-50 Phase I (210 km)	2101	

TH: 18203

5.	KKH Thakot-Raikot N35 remaining portion (136km)	136	
Rail Sector Projects			
6.	Expansion and Reconstruction of existing Line ML-1	1872	8172
7.	Havelian dry port (450 M. Twenty-Foot Equivalent Units)		40
8.	Capacity Development of Pakistan Railway		

Source: Ministry of Planning Development & Reform Pakistan (<http://cpec.gov.pk/infrastructure>)

Through the CPEC project both the countries intended to build new infrastructure and upgrade the existing roads. These infrastructures and the networks of roads and railways will provide the easy access for the trade activities across the borders.

Table 3.4 CPEC Gawadar related Projects Detail

S.No	Project name	Estimated Cost (US\$ M)
1.	Gawadar East bay Express Way	140.60
2.	New Gawadar International Airport	230.00
3.	Construction of Breakwaters	123.00
4.	Dredging of berthing areas and channels	27.00
5.	Development of free zones	32.00
6.	Necessary facilitation of fresh water treatment	130.00
7.	Pak-China Friendship Hospital	100.00
8.	Technical and Vocational Institute of Gawadar	10.00

Source: Ministry of Planning Development & Reform Pakistan (<http://cpec.gov.pk/gwader>)

The Gawadar port is having much importance in terms of its location, as it lies at the mid of the Central Asia, South Asia and the M.E. The Government of Pakistan bought the Gawadar port from the Oman in 1958 but did not start work on it till 2002. China is the first country showed interest

in the port and started first phase developments in 2002. In 2013 by entering the CPEC Project China took administrative control of the port and started different developmental projects at Gawadar port. Analysts claim that the port is much important for china because of its strategic location as it provides access to the Indian ocean. The construction of rail network and other infrastructure projects under CPEC are the sign of prosperity for Pakistan as it will boost the economy of Pakistan and will reduce the unemployment rate in Pakistan. The current interest of China in this port is directed towards securing its energy needs and oil supply from the M.E. It's not just an economic hub for China but also a big asset regarding security (Ali G. , 2013).

Table 3.5 CPEC Special Economic Zones (SEZs)

S. No	Project Name
1	Rashkai Economic Zone on M-1
2	Special Economic Zone Dhabeji
3	Bostan Industrial Zone
4	Punjab-China Economic zone M-2 District Sheikhpura
5	ICT Model Industrial Zone Islamabad
6	Development of Industrial Park on Pakistan Steel Mills land at Port Qasim near Karachi
7	Bhimber Industrial Zone
8	Mohmand Marble City
9	Moqpondass SEZ Gilgit Baltistan

Source: Ministry of Planning Development & Reform Pakistan(<http://cpec.gov.pk/special-economic-zones-projects>)

As said earlier that CPEC is not just a project of developing energy projects and infrastructure but also a big venture of establishing special economic zones across the country that will benefit the Pakistan and help to reduce unemployment. Above mention are the detail of SEZs in Pakistan,

work on the projects will start on priority basis. Once these SEZs are made functional will boost the economic growth rate of Pakistan. Establishing such SEZs across the provinces of Pakistan is the sign of prosperity for the people of all the provinces.

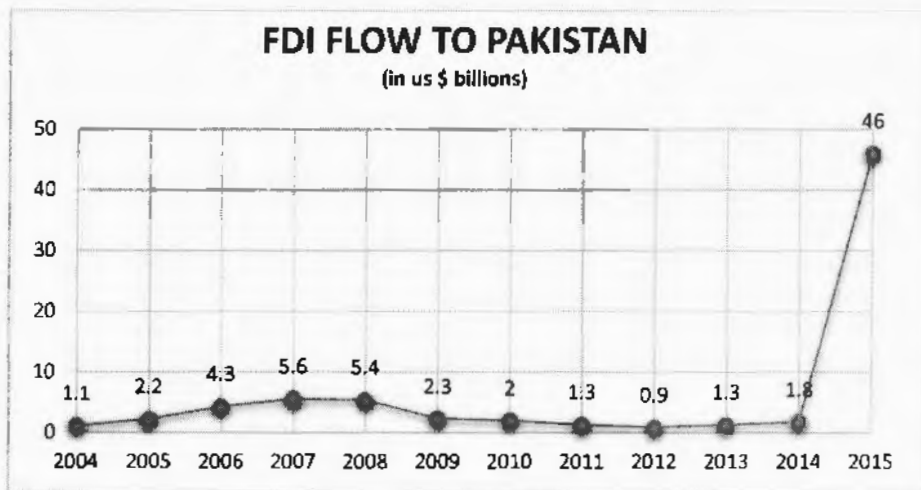
CPEC is not just a corridor of developing infrastructure and energy projects it also includes some other big projects along with these which include the laying of Cross Border Optical fiber from Kashgar to Gawadar will connect more people into this mega project as it will connect people through internet. In short we can say that the CPEC is a game changer project in the region. Along with the economic interest CPEC will also strengthen the people to people relations of both China and Pakistan (Khan, Farooq, & Gul, 2016).

3.3. Opportunities for Pakistan

April 2015 was the remarkable month in the history of Pakistan as China and Pakistan sign the big project of OBOR i.e. CPEC. China revealed its plans to invest a huge amount of 45.6 Billion US\$ in Pakistan to start a new era of cooperation that will benefit the two countries. Other than expanding the relations of two countries CPEC will benefit economically and strategically both the countries and the entire region (Sudha, 2015).

The question which is usually raised up by the people regarding the strength of CPEC project is that is there any advantage or benefits for Pakistan in this entire project or China for its economic purposes just using Pakistan? People who are against of CPEC or questioning the validity of CPEC have lack of research on the project. Although China will get more benefits from the project but that does not mean that Pakistan is not getting any advantages (Rafi, Khan , & Aslam, 2016). People who have the knowledge about the struggle and history of Pakistan can better understand the benefits of the project that this is a big opportunity and blessing for the people of Pakistan. The economy of Pakistan mainly depends on the agriculture sector and some other factors. As we have

noticed that the rise of terrorism in Pakistan sat a big threat to the security of Pakistan as well as the worsening situation of the energy department became a big problem in the way to development of industry in Pakistan. This situation caused the reduction of FDI in Pakistan, but now with the help of CPEC project the FDI flow is increasing and many projects are started under CPEC (Foreign Investment). The fig (3.1) shows the FDI flow in Pakistan from 2004-2015.



Source: Council on foreign relations <http://www.cfr.org/issue/economics/ri5>

(Fig 3.1)

The current investment of \$46 billion in Pakistan is the biggest FDI from China and has the capacity to make the future of Pakistan much better than now (Markery, 2016). Maximum amount from the investment is being investing in the energy sector. If Pakistan wants to see economic prosperity and victory it must understand its geographical location and the importance of the Gawadar Port. For example, the Jabel Ali port of the Dubai is considered as the busiest port of the M.E as this port has the capacity to deliver about 22.1 Million TEU by 2018. Dubai is not enriched with natural resources like its neighboring country Abu Dhabi so, Dubai's success mainly depends upon tourism, but it gets a lot of benefits from this port as it connects Dubai with the M.E and beyond the boundaries. Hence the real asset of Gawadar Port is becoming a transportation route

and a corridor, as Gawadar has greater capacity for transportation than Jabel Ali port of Dubai. Pakistan will reap the benefits from its strategic location on the completion of CPEC route.

Under the umbrella of CPEC China has promised to help Pakistan with the upgradation and construction of new roads from Kashgar to Gawadar, it also includes the laying of Optical Fiber from Kashgar to the capital of Pakistan. China has also dedicated to help the Pakistan in the construction of the Diamer Bhasha Dam as part of CPEC (Rizvi, 2013). The CPEC projects are divided into three stages, short term or priority based projects to be completed by 2017, the medium projects are expected to be completed by the 2025 and the long-term projects are expected to be completed by 2030. CPEC is important for Pakistan because of the social and economic condition of the country. Due to the rise of terrorism the internal situation is very weak and posed a big threat to the economy of Pakistan. The industrial sector of Pakistan is performing less because of energy crisis. While on the name of war and terror we loss 35% billion US\$ and the FDI is also decreasing due to the internal instability in the country. In this way CPEC could be a best option and opportunity for the failing economy of Pakistan (Khan & Khan, 2012). Below are some benefits which Pakistan will get after the completion of CPEC.

3.3.1. Infrastructure

The CPEC framework includes the advancement of infrastructure which includes the construction of roads, highways, railway network and ports. This joint venture of Pak-China will enhance the Pakistan's connectivity with all the countries in the region. This connectivity will eradicate all the hindrances and problems in the way to trade and will produce a sound economic condition inside the country as well as in all the related countries in the region. Once the project is completed Pakistan is expected to be get modernized by spreading out the business opportunities and markets for manufactured goods in the region. The adjoining territories to this corridor would become

particularly attractive areas for industrial, agriculture and ventures, small and medium industries would be more beneficiaries from this corridor (Kiani, 2015). It will likewise pull in entire region for economic and free trade assistance.

The modern transportation networks to be built under the umbrella of CPEC will link seaports in Gwadar and Karachi with northern Pakistan, as well as points further north in western China and Central Asia. A 1100 km long motorway will be built between the cities of Karachi and Lahore as part of CPEC, while the Karakoram Highway between Islamabad and the Chinese border will be completely reconstructed and repaired. The Karachi–Peshawar main railway line will also be upgraded to allow for train travel at up to 160 km per hour by December 2019. Pakistan's railway network will also be extended to eventually connect to China's Southern Xinjiang Railway in Kashgar. The estimated \$11 billion required to modernize transportation networks will be financed by subsidized concessionary loans (Abid & Ashfaq, 2015).

3.3.2. Overcoming Energy Shortfall

Energy is considered as the most important need of the nation for economic growth. Because of the over population and the industrial demand left a serious energy crisis in Pakistan. The real purpose behind this energy short fall is the political instability, the expanding demand for power and the lack of effective measures. No satisfactory answer for the issue has been found yet and it keeps on tormenting the people as energy is one of the essential necessities in this period of modern technology. Load shedding (power outages) are regular in each province of Pakistan particularly the significant urban communities.

The Water and Power Development Authority (WAPDA) and Karachi Electric Supply Company (KESC) have failed to address the issue that uncovered the disappointment of the planning of the state (Malik, 2015). CPEC is the perfect venture that will help Pakistan to overcome the power

crises. Energy accessibility in the country will recover existing businesses, for example, industry to full generation and expected to increase the Pakistan's GDP growth (Akram, 2015). The Chief Minister of Punjab, Mian Shahbaz Sharif said that China is stretching out awesome economic participation to the country and the government is endeavoring for settling the energy issues and various ventures with Chinese collaboration would begin generating electricity ("Chines investment to help eliminate energy crises", 2015). Pakistan's Planning Development and Reform Minister Dr. Ahsan Iqbal has said that the CPEC project comprises of four main parts and energy is on the top of the priorities. In the construction of energy projects total of 10,400 MW would be produced under the early harvested projects which would be finished by 2018. Overall in the energy sector the Chinese companies will set up \$35 to \$37bn in the FDI for Independent power generation as a part of the CPEC project that is accessible to all investors. The CPEC projects comes under the energy generation sector includes the wind, solar, coal and hydro power generation of 16,400 MW and additionally the transmission framework and would be situated in every one of the province and Azad Kashmir also. He additionally said China would set up 10 ventures of 6,600MW in the Thar Desert that would change this undeveloped and immature area into the energy capital of Pakistan and open economic gates for the people (Abid & Ashfaq, 2015).

3.3.3. Economic Development

CPEC would help Pakistan to make its economy stable and will create the new opportunities to recover its industry and accelerate the economic gains. This mega project will also help Pakistan to overcome the barriers in the flow of FDI from different sources. India despite of being a restrictive economic regime more than 150 private equity funds domestic and foreign are active. In Pakistan, few of the such equity funds are committed to contributing government with the

cooperation of private sector to increase the FDI in Pakistan which is a crucial thing (ping, Ahmed, & Ishaq, 2017).

The Finance Minister of Pakistan Ishaq Dar has said that the fear of war can be overcome through economic advancement. Peace can be achieved through the economic uplift. The CPEC in this regard will prove to be a giant project to uplift the economy of Pakistan as several projects are started under the umbrella of CPEC. This project will not only boost the national economies of the profiting states but also the economies of the general masses at the very lower level (Kiani, 2015). After the completion of the project it will bring out 27 industrial zones in the country which will give assistance to Pakistan's battling economy. The SEZs are not brought together to only one area, rather there are more SEZs made in the areas which are passing through the formative phase of development. Khyber Pakhtunkhwa will have the most noteworthy number of financial zones, eight, contrasted with three in Sindh, and one each in Islamabad and Gilgit-Baltistan. Punjab and Balochistan will have seven, and the main SEZ will be built in Gwadar. It will spread on a range of 3,000 sections of land and predicted that would be operational by the next year. Investment for these projects is from China and it's a part of China's dream of making an 'Oil City'. With the establishment of SEZs the existing industrial sector of Pakistan will be modernized (Subohi, 2015).

3.3.4. Removal of Poverty and Unemployment

The China Pakistan Economic Corridor is the game changer in the region which will lift large number of population out of unemployment and poverty. This joint venture will grasp the development in different sectors e.g. the industrial sector, the development of dams, installation of different energy projects, textile industries and the establishment of atomic reactors which will offer number of jobs for the people of Pakistan ("CPEC to benefit entire region", 2015).

This is the phenomena of the developing countries like Pakistan that the rapid population growth and unemployment occurs parallel. According to the report of UNDP (2015) Pakistan positioned at 147 out of 188 nations in term of Human Development Index and set in low human advancement nations. To come out of this situation comprehensive and reasonable economic development and decent work for all is thought to be the way to eradicate extreme poverty and hunger (Haq & Farooq, 2016). Given the present situation CPEC is the milestone to advance the economy of Pakistan. It is expected that CPEC will produce around 700,000 job opportunities between 2015 to 2030. Moreover, the infrastructure like roads, railways and highways will provide easy access to the local as well international markets, thus attracting the FDI investment that in return will enhance the productivity (Ramay, 2015) .

3.3.5. Prosperity and Peace in the Provinces

CPEC is not just a name of roads, railways, highways and energy projects rather it's a multi dollar project that will acquire prosperity and peace throughout the country. The administrator of the Gawadar port Dostain Khan Jamal Din said that CPEC would be very profitable for Balochistan as well as will prove to be profitable for the other provinces of Pakistan. Economic specialists analyse that CPEC would acquire greater success to the entire nation and would diminish unemployment from the country (Falak, 2015). Working of Gawadar Port will bring an economic revival in Pakistan and provide a best platform for business activities. There is no discrimination against any of the province, all provinces are given equal shares in the project. This would bring harmony among the people and will provide the easiest and cheapest transportation routes from one part to another part in the country (Jabri, 2015). CPEC in this regard is blessing for Pakistan and a big opportunity after a long time that China is investing such a huge amount for this corridor. The results would be watched very soon once the project will be completed.

3.4. CPEC Opportunities for China

Understanding why China is investing to such a great extent assist us to consider what China will pick up from this venture. China and Pakistan share an “all-weather friendship”, and Prime Minister Nawaz Sharif once said that the Pak-China connection is "higher than Himalaya Mountains, deeper than seas and sweeter than the honey" (Nasir, 2014). However, if China will put resources into such a major scale, the explanation for it is not emotional instead it is based on economic and strategic interests. The FDI of \$45.6 billion will be given to Pakistan as a business loan, which will be given back with fixed interests. Firstly, understanding the 'One Belt, One Road' activity and how it relates to CPEC is imperative. Second, why Gwadar is vital for China, the distance issue; then the issues of Malacca Strait pushed China to search for another and a more secure way to enter the Indian Ocean; and finally, China is taking these steps to give ocean access to its landlocked territory of Xinjiang. These are the reasons that why China is interested for the achievement of CPEC (Ministry of Foreign Affairs of the People's Republic of China, 2013).

3.4.1. China's One Belt One Road (OBOR) Plan

China arranged of restoring the memorable ancient silk route to connect it with European states, the Caspian region and the M.E once again in the 21st Century through the OBOR plan. Having an arrangement of making three corridors: the central, northern and southern which will go through the landlocked region of Xinjiang, it will associate China to Russia and previous soviet-states, Europe, and Pakistan (Shah, 2015). CPEC is an essential and inescapable part of China's One Belt and One Road plan.

At the point when the Chinese Premier, Li Keqiang, went to Pakistan in 2013, he started the CPEC project. Later, when Prime Minister Nawaz Shareef took the control, he visited Beijing to discuss and examine the prospects for the future project. In 2015, President Xi Jinping went by Pakistan,

and proclaimed that China will make investment of \$46 billion in Pakistan for China-Pakistan Economic Corridor, concentrating on helping the energy sector of Pakistan, and it is expected that these activities will be finished by 2018-2020 (Masood & Walsh, 2015). Energy is not by any means the only need here, since there will be a development of railroad tracks, and roads which will interface China's landlocked areas to the Gwadar port in Pakistan. It is trusted that the Gwadar port and the transport link amongst Gwadar and Kashgar is 'totally essential' for CPEC, generally 'no other economic activity' can be possible (Malik, 2016).

3.4.2. The Importance of Gawadar Port

Gawadar port is the most important part of the CPEC and it is expected that China will make the most important strategic point through the CPEC (Center for Pakistan and Gulf studies, 2014). Without Gwadar, it is difficult to imagine China putting resources into Pakistan on such a degree and because of it its energy supply from M.E will be significantly speedier since it will give a shorter course contrasted with a 12,900km route by means of sea. Access to Arabian Sea through Pakistan won't simply profit China, yet it will be additionally a possibility for landlocked nations in Central Asia to profit by the project (Gondal, 2016). CPEC will support the provincial stability in Pakistan since the course will go through each territory of Pakistan, which additionally implies the underdeveloped territories of Punjab, Sindh, Khyber Pakthunkhawa, Baluchistan, and FATA will have an opportunity to be developed quickly, and assume imperative part for the developing economy of the nation. In any case, the fundamental point here is that Gwadar will be the one end of the Corridor, and will give China's western areas an entry way to the sea (Khetran, 2015). For China, it gives differing qualities, security and upgrade of energy supplies. Presently, oil tanker takes around 20 - 30 days to reach to Shangai from Gulf, while through Gwadar, it is probably going to take significantly lesser time (might be not as much as seven days) and furthermore

maintain a strategic distance from choke points like Straits of Malacca and so on. In the strategic dimension, the port is probably going to serve China more than Pakistan, as it gives a land based oil supply port under a trust worthy ally (Raja, 2015).

3.4.3. Shortest Distance

It can be easily acknowledged that one of the main consideration for China in the plan of CPEC is that it will provide the shortest route for China for energy supply from M.E (Haider, 2015). It is expected that this venture will be more valuable for China and without the Gawadar port there is no point for CPEC to exist in any case (Mehmood & Hussain, 2016) . To see how Gawadar port will help China to reduce the distance, the table below will explain how it is beneficial.

Table 3.6 Distance saving of China (Gawadar vs Shanghai)

S. No	From	To	Vis Shangai (miles)	Via Pakistan (miles)	Saved (miles)	Saved %
1.	Central China	Middle East	11206	3626	7580	68
2.	Central China	Europe	17801	10928	6873	39
3.	Central China	Pakistan(Gawadar)	10601	3081	7520	71
4.	Western China	Middle East	12537	2295	10242	82
5.	Western China	Europe	19132	9597	9353	50
6.	Western china	Pakistan(Gawadar)	11932	1750	10182	85

Source: "Pakistan's potential as a transit trade corridor and transportation challenges", pg 268.

It can be realized with the help of table 3.7 that from Central China to Middle East, China will save 7580 miles, and more than 10,000 miles from Western China to Middle East. These numbers may look little on paper, yet they are unquestionably huge figures, which can have an immense effect on trade. Through this, China will meet an immense cut in cost and will save a ton of fuel also, yet the greatest component here is

time. The time saving will permit China to trade more significantly, and furthermore they will save more money for future economic ventures.

3.4.4. The Malacca Strait

The Strait of Malacca, which keeps running between Indonesia, Malaysia and Singapore, has been a noteworthy gateway for economic activities to and from Asia to the present day its importance is increasing. Its Strategic significance has made it a source of international contention from 15th century to this day (Hirst, 2014). From strategic and economic point of view strait of Malacca is the most important route for international transportation. The strait of Malacca is the primary transportation channel between the Indian Ocean and the Pacific Ocean, connecting significant Asian economies, for example, China, Taiwan, India, Japan and South Korea. It is estimated that more than 94,000 vessels go through the strait every year, carrying around ¼ of the world's trade commodities, Chinese manufactured goods and Indonesian Coffee etc. (Gordon, 2016). China is the world's second biggest purchaser and shipper of oil, and over 80% of its oil and 30% of regular gas imports goes through the Strait of Malacca (Bender & Rosen, 2015).

There are few reasons why China is looking for an alternate option; it is said that one of them is robbery, and the other is geo-political clash. Strait of Malacca is known as the 'world's new robbery hotspot', and around 1/3 of the trade items goes through this about 800km narrow strait, and any demonstration of theft would cost China a major hole in their pockets (Mewati, n.d.). Something else to notice is the geo-political concerns, that if a state or a non-state actor takes control of the strait, and choose blocked of the strait, it will influence China greatly by giving an immense hit to its economy and the energy sector. Hence, through Gwadar, China will have a shorter and more secure access to the Arabian Sea, and they will have the capacity to exchange a major share of

their oil import through that route, however at the end it truly relies on how much of it Pakistan would handle (Rakisits, 2015).

3.4.5. Industrialization of Xingjiang

If we see the map of China large portion of its industrialized and advance portion is its eastern locale and without no doubt it's because of eastern regions direct access to East China sea through which they access the Indian Ocean and Pacific Ocean. History reveals to us that the world's most trading cities i.e. Amsterdam, London, Istanbul, New York and so on; had big advantage of sharing their borders with sea. Today there is California, Dubai, Shanghai, Hong Kong and share borders with open sea and thus are the important part of the country and playing a vital role in the economic growth. The motivation to specify this to reveal some insight into different parts of China, which are less industrialized and urbanized, and the undeniable purpose for it is that it is landlocked and far from the east access (Khan, 2015). Another importance of CPEC is that the Xinjiang province of China shares borders with Pakistan from the northern areas of Pakistan i.e. Gilgit Baltistan and the route which will go to the Gawadar. What is going on here is that China's western regions, particularly Xinjiang, which is a "less-developed western part of China", will have an entrance to the Arabian Sea through CPEC. Additionally, if the venture experiences well and sound, Kashgar will see a quick development (Rong, 2011). One of the primary reasons why CPEC, or Gwadar to be exact, is essential for China is that it will associate its less developed western part with Persian Gulf and beyond for the commercial activities. Hence, if the venture go sound, it will bring urbanization and industrialization for the Xinjiang on a tremendous scale. On the other hand, it will develop like Shenzhen city, and give extraordinary boost to Chinese economy (Ijaz, 2016). It is possible that there are more opportunities for China covered up in this venture, however one might say that the above mentioned are on top of the need list. Basically, it will give China energy

security, and will permit the economic superpower to further progress economically (Ahmed, et al., 2016).

Chapter 4

INTERNAL CHALLENGES TO CPEC

4.1. Geography of CPEC in Pakistan

The enormous CPEC project will pass through the greater part of Pakistan beginning from the Kashgar in western china and ending in Balochistan meanwhile passing through some parts of Punjab, Sindh, Balochistan, Khyber Pakhtunkhwa and Gilgit-Baltistan in northern areas of Pakistan to come to the Khunjrab Pass and beyond to the China (Mirza, 2015). Pakistan has decided to construct the three routes after the dynamic meetings with the authorities in China; these are the western route, the eastern route and the Central route (Alam, 2016). The route begins from Gwadar, passing parallel to the Makran Coastal Highway towards Karachi, and after going through some parts of the interior Sindh, and southern, central and northern areas of Punjab it reaches to Islamabad. From where, it stretches out to Haripur, Abbottabad and Mansehra, some portion of this route will likewise be gone through Muzaffarabad, the capital of Azad Jammu and Kashmir and reaches to Khunjrab by passing through Diamer and Gilgit territories in northern Pakistan. The passage will likewise be gone through the Pamir Plateau and Karakoram mountains. A connection from Taxila through Peshawar and Torkhum will associate the eastern route to Jalalabad in Afghanistan (Ghumman, 2015).

The second proposed route is the Western route this was the original route construction of which is delayed by the government of Pakistan until the eastern route of corridor is completed. As per the plan of western route the starting point of corridor is Gawadar which will pass through some eastern and southern parts of Balochistan (Dera Bugti, Khuzdar respectively), and some parts of Punjab to reach Dera Ismail Khan of KPK from where it further stretches to Islamabad and

Abbotabad and from onwards the route is same as the eastern route. The western route additionally has another opportunity to link Afghanistan by passing through Chaman and will connect to Iran through the Kho-e-Taftan link of Quetta (Esteban, 2016).

The contention that a few sections of the nation are being denied of the passage's advantages might be valid temporarily, but in the long term every one of these urban areas will be associated with the corridor. Every provincial capital is included as hubs, the key foundations of CPEC on which it will be built. These hubs are at Peshawar, Islamabad, Lahore, Sukkar, Karachi, Gwadar and Quetta (Pakistantoday, 2015).

Fig 4.1 China Pakistan Economic Corridor Route Map



Source: www.pakistantoday.com.pk (7 August 2015)

4.2. Challenges for Pakistan

Despite of having a great geostrategic importance for both Pakistan and China, the CPEC is not without problems. It is encompassed by some grave challenges running from territorial security to the political discontent inside the different areas of country, hence Pakistan is confronting few problems in the implementation of the CPEC (Stevens, 2015). These problems can be distinguished as internal and the external challenges. The political turmoil, security circumstance and authoritative issues in the Pakistan are the obstacles in the way of effective finishing of the project. The development of the CPEC has been characterized by many as of having great importance because at the end Pakistan will take the position of economic hub in the region (Jaspal, 2016). This change in paradigm becomes the reason of stress for the adversaries of Pakistan inside and outside the region i.e. India, Israel and U.S are unhappy with this project. India considers the CPEC as thorn in its paw. India has started to work out on new strategy to hinder the project (Bhutta, 2015).

As Pakistan is a country having multi-party system and this is the big threat inside the country because all the parties don't reach on any common goal. Some political parties like the ANP, Baloch nationalists, and even PTI and JUI(F) has raised their reservations over the project. Complaints were being raised despite of the confirmations given by the cfederal government that this venture is going to provide equal and full. chances for all the four provinces to rise. Pakistan is facing various problems over this project (For Pakistan, 2015). After realizing the importance and opportunities of CPEC that how it will be imperative for Pakistan. It will be unfair not to address the challenges that will be confronted by Pakistan in the construction of such a big project as great things are not easy to achieve. Some of the challenges which Pakistan is facing will be discussed in this chapter.

4.2.1. Political Instability

Political Instability is considered as a legacy of Pakistan. The Pakistan People's Party government from 2008-2013 was the first to finish its five-year tenure in the history of Pakistan (Joshua, 2013). Before that and not long after the independence in 1947, Pakistan saw its first military autocracy which then turned into a propensity and even in the democratic periods, it couldn't make due for longer because of the powers vested in the hands of the President of Pakistan with the revision in the Constitution of 1973, known as Article 58-2b, permitting him to break down the National Assembly (Hashim, 2013). Political strength is truly vital for the accomplishment of CPEC.

Analysts are of the view that one reason behind Pakistan's economic destruction relates to its political shakiness since when a democratically chose government is evacuated abruptly, every one of the ongoing projects and activities taken by them stops too. This prompts to a gigantic misuse of assets, subsequently nothing leaves it. It is trusted that a change of government, which means the present government completing its term and another one assuming control, is more opposed to change its mind about to continue the project (Saleem, 2010). The political instability in Pakistan also caused policy inconsistency. The PPP government was the lucky to complete its five years tenure and power is transferred to the ruling government PMLN after elections of 2013. But the ruling government also faced a political turmoil shortly after assuming the power. The crises started when the leaders of two political parties Pakistan Tehreek-e-Insaaf and Pakistan Awami Tehreek lead by Imran Khan and Dr. Tahirul Qadri who want the current government to resign from office because they blamed the PMLN for rigging and corruption in the elections. The 22-day sit in by both sides made a gigantic disaster to the economy of Pakistan, generally around 547 billion (Sial, 2014). Then again in 2016 with unfolding of Panama papers PTI leaders alleged the PMLN for money laundering and want the PMLN leaders to the court for the fair trials of the

case, caused a political instability in Pakistan (Panama Case: London flats money trail in focus at SC, 2017). Hence anything like that in future can achieve a significantly more noteworthy disaster to the economy of Pakistan, which will again welcome another time of instability in the country. Therefore, for the accomplishment of CPEC and many other projects ongoing in country needs political stability.

4.2.2. Security Issues

Over the 69 years of history in Pakistan the thing that harmed the country the most on nearly every ground is fear based oppression or terrorism (Rana, 2015). Security fears are the most basic threat to the project and both Pakistan and China are attempting to meet these. Number of terrorist groups spreads from Gwadar to XingJiang like the East Turkestan Islamic Movement (ETIM), Tehreek-e-Taliban Pakistan (TTP), Lashkar-e-Jhangvi (LeJ), Daesh (ISIS), Balochistan Liberation Army (BLA), Balochistan Liberation Front (BLF) and the aggressor wings of some political parties are posing serious security threats to the CPEC. Some of these groups might not have a hostility with China itself but just want to attack the Chinese interests like the CPEC to succeed the Pakistan (Falak, 2015).

The external interference and support of American CIA, Indian Research Analysis Wing (RAW) and Israeli Mossad has been constantly helping the terror activists in Pakistan to create fear and undermine the Pak-China arrangement of building up the CPEC. In the previous couple of years, the terror groups hijacked and slaughtered number of Chinese nationals in Pakistan despite Pakistan's endeavors to give most ideal security (Baloch, 2015). The armed force has made a special force of 10,000 men named as Special Security Division contains 9 armed forces battalions, 6 paramilitary wings and the Pakistan Rangers and Frontier forces to secure the CPEC (The Express Tribune, 2017).

The Indian Prime Minister Narendra Modi on Independence Day of India (15 August 2016) has said that he was getting thanking telephone calls from the people of Balochistan, Gilgit Baltistan and Kashmir for raising voice to their problems (Jayanth, 2016). This left a big question mark for Pakistan, as this means that the RAW is actively working in Pakistan. Pakistani experts are of the view that the India's developing strategic activities in Afghanistan in the same year to cover the RAW agents attempting to destabilize Pakistan via preparing and equipping separatists in Balochistan (Zehri, 2016). Subsequently, most importantly the Balochistan circumstance is exceptionally sensitive and the administration needs to deal with this issue with full care, since the Baloch people have felt that they have been disregarded. With CPEC, a lot of development opportunities will take birth in Balochistan, making business openings and bringing an economic and social transformation for the territory.

4.2.3. Route Controversy among Provinces

Pakistan despite of being a kind nation confronting clashes among its provinces regarding the construction of CPEC route. The issue of route controversy emerges when government decides to build the Eastern route first (Bengali, et al., 2015). As mentioned earlier there are three routes to be constructed under CPEC. The Eastern route which mainly passes from the areas of Punjab and it is intensely criticized by the political parties of other provinces. Imran Khan the leader of Pakistan Tehreek-e-Insaf said that the choice of government to build the eastern first will bring animosity among the provinces in Pakistan (Express Tribune, 2015). Initially, the Western route was to be constructed first as this was the original proposed route of the project. This route covers mostly the under developed areas of KPK and Balochistan but the government decided to construct the Eastern route first as it is more secure and safe route than Balochistan and KPK.

The decision of constructing eastern route on priority basis doesn't mean that the government is ignoring the Western route as it will be constructed after the completion of Eastern route (Noorani, 2016) . Construction of the 55Km long motorway of Hlka D.I.Khan motorway project by National Logistics Cell (NLC) is a proof that government is not ignoring the Western route (National Logistics Cell, 2016).

One of reason behind the construction of Eastern route on priority basis is the security concern and to benefit the already developed industries in Punjab. Government's decision to change the route is that Eastern route would be more secure and safe for the labors and for trade activities once it will be started (Rana, 2014). On the other if government, would construct the Western route first it would bring economic and social prosperity for the people of Balochistan and KPK and would might decrease the destabilizing factors there. Furthermore, it is the trend that economic corridors need the shortest distance, if we consider this point the Western route is much shorter than the Eastern route but the government keeps on constructing the Eastern route first. This ambiguity that despite of being a shortest route among the three proposed routes the Western is not constructing on priority basis causes the political unrest and clashes among provinces and create hatred environment in the country (Chandran, 2016).

An annual Report prepared by the Balochistan government named as "CPEC: The Route Controversy" best defines the cost benefit analysis of the project. As per the report the Western route is 700 km shorter than the two other routes i.e. Eastern and Central route while the Eastern route is most costly in terms of land compensation because it will pass through the densely populated areas of Punjab and Sindh. But on the other hand, the Eastern route is more secure and hence the security cost is low as compared to the other two routes. If the decision of the construction of Eastern route is made on the grounds that the Central and Western route convey

security danger than there is the full chance that it will create an inter provincial conflict. Security measures are essential obviously, but it will be more profitable to provide jobs and opportunities to the disgruntled areas than bombardment with drones (Bengali, et al., 2015)

4.2.4. CPEC and Balochistan

Balochistan because of its strategic location is the most important province of Pakistan for which the government of Pakistan hopes well that it will become the world's most important trade route connecting the Gawadar port to the Kashgar of China (The Express Tribune, 2015). Unfortunately, the province has been encircled by some separatist and insurgent groups who don't want to see Balochistan flourish and have attacked many projects and Chinese workers. They have the fear of outsiders in the country that if the province develops and Gawadar Port becomes an economic hub it could threaten the province's demography and the Baloch people (The Economist, 2015).

The inter-Ethnic Sectarian clash is another important reason for the rebellion in Balochistan as though this was insufficient to keep Balochistan a tense area, debate over the CPEC has added more fuel to the burst. If we see the history of prior Balochistan related projects the CPEC is probably going to be more quarrelsome (Majeed & Hashmi, 2014). The leaders of the separatist movements in Balochistan are contradicting the project (CPEC). The prime example of this contradiction is the criticism by the leader of banned Baloch republican Party Braha, he additionally condemned the CPEC and projects at Gawadar and call for a UN supported plebiscite in Balochistan to decide its future. He asserted that the weapon and supports Pakistan take from the foreign countries for battling the terrorist groups were additionally being used against the peaceful struggle of the Baloch people. (Prakah, 2013).

We have seen the kidnappings of foreigners and killing of Chinese workers in Balochistan and the attacks of Baloch insurgents on the Chinese infrastructure of different projects. The construction of Gawadar port under Chinese administration is the new target of Baloch separatists who don't want to see Balochistan as a developed area. (Rizwan, Waqar, & Arshad, 2014). By doing this the Baloch insurgents want to disrupt the economy of Pakistan and challenge the government as they want Balochistan a separate land from Pakistan. Hence the main thing in this lawless situation in Balochistan is to handle this issue deliberately as the CPEC is a game changer project and the Pakistani nation can't afford to fall in the deception of these insurgent movements (Iqbal, 2015). At last the key indicator of CPEC accomplishment is in the hands of the Federal Government that to satisfy all the provinces and specially the Baloch political parties.

4.2.5. CPEC and KPK

CPEC is also opposed by some political figures in KPK which is a major challenge to this mega project. They provide explanation that these reservations are due to the changes being made in the route of the project by the government as it will redirect the advantages only to the Punjab. The Western route was the original route to be built from Gawadar to Khunjrab by passing through Mian Wali, Dera Ghazi Khan, Dera Ismail Khan, Turbat and Khuzdar (Dawn News, 2015). It is obvious that the Eastern route will mainly cover the areas of Punjab and some parts of Sindh. The political figures of PKP are of the view that the changing in the construction of route will isolate the country on this matter (Barber, 2014). In this regard the leader of KPK's Qaumi Waten Party Sikandar Sherpao has presented a resolution in the provincial assembly of KPK which was accepted by all the parties. In the resolution, he stated that the change of route is the complete injustice with the people of KPK who already have suffered from terrorism (Khattak, 2016).

The political parties of KPK believed that the Western route will bring prosperity and development in the region as it mainly passes through KPK and FATA while the change in the original plan of route these regions will remain undeveloped and ignored. Lack of political consensus on the matter would be the big threat to the execution of CPEC. Some nationalist parties in the country also showed reservations on the CPEC route asserting that the construction of Eastern route will redirect the advantages to the Eastern region and denying the western part. Since the claims made by these failed to meet the certainties on the ground, the governments from the both sides have mutually attempted to comfort the worries, by cooperating with the political parties that are making the allegations (Pak China News, 2016).

The eighteenth Amendment to the Constitution of Pakistan has transferred various powers to the provinces which has reinforced the province but this is again a challenging factor for government regarding the ongoing consensus on CPEC. The under developed areas of KPK and Balochistan have showed their reservations over the proposed route that might hinder the successful finishing of this project. Besides this the security concerns in these territories are the other obstruction towards the smooth functioning of the project (Tunio, 2011). Inability to address these intensifications will keep on affecting the proposed Corridor. There is a need to acquire political amicability in all the provinces of Pakistan, as at present situation this is important when the country is going to take part in the race of economic development and regional integration

4.2.6. CPEC and Gilgit-Baltistan

Gilgit-Baltistan (formerly known as Northern Areas) due to its strategic location plays an important role to unfold the Pak-China economic corridor (Mir, 2016). CPEC being a mega economic project consists of highways, communication networks, roads, pipelines and energy projects connecting the Chinese territory XingJiang to Pakistan's Gawadar port passing through

the mountainous region of Gilgit-Baltistan. Therefore, Gilgit-Baltistan is the gateway to the CPEC (Umar, 2016). The area is under Pakistani administration since 1947, but have no legal rights in the constitution of Pakistan. Practically Gilgit-Baltistan is the part of Pakistan but have no recognition in the constitution of Pakistan. One can say that the relationship of Pakistan with GB is undefined (Iqrar, 2016). Also, the Pakistani constitution is not perceiving Gilgit-Baltistan as part of the country.

In result, the general population of Gilgit-Baltistan have no citizenship and political rights. Confronting highly developing hostile attitude to Pakistan suppositions, the government of Pakistan has finally decided to uplift Gilgit-Baltistan by giving some political rights i.e. the Gilgit-Baltistan Empowerment and Self-Governance Order (GBESGO). This Self-Empowerment order renamed the region from Northern areas to Gilgit-Baltistan and give it a province like status (Bansal, 2008). This legitimate structure accommodated the foundation of Gilgit-Baltistan Legislative Assembly (GBLA). Despite of this Self-empowerment rule it stays as an insufficient establishment since the power is amassed in the Gilgit-Baltistan Council, which is headed by the Prime Minister of Pakistan. Thus, it will keep on controlling all official and administrative activities.

Subsequently, the general population of Gilgit-Baltistan are prohibited to take part in any decision making, particularly the one with respect to the CPEC project. Therefore, the criticizers are asserting that the GBESGO was "intended to give the impression of self rule" and it is only an endeavor to quiet the resistance in GB and to satisfy the international community (Sering, 2010). Now a days the region is gaining media coverage due to the implementation of CPEC. Being central to this corridor GB should be a major benefactor of the project, but the reality is quite different as the people of GB has no say in the project.

The name of this area is seldom specified in the announcements made by government with respect to the China-Pakistan Economic Corridor (Jalil, 2016). The only project proposed for GB is widening of the KKH and eight other projects but they are only confined to the paper work. The GB government has raised its voice over the CPEC share to the region but the federal government turned blind eye to this issue. The people of GB are already angry with this communication gap between the Federal government and Gilgit-Baltistan because it creates a confusion regarding the CPEC projects (Shigri, 2016). It is alarming for the Pakistan to address the issues of its native if want the smooth functioning of this project. If this project caused debates and sense of being ignored it will close this golden opportunity for Pakistan to boost its economy.

Furthermore, the disputed status of the region also posed a big threat for Pakistan in the implementation of CPEC. Hence Pakistan is facing pressure from China demanding a legal cover for implementing CPEC over this area. China is demanding from Pakistan to declare GB as its fifth province so that CPEC could work smoothly in this area without any claim from regional players like India (Ahmed, 2016). Moreover, lawfully retaining Gilgit-Baltistan into Pakistan would oblige Islamabad to move far from its decades-old position of supporting a plebiscite in all areas of Kashmir. It would include Islamabad trading off on its bigger Kashmir plan and be viewed as a selling out of the "Kashmiri cause". Subsequently, regardless of whether to make Gilgit-Baltistan as Pakistan's fifth province won't be a simple choice for Islamabad. While India would question at first to Pakistan's formal mix of Gilgit-Baltistan, the move could open up a chance to settle the Kashmir debate with Pakistan (Malik, 2017). The Gilgit-Baltistan is very important to the prosperity of CPEC project as is Balochistan. Confusion and questions with respect to Pakistan's control over the area are making Pakistan and China anxious, particularly with regards to India affirming its rights over Gilgit-Baltistan. The rewards of the CPEC venture are

tremendous. As a previous Indian foreign secretary state that " there would be no CPEC without Gilgit-Baltistan (Sudha, 2015).

Chapter 5

REGIONAL CHALLENGES TO CPEC

5.1. Regional Integration

Regional Integration is a process which connects the different countries with an aim to accelerate the economic activities by developing infrastructure, transportation and communication networks in a specific region (Moon, 2002). Regional integration allows nations to cooperate in different areas ranging from political to economic, social to environmental and defense, but the cooperation always begins with an economic interest than encircle the other areas (Amir, 2016).

Regional integration in the modern world is important for states to prevail peace in a region. As we see today the world is quickly shifting towards multipolarity where regional integration is necessary for the regional peace. In the globalized world, the crises in any region of the world whether they may be political, social or economic can easily cross the borders and reach the next country, so this require regional integration of states because the integration is the only solution to the crisis management in a region (Liepach, 2016). Regional Integration can be best achieved by cooperating primarily in economic fields by creating transport and economic corridors. The concept of economic corridors is gaining much importance in the South Asia to enhance the regional connectivity. As the South Asian economies are worlds under developing economies facing critical issues largely due the corrupt governments, social problems, low rate of literacy, low living standards, poverty, less connectivity with the regional countries so, the regional integration is important for the member states in the region.

As mentioned earlier the integration mainly starts with the cooperation in economic field, in the legacy of this concept the construction of Economic Corridors in South Asia is the latest

phenomena the prime example of which is the China Pakistan Economic Corridor (Javaid, 2016). CPEC is a huge project of China's One Belt One Road policy which will connect China and Pakistan at Gawadar Port. The project is not only beneficial for two countries, instead this will result in a tremendous regional integration among the South Asian states. By allowing China access to the Indian Ocean it will also connect the landlocked countries like Afghanistan and Central Asian Republics by providing the sea access through Gawadar port, that's why this economic collaboration of Pak-China is considered as the mile stone in the regional integration of South Asia (Ghouri, 2015).

The regions which would be connected through CPEC are South and Central Asia states, Afghanistan, Iran, China and the Middle East which have huge assets of oil, gas and hydrocarbons and producing the most important agrarian items i.e grains and cotton as compared to the other countries in the world. The region does not require any Marshall Plan but rather needs sincere leadership and effective strategies by the regional governments to keep combine the states by supporting regional and inter regional economic and other developmental activities. Along with the political and economic integration it is necessary to establish a peaceful environment and interdependence in the region for smooth functioning of the exchanges among the countries (Khan & Marwat, 2016). The successful transformation of the resources in to sustainable economic development requires the efforts and coordination among the variety of stakeholders in the region.

China Pakistan Economic Corridor will provide the strong connection between the resource rich and resource hungry areas in the region. The regional connectivity provided by the CPEC will further link the demand and supply chain in the region and thus it brings down the cost of combine commercial activities across the borders and will also increase the FDI in the region (Batra, 2013). CPEC offers a kind of regional integration that is beyond of the simple trade or an economic block

in the region. The regional economic integration offered by CPEC in the world of multipolarity will connect the countries through different channels among the developed economies and developing economies with a larger freedom to follow their independent foreign policies. Thus, CPEC offers an open regional integration model rather than closed regionalism which discriminates the extra regional or non-state members and bounds the access to regional states markets.

In the open regional integration form of CPEC there is no discrimination among the regional and extra regional members (Niekerk, 2005). CPEC is expected to be the best supply chain in the huge demand and supply market in the region by connecting the poorly connected areas of the Central Asia, South Asia, Afghanistan, Iran and China. Ultimately CPEC is the mile stone in regional integration and it would provide the platform for the regional emerging economies i.e. India and china to access the markets in other states to maintain their economic growth rate (Ahmad & Ghani, 2007). Pakistan expects CPEC a driving force behind the regional integration by connecting the regional countries and economies through its land by making it a hub or channel for international and regional trade (Stokes, 2015). Apart from all the benefits and gains provided by the CPEC to its members and connected regional countries it is not free of cost and challenges. There are number of challenges at regional level CPEC faces other than the internal challenges. Most of the threats at regional level comes from India and its engagement with other states like Iran on Chabahar Port to counter the CPEC project.

5.2. The Emerging Regional Scenario

India and China being the emerging economies of the region are in a fight against each other for natural resources and balance of power. China's inclined behavior towards India's rival neighbor Pakistan is alarming situation for India. The New Dehli is worried about the ambitions of China in

form of CPEC through which China is going to strategically encircle the region (Patrick, 2010). Since the announcement of CPEC project in 2015, India is in a race with China for gaining power. As the China Pakistan Economic Corridor is an interruption in the way to India's strategy of "Connect Central Asia". Additionally, China's expansion to the Indian Ocean crates extreme anxiety in India. U.S also has turned its eye towards Asia to contain China's influence in the region and supports India for playing against China. Furthermore, India start to cooperate with Iran and Afghanistan and signed mutual agreements to strong its grip over the region to connect with the Central Asian Republics (Ahmed, 2016).

In the coming years, CPEC will radically change the overall geo-political and strategic landscape of Asia and has enormous potential to reshape the economic outlook of the regional states. Yet the idea of putting CPEC into its real meaning is still confronting the challenges by regional and some extra regional players as they have a critical eye towards this project and consider it as a threat to their interest in the region (Butt & Butt, 2015).

5.2.1. CPEC and Afghanistan

For a landlocked nation like Afghanistan, CPEC in a geo strategic sense is of vital importance. With the expansion of CPEC to Afghanistan, the nation can be a noteworthy recipient as in future the passageway will add to the financial advancement of this weak nation by improving monetary exercises in the region, which can take the subtle economy of Afghanistan back to regularity. For it, Islamabad guaranteed to build 265 km long motorway between Peshawar and Kabul to connect Afghanistan with CPEC. This association will coordinate Afghanistan with different areas and furthermore permit her to begin business exercises through Indian Ocean (Tahir, 2015). Furthermore, the western and eastern routes of the corridor will give extra network to connect Afghanistan and Pakistan through enhanced roads and motorways.

Once the network of roads and motorways is finished, it would not just encourage and empower trade activities instead it will enormously help in diminishing the distance and thus ultimately lessening the travelling time between the two countries(BBC, 2015). The ambassador of Afghanistan to Pakistan Dr Omer Zakhilwal has said that the people of Afghanistan are craving for the socio-economic development of the country and CPEC is relevant to Afghanistan for its development. The Afghan diplomat further added that by becoming a member of the project Afghanistan can recover the economic damages made by the decades long wars (Khattak, 2016). Although there is no big threat from Afghanistan to the CPEC as the project is much important for the development of the country but some regional and extra regional players like U.S and India are trying to derail the project. India is worry about the China's involvement in the region through CPEC that's why India is trying to divert the attention of Afghanistan from CPEC to the Iranian Chabahar port, however this port is of low capacity to bear the commercial activities between the Central Asia, Afghanistan and Middle East (Rizwan, 2016).

5.2.2. CPEC and Iran

At first, the CPEC confronted resistance from Iran who saw it to be an opposition and is working with India to build up its port of Chabahar. As of late September 2015, Iran has considered choices of interest in the CPEC, the point being to enhance availability through roads and railroad systems to extend the extent of trade and transportation (Kumar M. , 2015). Uplifting news for Iran is that as a major aspect of CPEC, China and Pakistan will develop the Liquid Natural Gas (LNG) terminal at Gwadar and the 700 km long pipelines to import LNG from China which can turn into the Iran-Pakistan pipeline. All that Pakistan needs to do now is to connect Gwadar with the Iranian boundary, which is a separation of around 80 km. The proposed Iran-Pakistan pipeline will then keep running from Asaluyeh in Iran to the Port of Gawadar in Pakistan which is the operational

hub of the CPEC and from that point ahead to Nawabshah in Sindh toward the north of Karachi (Dawan, 2017).

Thus, Pakistan can turn into the transit hub for an Iranian gas pipeline prompting China. It would likewise be the shortest way connecting China with Iran's huge gas fields. At present, the trilateral of Pakistan-China-Iran' in the region is enhancing which is a positive sign for CPEC as it guarantees to promote the regional integration and inter regional trade (Abbas, 2016).

5.2.3. CPEC and India

India is frightened by China's developing foot prints in Indian Ocean and South Asia. The maritime closeness of China at Gawadar port posts grave threats to India. The former diplomat of India Phunchok Stobdan explained that the Pak-China plan to establish the corridor for financial reasons, as well as it is driven by the vital expectation of assaulting India. He additionally state that India can do little to abandon CPEC, and that staying away from CPEC would be the disadvantage of India (Stobdan, 2017). The Chinese Premier rejects the worries of India by depicting that the primary focus of CPEC is "business extend" and no other country is on the target (Rumi, 2015). Indian Prime Minister Modi's visit to China uncovers a desire where he talks solidly against the some parts of CPEC going through Azad Jammu and Kashmir particularly the Gilgit Baltistan area. He terms that the CPEC idea is unacceptable. India, on a few events, expresses that she will go to any lengths to upset CPEC (Rana, 2017).

Arrestment of the Kulbhushan Yadav, a spy from India's Research and Analysis Wing (RAW) in 2016 proves that India is executing its plans in Balochistan to undermine the implementation of CPEC. The previous defence secretary Gen (retd.) Alam Khattak affirms that RAW has built up a unique cell at its Head Quarters in New Delhi to undermine CPEC project and the arrangement is done by means of Afghanistan (Haider, 2016).

On India's Independence Day celebration in 2016, Prime minister Modi accepts that RAW has connections with Baloch separatist leaders. The expanding diplomatic activities of India in Afghanistan also aims to destabilize Pakistan via preparing and equipping the separatists in Balochistan. India is additionally troubling about Russia's generally expanding enthusiasm for CPEC because its key centrality for Eurasian incorporation (The Indian Express, 2016).

India expected Iran as a next best alternative after Pakistan's rejection of India's entry for travel to and from Afghanistan. A trilateral understanding between India, Iran and Afghanistan was additionally marked in which India chose to contribute \$85 million for the development of the Chabahar port, a couple of miles far from Pakistan's Gwadar port. While bypassing rival Pakistan, Chabahar will likewise be utilized an entryway to Middle East, and possibly Europe, for exports coming from Afghanistan and Central Asia (Sahi, 2015). India on the other hand is also engaged in the Central Asian countries to full fill the energy needs (Malik, 2016).

What's more in the CPEC is that it will have an instant land route access to the Central Asian countries with Afghanistan and Iran which India does not have. In this way India, the regional player of South Asia, is noticeably annoyed with the arrangement of CPEC and has clearly voiced its resistance on various platforms (Hussain, 2017). The prime example of which is that PM Modi during his official visit to China demanded China to drop the CPEC plan as it is threat to India's supremacy in the region, however the Chinese government is enthusiastic about the CPEC and has determined to go ahead with the plan. This induce India to search new regional partners to counter its rival state Pakistan and thus India has made partnership with Iran, Afghanistan, CARs and some extra regional countries like U.S and UAE (Hanif, 2017).

5.2.3.1. India-Iran Partnership

An essential step taken by India to reduce the value of CPEC project is to construct Chabahar port in the southeast of Iranian land, found 72 km west of Pakistan's Gwadar port (Kaura, 2015). Presently the sanctions on Iran due to its Nuclear Program are lifted by the international community that's why the collaboration between India and Iran has clearly expanded. Other than the important agreements signed between India and Iran the Modi Government is ready to invest U.S \$ 85 million in building up of Chabahar Port in Iran (Bhattacharjee, 2015). Through this way India wants to get access to enter the landlocked Central Asian countries and Afghanistan where it has grown strong security ties and economic interests. India has helped Iran and funded for infrastructure to setup this seaport which holds strategic interests for India as its nearness in Chabahar will counterpoise Chinese presence in the Gawadar Port (Sukumar, 2017).

5.2.3.2. India-Afghanistan Partnership

Another advancement which made India worried is China's expanding role in Afghanistan as it is providing funds for the construction of many projects in the country. India which has put resources into Afghanistan and is concerned to assume a key part there, is currently receiving political and strange strategies to crash the improvement of the CPEC route (Haidri, 2015). Despite of knowing the fact that CPEC can open shortest trade routes for both India and Afghanistan, India is not happy with the project. The geo strategic location of Pakistan makes it expensive for both India and Afghanistan to take up different routes for conducting trade bilaterally. The substitute route for India-Afghanistan trade activities can be helped through the Chabahar Port of Iran however that route would be costly as compared to the land based route through Pakistani Gawadar Port. Thus, because of this geographical interdependence at present India needs to relax its rigid nature keeping

in mind the end goal to finish lasting barrier between economic collaboration and to give Afghanistan a chance to get the advantages of CPEC (Gupta, 2016).

5.2.3.3. India UAE Partnership

Another nation appears to be depressed with the opportunity of CPEC is UAE. It's an undeniable fact that Ports play fundamental role in the economy of UAE and once Gwadar port turns out to be completely operational it will directly influence Dubai port, which can lose somewhere in the range of 70% of its business (Todorova, 2015). Besides this the relations between Pakistan and the UAE has been influenced by the Pakistan's refusal to send troops to fight Houthi revolts in Yemen along with the UAE and Saudi Arabian troops. These variables forced UAE to scan for new strategic ally against Pakistan and India is on all accounts a clear alternative. In any case, UAE must understand the reality that the Gawadar port and CPEC are not for longer period disadvantageous for UAE. In future, if UAE make interest in the development of Gwadar, it can create tremendous benefit for it (Bhattacharjee, 2017).

Despite of this if UAE agrees with India to stop the development of CPEC, will disjoin UAE's relations with Pakistan. Modi's visit to UAE in mid-August 2015 resulted in an agreement with the aim of achieving the objectives of \$75 billion by constructing roads, rail rods, airports in India. Additionally, they consented to encourage the cooperation of Indian companies in UAE and agreed to cooperate in energy sector (Bhutta, 2015). Furthermore, as India does not appear to be happy with the handing over of Gwadar Port development and its operations to China because of its security concerns, in this way, there is probability that India-UAE relationship will attempt to destruct the Gawadar Port development by supporting militants in the resource abundant area of Balochistan (Ahmed & Fatima, 2015).

Chapter 6

CONCLUSION AND RECOMONDATIONS

China Pakistan Economic Corridor is the part of Chan's "One Belt One Road" Initiative, a game changer for the region. The main aim of the project is economic development, common good and security to energy but has some strategic and political implications. With a great strategic importance CPEC is an asset for both China and Pakistan coupled with great opportunities as China will get access to the Indian Ocean and beyond the Europe. Along with benefiting the China and Pakistan the project is more beneficial for the regional integration and prosperity.

On the completion, this project has the capacity to speed up the economic engine in the region and would help to stabilize the struggling economy of Pakistan by developing the infrastructure, energy projects. The project will provide the employment opportunities for the under developed province of Pakistan especially the Balochistan and KPK and the western region of China in XingJiang. On one hand CPEC has started the new era of cooperation among the regional members in which the regional states can get the chances of promoting their commercial activities through this super venture, but on the opposite side this has also increased the probability of conflict among the regional states on their different interest.

The increasing aggression of the India over this project is alarming situation for both china and Pakistan. India in its efforts to hinder the project has made its relations strong with Iran, Afghanistan, Central Asian Republics and the U.S. India is engaged with Iran on developing Chabahar Port against the Gawadar Port and its influence in the Afghanistan is the sign of its opposition towards the project as India is worried about the Chinese influence in the region. Despite of the opportunities, challenges posed by the regional players are a serious matter of

Concern for both Pakistan and China to develop the project smoothly. In this changing regional scenario Pakistan and China should be prepared to react to the changing regional flow skillfully and act in harmony to make the project successful. In this regard, some suggestions have been made as under:

- Pakistan should pay attention to the reservations of the people of KPK and Balochistan over the proposed route and the security situation in these regions. The CPEC opportunities will remain subtle unless peace is achieved in the region because it is the peace which brings development in the region. In this regard consensus among the political parties is required to gather on common agenda to fully extract the benefits of CPEC. Additionally, in its foreign policy Pakistan should keep a balanced approach both towards the western neighbors and the China.
- China should invalidate the impact of other powers in the region like U.S to increase the cooperation between China and South Asian states. What's more in this game is that India may attempt to endeavor its relations with U.S to incur harm to the CPEC project. So, the bottom line here for China is to help and support the South Asian countries economically, because politically and economically stable region and firmly connected with it China can keep up and extend its economic impact on the entire Asia and Africa.
- . Pakistan and Afghanistan should stop blaming each other for border terrorism and security challenges and needs to review their policies once at least. The ultimate aim of both countries must be like that they should stand up together to resolve the issues bilaterally to get the CPEC opportunities. Afghanistan, due to its strategic location very important for both China and Pakistan as it is a bridge that links other Asian states in the region. So, for the smooth implementation of CPEC stability and peace in Afghanistan is required. With

respect to the current rising economic scenario in the form of CPEC it is important for both Afghanistan and Pakistan to join hands for the economic development of the region and this requires participation from both the nations.

- India should lighten its aggression towards CPEC, because it can also get the benefits produced by this mega project in the region. As India wants to get access to the Central Asian Republics to expand its markets for trade but the problem is that both Pakistan and India because of their rivalry and mistrust on each other can't lighten up their policies. The bottom line here for both the nations is that they should resolve their issues through talks for the maximum benefit for more people in the region. CPEC can be stretched out to the India also through the Punjab and Kashmir also which will turn the mutual security danger doubt to the profit. Besides, CPEC also can quickly finish the India-Iran-Pak gas pipe line to satisfy the energy needs in the region.
- China and Pakistan should adopt a sensible strategy towards Iran by including it into the project that will eventually profit and reinforce the position of Pakistan and China. At the present changing regional scenario where Iran has continued its economic relations with the world after the Nuclear deal, is also engaged with India in the development of Chabahar Port. The incursion of Iran into this project would also economically improve its Sistan Balochistan province by increasing the trade volume with Pakistan and China. Hence, directly the requirement of Pakistan is to consider the worries of Iran particularly if it needs to balance the Indian influence and wishes to satisfy the old dream of Pak-Iran gas pipeline.
- Pakistan and China should convince the Central Asian states to remain strong with the projection of CPEC. As all the landlocked Central Asian Republics warmly welcome the

CPEC project. Furthermore, Pakistan and China should effort for joint exhibitions to further advance the trade and strategic connection.

- Pakistan and China should reduce the resistance for CPEC which may originate from the Russian side as it has control over the region and dislikes to change its position. Pakistan should also find a way to have close terms with Russia to pick up the confidence of Russia for implementation of CPEC which may help in invalidating the U.S hegemonic outlines in the region which clearly conflicts with the Russian interest.

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