

CPEC: PAK-CHINA ECONOMIC CORRIDOR VISION 2025

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ABSTRACT

The objective of this study is to examine the Pak-China Economic Corridor Vision 2025 in the broader context of Pakistan China relationship. The China-Pakistan Economic Corridor is an extravagant development project. It is a trade route from China to the world through Gwadar Port. It will be assessed as to how in the next 25 years, the CPEC will benefit Pakistan and China. This study will attempt to find the answers to some of the pertinent questions around which the central theme of this paper revolves. This study will focus on the proposed benefits for Pakistan and China. It will assess and foretell repercussions of the Gwadar Port that will have an impact on the whole world. Pakistan is attempting to strengthen its position on the global stage to win the race of development against time. Pakistan wants to achieve this objective through operations of the Gwadar Port and association of Pak-China economic corridor with the CAR states. This may only happen if both countries make wise decisions concerning who should be involved in the plan to reduce any risk of failure. The contrasting ideas between India and Pakistan's agreement on "No First Use" could not possibly be the greater risk. CPEC may develop Pakistan's nuclear capability, which may then revive India's nuclear threat. China-Pakistan Economic Corridor, a mega-development project signed between the two countries is considered to be a "game-changer" on economic and geostrategic grounds. The Pak-China Economic Corridor will usher the bright economic future of Central Asian Republics.

Keywords: CPEC, Gwadar Port, CPEC Vision 2025, Central Asian Republics

INTRODUCTION

China-Pakistan Economic Corridor is an extravagant development project. In reality, it is a trade route from China through Pakistani Port in Gwadar. CPEC Project was established on 18 February 2015 in the aftermath of the meeting of Chinese Premier Li Keqiang with Pakistani President Asif Ali Zardari. It was decided to enhance mutual connectivity in a Memorandum of Understanding between the two governments. In November 2014, the Chinese government had announced its intention to finance Chinese companies as part of its \$45.6 billion energy and infrastructure projects in Pakistan as part of the projected CPEC agreement. After a series of meetings and MoUs signed by China and Pakistan, Gwadar Port was built for an operational kick-start to implement the Pakistan China Economic Corridor project. Gwadar is an underprivileged town of Balochistan province of Pakistan. CPEC will not only benefit China and Pakistan but will have a far-reaching impact on Iran, Afghanistan, India, and Central Asian Countries. Since the western countries have surplus products, the center of trade has shifted much to the eastern part of the world providing an opportunity for Pakistan to expedite its development through the CPEC.

CPEC Vision 2025

To understand the future vision of the CPEC mega project, an in-depth knowledge about the nature of this whole new idea and the vision of the CPEC is necessary. It aims to lead Pakistan from a lower-income to a higher-income country by pushing current GDP from \$1641 to \$4200. The CPEC promises to double today's GDP over the next decade

The MoU on China-Pakistan Economic Corridor was officially signed on July 13, 2013 to bring a gradual uplift of 4.5 billion people from Asia. The future of CPEC is only in the hands of the cooperative partnership that lies between China and Pakistan. The spirit of trust and friendship is the best ingredient to generate development in bilateral and geographical contexts.

Problem Statement

The purpose of this study is to assess as to how Pakistan will emerge from a lower-income to a higher-income country by raising its GDP up to 2025. Another problem is to find out how the economic growth of Pakistan will accelerate to meet the demands of CPEC Vision 2025. We will

endeavor to discuss the Chinese policy about CPEC's projects. Another important part of this discussion is to analyze the U.S and Indian nuclear policies that may affect the progress of CPEC

OBJECTIVES OF THE STUDY

1. To examine how the CPEC Vision 2025 will accomplish the dream of regional connectivity. By 2025 it is envisioned that the Port of Gwadar will become a hub for trade relations between China, Pakistan and other countries of the world
2. To discuss the trade logistics, telecommunication, trade facilitation of CPEC at Gwadar Port. CPEC could also invite other countries such as U.S, Japan, Australia to become the trading partners and to achieve regional prosperity.
3. To investigate how the positive image of Pakistan will increase at the international level through CPEC. Once Pakistan and China are connected with Central Asian Republics new job opportunity for millions will be created.

RESEARCH QUESTIONS

1. Will CPEC Vision 2025 bring regional connectivity?
2. What will be the advantages of CPEC Vision 2025 through Gwadar Port?
3. Will CPEC enhance Pakistan's nuclear capabilities to counter the Indian nuclear threat?

SIGNIFICANCE OF THE STUDY

This paper will try to find out the challenges faced by the CPEC and its significance, particularly for Pakistan's economic development. The CPEC is bigger than just a strategy to develop the South Asian region. It links the Silk Route Economic Belt with the 21st Century Maritime Silk Route. The Vision of 2025 aims to make Pakistan the next tycoon of global trade. The projected vision will allow China to reduce its distance to the Indian Ocean that covers almost 40 per cent of the world's trade. The implementation of the plan will also allow the CPEC to serve as a trade route for other neighboring countries.

Both China and Pakistan have progressed to such an extent that it may seem impossible for them to back out now. Almost 40 per cent of the world's

trade passes through the Indian Ocean, Australia's fuel and food are also transported through the sea. It is important to mention that the Radicalization Awareness Network has been active in this region and the region of Gulf since 1990. The RAN is a watchdog agency of European Commission. The RAN has been active in observing the whole project of CPEC.

The CPEC vision 2025 if materialized will change the economic environment and political geography of Asia, Africa and the Middle East.

REVIEW OF LITERATURE

CPEC is a modern phenomenon that started in 2013. Not many books have been written on this topic. Only official documents and media reports are significant sources are sources. Government documents portray a wide picture of bilateral relations between China & Pakistan. Conferences, seminars and interviews have been conducted to elaborate on the significance and operation of CPEC projects.

The Chinese President, Mr. Xi Jinping visited Pakistan and finalized agreements of \$28 Billion on providing almost half of the capital of the total estimated cost of construction, ranging from upgrading Pakistan's railways to building power plants. A heavy capital investment makes us believe that China may take over the Gwadar Sea Port.

Zhen Summers explained that CPEC Project will manage the Free Trade Zone on forty-three years lease bringing all port's business affairs in control of China. Under the CPEC project, the civil works on the site were started in May 2015 (CPEC, 2017a).

An eminent scholar, Prof Dr Syed Salahuddin Ahmed has also elaborated the economic and political relations of Pakistan and China in his book *The Politics of International Economics Relation*.

The Chairman of National Development & Reform Commission China has chalked out that the China Pakistan Economic Corridor is closely-related with the Belt and Road Initiative and therefore requires closer cooperation for greater progress through sea route. The focus will be jointly building smooth, secure and efficient transport routes connecting with major seaports along the Belt and Road (CPEC, 2017b).

The major areas of CPEC Vision 2025 have been categorized as Urban

Development, CPEC Trade and Industry cooperation, Regional Connectivity under CPEC, Financing and Financial Sector Integration, and Job Growth and Human Resource Management. These categories vindicate that CPEC is a grand economic project between Pakistan and China.

Following are some points which show the potential CPEC Vision 2025

GDP Growth

1. A huge amount of \$62 billion will be added to the economy, thus Pakistan's GDP will increase by 20%.
2. According to World Bank sources Pakistan's GDP growth rate has already increased from 4.7% in 2015 to 5.4% in 2016
3. The same sources show that Pakistan's total GDP has increased from \$244 billion in 2014 to more than \$ 300 billion in 2017()
4. IMF reports that \$13 billion will be added to Pakistan's GDP by 2025

Energy generation

Ministry of Finance report says that access to electricity for the rural population increased from 90.3% in 2015 to 98.8% in 2016

1. Transmission and Distribution Losses went down to 16.5% in 2017 from 19% in 2015.
2. Bill recoveries increased from 16% in 2015 to 19% in 2017.
3. Electricity generation increased from 96,496 GW/h to 117,326 GW/h
4. Pakistan Economic Survey reports that Installed capacity of electricity became 29,573 MW in 2018, which was 22,812 MW in 2013.
5. A total of \$ 33.8 billion in energy project have added 12,230 Megawatts of energy.

The huge financial investments by the Chinese government will raise Pakistan's economic and financial strength and improve the standard of life of ordinary citizens from a lower-income to a higher-income by raising its GDP. Besides economic prosperity in the region, the project will also

bring peace and multilateral cooperation among the countries in the region. This will be materialized through CPEC Vision 2025. Pakistan's economic and financial strength and improve the standard of life of ordinary citizens from a lower-income to a higher-income by raising its GDP. Besides economic prosperity in the region, the project will also bring peace and multilateral cooperation among the countries in the region. This will be materialized through CPEC Vision 2025.

On the issues like Chabahar Port and the pact of trade and transit corridor linking India, Afghanistan and Iran, were discussed during PM Modi's visit to Iran. He has reopened a new door of discussion in New Delhi about its position on the Chinese-owned logistics project One-Belt-One-Road.

The huge investment of China's project in Pakistan has strategic importance because it would help China to secure its far-western regions from any adverse action by India or the U.S.

RESEARCH METHODOLOGY

The study in the current paper is based on a descriptive & analytical method. To make the research purposeful, authentic references from the research books and journals have been consulted which can help to understand this research comprehensively. We will also refer to research material concerning foreign policies of both India and the USA. Some significance references from important papers will be referred to as presented into Conferences on CPEC and OBOR.

The analysis of the nuclear capability of Pakistan, China and India with special reference to the CPEC project will be carried out in this paper. The hypothesis regarding Gwadar Port will be based on both analytical as well as a descriptive method.

Internal as well as external problems within Pakistan give rise to susceptibility towards the implementation of CPEC.

Dependency Theory

It is an approach towards understanding economic underdevelopment that emphasizes the putative constraints imposed by the global political and economic order. According to dependency theory, underdevelopment is mainly caused by the peripheral position of affected countries in the

world economy. Typically, underdeveloped countries offer cheap labor and raw materials in the world market. This theory provides a theoretical framework for the development of third world countries. Economic policies set up by developing countries are based largely on the economic pattern of the developed countries. The developing countries seek more fund and technology from the developed country. The developing countries become dependent on the resources, expertise and finance from the developed countries. Saudi Arab, Qatar, UAE etc. are dependent on U.S finance, expertise and technologies. Pakistan to a great extent depends on China, U.S, etc. for trade and economic assistance. Pakistan will become a major stakeholder of economic activities in the region.

ANALYSIS AND DISCUSSION

China-Pakistan Economic Corridor

In an online article published by The News, Pakistan's COAS finds his country's relationship with China as one that finds unlimited hopes and respect in the world. "Pakistan Army and the people of Pakistan take great pride in our deep-rooted brotherly relationship with the people of the Republic of China". According to him, "Both countries had assumed shared responsibility towards achieving stability in the region and prosperity of the people. This unity of purpose has led to the consolidation and has strengthened our resolved determination for the nations, to brave all challenges and storms together" .

He declared "I convey deepest compliments from all ranks of Pakistan Army, to all ranks of People's Liberation Army. This day symbolizes the power of people's unity, unflinching resolve and sacrifices, owing to which PLA, today, is one of the finest military outfits in the world" (Ibid)..

History bears witness that there has been no conflict between the two countries since 1949.

Due to simultaneous change in leadership for Pakistan and China, both have found it hard to enhance their economy through cooperation until the mega project of CPEC found its way. This gateway allows both countries to extend their commercial boundaries through to the Western border area. This plan by its size alone can determine that there will be many new jobs resulting reduction in poverty. In Pakistan, the province of Balochistan suffers more poverty than other provinces. Some key

areas that this plan hopes to cover in the future are integration, information network, energy coalition, agricultural development, poverty alleviation, tourism, and financial cooperation.

Many countries of the South and Central Asia could increase their trade by developing healthy relationships with both Pakistan and China. Pakistan can only become a geopolitical hub linking these South Asian countries with other parts of the world if this economic partnership is maintained patiently until the full benefit has been achieved by both parties.

Since the global economic landscape has changed, there is a need for new global governance and the overall strategy of the CPEC is going to make Pakistan the new Asian Tiger in 2025. Pakistan's journey to victory is no more than a prolonged wait and seeks immense trust, hope and patience from the people of Pakistan.

The project emphasizes highways and railway transportation system which would link Kashgar, West China with Khunjrab, Northern Pakistan. It further extends to Karachi and Gwadar through various routes. The energy sector was assigned top priority to overcome Pakistan's energy shortage. Energy projects will achieve rapid development

The corridor project proposes to invest US\$34 billion in the energy sector and approximately US\$11 billion in the infrastructure sector. Pakistan and China have decided to increase the electricity capacity to 10,400 MW through Early Harvest Energy generation projects which will spread across the country and were supposed to be completed by the year 2017-2018. Another 6,645 MW project for energy is on the priority list. The Gwadar Port project is the centerpiece of Pakistan and China strategic partnership due to its strategic location and the potential for becoming a future economic and energy hub.

The cluster of projects carried out under the China-Pakistan Economic Corridor will transform Gwadar into one of the world's leading ports. It will have commercialized areas and provide tourist facilities with integrated infrastructure and investment opportunities. Gwadar Port would provide economic support particularly for the development of the Balochistan Province and for Pakistan in general. The project known as CPEC will attract international traders from different countries to invest in Pakistan. It is a 200 million market with a great advantage, for investors.

Fig.1: CPEC Route Map



(MERICS, 2018).

Nature of CPEC

What is the nature of CPEC?

This attribute is typically known for its lack of clarity. Even though many details have been revealed such as the construction and design of the plan; there are still specific elements oblivious to the public e.g. the financial resources. Moreover, the political sensitivity surrounding and trailing the route also discourages a fervent effort in the completion of the project. Since Chinese President's first visit in 2013, a total of 46 billion dollars were estimated for the CPEC. This excludes the expenditure on the intangible resources that will be fed after the route and the Ports are completed.

CPEC is a long-term mega-investment project that will also shower its blessings to the billion of people for a long period. Even though the thought of having the route of the CPEC may evoke the idea of Chinese public gaining great leverage on Pakistani soil, the very concept of a 'corridor' exemplifies that the nature of the plan is very intra-Pakistan. Upgraded roads with fiber optics and on-going speculation of railway tunnels can confirm that the route might show the Chinese public no more than a commercial venture.

One of the strategic values of the CPEC is that the investment in the plan is already a foreseen potential for Pakistani products internationally. Once open for business the cheap labor of Pakistan can be as productive as that of Indian/Bangladeshi and many South Asian workers.

The project is estimated to be nearly of 45 billion dollars in the next 15 years or so. If materialized. It will be equal to the accumulated direct foreign investments into Pakistan since 1970. The question that can arise from this huge estimation is whether Pakistan and China will both gain benefits that outweigh the total cost in the project? For a better understanding of the reply, an important point which should be taken into consideration is that this project will yield other sub-projects and provide a greater opportunity for greater investments that will come along at the opportune time.

The Negative Role of India against CPEC

China and India who make up almost 40% of the world's population coincidentally are situated side by side have also some old territorial differences and disputes just like the disputes between Pakistan and India. Both, China and India are striving towards regional supremacy Pakistan has always been threatened by Indian forces invading and occupying its land. Indian friendship with China, which has the most competent military force, can pose serious security threats to Pakistan.

The CPEC can further bring advantage to China by achieving dominance in trade in the Indian Ocean and gain regional supremacy. The Corridor is an extended geo-economic strategy of China which proposed it as 21st century Silk Road. Pakistan and China would like to see that this mega project brings benefits not restricted within their boundaries but more as a booster that will shoot up the Pakistani economy and potentially China's global position.

Till this date, China has been meeting its oil demands through the supplies from the Middle East. Today when the oil tankers have to go to such territories that are ruled by hostile navies, such as the Strait of Malacca. The Strait can be blocked by the US navy to render it as a choke point. Because of the US's superiority in the region, the US navy can shut this traffic down anytime and half of China will suffer from low oil supplies.

As soon as the corridor is completed it will cut down the distance of transport from 10,000 miles that are being met today between China, and the Middle East and Africa. The Middle East is one of the top suppliers of crude oil to the Chinese. Almost half of China's daily consumption of oil is met by Middle Eastern imports.

The Corridor will also provide China with new markets in South Asia and the Middle East for its products. The foreign companies might set up distribution networks in the future to cater to domestic demands and also share their contribution to the future export hub. For Pakistan, CPEC is a key or a gateway to economic prosperity and if one judge carefully it can be a winning game.

CPEC's implementation may guarantee Chinese presence in Pakistani region and the investment they make, will further increase the friendship prospect. This change might also draw favorable Chinese policy towards Pakistan in regard to Pak-India hostile relations.

CONCLUSION

Shipping merchandise overseas through containers is the best and safest option since it is cheap. Goods can be imported and exported on a large-scale and are protected from any environmental hazards.

Before the CPEC project was started in 2013, Shanghai was considered as the largest Port. It spreads from the east of China and to the south of Hangzhou Bay. Shanghai was one of the largest ports and became the largest city in Far East Asia after surviving many troubles during the early 90s. During the last decade of 1900, China introduced reforms for expansion of its large-scale international business.

Advantages for Pakistan

CPEC route is trailing into one of Pakistan's most deprived provinces. i.e. Balochistan. It is hoped, this route will bring better facilities for people. The CPEC will make Pakistan a middleman for the trade that is connected with

Europe, Africa and Asia. The presence of China also provides a sense of relief from threats of Indian invasion. On the other hand, the project is very much beneficial for Chinas. It provides her a big opportunity to fulfilling its dream of One- Belt-One-Road, which will connect three continents, Asia, Europe and Africa. All exports will be transported through this route. Pakistan will provide a bridge and linkage between Europe, Asia and Africa.

As Gwadar Port will become operational, the distance will be reduced to less than 5,000 km. Almost 80% of China’s oil is currently transported from Strait of Malacca to Shanghai which is spread on the distance of 16,000 km and takes 2-3 months. The Gwadar Port will act as a bridge for the new Maritime Silk Route that envisages connecting three billion people in Asia, Africa and Europe. When fully operational, the Gwadar Port will promote the economic development of Pakistan and later become a gateway for Central Asian countries including Afghanistan, Uzbekistan. Through the extravagance of the project, Pakistan will become the focus of business and trade in Asia.

Materializing this grand dream, the project will prove to be a game-changer for the future of Pakistan and all those countries who will benefit from it. One should appreciate the Chinese investors and other stakeholders including the Pakistani private sector, who have undertaken positive roles in steering forward the operations. The geostrategic importance of this region can reshape international security which is linked with this region.

CPEC TRADE PROSPECTS;

A large fraction of Pakistan’s trade with China \$16bn occurs through the sea route: 97pc through the sea, 2pc by air and 1pc by land.

Distribution of Pakistan’s export along with the mode of shipments 2013 (Export Values in PKR Billions)

	Firms		Exports	
	#	%	Value	%
Modes	1	2	3	4
Air	12,335	71	345	13
Sea	97,01	56	2204	86
Land	429	2	41	2

The CPEC would bring a shift in the modes of transportation

Pakistan can become a \$750 billion economies by 2025

Only 18% of Pakistani GDP is estimated to come from exports.

Its export has to grow at a rapid 10% CAGR till 2025

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