

Four questions on “China's Economic Corridor”

Ximei Liu^{1,a}, Daoqi Xiong^{2,b}, Zahid Latif^{3,c,*}, Shaobo Zhang^{1,d}

¹School of Economics and Management, Zhejiang Sci-Tech University, Hangzhou, China

²Project Manager, Hangzhou Lv'an Digital Technology Co., Ltd, Hangzhou, China

³School of Economics and Management Sciences, Beijing University of Posts and Telecommunications, China

^a1092457487@qq.com, ^bmzzddt@qq.com, ^czahid25latif@yahoo.com, ^d2896090934@qq.com

*Corresponding author: zahid25latif@yahoo.com

Keywords: Corridor, game changer, China, Pakistan, bilateral, energy projects

Abstract: Corridors cover a part of geographical space consisting of transport routes such as roads, railways, and energy projects. They bring bilateral initiatives, focusing on strategic and geopolitical nodes, and highlight the infrastructure development to raise the living standard of people in both the participant countries. In this study, four broad questions are raised about the “China-Pakistan Economic Corridor”. First, what are the fundamental objectives behind the CPEC initiative? Second, are trade and investments considered a significant task of the project, or will it be a form of Chinese aid not based on an economic gain or loss? Third, besides China and Pakistan, what countries are likely to be the priority targets of economic cooperation? Finally, is CPEC a game changer for Pakistan, or will it be a piece of the road only from China’s border to Gwadar port? The answers to these questions may lead us to understand the objectives and actual worth of the project clearly. The CPEC initiative has sparked much debate and speculation regarding its true objectives and potential impact. Many are eager to understand whether it will truly benefit Pakistan and other countries involved, or if it is simply a strategic move by China to expand its influence in the region. As the project continues to unfold, it will be crucial to closely monitor its progress and outcomes in order to determine its actual worth and impact.

1. Introduction

China-Pakistan Economic Corridor (CPEC), a project for cooperation and development of trade and technology initiated by China and Pakistan, has attracted much attention around the globe. However, some particular contents are still evolving and analysts differ in speculating what its real objectives are? Some define it as ‘open economic and business opportunities, while others see it as a corridor with various energy projects, and regard it as a “Beijing peaceful rise policy”. There are others who believe that it is a short route towards warm water and oil in the Central Asian Region^[1].

Some scholars [2] argue that CPEC will act as a catalyst to strengthen the economy of the member countries through road and rail networks. Particularly, the Gwadar-Kashgar Economic Corridor (GKEC) has tremendous potential for economic and strategic uplifts for both China and Pakistan and has the capacity to develop not only Pakistan's economy but will strengthen the economic status of the Western region of China. Efficient and robust communication infrastructure would be the indicator and key to this development. Pakistan made reforms in dealing with nationwide and international connectivity, developing a department National Trade Corridor (NTC) opening an opportunity for transport and communication sectors to attract foreign investors, he further argued that the top agenda of the Government of Pakistan in reforming NTC is that, to link Pakistan with China, Central Asia and rest of Asia through road, rail networks. Naseem (2015) described the impact of the CPEC initiative on Pakistan's economy particularly, in GDP growth and stock market development. He mentioned that China is going to equally benefit from the project by significantly shortening the trade route of China to the Middle East, Central Asia, and Africa.

The strategic meaning of the CPEC project is defined by Waheed ^[2] in four perspectives, economic, historical, cultural, and geopolitical contests. Khursheed, and Haider ^[3] mentioned the three main goals of the initiative. The first one is to provide economic support to long-time allies, the second one is to facilitate bilateral trade, and the third goal is to make linkages with the Middle East and West in order to expand the "Beijing Peaceful Rise" strategy. China has supported Pakistan over many decades to reinforce its economic development and infrastructure through aid and investment. The CPEC will open new horizons of economic and technology development in Pakistan. China's main strategy is to develop its Western area as well as being the world's second-largest economy after the US, in order to sustain its economic position in a global world China is looking for new channels to strengthen the economy of China. Furthermore, the core idea of the project is to provide economic support to a neighboring friend who is affected and struggling with internal instability.

Pakistan and the United States signed many treaties to enhance the economic and geostrategic relations during the cold war era showing the standing of Pak-US relations. Pakistan, for the last few decades, has been dependent mainly on foreign aid, for which the US has been one of the biggest sources. However, after the 9/11 incident, the mistrust from the US towards Pakistan remained at its peak. The government of Pakistan started to think of alternatives for the development of the economy through foreign aid. In 2014, after the substantial withdrawal of the US troops from Afghanistan, the government of Pakistan decided to use her trump card in the form of CPEC to stabilize her economy. As far as Pakistan's stance is concerned, it is plausible that the government of Pakistan has been trying to catch the development train by ensuring a more sustainable ride with the help of China in the shape of CPEC.

In this paper, we are going to raise four generalized questions about the real objectives of CPEC.

What are the real objectives behind the CPEC initiative?

The trade and investments considered as a major task of the project, or will it be a form of Chinese aid that is not based on an economic gain or loss?

Will CPEC be a piece of the road only from China's border to Gwadar port? Or will be a game-changer for Pakistan?

2. Real Objectives of CPEC

The existing literature has described the real objectives of the CPEC as follows:

China's stated objectives: Capturing the Central Asia market to deal with (i) China's peaceful rise policy demands, (ii) China's quest for natural resources, and (iii) China's inadequate domestic demand.

Pakistan's Stated Goals: To (i) cope with Pakistan's energy demands, (ii) Enhance Pakistan's transportation network (iii) Establish Special Economic Zones for the promotion of trade and investment.

World's Assessment: (i) To make direct investment in CPEC, China is trying to ensure the supply of natural resources, which is a policy agenda of China's "going global" initiated in 2002 in response to the western countries' policy towards Asia. (ii) To value the Chinese currency Renminbi (RMB) as one of the foreign reserves. (iii) To reduce the strategic influence of the US in Asia, including Afghanistan where US troops are physically deployed.

The aforesaid points convey some apparently contradictory speculations about the CPEC project. Conversely, these objectives are not necessarily contradictory but may be different, because the political and economic considerations are directly proportional to each other. If the project's real objectives are better understood, it would be easier to answer the question of whether the project is profit-oriented or driven by geopolitical motives only. Similarly, once the mentioned objectives are properly assessed, it would be easier to interpret the China and Pakistan priority targets of economic cooperation.

The Chinese rationalist leader Zhou EnLai put forwarded Five Principles of Peaceful Coexistence that describe CPEC as a result of the China-Pakistan relationship for "Equality and cooperation for

mutual benefits"^[4]. He strategically analyzed the impact of CPEC on both China and Pakistan and declared it a wins-win economic project for both countries ^[5]. But for this purpose, both the countries would make joint efforts on the prior basis, and develop the infrastructure in the shape of roads and railways for the construction of a bilateral economic corridor. Therefore CPEC can be regarded as a symbol of a deep relationship between China and Pakistan^[6, 7]. Other studies (e.g., Makhdoom, Shah ^[8]) argued that CPEC is a beautiful rainbow for Pakistan that will bring economic prosperity and development to the country and refer to it as a game changer for Pakistan in terms of strategic and economic perspectives. Zhang et al. stated that CPEC is an international extension of Chinese efforts to deliver security through a soft power (economic development) strategy ^[9]. CPEC is one of the pilot projects and is closely associated with the implementation of the Belt and Road Initiative (BRI). It is a test project for BRI, and the acquired experience will be extended to other member countries joining BRI ^[10]. It is aimed at promoting regional connectivity among China, Pakistan, and Eurasian countries with the help of a network of highways, railways, and pipelines accompanied by energy and industrial zones in order to boost their economy ^[11, 12].

3. What are the Real Objectives

Dr. Ishrat Hussain is a former Governor of the State Bank of Pakistan and a renowned expert on Pakistan's Economy. In his working paper on CPEC, Hussain ^[13] considered that CPEC is a central organ of the Belt and Road Initiative (BRI) and the only component that provides physical access to the Indian Ocean and the Middle East oil resources. He believes that CPEC will reduce China's dependence (almost 85%) on the Strait of Malacca, which is the main route of oil supply to China and is being developed as part of a strategic partnership between the Government of China and Pakistan. According to Ahmed et al. ^[14], CPEC is capable of offering huge opportunities by providing an integrating platform for more than three billion people in South, West, and Central Asia. Therefore, Pakistan can harness its geo-strategic location with its geo-economic benefits.

China does not possess military power to protect its economic interests hers and its strategic allies in the Asian region. However, this practice has been done by the US in the past with allies like the EU and Japan^[15]. Alongside the strategic policy of China to protect its interests in the Asian region, studies indicate that China and Pakistan both need to ensure the security of the project threatened by different non-state actors in this region^[16]. The provision of security to the CPEC route in Pakistan is the main concern of China. Besides, another source of risk regarded as a "trust deficit" is a threat to the corridor, as two Pakistani provinces Khyber Pakhtunkhwa and Baluchistan have strong reservations on the route of the project, aided by reservations of the small provinces regarding their share.

During the cold war era, the USSR invaded Afghanistan in order to capture the CPEC route ^[17]. At that time, the US with the help of Pakistan and Afghanistan defended the CPEC route, and a subsequent disintegration of the USSR occurred, which has several reasons including this great failure. After the end of the cold war, the world countries focused on developing their economies rather than indulging in conflicts. Subsequent to the 9/11 incident, the US started a new war titled "War on terror" with the help of its allies against a few Muslim states. Unfortunately, Pakistan was again the front-line ally in this war, due to which the economic and physical infrastructure of the country suffered badly. In order to strengthen the economy and infrastructure, Pakistan decided to substitute the rider for the development of the economy and initiate the CPEC project with China. Presently, China tries to use CPEC to exploit energy resources through its soft power policy icons, i.e. investment and trade. Here, a new significant nexus between China and Pakistan is going to evolve in the future in the shape of economic and trade cooperation.

From the above discussion and the gap found in the overall economic and strategic rivalry between China and the US, it would be important to know whether China has either ambition or capability to pursue this ambitious project. This project can be regarded as an effort towards the settlement of a new regional order to decrease the influence of the US after the US-Afghan war. China's officially announced objective is to strengthen its economic ties with Pakistan. From a rational point of view, China's real objectives pretend to be much more different than as stated by

some authors Rathore and Changhoon ^[18, 19], while, China's official objective is to strengthen the economic ties with Pakistan.

4. Investment and Trade Corridor

According to Rathore ^[18], trade and investment is the main theme in building the corridors. Corridors cover a part of the geographical space consisting of transport routes such as roads, railways, and energy projects, having bilateral rather than multilateral initiatives, focusing on strategic and geopolitical nodes, also highlighting the physical infrastructure development in order to raise the living standard of people. He further elaborated that corridors are constructed and based on people-to-people bonding that provides an important guarantee to the economic chores.

Apparently, if there is no solid foundation at the people-to-people level, neither government nor financial infrastructure be put to good use. There is a strong relationship between the people of China and Pakistan, however, the question is how to sustain this relationship before large-scale investment takes place. The Prime Minister of Pakistan in his speech during his first official visit to China in 2018, highlighted Pakistan's stance regarding the above issues. He mentioned in an interview that the International Monetary Fund (IMF) and European scholars had been blaming that the money provided for the CPEC would not be entertained by the Pakistan government properly. They feared that the IMF money might be used to return the loan taken from China. However, he added, that Pakistan was looking forward China to giving a relaxation of 5-10 years in returning the loan to decrease the deficit. In view of the above statements, both these governments approve such policies that promote this project with the potential for great economic benefits. Both self-interest and justice in business and trade a behaviors appropriate for both governments as well as investing firms. Generally, the multinational companies of developed countries take social responsibility projects in their host countries to exploit/identify a valuable long-term asset. The Chinese companies must realize and practice their social responsibility in order to build long-term profitability in the host country like Pakistan. The people-to-people relations between China and Pakistan are relatively at a better level in the shapes of Chinese Government Scholarships and interstate business. To build trust between China and Pakistan, China gives more opportunities to Pakistani enterprises to work on the project. Currently, many (60%) Chinese entrepreneurs are working on the project.

5. Priority Objectives of Economic Cooperation

The countries in the South and South East Asian region except India welcome this initiative, while other countries like the US, Japan, and Russia oppose China's trade and investment policy showing strong reservations. Among the formers, few countries welcome China's initiative, while others, particularly, small developing countries are more enthusiastic about the success of the project. The enthusiasm will serve as motivation when coupled with economic interests. Such as Overholt (2015) put forward his theory, which supports our arguments, that the a need for the host countries to feel politically respected with an equal share of profit ^[20, 21].

China and Pakistan are all-weather strategic partners and both have friendly relations tied with trust and respect from the very first days of independence. CPEC, through the media on both sides, is presented as an example of brotherhood between the two sovereign states. The Government of Pakistan (GoP) is actively pursuing the establishment of a China-Pak economic Corridor project to further enhance and strength economic ties between the two countries. Efficient and robust communication infrastructure would be the indicator and key to this development. As roads are being constructed in the pilot project of CPEC, so laying of fiber cable and deployment of communication links become an essential requirement for the provision of ICT services to economic zones to be established alongside the economic corridors. The provision of international bandwidth with redundancy is also an objective of the digital CPEC. Chinese investment will help to eradicate the energy shortage and will improve the growth rate and income levels in the country. The China Radio International (CRI), China-Pak Earth Science Centre, Chinese Study/culture

Centre in various universities/institutes of Pakistan, and other CPEC-related initiatives are the outcomes of this project in the future.

6. Conclusion

Being a part of China's Belt and Road Strategy, CPEC would have significant implications for Pakistan's economic stability as well as China's peaceful rise policy. Chinese President Xi as well as Pakistan's government use their personal efforts and both the states are very serious about moving forward with the project. In reference to the regional economic scenario, it would be fair to express that the CPEC member countries do offer enormous potential for trade and economic cooperation. The member countries can derive benefits from complementary trade infrastructures including free economic zones, energy transformation, and division of labor. China's quest in this region does not threaten the mutual interests that are available in the other projects of the world. Though, the success of the CPEC project will depend on many factors beyond china's control. The first factor is the security of the corridor, as the maximum length of the corridor passes from various routes in Pakistan, especially in Baluchistan and Khyber Pakhtunkhwa, which were affected by terrorism and insurgencies. The second factor is the resources available to the target countries. The recent ups and downs in prices of oil and metals will certainly increase the difficulties in the ongoing infrastructure and energy projects irrespective of who is going to finance the projects. Pakistan is facing economic hurdles and looking towards China for assistance, however, here an interesting question is raised what can China do if it faces difficulties on its own? The project is expected to be completed in 2030, while the other short time-related projects like motorways and energy projects will be expected to finish at the end of 2020. The government should take all the political parties in confidence and make sure the harmony between them in order to pursue the project with strong determination. China already released 46 \$ billion for the project via the Asian Infrastructure Initiative Bank (AIIB), but it would be much better if Pakistan relied on her own resources and had a more promising outlook.

Shared beneficial outcomes may fail to be realized due to a lack of certain pre-conditions such as the provision of the requisite public goods. Nevertheless, China is ready to take the leadership and responsibility in providing the necessary investment that benefits all members. In this regard, China already invested \$ 46 billion in this project by creating a policy framework for economic cooperation. Lastly, only history can tell whether china's effort to promote a shared destiny is productive for china only or for the entire region.

Acknowledgments

This work is supported by the Natural Science Foundation of Zhejiang Province (No. LQ21G010007) and the Transverse Project (No. 23090083-J).

References

- [1] Latif, Z., et al., Application of optical frequency comb in high-capacity long distance optical communication for China-Pakistan economic corridor. *Journal of Optical Communications*, 2017. 38(3): p. 331-340.
- [2] Waheed, Z., Linking Ambitions, Transparency and Institutional Voids to South-South Funded CPEC Project Performance, in *China's Belt and Road Initiative in a Global Context*. 2020, Springer. p. 89-116.
- [3] Khursheed, A., et al., China-Pakistan economic corridor: a harbinger of economic prosperity and regional peace. *Asian Journal of German and European Studies*, 2019. 4(1): p. 1-15.
- [4] Rosyidin, M., The Dao of foreign policy: Understanding China's dual strategy in the South China Sea. *Contemporary Security Policy*, 2019. 40(2): p. 214-238.

- [5] Rifaat, H. and T.S. Maini, China-Pakistan economic corridor: strategic rationales, external perspectives, and challenges to effective implementation. 2016.
- [6] Makhdoom, A.S., A.B. Shah, and K. Sami, Pakistan On The Roadway To Socio-Economic Development: A Comprehensive Study Of China Pakistan Economic Corridor (Cpec). The Government-Annual Research Journal of Political Science., 2018. 6(6).
- [7] Markey, D.S. and J. West, Behind China's gambit in Pakistan. Council on Foreign Relations, 2016. 5(1).
- [8] Malik, A.R., The China–Pakistan Economic Corridor (CPEC): A Game Changer for Pakistan's Economy, in *China's Global Rebalancing and the New Silk Road*, B.R. Deepak, Editor. 2018, Springer Singapore: Singapore. p. 69-83.
- [9] Zhang, R., et al., Social impact assessment of investment activities in the China–Pakistan economic corridor. *Impact Assessment and Project Appraisal*, 2018: p. 1-17.
- [10] Latif, Z., et al., Challenges and prospects of ICT and trade development in Asia. *Human Systems Management*, 2017. 36(3): p. 211-219.
- [11] Azhar, M., A.B. Khan, and A.S. Shah, China Pakistan Economic Corridor: Opportunities and Considerations. *FWU Journal of Social Sciences*, 2019. 13(2).
- [12] Ali, M., China–Pakistan Economic Corridor: prospects and challenges. *Contemporary South Asia*, 2019: p. 1-13.
- [13] Cheng, L.K., Three questions on China's "Belt and Road Initiative". *China Economic Review*, 2016. 40: p. 309-313.
- [14] Wolf, S.O., Afghanistan Within the BRI Vision and the Feasibility of Enlarging the CPEC, in *The China-Pakistan Economic Corridor of the Belt and Road Initiative*. 2020, Springer. p. 261-280.
- [15] Ali, S.M., Case Study 1: The China–Pakistan Economic Corridor, in *China's Belt and Road Vision*. 2020, Springer. p. 175-230.
- [16] Hagerty, D.T., Enhancing India-Pakistan Deterrence Stability, in *Nuclear Weapons and Deterrence Stability in South Asia*. 2020, Springer. p. 109-130.
- [17] He, K. and M. Li, Understanding the dynamics of the Indo-Pacific: US–China strategic competition, regional actors, and beyond. *International Affairs*, 2020. 96(1): p. 1-7.
- [18] Rathore, K., M.A. Khan, and M.I. Chawla, Challenges and Opportunities of China Pakistan Economic Corridor (CPEC) for Pakistan: A Human Resource Development (HRD) Perspective (1970s to 2018). *Pakistan Vision*, 2020. 21(1).
- [19] Changhoon, C., China's Westward March: Strategic Views of One Belt, One Road. *The Korean Journal of International Studies*, 2017. 15(3): p. 483-500.
- [20] Overholt, W.H., One belt, one road, one pivot. *Global Asia*, 2015. 10(3): p. 1-8.
- [21] Ashrafi, S., The Future of Sino-Russian Relations. *Resolusi: Jurnal Sosial Politik*, 2019. 2(1): p. 21-30.