

## Problems and Prospects of CPEC for Economic Development and Regional Integration

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**Abstract** *China is keenly observing the dynamics of world politics and to meet the challenges of the existing world, China is focusing on economic development and industrialization. China is also trying to facilitate other states to overcome their economic problems by providing them with foreign direct investment, loans, development projects, technical assistance, infrastructure building etc. By doing this, it is pursuing the goal of regional integration and connectivity. Almost more than sixty-five countries are going to be linked with this unique project. Specifically, CPEC has the potential to bind tightly the most important regions of the world such as East Asia, South Asia, Central Asia, Middle East, and Eurasia. In this regard, China is facing some serious problems and challenges created by the status quo powers. This research paper highlights the importance of regional integration and the step towards this objective in the shape of CPEC.*

### Key Words:

CPEC, Economic Integration, Regional Stability

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### Introduction

China and Pakistan initially signed an economic deal in 2014 worth US\$ 46 billion which later increased up to US\$ 62 billion. One can easily imagine the importance of this economic joint venture such that Chinese Prime Minister Mr. Li Keqiang and Chinese President Mr. Xi Jinping personally visited Pakistan respectively in a very short space of time. The government of Pakistan which was established in 2013 in general elections seriously took strong initiatives in concluding the China Pakistan Economic Corridor (CPEC). This is a mutual project of two neighboring and friendly states consisting of infrastructure development, road networking, energy projects, railway projects, ports development, advanced local transport systems, technology transfer, and many others.

Pakistan's economy is passing through a severe crisis as almost all indicators of the economy are showing negativity. Destruction or collapse of manufacturing industries, maximum imports, and minimum exports are considered the main cause of economic downfall in Pakistan and behind this the energy crisis has played a decisive role. Owing to

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the shortage and crisis of electricity, major industries were unable to generate enough revenues so that they could manage their expenditures. The owners of those industries then decide to shift their industries to other countries like Bangladesh, Indonesia, and Malaysia. The government of Pakistan in 2013 decided to declare an emergency in the energy sector and concluded many agreements with China in the energy sector under the umbrella of CPEC. Now China is investing more than US\$ 19 billion on energy projects. China has the agenda of developing more than 20 energy projects like US\$ 3.5 billion in hydroelectricity, US\$ 13.6 billion in Coal Power Projects, US\$ 1.3 billion in Solar Power projects and US\$ 725 million in wind power projects. Many of these power projects are complete and have started providing about 11,000-megawatt electricity to the national grid. Along with this these projects also have provided jobs to more than 21,450 Pakistani nationals (China-Pakistan Economic Corridor, 2019)

While discussing Pak-China cordial relations, it is truly said that India played a critical role in bringing these two countries close to each other as it's a famous saying in international relations that the "enemy of my enemy is my friend." It is often stated and described by statesmen, scholars, intellectuals and leaders that the Pak-China friendship is "higher than the Himalayas, deeper than an Ocean and sweeter than honey"(Riedel & Singh, 2010). China and Pakistan both mutually support and protect each other in crucial times by each and every means.

As world political dynamics have been changed and the economy has become the most important and vital factor while deciding the status of major and superpowers, therefore, states are keenly observing economic development around the globe and never miss an option and opportunity of economic development; they are trying to maximize their shares in international trade. CPEC is an opportunity for Pakistan to overcome its economic and monetary problems. Pakistan remained the all-weather friend of the United States since its inception but in 2013, Pakistan came closer to China in shifting its foreign policy towards China. If Pakistan is getting economic assistance from China, on the other hand, it has provided an opportunity for China in maintaining the balance of power in the region while countering a common enemy, India (Iqbal, 2015).

It was Chinese Prime Minister Mr. Li Keqiang who actually proposed the idea of CPEC when he was visiting Pakistan in 2013. Politically, Pakistan-China relations are strengthened by the frequent exchanges of delegations by both countries. But Li Keqiang's visit brought a new strength in bilateral relations because of one step forward from political to strong economic ties. He was actually of the view that this proposed project will further strengthen and deepened bilateral trade and economic cooperation between the two states.

It is also being heard that CPEC is a game-changer: what does it mean? It is very simple to understand why scholars and experts are calling this a game-changer. This project is of equal importance for Pakistan and China as well. China is actually challenging the status quo powers because of its massive economic development, modern infrastructure, high growth rate, increase in the living standard of Chinese people, modern military and much more. This Chinese development is totally based on its industrialization and maximum share in international trade. While pursuing imports and exports through conventional sea routes, China perceives threats and dangers because of the "Malacca Dilemma" which is actually now being considered as a chokepoint. As it is mentioned above that through the massive economic development China is disturbing the balance of power in the region which has been maintained by the US since WWII. China realizes the

need for time and struggling for finding, exploring and developing new trading routes. CPEC actually provides an opportunity for China to avoid the long, dangerous and expensive trade route which passes through India. According to 64% of Chinese annual trade in 2016 passed through the South China Sea which shows China's high dependency on this particular sea route (Team, 2017).

Apart from this, Pakistan's economy was on a ventilator in 2013; there was no clear economic policy found on a government level. No mega project can be mentioned which is vital for economic development. During that time, there was not even a single country ready to invest in Pakistan because of bad governance. In that scenario, CPEC was considered the fresh air and lifeline for the economy of Pakistan. In 2012, Pakistan's annual growth rate (GDP) was about 3.5% which is increased to 4.4% because of trusted and valid policies of government and initiatives for the development of CPEC. (Bank, 2017)

In 2013, Pakistan required foreign direct investment, skilled labor, latest technology transfer, modern development projects, and services, and all these requirements were fulfilled by CPEC. Through this project, China actually showed its trust in Pakistan, invested billions of dollars and is still investing more by proposing, assisting and funding new projects. This situation is critical as the common enemy of both countries, India, is not ready to accept this project. Along with this, the US is also showing its concerns over the CPEC project. US President Trump in his latest speech said that "fighting against terrorism is not more our priority; our priority is now to stop China raping the US economy." The US is the most affected country because of Chinese economic development. China is challenging the decades-old US hegemonic status in the world. The Trump administration on various occasions openly expressed very negative views about Chinese economic, military and political involvement especially in East Asia, South East Asia and South Asia (Dollar, Hass, & Bader, 2019).

Development of CPEC will bring peace and prosperity in this particular region while eliminating or even limiting external factors which are considered a real hurdle in regional development. This region is a victim of terrorism, civil wars, political instability, freedom movements, separatist movements because of which there are no opportunities for business and jobs, and external factors exploit this vulnerability (Sial, 2014).

CPEC in a true sense has the ability, capacity, and capability to bring all regional states on a single page of regional integration that is the key to economic development and prosperity. The basic aim behind the development of this particular project is to enhance regional trade and economic activity and connectivity as perceived by its architects (Hussain, 2017).

Existing regional political dynamics are in fact against CPEC and can have a deep impact on its continuity, but this time it seems that both collaborating countries are in an aggressive mood to complete it. Other hostile states are very informed of this project's benefits and fruits which are unacceptable to them. China and Pakistan are trying to grab some other regional states in this project. If they remain successful in their intentions, then the project will be extended to the territories of other states. The involvement of other regional or extra-regional states will produce a positive image and will enhance the chances of true regional connectivity. Chinese investment is playing an important role to uplift Pakistan's weak economy (Kataria & Naveed, 2014).

China is conscious about its trading route which is creating vulnerability for Chinese interests. China needs to deliver its manufacturing goods to the final destination without

any hurdles. China perceives CPEC as a complete alternate to the South China Sea route for its trade activities while avoiding Indian or US threats. China is pursuing its economic objectives by linking its western region with Gwadar Port in Pakistan situated in the Arabian Sea which is a feasible substitute to link China with the world.

China, the largest oil consuming country, can provide an oil supply to its industry through CPEC as it is the most reliable, cheapest, safest and shortest route for oil supply to China. CPEC is actually playing the role of an energy corridor for China. Changing dynamics of the world economics provoked China to invest beyond its boundaries in order to secure its own interests. The geo-strategic position of Gwadar port grabbed the attention of China, which ultimately brought it closer to Pakistan. When Pakistan handed over its Gwadar Port to China, the Indian former naval Chief states that “now India does not need to maintain its navy”. These words actually show the intensity of the event. While having control over Gwadar port now China is strategically in a more superior position to India (Javaid & Javaid, 2016).

Pakistan and China strongly believe that joint struggle and economic growth can help both the countries to fight against social evils, stabilize their economies and intensify their internal security. (Zhiqin & Yang, 2016) China is going to play its leading role in Asia and beyond for economic and political cooperation through the “One Belt One Road (OBOR)” initiative (Wang, 2014).

Chinese political and economic involvement in South Asia politics is oxygen for Pakistan’s economy. Pakistan can achieve political stability, economic development, overcome the energy crisis, eliminate separatist movement and terrorism and bring social harmony if CPEC is successful in full swing. According to one estimate, around 2 million jobs will be provided to Pakistani nationals till 2030. (Awan, 2018)

## **Economic Integration**

CPEC is considered the most valuable effort by both states for establishing and enhancing trustworthy and viable political and economic relations (Adnan & Fatima, 2016). Different projects under the umbrella of CPEC will help the government of Pakistan to overcome or fight against the economic and social problems. Pakistan can alleviate poverty, decrease the ratio of unemployment, bring prosperity in the socio-economic field, improve literacy rates, and provide basic and modern health facilities to the people. Along with this, it will also help Pakistan to contribute a significant role in regional integration (Qingyan, 2017).

CPEC is established not for encircling India but to enhance regional cooperation and it also gives a strategic framework for China Pakistan security cooperation. China and Pakistan also want to bring India in the circle of CPEC as this is the ultimate aim of this particular project. CPEC is also having an attraction for Iran because China is fulfilling its oil needs by Iranian oil. Through CPEC, China wants to lay down an oil pipeline from Gwadar port to its western province. Afghanistan is also another country that could get benefits from CPEC. China, in fact, wants to link this CPEC with SCO and this needs the complete support of Afghanistan. SCO-CPEC linkages also demand peaceful Afghanistan; in this regard, Russia and China both are using their influence over India and Pakistan respectively (Sial, 2014). By doing so, Russia is going to meet the country’s old dream to reach the warm waters of the Arabian Sea and the Indian Ocean. But, this time, this effort is through peaceful means as compared to the previous efforts in which the use of power

was the first priority. If SCO-CPEC linkage becomes successful, it would take the region on the new horizon of peace and prosperity.

### **Regional Stability and Integration**

It is strongly believed worldwide that China is coming forward in playing a dynamic and high-powered job for the betterment and improvement of economic ties of all South Asian regional states. This development actually will bring economic prosperity to this particular region of South Asia. (Ahmed & Malik, 2017)

China and Pakistan are very clear that this project would be successful if other regional states join it, and for this purpose they invite regional states to come up with their new economic plans which can facilitate regional integration. This project is like a train and China needs others to take a ride on it. Almost 7% of Chinese GDP is lost due to the inefficient transport sector; in order to avoid and overcome this loss regional connectivity is necessary. Chinese investment in infrastructure building in neighboring states will enhance efficiency.

As a project of infrastructure building CPEC is considered the most valuable because of its geostrategic important location which also makes it vulnerable for Pakistan's security. CPEC has the true potential to boost up inter-regional trade. Central Asian countries are landlocked and highly dependent on these sorts of trading routes.

According to functionalist theory, economic collaboration and cooperation brings interdependence and further this interdependence leads towards political interdependence especially among the neighboring countries (Siddiqui, 2014).

CARS are landlocked states need a suitable route to the Indian Ocean for their trading purpose and CPEC is providing them with this opportunity. Currently, these states are highly dependent on Russia for their oil and gas exports. Russia exploits this dependence by imposing extra taxes and tariffs on CARS' exports. CPEC can bring them out of this nightmare. (Khan, Malik, Ijaz, & Farwa, 2016)

Through CPEC, China and Pakistan are actually going to develop a unique trading route that links the East to Europe while passing through South Asia, the Middle East, and Central Asia (Hussain & Hussain, 2017). Apart from roads and railways, special economic zones and industrial parks are part of the project belt (Hussain, Mehmood, & Saeed, 2017).

### **Domestic Challenges to CPEC**

Political instability in Pakistan is one of the major issues and threats to the success of CPEC. Foreign investors are afraid of the involvement of non-political powers in political matters. In Pakistan, there is no certainty prevailing about the existence as well as the expulsion of political government. The security situation created by terrorism, separatism, and extremism is also challenging the projects of CPEC to become functional in full swing.

### **External Challenges to CPEC**

This is a huge project and owing to this, it has grabbed the attention of all the world. Some are in favor and want it to become more functional because they want to join it. But there are some states which are afraid of the future prospects of CPEC which can change the status quo.

## **India**

India and Pakistan are historic rivals since the division of the sub-continent. On the side, India and China are rivals too. China and India are in a race to be a hegemon in the region. India openly expresses its concerns over CPEC, as the corridor passes through a disputed territory of Gilgit-Baltistan. Pakistan's policy is of peaceful co-existence but on the other hand, India always tries to destabilize Pakistan in order to weaken it, trying to enhance its influence for leading the entire region. Pakistan needs a strong ally in this particular region for countering Indian hostile objectives. CPEC is actually against the Indian regional design. India is supporting the separatist factions in Baluchistan and Khyber Pakhtunkhwa provinces of Pakistan by political and economic means. On the other side, India is also providing assistance and foreign direct investment to the development of Chabahar Port in Iran with the objective of developing an alternative to Gwadar Port. India's pessimist involvement in the region is of serious concern for both strategic partners (Singh, 2012).

The US-India nexus is another problem creating factor for CPEC. In order to contain China, the US supports India in different fields like nuclear, information technology, economy, military weapons, and above all its political support. India has also strong concerns about the rapid economic growth of China which is a clear threat to Indian interests in the Indian Ocean. India perceives CPEC as a "thorn in its paw" (Muhammad & Ahmed, 2015).

One more Indian concern is about Chinese involvement in Azad Jammu Kashmir as there is Chinese support to Pakistan's stance on the disputed territory. India also views the project as China's geostrategic advancement for easy access to its naval presence and influence in the Arabian Sea.

This strategic partnership between China and Pakistan has made India worried as it has expressed negative intentions about CPEC. Indian Prime Minister insisted the Chinese President drop the plan of CPEC while he was on a visit to China. He also registered strong reservations and protest in September 2014 during his visit to China.

For achieving its objective, on one side India is using diplomatic and political means but along with this, it is supporting anti-Pakistan and anti-state elements in Balochistan. There is clear evidence of Indian funding to Baloch insurgents in the Province (Esteban, 2016). A very prominent example can be given in this regard in the shape of "Kulbushan Yadav" an Indian Naval officer who was caught red-handed by the Pakistan authorities from Balochistan in March 2016. He himself accepted that he was given the duty by Research and Analysis Wing (RAW) of promoting terrorist activities in Karachi and Balochistan with a special focus on CPEC projects. Commitment by Pakistan and China show that both states are serious in tackling the issue created by India for making this project fail (Paracha, 2016).

## **Afghanistan**

Pakistan has a historical border issue with Afghanistan, owing to know that nowadays, the western border of Pakistan is quite unstable. Afghanistan is a country that didn't accept Pakistan in the UN after Pakistan's independence. Since then Afghanistan is using border areas within the territory of Pakistan for the issue of Pakhtunistan. Across both sides of the Pak-Afghan border live the same ethnic community which has blood relations.

India and Afghanistan have joined hands for common interest to destabilize Pakistan. India has developed many consulates along the Pak-Afghan border, wherein anti-Pakistan

elements are being groomed for carrying on terrorist activities in Pakistan. It is a dire need of the times that Pakistan should concentrate on its western border to eliminate these false elements. Pakistan also needs to win the trust of the Afghan people and establish trustworthy relations.

China is also growing its influence in Afghanistan, and this element can be used by Pakistan's policymakers to use this golden opportunity for establishing cordial relations. It is essential for the development and success of CPEC to bring peace and security in Afghanistan.

## **IRAN**

Iran is also a very decisive factor in making this region integrated. Iran is a major oil producer state in the Middle East adjacent to South Asia and Central Asia. However, the US is showing its hard attitude towards Iran by imposing economic sanctions. On the other hand, it is supporting India to enhance its relations with Iran, invest in Chabahar project and develop a north-south economic route in order to reach the Central Asian Republics while bypassing Pakistan. Apart from this, China is a major buyer of Iranian oil. China is struggling hard to convince Iran for bringing it on the platform of CPEC.

Iran should find increasing opportunities for its strategic linkages with China particularly in the field of economy, oil and gas export. Iran should not become a part of Indian blackmailing, which can never serve its purpose on a long-term basis.

## **United States of America**

Recent hostility between China and the US is totally based on economic competition and this confrontation has the potential to disturb the smooth process of development of CPEC. The US always has some regional allies in this region. US military forces are physically present in Afghanistan since the 9/11 incident. The US is facing a negative balance of trade with China, which has increased its concern over CPEC and the China-Pakistan strategic partnership. Pakistan remained in the US camp since its inception but did not find any financial, technical, political and economic assistance which could help it to overcome its problems. In 2013 Pakistan shifted its foreign policy and joined hands with China. It was a shock for US policymakers because they consider this strategic partnership a serious threat to the US interests in the region.

If CPEC is providing economic benefits for China, it also provides military superiority to the Chinese naval force while operating in the Indian Ocean. According to Alfred T. Mahan (1906) (American naval strategist), "if a state really wants to rule over the world than it would have to get control over the sea routes." The US considers CPEC as a long-term threat to its hegemony. There is a possibility that it would use its allies in the region to roll back or harm the CPEC project (Hussain, 2016). The last two decades are evident of increased Indo-US strategic affiliations and the US affirms support to empower the Indian Navy. The growing U.S-Indian strategic relationship in the last decade is evidence of the United States encouraging and supporting Indian naval power to counter emergent Chinese involvement in the Arabian Sea and the Indian Ocean.

After the signing of this CPEC project, one can easily observe frequent visits of US officials to India. US-India defense deals are of serious concern for both Pakistan and China. Donald Trump has assured the Indian side he will provide it with all sorts of help and assistance in order to protect its status in the region. The US has also introduced a new

doctrine, the “Indo-Pacific Doctrine”. The US National Security Advisor John Bolton visited India and assured the Indian President of an increase in bilateral defense cooperation. The US will support India in order to maintain its status as a regional power along with the status of major defense partner of the US in the Indo-Pacific doctrine. He also has promised to support India’s status as a major defense US partner and Indo-Pacific doctrine.

## **Conclusion**

In the concluding remarks of this research paper, it is to be truly said that CPEC is a game-changer not only for Pakistan but for China as well. CPEC would have the potential to change the existing global political scenario. It has made all the states conscious about their status. China has now decided to take an active role in international affairs. China needs an unrestricted, safe and cheap oil supply to keep its industry alive and compete in the dynamics of global politics. After this, China needs a safe supply route and consumer market which its manufacturing goods can easily reach. In pursuance of this objective, China has introduced the concept of OBOR in which the most interesting thing is the win-win situation. All member states will gain according to their shares. Pakistan is also in search of a reliable strategic partner that could provide its financial and technical assistance. In general, CPEC is an equal opportunity for all regional states. Currently, all regional states are relying on an external factor, while joining CPEC they all become close to each other. Status quo powers are struggling hard to roll back the entire project and for this purpose, they are using legal and illegal methods. Pakistan needs to be more careful because it is the center stage of this mega venture.

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