



RESEARCH PAPER

China-Pakistan Economic Corridor (CPEC): Challenges and Prospects in the context of Political and Economic Challenges associated with BRI Initiative

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This research paper explores Pakistan-Chinese political and bilateral relations in the context of BRI Initiative. There is a history to Pakistan-China relations, which favors both economies during their tough times. BRI-Initiative is a great opportunity for developing economies to grow globally and to testify their economic development programs. CPEC is the first and most important corridor of BRI-Initiative and aims to serve as a game changer for Pakistan-China. Belt One Road plan of China aims to improvise economic growth of more than 66 economies of the region. A large number of skilled and well-equipped human forces are projected to associate with various projects of CPEC under BRI. CPEC- initiative not only focuses on infrastructural development but also aims to cover economic development, social sustainability, technological advancement and industrial relocation. Global dimensions and regional connectivity due to BRI Initiative are main focus of this research article.

Introduction

Belt and road initiative (BRI) is a Chinese government's Mega regional connectivity program consisting of six economic development corridors. The other corridors of BR include the Eurasian Land Bridge, Bangladesh-China-India-Myanmar Economic corridor, China-Central and West Asia Economic corridor, China-Mongolia-Russia Economic Corridor and China-Indochina Peninsula Economic Corridor (Rahman & Shurong, 2017, Muzaffar, et. al 2018). It was launched in 2013 and 136 economies signed BRI cooperation document out of which 67 economies are from Asia and Africa region. ASEAN, Middle East (ME), Central Asian Republics (CARs) economies also became part of this game changer mega project (Huang, 2016). BRI-Initiative aims to connect China with rest of the world

through trading blocks and routes consisting of modern railway lines, roads, sea ports, air ports etc. Under the umbrella of BRI initiative China projected to invest \$7 trillion on various economic, social, cultural and infrastructural development projects (Shannon, Barbesgaard, & Vervest, 2019).

CPEC is the first mega project under the flagship of BRI-Initiative. It consists of mega projects related to modern road connectivity projects, geographical linkage programs, advance rail and road system, government to government, people to people, business to business development programs, cultural development programs, professional exchange programs, academic development programs for the progress and prosperity of China and Pakistan (Mustaf & Zafar, 2017). This game-changer project not only focuses on regional connectivity but also economic and cultural exchange connectivity of Pakistan and China with CARs, ME, Europe and Africa region. CPEC under BRI-Initiative is a hot topic in today's competitive business environment as it aims to become a source of economic development, peace and prosperity in whole Asia region. US-India alliances trying to portray negative image of CPEC in front of the world. But Pakistan China friendship is long lasting and CPEC aims to strengthen this alliance with modern aspects (Herrero & Xu, 2017).

The economy of Pakistan is highly dependent on agriculture sector and under CPEC initiative this sector is estimated to grow by 53.3 percent by 2023 with respect to GDP growth rate (Rathore, Khan, & Chawla, 2018). It is also projected that foreign direct investment (FDI) in infrastructural, economic, technological sectors, education and industrial sectors of Pakistan is projected to increase by \$ 70 billion in 2023 (Rathore, Khan, & Chawla, 2018). CPEC establishes regional progress cooperation business programs to promote peace and industrialization in Pakistan, China and neighbouring economies i.e. Afghanistan, Iran, Iraq etc. BRI initiative aims to create postal charges, payment unions, cultural institutions, visa systems, shipping services and tourism in all BRI economies mainly in Asia region (Mustaf & Zafar, 2017).. This research study aims to investigate Pakistan-China Relations on the basis of political and economic challenges. It also focuses on the regional importance and special aspects and economic dimensions of this game changer project under BRI.

Political and Economic Challenges Associated with CPEC under BRI Initiative

The Pakistan-Chinese relations, change and continuity (1949-2020)

Pakistan-China friendship has become stronger in spite of various challenges and transformations in form of geo-strategic landscape. CPEC Initiative under the flagship of BRI has strengthened economies coordination between Pakistan and China. During last few decades China and Pakistan has focused towards strategic partnership which expands connectivity of both economies with rest of the world. CPEC is an opportunity for Pakistan to expand bilateral trade relations with other regions as well (Mustaf & Zafar, 2017). A gradual emergence has been observed in

Pakistan-China friendship ties due to strategic development. In addition, a huge transformation has been undergone in Asian geo political environment. India-US political alliance also pushes trade relations between Pakistan and China as US administration publicly announced that helping India is to remain major Super Power (Ibrar, Mi, Rafiq, & Ali, 2019). Narendra Modi in 2014 also stated that India and US are engaged in new political, security and social ties. India and US started cooperation in technology transfer projects, advance weapon projects, Joint Strategic Asia-Pacific and Indian Region, maritime projects, Defence Trade and Technology Initiative (DTTI) etc.

Pakistan has very strong political and bilateral relationship with China and both economies have long standing mutual beneficial ties. Both economies have mutual interests and close identical views. Pakistan has supported China in different sensitive issues including Sino Indian War in 1962 and security related issues in Taiwan, Tibet and Xinjiang (Kanwal, et al., 2019). Current era witnessed formation of various alliances around the globe. Political relations between Pakistan and China also seem strategic triangle characteristics (Ibrar, Mi, Rafiq, & Ali, 2019). The government of China has acknowledged Pakistan's valuable support on bilateral social and political issues of China. Pakistan also helped China's leadership to establish bilateral relations and geographical connectivity with rest of the world in form of CPEC.

Pakistan is apparently fighting against various challenges like security, balance of power and International bilateral relations for survival. After independence, Pakistan has faced security threats from India as India always played negative role to damage Pakistan's integrity. Still Pakistan is fighting for the rights and integrity of Kashmiri Muslims. Pakistan for her survival and strong regional connectivity preferred alliance with China in 1960. During the period of 1970 to 1990 both economies have generated very strong diplomatic relations to make sure competitive position among increasing world politics and trilateral relations of competitor economies like India and USA (Butt & Butt, 2015). Pakistan has completed various military related projects with collaboration of China as both economies counterweight to Indian alliance. China also helped Pakistan to make sure technological development in different sectors like agriculture, textile, surgical, nuclear explosion, military, health, communication and trade.

Pakistan and Indian conflict is one of the major hurdles in peace stability of South Asia region. It directly affects China's diplomatic and bilateral relations in whole region specially with Afghanistan, Kashmir, Iran and Pakistan. It is also apparent from negative role of Indian government in Kashmir. In 1971, Pakistan due to its ideal geographical location during Cold War played a significant role for China in in whole region internal issues related to East and West Pakistan (Embree, 1973). Pakistan was the most suited country for China to connect with Middle East, Gulf States, Central Asian Republics as it was playing leading role in Pakistan-Iran and Afghanistan triangle during the time period. Chinese travellers also played very important role in establishing good relations with east Pakistan (now Bangladesh)

when India was trying to create negative image of Pakistan (Mustaf & Zafar, 2017). During the era of 80s and 90s both economies tested proved their friendship due to global political conditions in 21st century. China and Pakistan expand their regional connectivity by strategic partnership (Javaid & Jahangir, 2015).

It has been observed in the context of strategic development of Pakistan and China that both economies rooted gradual geo political environment during the period of 2005-2015 in whole South Asia region. Territorial integrity issues related to Tibet between China and India created tensions in whole region. As a result, India tried to maintain its geo political relations with the East Asian nations and China with the South Asian nations. China-Pakistan strong relationship created balance in South Asia region as China has mutual cooperation on defence, military, peace and economic cooperation projects with Pakistan, Iran and Afghanistan. China also maintained its economic relations with India in recent years to make sure peace and development in Asia (Hussain E., 2019). BRI initiative is the biggest game changer project of China, which shows its strong aiming ties with whole South Asia region (Boni, 2019).

Both economies have maintained stable regional environment to make sure each other safety, territorial integrity and sovereignty. Bilateral relations became more prominent when in 2014 US started drawdown from Afghanistan. China started strengthen relations with Pakistan and also started its restive western region of Xinjiang deepened. China increased its trade with Pakistan and Afghanistan (Hussain E., 2019). The purpose of Chinese policies was to maintain peace and economic development in regional economies. China always recognizes Pakistan as the peace and economic development stakeholder in whole region. In 2015, Pakistan and China offered different initiatives to make Afghanistan politically and economically stable. Again in 2016 Pakistan and China have started a joint project with USA and Afghanistan as Quadrilateral Coordination Group (QCG) to make sue commerce related project successful. In 2017, China played a vital role to settle down disputes between Pakistan and Afghanistan to main level of trust between both economies.

China Pakistan Economic Corridor (CPEC) initiative also connects GB which is Kashmir's Part with Beijing to maintain strong administration and economic development. As in 2019, India damaged the sovereign and autonomous territorial integrity of Kashmir by withdrawing separate status of Kashmir. India made changes in the framework of Kashmir for its own purposes and controlling it directly from New Delhi. Its shows negative intention and role of India in whole Asia region. Indian government announced security and communications lockdown in Kashmir which was unethical and immoral step of India to damage integrity of Kashmir's people. Pakistan strongly condemned and criticized Indian unethical actions and announced suspension of bilateral trade with India (Javaid U., 2016). China also criticised Indian unethical action and shows Kashmir's solidarity by standing with Pakistan. China also suggested that a dialogue to resolve Kashmir's issue should be held between Pakistan and India. When the administrative issue of Kashmir was at

peak China forced India to withdraw its status from Kashmir and as a result on 24 August 2019, India withdrew autonomous status of Kashmir but still has control over Kashmir region (Boni, 2019).

China raised Indian lockdown in Kashmir and Kashmir's development at United National Security Council (UNSC). Instead of US support to India in various projects, Pakistan joined South East Asia Treaty Organisation (SEATO) and US-led Central Treaty Organisation (CEATO) (Abid & Ashfaq, 2016). The main purpose of supporting US in military related projects was to support Kashmir. As Pakistan was expecting US positive role to resolve Kashmir's issue but US did not play positive role even surprisingly supported India for Pak-India general war by providing defence equipment (Boni, 2019). As a result, Pakistan lost its trust on US and strengthens its relations with China in defence cooperation. Pakistan still tries to maintained good relationship with US as it is super power and has high influence in India. This article also examines the bilateral relationship of China and Pakistan during last 72 years.

Cooperative dimensions of the bilateral relation

Republic of China (ROC), established as a sovereign state in 1949. Many economies including USA and somehow India did not recognized China while Pakistan was the prime supporter of China. At that time Pakistan was importing coal and some other products from India and exporting cotton and jute at very high volume. Due to currency devaluation trade between Pakistan and India declined. In addition, due to territorial and political reasons India stepped back from Pakistan Industry (Hussain E., CPEC: Governance and Security Challenges – Implications for the Belt and Road Initiative, 2019). That was the time China has entered into Pakistani Industry and it gave a new direction to boost up economy of Pakistan. In 1951 China's territorial integrity war for Tibet and Taiwan started. It also created poetical and economical gaps between China and USA and between India and China as well. Pakistan was not much stable socially and economically but instead of many aspects Pakistan supported China in Tibet and Taiwan affairs. In 1952 Pakistan and China started Barter Trade of Coal, cotton and Jute. Under barter trade agreement Pakistan exported cotton and Jute to China while exchanged with coal from China (Khan & Liu, 2018). Both economies have developed bilateral relations on the basis of high level of mutual trust, pure feelings, respect and goodwill.

On 24th November 2006 Chinese President Hu Jintao and Pakistani president Pervez Musharraf signed a free trade agreement. The trade agreement was completed by Commerce Ministers of both economies and included concession for both trade in goods and investment (Ullah K., 2019). Free trade agreement boosted trade relations between China and Pakistan. Pakistan is enjoying zero duties on 724 products to China under the first free trade agreement. Pakistan also allowed to export 1,000 products in second phase of free trade agreement with zero duty by China. This phase included agriculture, confectionery, processed products, leather as well. To avoid extra burden of US\$ 15 billion, Pakistan signed another agreement in

2019 to use Chinese currency for trade (Basti, 2019). As a result, trade between both economies expands to US\$ 16 billion in 2019. Both economies have enjoyed long term relations in multiple agreements.

In 2013 both economies gave a new direction to trade relations by started working on first corridor of BRI-Initiative. The first corridor of this biggest game changer BRI project is China-Pak Economic Corridor (CPEC) (Chawla, Muhammad Iqbal, 2018). The initial investment on this projected by China was \$ 46 billion and 51 Memorandum of Understandings (MoUs) were signed by both economies under CPEC. This trade not only boosted up trade between both economies but also makes sure connectivity of China with CARs, ME, Africa and even Europe. CPEC also created economic balance as USA paying more attention towards India and Russia is also trying to make alliance with many Asian economies. CPEC initiative has a significant impact on social, economic, technological and political cooperation of China and Pakistan. This game changer project aims socio-political development in different areas including agriculture, technology, communication, job opportunities, economic prosperity in whole Asia region. China has invested \$64 billion on mega projects to connect with rest of the word via Gwadar Port. The main concern was to develop strong infrastructure of rads, rails, pipelines, transports, oils and gas projects. This game changer project provides China with cheapest access to Central Asian Republics, Africa region, Middle East and Europe as well. Pakistan also aims to get long-lasting benefits from CPEC-Initiative (Javaid, Umbreen; Mushtaq, Imrana, 2014; Rahim, et. al. 2018).

Pakistan is less developed as compared to China in technology, industrial development, and communication, social and economic aspects. Economic growth rate in Pakistan is also less then China. But according to statistics of world bank due to CPEC initiative Pakistan's growth rate improved by 5.5% in 2020 (Khan & Liu, 2018). Both, Economic growth rate of Pakistan is further projected to grow by 6%by 2023. Global donors show a positive respond in Foreign Direct Investment as they projected the potential of Pakistan as fast-growing economy in Asia sub-continent due to infrastructure development, institutionalization, increasing economic goals, and increasing technological awareness. As Pakistan during last few decades has fight against several challenges including political instability, social pressures, economic instability and technological crises as well. CPEC is a biggest milestone as it aims to make ideological business and infrastructural growth in Pakistan and China. China consistently supports Pakistan and other economies in Asia region through various agreements.

In the perspective of regional sustainable economic growth, the government of Pakistan is working to revisit its economic policies. Purpose of retesting policies is to positively utilize potential for infrastructural, technological, demographic, and human resources development to shapeup Pakistan at competitive position among rest of the world economies. BRI-initiative not only focusses on infrastructural development but also on human, industrial and agricultural development. As CPEC is the first and most important corridor of BRI therefore, China is paying attention

towards development of Industrial and economic Zones in major cities of Pakistan. It ultimately leads to rise in agriculture, manufacturing and industrial sectors development in Pakistan (Boni, 2019). China and Pakistan aims to establish mutual projects for financial vibrant, industrial relocation, skilled based industries, knowledge-based manufacturing units, high- end textile industries, advanced Agri-processing units for fruits, meat and vegetables under the umbrella of CPEC in Special Economic Zones (Basti, 2019).

Pakistan faces several challenges during the first and second phase of CPEC. These challenges include lack of industrial growth potential identification, lack of institutionalization, lack of quality human resources, lack of vocational expertise, lack of modern high technology, lack of soft and hard infrastructure, lack of investment and lack of professional trainings (Boni, 2019). Special Economic Zones (SEZs) under CPEC-Initiative offer long term opportunity to Pakistani large, small and medium enterprises to grab high potential and competitive position (Khan & Liu, 2018). In addition, CPEC-Initiative aims to produce innovative business models to make sure sustainable industrial business infrastructural and employment opportunities by establishing connection between domestic values added chain and regional value added chain. For this purpose SEZs are expected to produce economic activities in all areas of Pakistan to engage SMEs and also to utilize resources of Pakistan efficiently (Abid & Ashfaq, 2016). Moreover, SEZs in Pakistan are also aiming to produce capitalized investment opportunities, construction of industrial parks-based in Chinese models in industrialization under the second phase of CPEC initiative.

Previous studies have discussed many deficiencies in leadership with respect to resources management both in civil and military sectors of Pakistan. Here the most important step is policies revisions and confidence between civilians and military. CPEC initiative aims to generate abundance of opportunities in Pakistan under SEZs to engage public and military on mutual projects at win-win situation (Butt & Butt, 2015). Success of CPEC corridor is actually success of BRI-initiative, therefore China is paying high attention towards this first game changer corridor (Nabi, Ullah, Khan, & Ahmad, 2018). Pakistani industries specially SMEs should grab this opportunity to create a successful story in the sustainable growth and productivity.

The overwhelming significance of CPEC for BRI Initiative is highly dependent on successful socio economic, cultural, technological development of Special Economic Zones (SEZs) (Javaid U., 2016). CPEC aims to connect all regions of Asia and Europe to Mediterranean Sea by various projectiles. 50,000 miles and many others related to ports, zones and industries (Rahman & Shurong, 2017). Economists and analysts believe that for the lower- and middle-income class of Pakistan transition to high income is a challenging situation. Therefore, it is expected by the economic analysts that process and industrial relocation in special Economic Zones (SEZs) would be a great step by China and Pakistan governments to transform Pakistan from lower middle to high income class (Kanwal, et al., 2019). For Industry

relocation the Chinese renowned companies can play very important role to make sure manufacturing units in Pakistan. For China's companies cheap labour and low cost of production are opportunities in Pakistan to grab high share in BRI markets.

This research paper has focused on political and economic aspects of CPEC under BRI umbrella. Few important points have been concluded below:

Conclusion

This research article has conducted that economic development is the basic purpose of BRI initiative and CPEC is the hub of Regional Cooperation Development Programs under BRI. Therefore, historical reviews and business analysts have suggested relocation of industry in all main cities of Pakistan and in SEZs. This industrial development under CPEC will not only benefices Pakistan but, also will serve economies of Middle East, Central Asian Republics and Africa region as well. Secondly study has concluded that the success of CPEC corridor is the success of OBOR/BRI initiative. Because under this corridor objective of China is to make sure regional connectivity and economic development operations by establishing new model of international development led by Chinese investment companies in SEZs. For this purpose, CPEC aims to attract Chinese investors and multibillion dollar business opportunities not only for this region but for other corridors of BRI as well. CPEC is the best opportunity for the government of China to test new normal economic development model to analyse all challenges and opportunities associated with economic growth and business models. CPEC is an opportunity for Pakistani business community to transform their business from low income to high income and to grow globally.

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