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CPEC and Regional Integration

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## ABSTRACT:

China-Pakistan Economic Corridor (CPEC) is being projected as a game-changer not merely for the peoples of China and Pakistan but also for the region. Similar to other economic corridors, CPEC aims at connecting adjacent countries for commerce, trade and industrial development thereby leading to collective socio-economic growth. Pakistan anticipates greater industrial and trade activity through communication and energy infrastructure, construction of industrial zones and a bustling Gwadar Port. Moreover, for Pakistan CPEC is more than an economic investment aimed at invigorating its economy; it is also a strategic asset that could provide much needed equilibrium against emerging Indian military and economic influence in South and South West Asia. CPEC, for China, besides being the shortest possible trade route to Arabian Sea, Middle East and Europe is a way out of Malacca Strait Jacket. For landlocked regional states like Uzbekistan, Afghanistan, Tajikistan and Turkmenistan, CPEC could provide a greater than before economic and trade opportunity to stimulate their economies. Additionally, regions of Central Asia, Middle East and South Asia are expected to reap huge economic windfall from the Corridor.

The paper intends to probe into the real motives behind the overall concept of CPEC and the benefits that it brings to China and Pakistan. Also, it identifies the potential of the Corridor in blending the regional economies blurring their geographical boundaries.

The paper, while scrutinizing the inherent dangers of such interstate mega projects, argues that an increased economic interdependence and cooperation, as promised by CPEC, is likely to ease interstate disputes and tensions thereby, bringing stability and prosperity to the region

## Introduction

With developed economies still not fully recovered from the 2008 meltdown China views Asia's developing economies as its new partners in economic growth.<sup>1</sup> Summers elaborates the idea saying, "the spatial paradigms inherent in the Silk Roads vision reveal the reproduction of capitalist developmental ideas expressed particularly in the form of networks, which themselves have become a feature of contemporary global political economy".<sup>2</sup> With a master

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<sup>1</sup>Jacob Stokes, China's Road Rules : Beijing Looks West Toward Eurasian Integration, Council on Foreign Relations, Published on 19th April, 2015, accessed 1st September 2016, available at <https://www.foreignaffairs.com/articles/asia/2015-04-19/chinas-road-rules>

<sup>2</sup>Tim Summers, "China's 'New Silk Roads': sub-national regions and networks of global political economy", *Third World Quarterly*, Vol 37, no. 9 (2016): 1628-1643

plan to find new markets for its exports China's 'One Belt One Road' (OBOR) Project plans to link China with Central Asia, Russia, Europe and more importantly with warm waters of Indian Ocean.

China Pakistan Economic Corridor (CPEC) being the star project of OBOR, with an investment of \$46 billion, is expected to restructure the geopolitical scenario of South Asia. CPEC is a set of various projects aimed at linking western region of China with Pakistan so as to establish a sustained connection amongst Pakistan, Arabian Sea, Persian Gulf, Middle-East, and China<sup>3</sup>. With a major focus on developing and upgrading roads infrastructure, energy and industrial parks, as many as 51 MoUs (Memorandums of Understanding) were inked during Chinese President's visit to Islamabad in 2015. The total worth of several projects under CPEC has been estimated at \$46 billion while these projects are expected to be completed in three to fifteen years' time<sup>4</sup>.

Pakistan sees CPEC as not merely an economic investment aimed at improving its economy but also a strategic balance of power against Indian emerging military and economic might in South Asia. CPEC, for China, is a supplement to Malacca Strait which is China's current trade route and also a ripe opportunity providing China the shortest possible route from Gwadar to Arabian Sea and Gulf region. For landlocked regional states like Uzbekistan, Afghanistan, Tajikistan and Turkmenistan, CPEC provides an economic and trade opportunity to reach international waters while regions of Central Asia, Middle East and South Asia are expected to reap benefits from the corridor. While considering similar economic corridors in Africa and EU as a case study, the paper deals with the debate of the challenges CPEC might face during integration at bilateral and multilateral levels and how Pakistan's neighbours view the concept of CPEC and how could they benefit from the process of integrating their economies with one another.

## **Corridor Approach**

Economic corridors "provide important connections between economic nodes or hubs that are usually centered in urban landscapes."<sup>5</sup> African Development Bank (AFDB), in its Regional Economic Brief said that the "economic corridor approach looks at regional transport routes not only as a means of transporting goods and services or as a gateway for land-locked countries, but also as a tool for stimulating social and economic development in the areas

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<sup>3</sup> Hassan Askari Rizvi, "The China-Pakistan Economic Corridor: Regional Cooperation and Socio-Economic Development," *Institute of Strategic Studies Islamabad* (2015), available at [http://issi.org.pk/wp-content/uploads/2015/12/Hasan-Askari-Rizvi\\_3435\\_SS\\_41\\_20142015.pdf](http://issi.org.pk/wp-content/uploads/2015/12/Hasan-Askari-Rizvi_3435_SS_41_20142015.pdf)

<sup>4</sup> Ibid.

<sup>5</sup> Hans- Peter, Brunner, "What is Economic Corridor Development and What Can It Achieve in Asia's Subregions?," *Asian Development Bank Economics Working Paper Series*, No 117 (2013): Available at <https://www.adb.org/sites/default/files/publication/100110/reiwp-117-economic-corridor-development.pdf>

surrounding the route”.<sup>6</sup> The infrastructure has to be planned in a way that it augments the economic growth while curtailing the negative impact on the environment. When implemented, economic corridors are often one of a package of different measures including infrastructure development, visa and transport agreements, and standardisation. The road-rail-pipeline networks contribute towards improved quality of life with better access to education, health facilities and upgraded social services.

An economic corridor has the following characteristics<sup>7</sup>:

- covers defined geographic area, along a central transport route;
- Primarily highlights bilateral projects mainly at border crossings between two countries
- Greater emphasis placed on infrastructure planning of the corridor and its neighboring areas to accrue maximum benefits.

Although Brunner believes there is no typical model of an economic corridor development and what it can achieve, he asserts that economic corridors do not stand alone, as their role in regional economic development can be comprehended only in terms of the network effects that they induce.<sup>8</sup> The corridor provides the basis for regional integration, interoperability, harmonized development and effective management of infrastructure. What economic corridors can achieve for regional economic integration depends first on what characteristics the specific existing economic networks in which the economic corridors are embedded personify, and second on which characteristics corridor development are intended to introduce or strengthen.<sup>9</sup>

### **Theorizing Regional Integration**

Liberal theorists believe trade and economic interdependence fosters peace and alleviates risks of armed conflicts. One of the most known theory “Economic Opportunity Cost Hypothesis” assumes that economic interdependence and trade increase stakes amongst economically integrated nations and thereby, reduce chances of erupting conflicts<sup>10</sup>. Political leaders and decision makers of economically interdependent countries curb their proclivities to resolve conflicts through the use of force. In other words, the economic advantages and cost attached with trade deter countries from waging wars. Similarly, less economically integrated countries

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<sup>6</sup>Trishia P. Octaviano, Economic Corridors Boost Markets, Living Conditions, *Business World Research*, accessed 10<sup>th</sup> September, 2016 Available at <http://research.bworldonline.com/popular-economics/story.php?id=350&title=Economic-corridors-boost-markets,-living-conditions>

<sup>7</sup>Ibid

<sup>8</sup>Hans- Peter, Brunner, “What is Economic Corridor Development and What Can It Achieve in Asia’s Subregions?”, *Asian Development Bank Economics Working Paper Series*, No 117 (2013): Available at <https://www.adb.org/sites/default/files/publication/100110/reiwp-117-economic-corridor-development.pdf>

<sup>9</sup> Ibid

<sup>10</sup> Jack S. Levy and William R. Thompson, *Causes of War* (Malden: Wiley-Blackwell, 2010), 72-73.

have no cost attached with trade, therefore, their chances to adopt warfare or conflicts against one another are quiet high<sup>11</sup>. However, the theory draws criticism as realists believe that war decisions are not taken on economic grounds, rather they are properly calculated decisions from military and political elites. In other words, state's pursuit of power dominates economic opportunity cost<sup>12</sup>. Moreover, realists argue that economic interests fuel tensions and conflicts rather than reducing risks of armed interventions. The oft cited reason being that interdependence exports internal problems to other integrated member states.

Regional integration can greatly be explained through "neo-Functionalism". Neo-Functionalism Theory, developed in 1950's, explains the notion of European integration and the contribution of supranational bodies (like European Commission) towards advancement of such integration<sup>13</sup>. The theory argues that cooperation in one area produces incentives to open cooperation in other sectors, this concept is also called "spillover"<sup>14</sup>. Also, it believes that in addition to the increased interaction amongst economically integrated units, the supranational body formed to manage integration looks for opportunities to further expand the process of integration. However, the theory is often criticized for assuming some degree of automaticity in integration processes while fails to discuss increasing protectionism and limitations to integration put up by member states at times<sup>15</sup>.

Both "Economic Opportunity Cost Hypothesis" and "neo-Functionalism Theory" remain applicable in case of CPEC and its potential for regional integration. South Asian states, marred by bilateral disputes and internal disparities and challenges, and with disappointingly low trade volume amongst them, see little to lose in use of force to resolve political conflicts. Economic interdependence promises greater inclination towards resolving seemingly intractable disputes through negotiations and other peaceful means. Similarly, economic integration once mature holds the promise of a degree of political integration and peace and stability.

### **Regional Economic Integration**

Regional Integration is understood as a process through which countries formally reach an agreement to mutually cooperate through a set of common guidelines and objectives. States

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<sup>11</sup> Erik Gartzke, Quan Li and Charles Boehmer, "Investing in Peace: Economic Interdependence and International Conflict," *International Organization*, Vol 55, no. 2 (2001): 394.

<sup>12</sup> Jack S. Levy and William R. Thompson, *Causes of War* (Malden: Wiley-Blackwell, 2010), 72-73.

<sup>13</sup> "Neo-functionalism: Logic and Critique," accessed 27<sup>th</sup> August, 2016, available at <http://hum.port.ac.uk/europeanstudieshub/wp-content/uploads/2013/05/Module-4-extract-5-Neofunctionalism-logic-and-crtique.pdf>

<sup>14</sup> Finn Laursen, "Theory and Practice of Regional Integration," *Jean Monnet/Robert Schuman Paper Series*, Vol 8, no. 3 (2008): 4-5.

<sup>15</sup> "Neo-functionalism: Logic and Critique," accessed 27<sup>th</sup> August, 2016, available at <http://hum.port.ac.uk/europeanstudieshub/wp-content/uploads/2013/05/Module-4-extract-5-Neofunctionalism-logic-and-crtique.pdf>

tend to integrate on various objectives varying from economic, to political, environmental, social, or defense but quite often integration starts on economic grounds and then proceeds to embrace other areas. Regional Economic Integration (REI) involves mutual cooperation to reduce or completely eradicate barriers or tariffs to inter-regional trade with an intention to boost cross-border trade<sup>16</sup>. A deep-rooted regional cooperation like European Union generally goes through five levels of integration i.e. Free-Trade Area (FTA), Customs Union, Common Market, Economic Union and Political Union.<sup>17</sup> European Union having been through the first four phases of consolidation, over the last six decades, with its supranational institutions in place, is on its way to a probable political union.

The spread of a regional cooperation arrangement is depicted by the areas of integrated activities like trade, labor mobility, business policies, macro policies, etc. whereas its depth is manifested in the degree of sovereignty a country is ready to surrender, that is from simple coordination or cooperation to a deep integration.<sup>18</sup> Nations integrate, despite the shrinking sovereignty, to reap perceived economic benefits. Moreover, conflicts are much likely to be managed through peaceful means among the member states of a regional cooperation arrangement.

### **Key Lessons from Corridors led Economic Integration Projects**

This study examined a number of economic corridors in Africa, Europe and South East Asia to assess the impact of increased economic activity along the highways-railroad networks on Regional Economic Integration and peace and stability in the connected region. These corridors included NSC, MDC, GMS and TEN-T multimodal Core Network in Europe.<sup>19</sup> Corridors accelerate the infrastructure development in all member states to boost economic growth.

This study indicates that careful alignment of reforms around cross border projects such as corridors may contribute to trust and capacity building between countries in support of incremental and functional regional integration.<sup>20</sup> However, the enthusiasts need to take note of EU Ambassador to South Africa Roeland van de Geer's caution: "If there is anything to be learnt

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<sup>16</sup> "Regional Integration Stages", accessed 27<sup>th</sup> August, 2016, available at [http://www2.dsu.nodak.edu/users/rbutz/International%20Business/PDF/IB4\\_IM\\_CH08.pdf](http://www2.dsu.nodak.edu/users/rbutz/International%20Business/PDF/IB4_IM_CH08.pdf)

<sup>17</sup> Ibid

<sup>18</sup> Lolette Kritzinger-van Niekerk, "Regional Integration: Concepts, advantages, disadvantages and Lessons of Experience," (2005), available at [http://www.sarpn.org/documents/d0001249/P1416-RI-concepts\\_May2005.pdf](http://www.sarpn.org/documents/d0001249/P1416-RI-concepts_May2005.pdf)

<sup>19</sup> North-South Corridor (NSC) links Dar es Salaam in Tanzania to Durban in South Africa through Zambia, Zimbabwe and Botswana; Maputo Development Corridor (MDC) links Gauteng Province in South Africa to Maputo in Mozambique; Greater Mekong Subregion (GMS) program fosters development of Cambodia, China, Laos, Myanmar, and Thailand; Trans Europe Transport Network (TEN-T) is a grid of nine corridors connecting Europe.

<sup>20</sup> Bruce Byiers and Jan Vanheukelom, "What drives regional economic integration?", *ECDPM Discussion Paper*, No. 157 (2014), accessed on 9<sup>th</sup> September, 2016 available at <http://ecdpm.org/wp-content/uploads/DP-157-Regional-Economic-Integration-Maputo-Development-Corridor-2014.pdf>

from European integration it is that the road to union is a bumpy one – integration does not take place in isolation, and internal as well as external factors will place obstacles along the path.<sup>21</sup>

The study combines the varied lessons from these geographically distant corridor projects to assess prospects of CPEC leading regional states in to a broader economic collaboration:

**Strong Leadership and Alignment of Interests.** The success of regional economic integration very much depends on strong leadership endowed with farsightedness and pragmatism, and alignment of national and local interests. In case of EU inherent societal and geographical differences remained influential features over policy preferences for some member nations.<sup>22</sup> Such differences have negatively impacted EU’s decision making process making it slow and complicated. Moreover, surrendering national sovereignty to supranational institutions in Brussels has given rise to anti-EU pressure groups within member states.

**Harnessing Public Support.** Two World Wars and subsequent longish Cold War helped European leadership in forging, slowly but resolutely, an integration process that led to creation of a common economy. But post 2008 Greek bailout crisis and the recent British exit (Brexit) from EU amply bring the point home that public support should never be taken for granted.

**Regional integration is a cooperative process not a product:** A process involves a chain of actions producing something or leading to a specific outcome while a product is the ultimate outcome. Similarly, regional integration encompasses a process involving two or more political states who decide to collaborate to achieve collective objectives including economic stability or social prosperity<sup>23</sup>.

Like EU, states might opt to start collaboration in a single area but later expand the canvass with every successful step. Regional integration is a long-term process whose success or failure cannot be judged in a year or two. Moreover, there is no guarantee of success in such projects. Continuous efforts towards reducing inevitable and inherent conflicts are key to success.

**Scope of the RIA.** The success of Regional Integration Agreement (RIA) relates among other things to its scope. The scope and complexity of the corridor network defines the degree of effectiveness. Scope limits the number of countries and government agencies involved, makes

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<sup>21</sup>John Fraser, “Lessons in Economic Integration for African Union,” *Inter Press Service*, accessed 7<sup>th</sup> September 2016, available at <http://www.ipsnews.net/2013/05/lessons-in-economic-integration-for-african-union/>

<sup>22</sup> Kristin Archick, “The European Union: Current Challenges and Future Prospects,” *Congressional Research Service* (2016): 9.

<sup>23</sup> “Extension: What is Regional Integration?”, *EU Learning*, accessed 22<sup>nd</sup> August, 2016, available at <http://carleton.ca/ces/eulearning/introduction/what-is-the-eu/extension-what-is-regional-integration/>

interests for likely beneficiaries more easily identifiable, and allows a clearer focus or conduit for pressure groups around the corridor.<sup>24</sup>

**Coordinated Political Economy**<sup>25</sup>. Adopting a corridor approach means engaging with a wide range of actors with different interests and influence along key transport routes that link neighbouring countries and ports. This includes the full range of government agencies that control borders for security, revenue collection, and regulatory purposes as well as infrastructure, transport, trade and economic ministries as well as a range of private sector actors from small-scale informal traders and producers to transporters and major international investors as well as port, rail and road operators.<sup>26</sup>

**Integrated Infrastructure Planning.** Infrastructure planning of the development partners should aim at doing away with chokepoints, build missing cross-border links and stimulate modal integration for mobility and interoperability. All member states should develop an effective integrated transport system by integrating and improving systematic, effective, and safe operation of all modes of transportation.

**Optimum Infrastructure Utilization.** The multi-nodal corridor network should enable large volumes of trans-national traffic— both for freight and passengers – and their integrated operations should provide for a highly resource efficient infrastructure use.

**Infrastructure Investment Strategy.** Regional Investment Strategy is itself a major innovation within the Corridor Approach. A fully functioning single market depends on modern high-performing infrastructure to connect regional states, above all in transport, energy and information and communication technologies.<sup>27</sup>

**Socio-Economic Impact.** The success of an economic corridor ought to be gauged by its socio-economic impact. Gellert and Lynch speak out, “Mega projects entail creative destruction: they transform landscapes rapidly and radically, displacing mountain tops, rivers, flora and fauna, as well as humans and their communities...Mega projects serve the interests of powerful actors: notably capital accumulation, especially for financial institutions and construction firms, and

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<sup>24</sup>Bruce Byiers and Jan Vanheukelom, “What drives regional economic integration?” *ECDPM Discussion Paper*, No. 157 (2014), accessed on 9<sup>th</sup> September, 2016 available at <http://ecdpm.org/wp-content/uploads/DP-157-Regional-Economic-Integration-Maputo-Development-Corridor-2014.pdf>

<sup>25</sup>Political economy is study of production and trade, and their relations with law, custom, and government, as well as with the distribution of national income and wealth.

<sup>26</sup>Bruce Byiers and Jan Vanheukelom, “What drives regional economic integration?” *ECDPM Discussion Paper*, No. 157 (2014), accessed on 9<sup>th</sup> September, 2016 available at <http://ecdpm.org/wp-content/uploads/DP-157-Regional-Economic-Integration-Maputo-Development-Corridor-2014.pdf>

<sup>27</sup>“The Core Network Corridors”, European Commission, accessed 10<sup>th</sup> September 2016, available at [http://ec.europa.eu/transport/infrastructure/tentec/tentec-portal/site/brochures\\_images/b1\\_2013\\_brochure\\_lowres.pdf](http://ec.europa.eu/transport/infrastructure/tentec/tentec-portal/site/brochures_images/b1_2013_brochure_lowres.pdf)

modernization and territorialisation ambitions of the states.”<sup>28</sup> Trans-national economic activity is mostly in the interest of the richest countries, which manipulate the world trade at the expense of developing countries. Studies indicate that most benefits of the Maputo Development Corridor accrue to large South African firms and inward investors in megaprojects in Mozambique, with limited development benefits for low-income groups. These huge projects remain less justifiable if they fail to eradicate poverty and enhance standards of life in their catchment areas. Adverse impacts of such projects can always be minimised by attention to remediation. Trans National Companies (TNCs) bring wealth and foreign currency to local economies when they buy local resources, products and services. The extra money created by this investment can be spent on education, health and infrastructure.<sup>29</sup>

**Combine soft with hard infrastructure development.** Africa’s regional integration through corridors demonstrates that regulatory frameworks, accountability mechanisms and other soft investments have to be prioritised before planning hard infrastructure development.<sup>30</sup>

### **Chinese Objectives for “Economic Belt and Maritime Silk Road Project”**

President Xi Jinping declared Economic Belt project in September, 2013 during his visit to Kazakhstan. Next month in October, on his visit to Indonesia, he announced Maritime Silk Road initiative and launch of “Asian Infrastructure Investment Bank (AIIB)”<sup>31</sup>. However, details of the Project came to light only later in March 2015 when Chinese Ministries of Foreign Affairs, Commerce and NDRC (National Development and Reform Commission) unveiled guidelines of the Initiative<sup>32</sup>.

China’s slow economic growth rate since 2012 combined with the deteriorating relations with neighbouring countries and US doctrine of Rebalancing Asia added pressure on Chinese policy makers to come up with practical measures to effectively handle emerging scenario<sup>33</sup>. Besides experiencing a slow annual GDP growth rate of around 7.0% the Chinese economy is beset with two other key problems i.e. overcapacity, and accumulation of enormous foreign exchange resources. Overcapacity, in the form of excessive labor vis-à-vis a rise in the number of loss-

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<sup>28</sup>Paul K. Gellert and Barbara, D. Lynch, “Mega Projects as Displacements”, *UNESCO* (2003), accessed 12<sup>th</sup> September 2016, available at <http://www.sas.upenn.edu/~dludden/MegaProjectDISPLACEMENT.pdf>

<sup>29</sup>Eric Ennis, Globalization – Silk Road, accessed 5<sup>th</sup> September, available at [http://www.bbc.co.uk/schools/gcsebitesize/geography/globalisation/globalisation\\_rev1.shtml](http://www.bbc.co.uk/schools/gcsebitesize/geography/globalisation/globalisation_rev1.shtml)

<sup>30</sup>Bruce Byiers and Jan Vanheukelom, “What drives regional economic integration?” *ECDPM Discussion Paper*, No. 157 (2014), accessed on 9<sup>th</sup> September, 2016 available at <http://ecdpm.org/wp-content/uploads/DP-157-Regional-Economic-Integration-Maputo-Development-Corridor-2014.pdf>

<sup>31</sup>“Full Text: Action Plan on the Belt and Road Initiative”, updated 30<sup>th</sup> March, 2015, accessed 7<sup>th</sup> Aug, 2016, available at [http://english.gov.cn/archive/publications/2015/03/30/content\\_281475080249035.htm](http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm)

<sup>32</sup>Yong Wang, “Offensive for Defensive: the Belt and Road Initiative and China’s New Grand Strategy,” *The Pacific Review* 29 (3) 2016, Pages 455-463.

<sup>33</sup>Ibid.

making companies calls for a need to find urgent new overseas markets<sup>34</sup>. Moreover, with \$4 trillion as foreign reserves, China needs to figure out more exit points for such enormous foreign reserves.

Tracing the footprints of China’s historic Silk Road, the New Silk Road, called Economic Belt, links China with Europe via Central and West Asia, and Russia; connects China with Gulf region through Central, and West Asia; and integrates China with Indian Ocean through South and South-East Asia. Similarly, the “Maritime Silk Road” from China’s coastline reaches Europe via South-China Sea (SCS), Malacca Strait, Indian Ocean, Red Sea and Mediterranean. CPEC is the main artery connecting the Belt and the Road.



Source: Google Maps

CPEC is amongst the six proposed corridors of ‘One Belt and One Road’; others include NELB (New Eurasian Land Bridge), BCIMEC (Bangladesh-China-India-Myanmar Economic Corridor), CCWAC (Central-China and West-Asia Economic Corridor), CMREC (China-Mongolia-Russia Economic Corridor) and CICPEC (China Peninsula Economic Corridor)<sup>35</sup>. This large network of

<sup>34</sup> Zhang Junkuo and Zhao Changwen, “Analysis of the Problem of Overcapacity in China: Relevant Policies, Theories and Case Studies,” *DRC* (2015), available at [http://en.drc.gov.cn/2015-10/13/content\\_22216933.htm](http://en.drc.gov.cn/2015-10/13/content_22216933.htm)

<sup>35</sup> “China 6 Magical Economic Corridors,” *Foreign Policy News*, accessed 15<sup>th</sup> Aug, 2016, available at <http://foreignpolicynews.org/2016/08/14/china-6-magical-economic-corridor/>

corridors demonstrates China's willingness to pursue markets and consequent influence through economic integration and mutual development over a large area.

CPEC is both a flagship as well as an early harvest project for the larger all-important OBOR Initiative. Its geostrategic positioning—a connecting arm between the proposed Economic Belt and the Maritime Silk Road—provides China the means to accrue maximum economic and strategic benefits in the contemporary global scenario. Being the largest global export market (\$2.37 Trillion) and third largest import market (\$1.53 Trillion) China visibly has greater stakes in the success of CPEC<sup>36</sup>. Xi hopes that China's annual trade volume with belt and road countries will exceed US\$2.5 trillion in a decade or so.<sup>37</sup>

Being the second leading global oil consumer nation, energy security remains China's topmost concern. Increasing population and phenomenal economic growth over the past three decades China's energy demands have soared in recent decades. Currently, China's oil imports cover a voyage of around 10,000 kms from Strait of Hormuz all the way through Indian Ocean, the bottleneck Malacca Strait and the disputable South-China Sea (SCS) to reach Chinese shore<sup>38</sup>. Middle East (46%) and Africa (24%) fulfill nearly 70 percent of China's daily energy needs<sup>39</sup>.

CPEC's design offers China easy and secure access to oil and mineral rich regions. Gwadar-Kashgar pipeline, a 5-years initiative ending in 2021, is planned to start in 2017 with a capacity to carry 1MBPD (1 million barrel per-day)<sup>40</sup>. Initially, 17% of China's total oil imports are planned to shift to this pipeline<sup>41</sup>, while work on 700km long pipeline aimed at importing Chinese LNG (Liquefied Natural Gas) is in progress<sup>42</sup>. Additionally, plans are afoot for establishing an oil refinery at Gwadar that would refine Middle-Eastern crude oil and transport to China via planned pipeline<sup>43</sup>. CPEC offers will help lessen a risky dependence on sea-borne shipments. In the meantime, Chinese Overseas Port Holding Company (COPHC) acquired a 40 years lease on Gwadar Port in 2013 to expeditiously start full operations as mainstay of CPEC.

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<sup>36</sup> "China," *The Observatory of Economic Complexity*, accessed 23<sup>rd</sup> August, 2016, available at <http://atlas.media.mit.edu/en/profile/country/chn/>

<sup>37</sup> 'One belt, one road' initiative will define China's role as a world leader' accessed 31<sup>st</sup> August 2016, Available at <http://www.scmp.com/comment/insight-opinion/article/1753773/one-belt-one-road-initiative-will-define-chinas-role-world>

<sup>38</sup> "Understanding China's Interests in Gwadar," *For Pakistan Organization*, accessed 16<sup>th</sup> August, 2016, available at <http://forpakistan.org/understanding-chinas-interest-in-gwadar/>

<sup>39</sup> Dr. Zhang Jian, "China's Energy Security: Prospects, Challenges and Opportunities," *The Brookings Institution: Center for Northeast Asian Policy Studies*, 2011: 3.

<sup>40</sup> "China to Build Mega Oil Pipeline from Gwadar to Kashgar," *Pakistan Defense*, accessed 25<sup>th</sup> August, 2016, available at <http://defence.pk/threads/china-to-build-mega-oil-pipeline-from-gwadar-to-kashgar.434652/>

<sup>41</sup> Ibid.

<sup>42</sup> "Construction Work Started on 700 Km Pipeline from China to Pakistan: Abbasi," *Dawn News*, Published 20<sup>th</sup> July, 2015, available at <http://www.dawn.com/news/1195279>

<sup>43</sup> Zafar Bhutta, "Pakistan Working on Gwadar-China Oil Pipeline," *The Express Tribune*, Published 13<sup>th</sup> July, 2016, available at <http://tribune.com.pk/story/1140506/crude-export-pakistan-working-gwadar-china-oil-pipeline/>

The oil's expensive journey is full of risks as well; its vulnerability increases after the recently concluded Logistics Exchange Memorandum of Agreement (LEMOA) between China's two main rivals in the region—US and India.<sup>44</sup> In the backdrop of China's mounting maritime assertiveness, LEMOA seeks to make use of one another's terrestrial, air and maritime bases so as to mend and resupply logistical and defense related support<sup>45</sup>. Gwadar Port—the southern end of CPEC—located at juncture of international shipping and oil supply routes reduces the Chinese energy security vulnerability by decreasing 10,000 km sea distance to merely 2500 km and then only 2800 km via land from Gwadar port to Kashgar thereby, offering shortest, secure and most economical route saving extra time and cost<sup>46</sup>.

OBOR Initiative, also seen as a counterbalance to US' Pivot to Asia doctrine, manifests China's desires to establish strong relations with its neighboring countries so as to get more strategic maneuvering space in Asia. Professor *Yong Wang*, a professor at School of International Studies and Director of Center for International Political Economy, Peking University, sums up the strategic thought process behind OBOR as "China's Belt and Road initiative came from the combined pressure of slowing down of Chinese economy, US pivot to Asia and deterioration of the relations with neighboring countries after weathering the storm of the Global Financial Crisis of 2008"<sup>47</sup>.

Change in US trade policy, another concern of China, is seen as a shift from multilateral approach World Trade Organisation (WTO) to Trans-Pacific Partnership (TPP) and other regional Free Trade Agreements (FTAs) such as Transatlantic Trade and Investment Partnership (TTIP)<sup>48</sup>. China views TPP as allowing US to have a greater sway over global trade rules. In response to TPP, China has started to build its own FTA networks and anticipates extension of this network through Belt and Road strategy.

For President Xi, OBOR is a master stroke aimed at achieving political, strategic and social influence by way of financial and economic integration of the region to counter US Dominance in Asia. Yong thinks "despite risks and uncertainties (that) exist, the enforcement will boost China's influence and position in regional and international institutions"<sup>49</sup>.

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<sup>44</sup> US and India signed Logistics Exchange Memorandum of Agreement (LEMOA) in Washington DC on 29<sup>th</sup> August 2016.

<sup>45</sup> "U.S. India sign military logistics agreement" *Reuters*, accessed 10<sup>th</sup> September, 2016 available at <http://www.reuters.com/article/us-india-usa-military-idUSKCN114241>

<sup>46</sup> "Understanding China's Interests in Gwadar," *For Pakistan Organization*, accessed 16<sup>h</sup> August, 2016, available at <http://forpakistan.org/understanding-chinas-interest-in-gwadar/>

<sup>47</sup> Yong Wang, "Offensive for Defensive: the Belt and Road Initiative and China's New Grand Strategy," *The Pacific Review* 29 (3) 2016, Pages 455-463

<sup>48</sup> Ibid

<sup>49</sup> Ibid

CPEC, also, makes available to China an easy and far more affordable access to its key trading partner, Europe. Instead of sailing through the troubled waters of SCS, Malacca Strait and Indian Ocean Europe can be accessed through Gwadar Port.

President Xi's "China Dream" for national transformation finds its expression in 'One Belt, One Road' strategy. Foremost among list is boosting Chinese economy by finding new exit points for surplus industrial capacity.<sup>50</sup> Moreover, CPEC facilitates accelerated development work in China's least developed Western Xingjian Province and its completion has the additional promise of providing a stimulus for economic and technical advancement in adjacent areas.

China being world's second largest importer of Gold and Copper could also benefit from vast mineral resources in Balochistan. Trishia observes "over the longer term, large infrastructure projects and increased mobility can create opportunities for large scale exploitation of natural resources along the corridor".<sup>51</sup> A successful CPEC will stand China in good stead for a preferential treatment in securing exploration rights for the varied mineral resources particularly in mineral abundant province of Balochistan. Reko Diq Mines in Chagai District is estimated to have reserves of 11.65 million metric tons (Mt) of Copper and 659,000 kilograms of gold<sup>52</sup> a potential which could be of tremendous significance to China. Earlier Metallurgical Construction Corp. (MCC) of China, had won a ten year lease of the Saindak Copper-Gold Project in Chagai District, in 2012 with an eye on securing a similar mining lease for Reko Diq.<sup>53</sup>

## Prospects of Regional Integration

With almost 22% of the overall world's population, South-Asian economy is considered to be amongst the fastest developing regional economies. The region is also plagued with intractable disputes and numerous internal and external problems including corrupt bureaucratic mindset, poverty, high illiteracy, energy starvation, terrorism, low living standards, environmental degradation and poor relations with neighbors. The trade volume among the South Asian states

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<sup>50</sup> Jacob Stokes, *China's Road Rules : Beijing Looks West Toward Eurasian Integration*, Council on Foreign Relations, Published on 19<sup>th</sup> April, 2015, accessed 1st September 2016, available at <https://www.foreignaffairs.com/articles/asia/2015-04-19/chinas-road-rules>

<sup>51</sup> Trishia P. Octaviano, *Economic Corridors Boost Markets, Living Conditions*, *Business World Research*, accessed 10<sup>th</sup> September, 2016, available at <http://research.bworldonline.com/popular-economics/story.php?id=350&title=Economic-corridors-boost-markets,-living-conditions>

<sup>52</sup> Chin S. Kuo, "The Mineral Industry of Pakistan," *USGS: 2012 Minerals Yearbook Pakistan (Advance release)*, 2014 accessed 10<sup>th</sup> September, 2016, available at <http://minerals.usgs.gov/minerals/pubs/country/2012/myb3-2012-pk.pdf>

<sup>53</sup> Chin S. Kuo, "The ineral Industry of Pakistan," *USGS: 2011 Minerals Yearbook Pakistan (Advance release)*, 2012 accessed 10<sup>th</sup> September, 2016, available at <http://minerals.usgs.gov/minerals/pubs/country/2011/myb3-2011-pk.pdf>

is as low as 5% and this lack of inter-dependence makes them more vulnerable to recurring crises and instability.

In this backdrop CPEC comes as a unifying idea. Mega infrastructure projects will propel development that will lead to greater economic growth and increasing cooperation among the member states. In the long term, it is expected that regional free trade areas will arise along with an incremental financial integration. China and Pakistan signed a free-trade agreement in 2006 much before the announcement of the concept of CPEC. The trade volume between the two countries reached \$20 billion in 2015 when both countries announced CPEC.<sup>54</sup> The growth in trade has heavily been to the advantage of China.

China stands to reap the maximum benefits from CPEC. The initiative harmonises well with its AIIB and Silk Road Fund in crafting opportunities for Chinese companies to undertake construction of ports, highways, railroad, and power plants that are needed in most parts of Asia, Africa and the Middle East. These mega projects will also facilitate making the yuan a global currency through loans and swap deals offered to realise the projects.<sup>55</sup>

Strengthened bilateral ties with nations along the dual trade routes will support China's ambitions to build a network of non-Western international organizations in which China plays the main, if not dominant, role. Organizations such as the Shanghai Cooperation Organization and the Conference on Interaction and Confidence Building in Asia would allow China to pursue international diplomatic primacy outside of Beijing's relationship with Washington.<sup>56</sup>

Pakistan expects CPEC to be a vehicle for regional integration, connecting regional economies through its territory making Pakistan a conduit for regional and international trade. It envisages not only transit trade for regional countries but development of its own export oriented industrial base and human asset leading to reduction in economic inequality that besets particularly its lesser developed areas.

Apart from all the gains and benefits that regional integration offers for its members, it is not free from costs and challenges. The fact that sometimes the cost of integration might be greater than the envisaged advantages cannot be ignored. CPEC driven regional economic cooperation can be viewed separately in bilateral and multilateral perspectives.

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<sup>54</sup> "China-Pakistan FTA," China FTA Network, accessed 28<sup>th</sup> August, 2016, available at <http://fta.mofcom.gov.cn/topic/enpakistan.shtml>

<sup>55</sup> 'One belt, one road' initiative will define China's role as a world leader' accessed 31<sup>st</sup> August 2016, Available at <http://www.scmp.com/comment/insight-opinion/article/1753773/one-belt-one-road-initiative-will-define-chinas-role-world>

<sup>56</sup> Jacob Stokes, China's Road Rules : Beijing Looks West Toward Eurasian Integration, Council on Foreign Relations, Published on 19th April, 2015, accessed 1st September 2016, available at <https://www.foreignaffairs.com/articles/asia/2015-04-19/chinas-road-rules>

## **Bilateral Economic Integration**

**Erosion of National Sovereignty.** Regional integration inevitably requires its member states to surrender a part of their control over decision and policymaking. Some regional arrangements may even formulate a single institution for joint decision making. It is quite evident in the case of EU where member states have voluntarily surrendered their rights of decision making to Brussels. EU experience reveals that diminishing political autonomy leads to dissatisfaction and resentment amongst member states.

More often than not, developed countries tend to dominate the relationship to an extent that smaller partner is faced with compromises on interests and sovereignty. Repetitive intrusions in one's internal affairs to extract greater cooperation coupled with the inability of decision makers to draft independent policies often leave the lesser developed states in a position of disadvantage. China's ever increasing reliance on CPEC for its energy and trade needs is likely to make her more demanding and intrusive in Pakistan's internal affairs to the extent of influencing local politics. With visible lack of exacting exposure to modern political economy Pakistan's leadership and bureaucracy will find itself least prepared to handle a venture of such colossal economic and social impact.

Unprivileged countries of Central and South-Asia and Middle East are known to have feeble foreign policies which are not strong enough to defend their interests against a strong economic power and are liable to fall prey to serve the interests of that strategic giant<sup>57</sup>. Pakistan would do better by identifying a range of common national interests with China instead of merely pursuing Chinese strategic interests in the region and beyond.

**Quality of Leadership.** Visionary leadership of Germany and France played a significant and leading role in integrating European countries while others merely followed<sup>58</sup>. 'Brexit' and other challenges that EU faces today reflect not only on complexity of issues but also on the quality of leadership.

Chinese political and economic leadership seems focused on what-and-how of objectives it wants to achieve through CPEC and the larger OBOR. With its decision making hierarchy well defined and well entrenched in its political system controlled by Communist Party China seems determined to forge ahead aggressively in pursuit of its strategic and economic objectives. But for the process of economic integration to move ahead, coherence and mutual understanding between China and Pakistan is the key. China must figure out a way to take regional leadership

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<sup>57</sup> Jeffrey Mankoff, "Regional Dynamics and Strategic Concerns in South Asia: Central Asia's Role," *Center for Strategic and International Studies* (2014): 2.

<sup>58</sup> Aparajita Endow. *France. Germany and the European Union: Maastricht and After.* (New Delhi; Aakar Books, 2003): 12.

on board and to make CPEC a win-win scenario for all participating countries. For Pakistan the responsibility to prepare country along with its political and bureaucratic machinery to accrue optimal advantage for its people lies exclusively on the doorstep of its leadership. Naturally, Pakistan would do well by developing, on urgent basis, institutional capacity in almost all its departments to effectively scrutinize, implement and monitor execution of CPEC related policies, procedures and projects.

**Asymmetrical Economic Growth.** Incrementally increasing economic integration will intensify competition in trade markets and commerce with a likelihood of markets swaying in favor of the more robust economy. The relatively smaller and lesser developed industrial base of Pakistan may face severe pressures and pricing competition; ultimately, being shaped and controlled by the dominant economy.

Moreover, there are no guarantees that the wealth from inward investment will benefit the local community. Often, profits are sent back to the More Economically Developed Country (MEDC) where the Transnational Company (TNC) is based. Transnational companies, with their massive *economies of scale*, may drive local companies out of business. If it becomes cheaper to operate in another country, the TNC might close down the factory and make local people redundant.

**Spillover of Economic Crisis.** The 2009 Greek debt crunch and its spillover to other EU member states affected the overall EU's economic growth; while the members had to contribute to pull Greece out of bankruptcy the episode raised concerns about the future of Eurozone.<sup>59</sup> The crisis created resentment and irritation amongst various EU members. In closely knit economies crisis in one member state leaves harmful strains on other members as well. A situation in Pakistani economy is likely to have a minimal effect on its big brother but a crunch in Chinese markets could mean a significant setback to Pakistani economy, something that Pakistan's economic wizards will have to remain vigilant about.

**Suboptimal Exploitation of Pakistan's Natural Resources.** China's overwhelming presence in and influence over the political economy of the country could overshadow competition in exploitation of Pakistan's untapped natural resources, particularly in Balochistan.<sup>60</sup>

**Impact on Domestic Culture.** Attaining peace, gaining multipurpose capabilities, mutual responsiveness and some level of common identity and shared values have been identified as

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<sup>59</sup> Kristin Archick, "The European Union: Current Challenges and Future Prospects," *Congressional Research Service* (2016): 9.

<sup>60</sup> Balochistan's natural resources include large reservoirs of gold, Chromite, coal, petroleum, natural gas, precious stones, Black Pearl, and Iron etc.

four major purposes behind integration.<sup>61</sup> Globalized trade has deeply penetrated into the very essence of cultures. Integrating states naturally share norms, customs and values over an extended period of time. For this reason globalization is viewed by many as a threat to the world's cultural diversity. It is feared it might drown out local economies, traditions and languages and simply re-cast the whole world in the mold of the capitalist North and West.<sup>62</sup> Brunner asserts that due to the “cross border nature of economic corridors development,” there are undesirable social consequences that must be addressed such as trafficking of women and children and the spread of communicable diseases, for instance, HIV (human immunodeficiency virus) infection or AIDS (acquired immunodeficiency syndrome). Other possible consequences include the rise in the prices of land and the incidence of road accidents.<sup>63</sup>

Pakistani culture and institutions already under the cultural onslaught of Western and Indian cultures would have a formidable challenge from Chinese social influences. The moneyed corporations of world's second largest economy that are in the habit of getting their way could aggressively strain our social fabric.

**Security Concerns.** Security threats not only within Pakistan but also in China comes out as lingering concern for leaderships of both the countries. While Pakistan faces terrorism and uncertain law and order situation, China's Xinjiang province has political unrest in Uighur Muslim community dominated primarily by ETIM (East Turkestan Islamic Movement). The security situation though currently seems to have improved after Military's Zarb-e-Azb operation, Pakistan has raised special security force to protect the trade through CPEC. China, too, is putting in place strict security measures along with heavy investment to develop its least developed Western areas.

## Regional Integration

CPEC is a long-term project that assumes to have various prospects for participating countries by strengthening the idea that it would largely change the way politics and economics are conducted in Asia, Indian Ocean and Africa. While acting as a bridge between East Asia and South Asia, the corridor is likely to benefit Afghanistan, Iran, CARs, Myanmar and even India.

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<sup>61</sup> Dosenrode-Lynge and Soren Z. Von, “On Culture and Regional Integration.” (Denmark: Aalborg Universitet, 2008): 7.

<sup>62</sup> Eric Ennis, Globalization – Silk Road, accessed 27<sup>th</sup> August 2016, available at

[http://www.bbc.co.uk/schools/gcsebitesize/geography/globalisation/globalisation\\_rev1.shtml](http://www.bbc.co.uk/schools/gcsebitesize/geography/globalisation/globalisation_rev1.shtml)

<sup>63</sup> Hans- Peter, Brunner, “What is Economic Corridor Development and What Can It Achieve in Asia's Subregions?”, *Asian Development Bank Economics Working Paper Series*, No 117 (2013): Available at <https://www.adb.org/sites/default/files/publication/100110/reiwp-117-economic-corridor-development.pdf>

Saudi Arabia is China's largest oil exporter and Gwadar Port might provide a short and easy route to China<sup>64</sup>.

South Asia can hardly boast of even a modicum of regional integration. South Asian Association of Regional Countries (SAARC) has failed to make a headway owing to intransigence of the dominant member—India. Disputes among the emerging powers complicate multilateral cooperation. The emerging geopolitical scenario, though not totally favourable to swift integration, does have a space for fostering economic collaboration through CPEC.

### **Emerging Regional Scenario**

China and India vie for regional influence and natural resources and are oversensitive to variations in balance of power. China's overtures towards India's neighbors makes New Delhi worried of strategic encirclement, and competition between the two emerging powers is on the rise in the Indian Ocean.<sup>65</sup> Beijing's CPEC Project could hinder India's thrust towards CARs through "Connect Central Asia" policy. Moreover, Chinese naval expansion into the Indian Ocean—especially 'Ring of Pearls' ports that encircle India and could facilitate Chinese naval operations—is source of extreme anxiety for India.<sup>66</sup> Washington, too, has turned its attention to Asia as to counter China's growing power in the South China Sea, and loses no chance of playing India against perceived Chinese threats.<sup>67</sup> India has also signed a mutual cooperation agreement with Iran and Afghanistan to establish a foothold and connect with CARs.

The silver lining in the regional situation is the ever expanding volume of trade between China and India, increasing Chinese attention and influence in Afghanistan and Iran's interest in joining CPEC.

### **CPEC a hard choice for India**

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<sup>64</sup> Dr. Azhar Ahmad, "Gwadar: A conduit of Peace and Prosperity," *The Diplomatic Insight*, p.g. 16, available at <http://rtepakistan.org/wp-content/uploads/2016/04/The-Diplomatic-Insight-Special-Supplement-on-China-Pakistan-Economic-Corridor-Feb-2015.pdf>

<sup>65</sup> Stewart Patrick, *Irresponsible Stakeholders? The Difficulty of Integrating Rising Powers*, Council on Foreign Relations, Published December 2010, available at <https://www.foreignaffairs.com/articles/south-africa/2010-11-01/irresponsible-stakeholders>

<sup>66</sup> Jacob Stokes, *China's Road Rules : Beijing Looks West Toward Eurasian Integration*, Council on Foreign Relations, Published on 19th April, 2015, accessed 1st September 2016, available at <https://www.foreignaffairs.com/articles/asia/2015-04-19/chinas-road-rules>

<sup>67</sup> 'One belt, one road' initiative will define China's role as a world leader' accessed 31<sup>st</sup> August 2016, Available at <http://www.scmp.com/comment/insight-opinion/article/1753773/one-belt-one-road-initiative-will-define-chinas-role-world>

With second highest world population of almost 1.252 billion, India, a South Asian nuclear power and China's competitor, shares its borders with Pakistan, China, Nepal, Bangladesh, Burma and Bhutan.

India strongly critical of CPEC is least likely to join the Corridor anytime soon on two accounts; first its passage through Gilgit Baltistan Province and second due China's naval presence at Gwadar limiting Indian economic and political options in the region. India, being a South Asian power and China's strategic competitor, has articulated its reservations regarding CPEC on multiple platforms while during Indian Prime Minister's tour to China, a proposal for dropping CPEC plan was brought up as being offensive for India but was turned down by Chinese Prime Minister.<sup>68</sup>

In Chahbahar, India is investing to setup its seaport as it attaches great strategic significance to this port<sup>69</sup>. India's investment in Chahbahar, almost \$85.21 million in building roads and infrastructure, serves to balance China in Strait of Hormuz besides gaining a direct access to Afghanistan and CARs.

However, it is well known in India that there is very little or almost nothing that India can do to halt China's One-Belt-One-Road program or to harm CPEC<sup>70</sup>. India has two options either to make the best use of CPEC to access markets in CARs and beyond through the shortest way or continue to oppose and sabotage the Project through overt and covert means. Its choice would largely determine peace and stability for the region.

### **Afghanistan and CPEC**

With a population of approx. 32.5 million, landlocked Afghanistan borders with Turkmenistan, Tajikistan, Pakistan, Uzbekistan, Iran and China. Being largely dependent on agriculture, it is 158<sup>th</sup> largest economy in terms of exports<sup>71</sup> with top exports as scrap iron, raw cotton, tropical fruits, grapes and coal briquettes while its top trading partners include Pakistan, Iran, China, Russia, India and Turkey<sup>72</sup>.

Afghanistan's trade is largely through Karachi Port and Gwadar being closer makes Afghanistan likely key beneficiary of CPEC's western route. Afghanistan's access through Gwadar Port would

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<sup>68</sup> "The World Factbook: India," *CIA*, accessed 18<sup>th</sup> Aug, 2016, available at

<https://www.cia.gov/library/publications/resources/the-world-factbook/geos/in.html>

<sup>69</sup> Dr. Khalid Manzoor Butt and Anum Abid Butt, "Impact of CPEC on Regional and Extra-Regional Actors," *Journal of Political Science* XXXIII (2015): 37.

<sup>70</sup> Prakhar Gupta, "Why Can't India Stop China for Functioning in PoK?," accessed 16<sup>th</sup> Aug, 2016 available at <https://www.quora.com/Why-cant-India-stop-China-from-functioning-in-PoK>

<sup>71</sup> "Afghanistan's Profile," *OECD*, accessed 16<sup>th</sup> August, 2016, available at <http://atlas.media.mit.edu/en/profile/country/afg/>

<sup>72</sup> *Ibid.*

be approximately 600km shorter as compared to the current Afghanistan's trade route<sup>73</sup> offering a quick and easy transit for Afghan's time sensitive agriculture exports. Pakistan's plans to build 256 km long motorway from Peshawar to Kabul would join Afghanistan with CPEC in the north<sup>74</sup>. Feasibility study of the proposed motorway is completed while execution of the project is underway<sup>75</sup>. Stability and economic prosperity are the obvious outcomes as the bilateral trade volume increases; Pakistan, being Afghans largest trading ally, hopes to raise its trade from \$2 billion to \$5 billion in coming years<sup>76</sup>.

### **Iran would Make CPEC Stronger**

Iran, situated astride the Persian Gulf, Gulf of Oman and Caspian Sea, has Pakistan, Armenia, Afghanistan, Iraq, Azerbaijan, Turkmenistan and Turkey as its neighboring states. Being an energy abundant country, exports petroleum, cement, chemical products, carpets and fruits and imports capital goods, consumer goods, Industrial supplies and technical services. Iran's trading partners include China, Japan, India, Turkey, South Korea and UAE. Initially opposing Gwadar as a perceived economic threat to Chahbahar, Tehran has recently shown its inclination to participate in CPEC with an intent to enhance land connectivity for trade purposes<sup>77</sup>. With Iran's positive disposition towards CPEC the erstwhile Iran-Pakistan-India (IPI) pipeline could be rechristened as Iran-Pakistan-China (IPC) Pipeline. Iran's participation in the Project is likely to go a long way in bringing stability to the region, particularly Afghanistan. A train link connecting Pakistan, Iran and Turkey<sup>78</sup> will not only strengthen Pakistan-Iran-Turkey partnership but would also ensure a safe trade route from South-Asia to Middle East and from Turkey right into Europe.

### **CPEC Offers Access to Warm Waters to CARs**

Land locked CARs (Central Asian Republics) are positioned right in the center of Eurasia, providing an exclusive transit route between South Asia, Central Asia and Europe<sup>79</sup>. CPEC on its completion would offer Central Asian Republics—Tajikistan, Uzbekistan, Turkmenistan, Kyrgyzstan and Kazakhstan—the shortest route to warm waters. Oil and gas rich Turkmenistan, Kazakhstan and Uzbekistan export their petroleum products to either Russia or China mostly

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<sup>73</sup> Dr. Khalid Manzoor Butt and Anum Abid Butt, "Impact of CPEC on Regional and Extra-Regional Actors," *Journal of Political Science* XXXIII (2015): 33.

<sup>74</sup> *ibid*

<sup>75</sup> Mubarak Zaib Khan, "Land Routes Finalized to Boost Trade with Central Asia," *Dawn*, 17<sup>th</sup> January, 2016, accessed 1<sup>st</sup> August 2016, available at <http://www.dawn.com/news/1233450>

<sup>76</sup> *ibid*.

<sup>77</sup> Yasmeen Aftab Ali, "Iran and CPEC," *Pakistan Today*, September 7, 2015

<sup>78</sup> Dr. Ahmed Rashid Malik, "CPEC and the Region," *Pakistan Today*, November 9, 2015

<sup>79</sup> "The World Factbook", CIA, accessed 18<sup>th</sup> Aug, 2016, available at [https://www.cia.gov/library/publications/resources/the-world-factbook/wfbExt/region\\_cas.html](https://www.cia.gov/library/publications/resources/the-world-factbook/wfbExt/region_cas.html)

through pipelines while for other trade activities these states are heavily dependent on Russian land routes. A closer look into the trading trend of CARs suggests that there exists a lack of trade between CARs and South Asian states. FTA between Pakistan and CARs would augur well for regional trade activity through CPEC.

## **Conclusion**

Stokes characterises the economic corridor playfield as, “One Belt, One Road calls for increased diplomatic coordination, standardized and linked trade facilities, free trade zones and other trade facilitation policies, financial integration promoting the renminbi, and people-to-people cultural education programs throughout nations in Asia, Europe, the Middle East, and Africa. Some have characterized it as China’s Marshall Plan, but Chinese leaders reject the comparison.”<sup>80</sup>

CPEC, the connecting arm between China’s One Belt and One Road trading routes, has huge economic potential for the region. While CPEC offers strategic and economic windfall to China, it will be a boon to the region only if Chinese investment are truly directed to boost smaller economies and to reduce income inequality in the member states. In the end the responsibility would with leadership of the partner states to look beyond the hoopla about CPEC and advance their national interests.

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<sup>80</sup> Jacob Stokes, China's Road Rules : Beijing Looks West Toward Eurasian Integration, Council on Foreign Affairs, Published on 19th April, 2015, accessed 1st September 2016, available at <https://www.foreignaffairs.com/articles/asia/2015-04-19/chinas-road-rules>