

IMPORTANCE OF PAKISTAN-CHINA ECONOMIC CORRIDOR

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ABSTRACT

China-Pakistan Economic Corridor will turn into the largest deep sea port in the world after completion. The study elucidates the significance of Gwadar Sea port and CPEC, its geo-political and strategic location and its role in making Pakistan's economy strong. The improvement of Gwader seaport is imperative for both the states. Geographically, the simple and secure route for China's economic corridor can be provided through Pakistan. To counter Chinese supremacy and to restrain its emergence as economic super power, US is supporting India in financial, political and economic sectors.

The economic and trade relations between Pakistan and China have developed over a period of half century. This research paper will assess the importance of China-Pakistan Economic Corridor. The paper is divided into two parts. In the first part we discuss about the CPEC agreement and its general lay out. In the second part we discuss the significance of the route for both China and Pakistan, its strategic importance and its significance for overall development of trade in the region.

Over a long period of time China has proved to be one of the major trading associates and business partners of Pakistan. The trade between the two has reached to US\$ 9.2 billion in 2012-13 from US\$ 4.1 billion in the year 2006 between both the states, showing a raise of 124%. According to the Pakistan Economic Survey report 2013-2014, Chinese exports to Pakistan increased by 1% throughout this time. On the other hand Pakistani exports increased by 400% that is from about \$600 million in 2006-07 to \$2.6 billion in 2012-13. As a result Chinese share in Pakistani exports has steadily increased from 4% in 2008-09 to 10 % through the financial year 2013-14.¹

The China-Pakistan Economic Corridor (CPEC) is likely to make stronger economic and trade collaboration between the two countries. In May 2013, during his official visit to Pakistan the Prime Minister of China Li Keqiang gave emphasis to the

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building of the economic corridor.² The Government of Pakistan showed a great deal of interest for the venture ever since after that. The economic corridor will join Gwadar Port in Balochistan to Kashgar in north-west China, which will make Gwadar a very important deep seaport of the area. The management of Gwadar Port was given to China in February 2013. Subsequently, Gwadar is going through the most important extension work to transform into a developed deepwater profitable seaport³. After completion it will act as a main doorway for trade with China, West Asia and Africa. The CPEC is likely to shorten the 12000km distance, that oil provisions from Middle East have to take to arrive at China's seaports.⁴

The CPEC is a great expansion programme to connect the Gwadar Port to Chinese area of Xinjiang through roads, railways, oil and gas pipelines, and through telecommunication links. Main communications lines to be constructed consist of, 2700-km main road extending from Kashgar to Gwadar all the way through Khunjrab, railways for cargo trains amid Gwadar and Khunjrab connecting China and neighboring states like India, Afghanistan and Iran, the motorway from Karachi to Lahore. The plan will also take on the renewal and expansion of the Karakorum Road which connects Xinjiang with Gilgit Baltistan in Pakistan and KPK.⁵ The venture is also setting up numerous economic zones alongside the economic corridor in addition to communication lines linking China and Pakistan.⁶

The Guardian reports, "The Chinese are not just offering to build much-needed infrastructure but also make Pakistan a key partner in its grand economic and strategic ambitions."⁷ President [Xi Jinping](#) wrote in an editorial column during his visit to Pakistan in April 2015 that, "This will be my first trip to Pakistan, but I feel as if I am going to visit the home of my own brother."⁸ Islamabad was chanting with slogans throughout his visit such as "Pakistan-China friendship is higher than the mountains, deeper than the oceans, sweeter than honey, and stronger than steel."⁹ The Asian Development Bank lauds the project in these words,

² Tiezzi, Shannon. 2014. "China, Pakistan flesh out new 'economic corridor'." The Diplomat, February 20th. <<http://thediplomat.com/2014/02/china-pakistan-flesh-out-new-economic-corridor>>

³ South China Morning Post. 2014. "China and Pakistan pave way for 'economic corridor'." February 20th. <<http://www.scmp.com/news/china/article/1431218/china-and-pakistan-pave-way-economic-corridor>>

⁴ Ibid

⁵ The highway was started in 1959 and completed in 1979.

⁶ Pakistan Today. 2014. "Pakistan, China to collaborate in 21,690 MW projects under CPEC." April 15th. <<http://www.pakistantoday.com.pk/2014/04/15/business/pakistan-china-to-collaborate-in-21690-mw-projects-under-cpec>>

⁷ The Guardian, April 22, 2015.

⁸ "[China president arrives in Pakistan to sign £30bn 'land corridor' agreement](#)". The Guardian. 22 April 2015.

Retrieved 22 April 2015

⁹.Ibid

"CPEC will connect economic agents along a defined geography. It will provide connection between economic nodes or hubs, centered on urban landscapes, in which large amount of economic resources and actors are concentrated. They link the supply and demand sides of markets."¹⁰ Chinese Foreign Ministry Spokesperson Hua Chunying says, the corridor will "serve as a driver for connectivity between South Asia and East Asia." Chairman of the Pak-China Institute, Mushahid Hussain told the *China Daily* that the economic corridor "will play a crucial role in regional integration of the 'Greater South Asia', which includes China, Iran, Afghanistan, and stretches all the way to Myanmar."¹¹

A BRIEF GEO-POLITICAL HISTORY OF GAWADAR

The "Gwadar" is a blend of "Gwat" means wind and "Dar" means doorway. So, the meaning of Gwadar is "The gateway of wind". Some people say Gwadar is derived from "Gerdosia", the old name of Baluchistan. It is an area on south western Arabian Sea coast of [Pakistan](#) in the province of [Baluchistan](#). Gwadar was in control of [Muscat and Oman](#) till 1958 and it was sold to on the payment of 5.5 billion [rupees](#) on December 8, 1958. [Prince Sultan Mohammad Shah](#) Agha Khan was the largest contributor.¹² The plan to develop Gwadar in to seaport was conceived in 1993, materialized on March 22, 2002 and inaugurated on March 20, 2007 by former President Pervaiz Musharaf.¹³

[Gwadar Port](#) is situated near the Strait Hormuz at the entrance of the [Persian Gulf](#), which is important from political, economic and strategic point of view. It is a strategic deep-sea port constructed by the [Pakistani](#) and the Chinese governments jointly at an expenditure of \$248 m and was formally given to [China](#) in 2013.¹⁴ The sea port is advantageously imperative for China as it would facilitate China with safe and reliable oil supply. Presently most of the oil trade is done through Persian Gulf to [Shanghai](#) Port, which is expensive, insecure and time consuming; Gwadar Sea port instead will shrink the distance and the time.

Iran is also willing to construct an oil refinery at the cost of \$ 4 billion at Gwadar with a capacity of 400,000 barrels per day and will also set up an oil pipeline from Iran to Gwadar.¹⁵ China will also build a refinery with a capacity of 60000 [barrels](#) at the cost of \$12 billion under China's coastal refinery plan.

¹⁰ <http://www.geo.tv/article-198450-China-converts-230m-loan-fo>

¹¹ "[Economic Zone: Government Hands Gwadar Land Over To China](#)". Business Recorder. 12 November 2015.

¹². Shah, Saeed (20 April 2015). "[China's Xi Jinping Launches Investment Deal in Pakistan](#)". [Wall Street Journal](#). Retrieved on 23 April 2015.

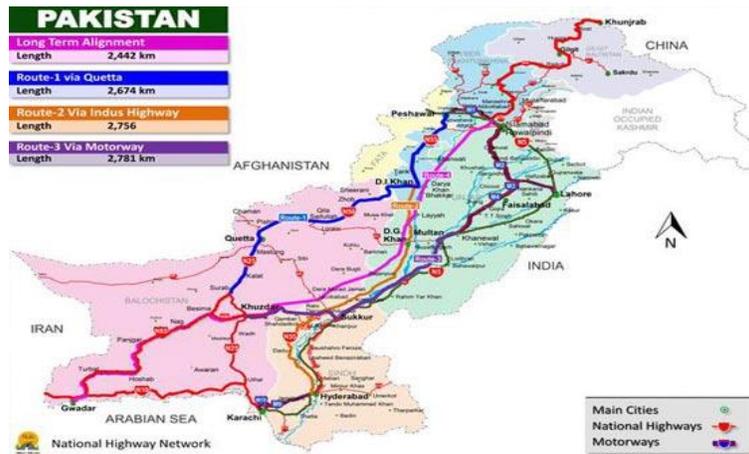
¹³ Aneja, Atul (18 April 2015). "[Xi comes calling to Pakistan, bearing gifts worth \\$45 billion](#)". [The Hindu](#). Retrieved 23 April 2015.

¹⁴ Hussain, Tom (22 April 2015). "China's Xi in Pakistan to cement huge infrastructure projects, submarine sales". [McClatchy News](#) (Islamabad: mcclatchydc).

¹⁵ "[China's new silk road: What's in it for Pakistan?](#)". [Dawn News](#). 21 April 2015. Retrieved 21 April 2015.

THE CPEC AND GAWADAR PORT:

The CPEC will run through the whole of Pakistan, while passing Balochistan, Sindh, Punjab, Khyber Pakhtunkhwa and Gilgit-Baltistan in northern Pakistan to reach the Khunjrab Pass. The eastern alignment runs through Gwadar, Mekran, Karachi, interior Sindh, and Punjab and reaches Islamabad. Then it further extends to Hazara Division in KPK, and then it enters in Muzaffarabad, Gilgit and reaches Khunjrab. It will be also linked to Afghanistan through a road link passing through Taxila, Peshawar and Torkhum to Jalalabad in Afghanistan. A link will be provided to India through Wagha Border passing through the Hyderabad-Mirpurkhas Khokhrapar-Zero Point link. The Western Alignment is deferred till the completion of the eastern alignment of the corridor. The Western alignment starts from Gwadar and passes through Khuzdar and Dera Bugti, and from South Punjab to D I Khan in KPK. It extends to Islamabad and Abbottabad and from there onwards, the route is the same as in the eastern alignment



Source: www.pkviral.com



source: www.mappk.com

IMPORTANCE OF THE CHINA-PAKISTAN ECONOMIC CORRIDOR

The geopolitical importance of a state plays a key role in social, economic and political aspects in international politics. Pakistan is situated at the cross roads of east and west. It is located on the juncture of Persian Gulf on one side and landlocked countries of West and Central Asia. It is surrounded by world's rising powers, China and India and the states affluent with the natural wealth, Iran and Afghanistan.

Gawadar is located at the juncture of Afghanistan and Iran and it is just 72 kilometers from the Iranian border and about 320km from Cape al-Hadd in Oman. Moreover, it is situated close to the entrance of Persian Gulf and almost 400km from the Strait of Hormuz, the most important centers of oil trade. Pakistan has 1100 kms long coastal line, from which most of the trade is carried through. Karachi port is managing 68% while Port Qasim 32% of the maritime trade. The trade volume will increase in near future and so will increase transportation through ships extraordinarily at the sea ports. Docks offer a critical linkage to a state with the external world. These harbours turn out to be a major center of business activity and be able to provide the considerable economic development to a state.

Pakistan has extremely modest strategic depth; Gawadar will increase the strategic depth considerably, as a tactical seaport far away from India and will decrease its vulnerability. Pakistan can keep an eye on the Sea Lines of Communications (SLOCs) starting from the Persian Gulf and Strait of Hormuz through Gawadar. It can check Indian hegemony in Indian Ocean by the Naval Bases at Gawadar and Ormara. Moreover, The Pak-China naval nexus will also be set up to check Indian Navy movement in the Indian Ocean.

Pakistan-China friendship is time tested and proved to be beneficial to both the countries. Pakistan is strategically important to China as it connects it with South Asia, West Asia and Central Asian Republics. A huge plan to connect Asia with other areas, CPEC is a multibillion dollar project as a part of China's "One Belt, One Road" idea. The building of Gawadar harbor started under former President General Pervez Musharraf's time between Pakistan and China. The project was to be completed in two parts. The first

part is completed in December 2006 and started work in 2007, while the second part is under construction.

China is the future super power and rising swiftly as the top economy by its exports internationally. Pakistan being a long time friend of it has initiated work on a passage by having doorway at Kashghar in China to Gwadar in Pakistan, known as “*Economic Corridor*”. The object of the corridor is to attain the politico-economic aims through trade and progress. The length of the economic corridor is almost 2700km starting from Kashghar to Gwadar. It would be connected all the way through rails and roads and would surely strengthen Pak-China friendship through politico-economic development.

Pakistan being a crucial ally of China and the business partner can acquire huge profit with no hard work. It can stabilize its economy by earning billions through this corridor and can reduce its energy crisis, which succeeding regimes were failed to handle. It is reported that China is ahead than the USA in terms of its Purchasing Power Parity (PPP), which is \$17.6 trillion against America’s \$17.4 trillion PPP. The Chinese PPP is 16.48% of the world’s GDP around.¹⁶ It shows that how increasingly China is rising as an Economic giant in the world.

The Gwadar seaport is important for both the countries, while it grants PRC a simple entrée to the Indian Ocean to accomplish its power possessions. The proximity of Gwadar seaport with the Indian Ocean and the old the Silk Route also enhances Pakistan’s importance strategically and geographically. It is precious for Chinese point of view because it reduces more than 10,000km of distance for its goods on its way to trade and bring in oil through Arabian Sea. Gwadar seaport becomes tactically more important to China due to its proximity to the Strait of Hormuz and Strait of Malacca, which is controlled by US forces. After completion the port and corridor will provide China peaceful route to reach to international markets and access to Iranian oil.

The Chinese economy is developing fast as the top economy of the world. PRC is trading with the whole world and has an access to all the markets. The Economic Corridor is route to reach the markets of South Asia, and Pakistan as a trusted friend is helping China in achieving its objective. The basic idea behind the CPEC is to realize the politico-economic objectives. Moreover, China wants to construct oil store and a refinery at Gwadar sea Port, to carry oil to Xinjiang province. In this way China will get an alternative route for carrying supplies to interior PRC instead of passing from the Strait of Malacca, which is a US military base and can be blocked by the U.S.A or India in case of conflict break out in the area.¹⁷ Iran has also reacted optimistically on the suggestion to connect the Iran–Pakistan gas pipeline with China.

¹⁶ Farooq Yousaf, “Is the New silky Road really an Economic Corridor for China and Pakistan?”, The Express Tribune, October 26th, 2014

¹⁷ “ECONOMIC ZONE: GOVERNMENT HANDS GWADAR LAND OVER TO CHINA”. Business Recorder. 12 November 2015.

Economically, CPEC is considered imperative for Pakistan.¹⁸ Moody's Investors Service has portrayed the venture as a "*credit positive*" for Pakistan. The organization accepted that a great deal of the payback would not appear till 2017, but affirmed that it accepts as true at least a little of the profit from the economic corridor would probably start coming after that.¹⁹

Gwadar is a deep sea port and a promising challenger port in the region for Persian Gulf States, specially United Arab Emirates and Iran. They are fearful that Gwadar Port will divide the financial and business dividends which otherwise they can entirely have the benefit of. Therefore their interest is contrary to the expansion of Gwadar Sea Port. The Seaport has several potential benefits, like:-

- a) Its proximity to international SLOCs and is appropriate for trans-shipment amenities.
- b) It is far away from India and thus offers more caution time against any security threat.
- c) It is appropriate for trade prospects with Caspian Sea Region and Afghanistan.
- d) Gwadar sea Port as an entryway to the Persian Gulf at the Hurmoz Strait would provide a number of anchorage services.

In the meantime, India is helping enormously in the construction of Chahbahar Port in Iran to balance the Pakistan-China nexus. India desires to access the trade routes of natural resources of Central Asian Republics, Iran and Afghanistan. Iran offers trade and transit facilities to Afghanistan at a very low port fee as compared to Pakistan and thus has an edge over it in their association with Afghanistan. India tries to counter Pak-China nexus by bringing Iran and Afghanistan into its financial and tactical alliance, through which India can enter into the Central Asian marketplace together with Afghanistan. India tries to manipulate the area after the pulling out of the US and NATO coalition armed forces from Afghanistan, and addition of Afghanistan is a tactical move by India in this loop.

After completion, Gwadar Port will become the world's largest deep sea port²⁰, as the Lasbella district part of the port is still being constructed. China will also construct a naval base at Gwadar on the insistence of Pakistani authorities²¹. The Gwadar maritime base will play a great role in the security of the motherland and will change the Pakistan navy into modern fully equipped naval forces to counter the Indian hegemony in the Indian Ocean. Gwadar's political and geo-strategic importance has been proved on many occasions to Pakistan; during Iran Iraq war in the Persian Gulf region, in the 1992 Gulf War and the Soviet union breakdown, provided evidence of the geostrategic significance of Pakistan on the international stage. And now Gwadar port as the alternating to the Gulf ports in capturing the transit and trade of the Central Asia has established the Geo-economic importance of Pakistan regionally and internationally.²²

¹⁸ Siddiqui, Ahmed Hussain (JUL 13, 2015). "CPEC projects: status, cost and benefits". Dawn. Retrieved 6 December 2015

¹⁹ <http://www.thenews.com.pk/Todays-News-7-229813-Plan-made-to-widen-Karakoram-Highway-M>

²⁰ Sabena Siddiqui, "Gawadar: China's String of Pearls!", Opinion Maker, March 14, 2014

²¹ Farhan Bokhari, "Pakistan turns to China for Naval Base", Financial Times, May 22, 2011

²² <http://www.globalsecurity.org/military/world/pakistan/pns-gwadar.htm> retrieved on April 13, 2015.

Russia wanted to reach to warm waters, which was its century old dream during Cold war. It had eyes on Arabian Sea and Gwader port for its maritime base to respond to any security menace and to counter rising domination of USA in the area and on the globe as well. Pakistan served as a crucial tactical spot for Russia and US during Cold War and later on CARS developed interest for the warm waters after Soviet Union breakdown. The new Central Asian Republics were completely land locked and were depended upon Afghanistan or Pakistan for their trade and transit.

China is emerging superpower both in economic and military terms, the only country which is confronting the unipolarity of the US. India is being supported militarily and economically by US against China. On the other side China is making strong relations Pakistan to counter the idea of superior India. In the meantime, China is searching a simple and secure route to entrée in the CARS and Persian Gulf region for its speedily flourishing trade. Geographically and strategically, simple and secure safe haven for Chinese trade with the CARs, Persian Gulf and Europe can be provided by Pakistan only.

Kashmir dispute is longest standing irritant between the two South Asian neighbouring countries. China is a third party in the dispute, which had some part of Kashmir, called Aksai Chin, which was occupied by it in 1962 border clashes with India. As China is one of the major party of the dispute, therefore any long-term and perfect resolution of the conflict can't be made without the participation of PRC on the Kashmir issue.²³

Pakistan as the entryway gave China a connection with the Central Asian Region, Persian Gulf and the Europe for its business and safe and secure demand and supply to marketplace. A state with improved and capable communication lines is unswervingly linked with the powerful trade development and foreign investment which will diminish the paucity standard. Pakistan is considered strategically significant in international affairs, in spite of its weak economy, owing to its atomic ability and tactical position in international relations for trade and harmony on the globe.

Conclusion:

States plan and follow diverse tactics on International Political Stage to move on and defend their financial wellbeing. This study focused on the Pakistan-China economic relationship to highlight their common interests which have been established several decades of long friendship. The China–Pakistan Economic Corridor (CPEC) is a 2700 km long road, which connects Gwadar Sea Port in Pakistan to Chinese Xinjiang region. The CPEC includes a system of highways, railways and pipelines for carrying oil and gas, which would be completed in several years. The building expenses are expected at \$46 billion, which is the largest investment by China. It will play a crucial economic role in strengthening Pakistan's economy.

The CPEC will provide Pakistan with energy and communications other than roads and a railway network. The venture will also develop the intelligence sharing amid the states. Both the countries expect that huge investment project will transform Pakistan into a regional economic

²³ http://en.wikipedia.org/wiki/Kashmir_conflict#Sino-Indian_War

power and promote relations between them. The Government and the media of Pakistan have called the venture a "game and fate changer" for the area.²⁴

The politico-economic stability will be a fruit of The China-Pakistan economic corridor, which will act as a catalyst for well being and prosperity in the South Asia. The CPEC would assist the transportation of the oil and gas resources, consequently causative for improved financial actions and results for Pakistan and China. The main irritants for Chinese investors are the vague prospects for Pakistan's future, the financial chaos and insecurity in the country, the interior state aggression and volatility. Moreover, constancy in the country can pick up the monetary benefits by alleviating the relationship with India. China would get a trouble-free entr e into the Gulf Region and the Indian Ocean for trade and transportation and would also be capable of checking the armed activities of India in the Indian Ocean.

²⁴ "Pakistan media hails Chinese investments as 'game-changer'". India Times. 21 April 2015. Retrieved 21 April 2015.