

An Assessment of China-Pakistan Economic Corridor: Threats, Prospects and Implications

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Abstract

This research paper analyzes the flagship project of China-Pakistan Economic Corridor that has been conceived under the One Belt One Road Strategy of Chinese diplomacy. This study identifies the prominent reasons for China to pursue this project, the motivating factors of national and foreign policy that incline the two countries towards the project, the threats and challenges that may cause a hurdle for smooth development and running of CPEC, the prospects that will benefit both the countries and the implications this venture will have on national, regional and international levels. This research report examines whether this corridor will become the pivotal step for China and Pakistan relations bilaterally and multilaterally or will it be void of any prosperity and fruit for the two countries.

Keywords: China-Pakistan Economic Corridor, One Belt One Road.

1. Introduction

The China Pakistan Economic Corridor (CPEC) is a twenty first century remodeling of the Silk Road which was launched on 20th April, 2015. CPEC is a significant and pivotal part of China's much large One Belt One Road (OBOR) initiative which aims to connect Asia, Africa, Central Asia, Middle East and Europe. This mega-project started with \$46 billion Chinese investment, risen up to \$54 billion and presently is worth \$62 billion (Siddiqui, 2017). It constitutes railways, highways, pipelines, energy and industrial projects, making it China's biggest overseas investment in construction. The venture will link the western province of Xinjiang province of China, to Gwadar city in Pakistan, providing better facilities, job opportunities and developing industrial and economic zones along the Corridor.

Other ventures under the CPEC banner include generation of energy by coal, water, solar and wind projects to reduce Pakistan's most imminent electricity shortage problem. This economic corridor holds the potential to boost and foster the present economic and social development in Pakistan. This venture can be viewed as a result of China's national and foreign policy orientations and Pakistan's Vision 2025. The research paper explains the corridor, its concept and implementations. In the process, the likely challenges and the threats which will be encountered are also discussed in great detail along with the analysis of its consequences. It embodies economic, political and social prosperity that is likely to be brought about by this venture in national, regional and international dimension. It also addresses and highlights the implications in specific terms and in different spheres.

The study highlights the special requirements for its successful utilization at various levels. Certain prospects have been suggested have been made to enhance its utility for neighbors and adjoining regions thereby augmenting and reinforcing positive socio-economic pursuits. All this kept in perspective, the CPEC emerges as a game changer for the South Asian region in many aspects.

2. Prime Reasons to conceive CPEC

The CPEC project is a smooth blend of both China and Pakistan's intent to pursue a more stable and growing economic, political and social relationship. This \$62 billion venture seeks to develop a symbiotic relationship between the two countries in order to rise and emerge in the regional as well as international politico-economic dimensions.

Importance of CPEC reflects by its inclusion in the 13th five year development plan of China. President Xi Jinping calls CPEC a 'win-win cooperation' for both the countries (Pakistan Today, 2015). On the other side, the Pakistan Vision 2025 signifies the CPEC project and embodies its aims and objectives that will bring Pakistan from a lower middle income country to a higher middle income country (Iqbal, 2017). Since China has launched CPEC and heavily invests in the project therefore, much of the primary reasons to conceive CPEC denote to China's national interest that have turned to account the gaps between Pakistan's national interest in order to make this venture a joint effort.

This section explores the various dimensions that have led the Chinese government to engage Pakistan in its One Belt One Road Strategy. In addition, it will touch upon Pakistan's development needs that have led it follow Chinese footsteps and endorse this venture.

2.1 Tracking the linkages to present reality

The CPEC project brings in view a comparison between the ancient Terrestrial Silk Road and the modern

Maritime Silk Road as both of these trade routes are intended to connect China to the Western Countries. The 130 BC Silk Road (Mark, 2017) exchanged goods and ideas that have formed the basis to start-up the modern Silk Road venture. Although the CPEC initiative was declared to the public in 2015 when President Xi Jinping and President Mamnoon Hussain signed an agreement to commence work on this venture, but the plans to connect China to the warm water currents of Pakistan date back to 1959 when the construction on Karakoram highway had started.

This intent was rekindled by 1998 when China started investing in the construction of Gwadar Port in 2002 and concluded it in 2006. But further expansion on Gwadar Port ceased owing to the political instability in the country that was followed by the fall of then President, General Musharraf and subsequent turbulence between Pakistani state and Taliban militants. Even after the temporary halt on Gwadar port, this project of common interest still remained under consideration by the succeeded regime of President Asif Ali Zardari till the formal agreement was signed in 2015 during Prime Minister, Nawaz Sharif's Government. Hence, we observe that the contemporary ambitions to materialize CPEC is not a new or fresh attempt to linchpin China, Central Asia, West Asia and Persian Gulf but finds its traces in historical perceived aims and objectives that have now come to the surface.

2.2 Cause of the New Great Game

'The Great Game' was a term initially used for the 19th century political and diplomatic confrontation between Britain and Russia for extension of control over Central and South Asia through Afghanistan. The dynamics of the earlier Great Game have transformed into engaging more players in the New Great Game over the region. The term itself implies as a cliché metaphor for the power play between major countries over resources and trade opportunities in this region. The New Great Game is now painted on a wider canvas where the primary contesting countries are China, the United States and to a lesser degree Russia - with India, Iran, Pakistan and others playing a subsidiary role (Akram, 2016).

These countries are in the loop over four possible areas of interest:

- To seek untapped oil and mineral wealth of the Caspian countries (The New York Times, 1996)
- To acquire control over the resources and transit areas of the Central Asian region (Patnaik, 2016)
- To accrue the potential advantages of the Chabahar Port.
- To have control over the connection between Central and South Asia through Afghanistan.

Having established this, we observe that China presumably sought to initiate CPEC to counter the strategic balance of United States in South Asia, growing interest in the Indo-Pacific Area and contain India's Act East Policy (Mullen & Poplin, 2015) in order to gain itself a prominent role in the region. The New Great Game thereby is one of the factors that stimulated China's interest in One Belt One Road Strategy.

Taking another view of CPEC at the international scene, obviously it creates the needed players and their prospects in the great game of the Asian landmass.

2.3 Strengthening Geo-Strategic bond through Geo-Economic dimension

Pakistan lies at a very geo strategically significant part in the South Asian region. It has proximity with the Great Powers of the world; Russia and China. It is a transit route for economy and a gateway for the resources of Central Asia as well as a juncture towards Middle East. It has also got the warm water currents at the tail of its region which attracts the super powers towards this piece of land. In addition, US has direct or indirect interest in Pakistan as it seeks to contain the emerging China, the terrorist in Afghanistan, contain the nuclear Iran and penetrate in the Indian market.

Such a geo strategically significant country triggers China in investing in its geo strategic bond with Pakistan and nurture it economically. The 21st century has experienced this shift in the global dynamics where strategic allies pursue economic cooperation and develop a symbiotic relationship. For decades, China was regarded as a 'Sleeping Giant' but its leadership of President Xi has inclined it to adopt a more assertive, active and robust foreign policy and dreams of a "strong and powerful" Chinese State.

As Pakistan has suffered at the hands of terrorism and long history of rivalry with India, a perfect space is created for its "all-weather friend" China to harness its economic aims and lift Pakistan along with emerging itself even higher. In the light of this, CPEC is the contemporary example of a milestone in China-Pakistan geo-economic relationship. This project will facilitate China in a number of ways that will prove fruitful for its economy:

- Pakistan, being a significant strategic partner, will provide China a gateway for trade and commerce to South Asia, Central Asia, Africa and the Middle East
- It will provide deep sea access to Indian Ocean and beyond through Gwadar port
- China's economy will build up a strong competition to India and consequently to US.
- China's linkage with Pakistan will ensure its flank opening, thus ensuring a preemption for any US efforts to

contain its outreach.

Since both the countries are sowing in this venture to harvest their national interests, therefore, Pakistan has its own set of geo-economic advantages that will ensure its prosperity as a developing country as well:

- Pakistan will become a nucleus for trade and commerce
- Economic and industrial zones will develop throughout the country
- Increase in foreign direct investment will make Pakistan an economic hub in the region
- A network of railways and roads will improve communication around the country
- Fulfil Pakistan's energy needs through oil and gas pipelines
- Cooperation in Science, Technology and Agriculture will also establish

All these potentials and possibilities create prospects of economic leap forward for both the countries.

2.4 Economic Colonialism

During the 17th century, colonial masters would move to places where there was more space for trade and economic development to indirectly uplift and boost their own economies (Socialist Worker, 2010). This model of colonization is not a new model, it has been replaced by the physical expansionist intentions of nations towards economic elevation.

The contemporary form of colonialism is termed as neo colonialism which implies that the transnational corporations and institutions now assist in keeping a foreign control over another country (Halperin, 2016). This indirect form of rule is explained as a theoretical development of capitalism in the contemporary world order, where the powerful nations dominate and exploit the resources of weaker state and neglect them of their fair share of profits (Halperin, 2016). This gets facilitated at fast pace by modern technology.

Similarly, China intends to deeply extend its influence in the region and emerge as a strong economic tycoon. To become the driving force of such a market mogul, it is imperative for China to develop strong economic ties with the countries in the region. This will lead to ensuring a physical presence in the target countries by:

- Developing infrastructure
- Deploying head offices in the area
- Investing in better modes of communication
- Giving monetary aid as loans with an innovative financial model
- Exploiting the choke areas of commerce in the target country by setting up its own liaison groups.

These efforts will in turn inject into the economic system of the target countries.

Luckily for China, the developing state of Pakistan is in a dire need of foreign investment to keep its economy from crumbling (Shams, 2015). According to Ahsan Iqbal, Minister of Planning and Development in Pakistan, "The real opportunity of this China-Pakistan Economic Corridor is that it changes the scope of the relationship from geopolitics to geo-economics," (Raza, 2016). However, skeptics in Pakistan such as Senator Tahir Mashhadi, Chairman of the Senate Standing Committee on Planning and Development, narrow eyes the CPEC project and deems it to be an attempt of 21st Century East India Company. Though it is more of an economic interdependence than an imperialist design of China, as CPEC is based on a mutual consent of both the countries to materialize various projects, rather than China imposing political control over the state machinery of Pakistan.

Nonetheless, the chain action of now developed Gwadar Port, the incoming of Chinese engineers and experts to start Quetta Mass Transit Train Project (Pakwired, 2017) and Azad Jammu and Kashmir's hydro power project (The Nation, 2016) executing at a fast pace among other initiatives, both the countries are well under the CPEC banner with all hands in. Hence we observe that economic colonial force becomes the theoretical foundation of China's aim to conceive CPEC. This also looks in line for the physical manifestation of neo liberalism projected out of the concept of interdependence.

2.5 Neighborhood Diplomacy

The Chinese aspiration to develop a strong neighborhood diplomacy can be traced back to President Xi Jinping's visit to Mongolia in (2014) where he extended his good will and friendship in the shape of finance, infrastructure and technological support in exchange for mineral resources (Tiezzi, 2014). In addition, China encouraged on an increase in bilateral trade between the two countries, allowing Mongolia to use China's northern ports as well as accessing its railway networks to facilitate trade and commerce. All this in the light of developing a comprehensive strategic partnership, where Mongolia could be an add-on to the Economic Silk Road that China seeks to develop in the region.

This proves to be a shining example of China's shift from 'great powers' diplomacy towards 'neighborhood diplomacy' which is advocated by Xi as "treat neighbors as friends, make them feel safe, help them." (Yi, 2014). It is evidently the prime reason for China to heavily invest in the China Pakistan Economic

Corridor because it will not only help China gain influence in the region but also help it manifest a strong economic web that finds its foundation in China itself. This shift is a result of China's ambition to attain its centenary goals of 2049 by becoming a modern regionally integrated economy. According to Xi, making better use of China's technology, finance, trade and economy and active participation in regional cooperation and politico-economic linkages can enhance the path to reach China's 2049 goal. As for the recipient country, the CPEC initiative lies in sync with Pakistan's 2025 vision and thereby creates a win-win reciprocity.

It is expected that Chinese decision makers must adopt a two-pronged approach, where China should not only adopt cordial relations with developed great powers, but also work towards engaging peripheral countries in its region. This echoes the position of Li Yonghui, the director of the School of International Relations at Beijing Foreign Studies University, who in 2013 said that emerging powers need a friendly periphery, which he stated a "strategic periphery belt". In the light of this, China has not only developed the China Pakistan Economic Corridor but also plans to invest in making such a silk road in Central Asia, South Asia and South East Asia; linking China with Burma, India and Bangladesh. All this goes alongside Chinese aims to adopt a nourishing neighborhood diplomacy.

This is aided in the backdrop by regional multilateral organizations to advance Chinese strategic diplomatic goals. Examples of these include the Shanghai Cooperation Organization (SCO), The Conference on Peripheral Countries and The Conference on Interaction and Confidence Building Measures in Asia (CICA). This neighborhood diplomatic strategy also serves to fill in the gap between targeted Neighbor Asian Powers. The New Silk road will be the key to serve this objective. This venture will act central to China's neighborhood policy by stretching not only across Asian region but becoming a route way towards Middle East as well (Li & Yanzhuo, 2015). All these efforts sum up to China's intentions of National Rejuvenation and CPEC being the bridging effort to attain these objectives.

2.6 Counter balance US-India Partnership

South Asia has been in the limelight of prominent powers for over centuries. Portuguese Sailor Vaso de Gama had reestablished trade links with India at the end of 15th century. In the early 17th century, Dutch Republic, England, Denmark-Norway and France had developed trade posts in India. Later between 1858 and 1947, British had colonized the subcontinent and penetrated in the political structure through trade and commerce. Russia too had shown its interest during 1979 when it tried to invade Afghanistan and seep into Pakistan for the warm waters of Arabian Sea.

In the contemporary world, with the economic emergence of China at the international scene, we observe the gradual US inclination towards India. Although US linkages with Pakistan especially after the War on Terror have also come to the forefront, but China and Pakistan have had a "higher than the mountains and deeper than the sea" relationship in comparison with the US. Now that India has become a rising market with major investments from US creates a parallel sphere of influence with China-Pakistan on the other side.

US and India partnership in the South Asian region works as a lock and key model. India is the strategic lock for US where military and trade relations play a key role to encompass influence in South Asia as well as in Indo Pacific region. Harsh V. Pant, International Relations Professor at King's College London, highlights this strategic partnership by saying "India is key to the US' ability to create a stable balance of power in the larger Indo-Pacific and at a time of resource constraints, it needs partners like India to shore up its sagging credibility in the region in face of Chinese onslaught."

In 2004, the launch of "Next Steps in Strategic Partnership" (NSSP) was both a big step in US Indian transformed bilateral relations as well as a blue print for further progress. The India-United States Civil Nuclear Agreement in 2008 was another leap forward in their relationship dynamics. Economic relations also seem to have picked up a good pace that can be observed in the rise of import and export ratio between the two countries during 2015 and 2016. (See Appendix I & Appendix II)

To counter balance the US and India partnership, China had to make use of its most reliable neighbor Pakistan and deter the influence of their least favorite nations. China-Pakistan strategic relations began in 1963, After Sino-Indian conflict, when the two countries signed the Border Agreement which was intended to counter Indian and regional American influence. The contemporary state of their strategic and economic partnership directs us to CPEC.

This venture was not only pumped up to extract geo-economic advantages for both the countries through the various projects under the CPEC umbrella, but it also deems fit to counter US-India partnership not only in South Asia but Indo Pacific region as well. All eyes and ears are glued to the CPEC initiative that will shift the power dynamics of the region and signal to bring all odds in China's favor.

2.7 The Malaccan Dilemma

The contemporary world politics have taken the course of exploring maritime opportunities to ascertain a country's grandeur around the world. Through CPEC, China gears to resolve a geostrategic problem that comes

in the way of its maritime exchange.

This directs us towards the Strait of Malacca, which is a 12,000 km narrow stretch of water (Khan, 2016) between the Malay Peninsula and the Indonesian island of Sumatra, that gives China the maritime access to Africa, Middle East and Europe (Global Risk Insights, 2017). Presently, it has become a tense maritime arena as US navy patrols the region (Chowdary, 2015) and India oversees the activities from its base in Great Nicobar Island (The Maritime Executive, 2016). Since, this sea route is being utilized by China for roughly 80% of its oil imports (Global Risk Insights, 2017), the threat perception over this region creates a ‘Malaccan Dilemma’ for China.

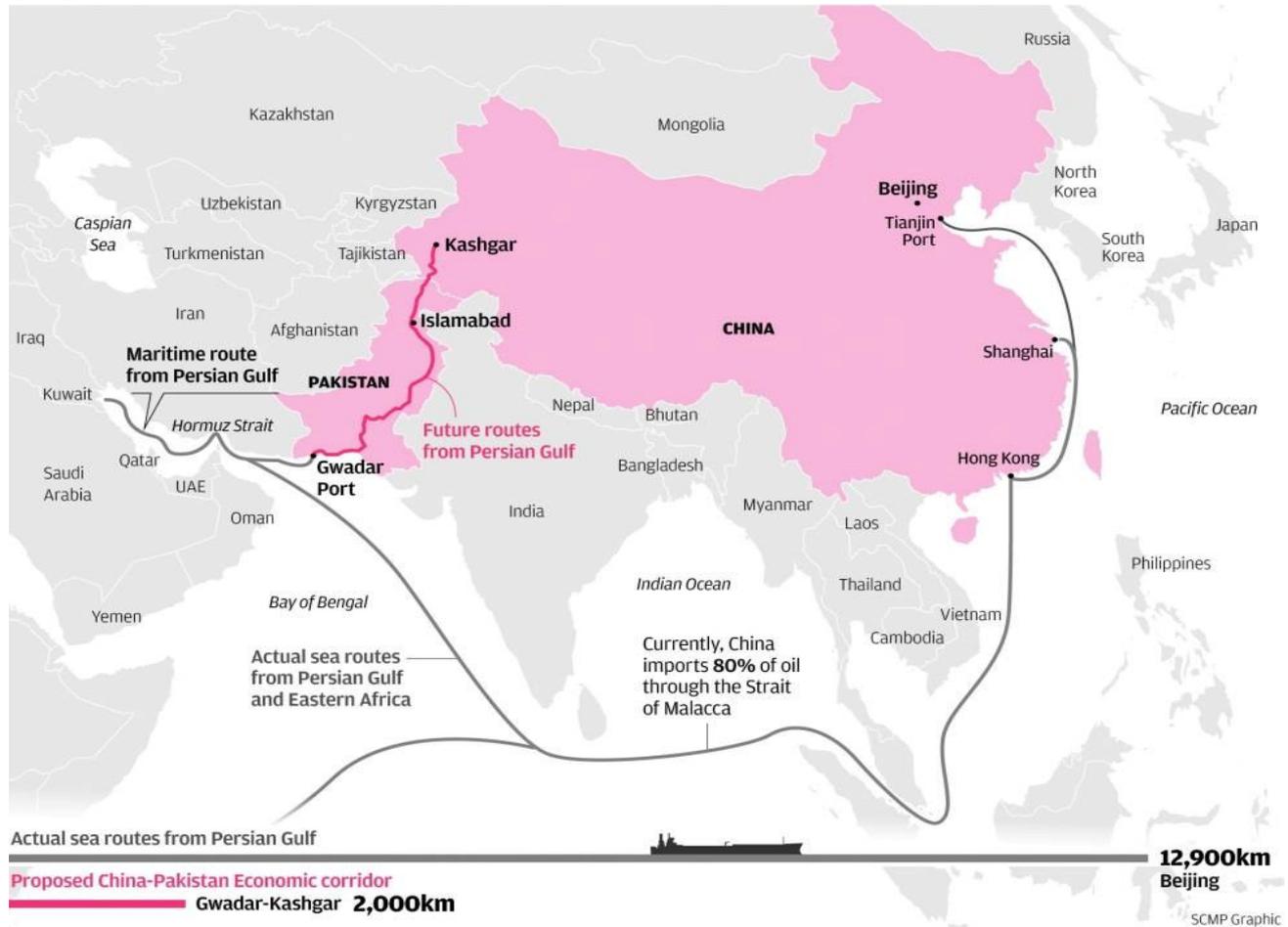


Figure 2.1 The Malaccan Dilemma

Source: CIMSEC (2016). Accessed on 20th March 2017

In addition to these vulnerabilities, China is quite dependent upon the sea routes that pass through South China Sea, near the disputed Paracel and Spratly Islands, which is a region of agitation between China, Taiwan, Philippines, Vietnam and the United States (Fox News, 2016).

Therefore, China plays smart through its CPEC initiative that will circumvent these maritime areas of conflict. CPEC will not only provide a pipeline gateway for China’s oil imports from the Middle East but will also cut short the trade route for China through Indian Ocean by more than 6,000 miles (Global Risk Insights, 2017). This in turn is also projected to kick-start a brand new strategic gateway to tap into African, South Asian and West Asian Trade (Global Risk Insights, 2017).

This also signals the rise of China as a regional hegemon that shifts the regional activity in accordance with its own national interest and foreign policy aims.

2.8 Developing a Naval Base at Gwadar

The CPEC project, primarily its Gwadar Port constituent, seems to be part of a much bigger ambition; to develop China as a maritime superpower. China has adopted a dual strategy of creating Gwadar a hub of majority trade and commerce in the region as well as developing a Naval pad for itself. “As Gwadar becomes more active as a port, Chinese traffic both commercial and naval will grow to this region,” says a senior foreign ministry official in Islamabad. “There are no plans for a permanent Chinese naval base. But the relationship is stretching out to the sea.” (Kynge, Campbell, Kazmin & Bokhari, 2017). This aim was initially contingent upon providing

Gwadar the necessary security for commercial activities in coordination with the Pakistan Navy (Bhadrakumar, 2016), but now it is moving in line with an ulterior motive that lies in developing China's naval power in the Indian Ocean.

A decade back, Pakistan and China had considered handing over the Gwadar Port running to a Singapore company. Many including India assumed that the port had no military plans since it would be operated by a neutral company (Roy, 2016). But in 2000-2001, evidences showed that the port was being constructed keeping Pakistan-China strategic purposes in mind, but the government had shot these speculations down (Roy, 2016)

Eventually, in 2012 Chinese plans to enter the Indian Ocean had become quite apparent from their naval activities and planning as well as articles by Chinese maritime experts. The contract of operation over Gwadar was also handed over to China from Port of Singapore Authority (PSA) in 2013 (AFP, 2013) which meant increased presence of China in the Arabian Sea and adjoining Indo-Pacific Ocean. India in fact should have been alerted back in early 1990s when Zhou Nanqi, the director of General Logistics Department (GLD of the People's Liberation Army (PLA), presented a policy paper to the Central Military Commission and the communist party's Political Bureau, titled "Indian Ocean is not India's Ocean". The paper got leaked to a foreign news agency. (Roy, 2016)

In addition, the Chinese Naval base at Gwadar is one of the piece in the 'military base network in the Indian Ocean' blueprint. Other countries in this military web includes Bangladesh, Sri Lanka, Djibouti and the Seychelles.



Figure 2.2 China's Bases in the Indian Ocean

Source: CIMSE (2015). [Accessed on 20th March 2017](#)

China understands maritime influence in the same way as Alfred Thayer Mahan, the 19th century American strategist. "Control of the sea," Mr Mahan wrote, "by maritime commerce and naval supremacy, means predominant influence in the world; because, however great the wealth of the land, nothing facilitates the necessary exchanges as does the sea." (Kynge, Campbell, Kazmin & Bokhari, 2017). With this naval defense capability, China creates a kind of check mate for US presence in the area of Diego Garcia which lies another 1500 miles to the south in the sea, being the main hub of American central command.

Hence, the CPEC initiative seems to play a contributing role for China to achieve its 'Chinese dream' of 2049. The much chanted Gwadar port seems to ripe fruits of all kinds for China. Having established a Chinese Navy base at Gwadar will also provide safety and security to Pakistan from possible threats by India. However, it is equally important that Chinese Navy do not overshadow Pakistan's Navy presence in the area as well. Because in order to develop a sphere of deterrence for both China and Pakistan, it is important that a coordinated and partnered system of command is established in the Arabian Sea. Such joint naval presence of Pakistan and China, virtually addresses any kind of threat of naval blockade of Pakistan by India herself or join venture by

Iran, India and America

2.9 Globalization and consequent Interdependency

At the end of the cold war, the multi-polar system emerged which resulted in Globalization. Globalization, in theory, created a world without borders. Such a world where core and periphery countries co-exist gave rise to the phenomenon of interdependency. In the context of globalization, it warrants extensive trade expansion and infrastructural access to the various regions to harvest the benefits. The modern financial mechanism provide assistance to attain such economic objectives. World Trade Organization having lifted the sanction from China, thereby inspire China to strive for what had previously been denied to it in the international market.

China, now being able to explore its opportunities, sought to engage its periphery countries in a 'strategic peripheral belt'. Pakistan plays an important role to materialize its far sighted economic aims. Although a Free Trade Agreement had been signed between the two countries in 2006 and implemented in 2007, and China emerged as the major trade partner of Pakistan both in terms of imports and exports, but this did not ensure that Pakistan will experience an economic boon that will satisfy its social and political structure.

A project like CPEC could bring a ray of hope for Pakistan to explore the resource potential in the area as well as develop its infrastructure. China coined CPEC to implement its One Belt One Road strategy. Myanmar, Bangladesh, India, Africa and Central Asian countries all fall under this strategy where Pakistan plays a pivotal role in this economic network. In this economic arrangement, we observe that the instrument of transnational diplomacy facilitate China to carry out its realist aims through modified liberal mechanics. Hence, China and Pakistan endorsed this venture in the lieu of interdependency to reach new heights in the politico-economic international arena.

The sound grounds of the entire CPEC project is stimulated by the gradual steps of China that have paved its way to the present reality of China Pakistan bilateral relationship. The result of the new regional Great Game have also triggered China to trail the CPEC project. In addition, China's neighborhood diplomacy and economic colonial efforts have been in the backdrop of making CPEC a reality. Another prime reason to conceive CPEC has been to counter balance US-India Partnership which is one of the factors why China also seeks to develop a naval base at Gwadar. This will also facilitate China to circumvent its Malaccan Dilemma that is a great hurdle in its economic liaison with other countries. All these efforts of China point us to how globalization has caused an interdependency dynamic between countries due to which Pakistan has responded to these prime factors and shook hands with China to establish CPEC.

To extract a coherent picture from the motivating factors explained above, we observe that CPEC as a source of extension of National Interest of a state, takes into account multiple dimensions.

3. Geo Strategic Manifestation of both China and Pakistan's Foreign Policies

A country's political intentions can be observed from its foreign policy interpretations. A state envisions its foreign policy with respect to its development goals and politico economic aspirations. This section paints the backdrop of foreign policy of China that have geared it to pursue CPEC. It will elaborate upon President Xi Jinping's Doctrine and its driving concepts that have led his government to heavily invest in this venture. It will highlight how Xi's vision for "the great revival of Chinese nation" has made CPEC a reality. It will also bring into account Pakistan's Vision 2025 that has inclined Pakistan's government to be at the receiving end of such a mega development project.

3.1 Centenary Goals of China

China's Communist Party (CCP) under the leadership of Xi Jinping advanced two significant centenary goals for China in its constitution version of 2012 (Ding, 2015). The first goal marks the 100 year anniversary of CCP in 2021 (Tiezzi, 2015). By this time, Xi Jinping aims to double China's gross domestic product and per capita income in comparison to 2010 (Ding, 2015). While the second goal of 2049, that marks the 100 year anniversary of People's Republic of China, aims to develop China from 'moderately prosperous society' to 'building a modern socialist country that is prosperous, strong, democratic, culturally advanced and harmonious'(Tiezzi, 2015).

These greatly ambitious goals form the foundation of President Xi Jinping's Doctrine that will be explained later. These twin centenary goals aim to take China at new heights of development and economy. CCP's legitimacy of rule hinges upon the success of these goals. In this context, we observe that OBOR and consequent CPEC is one of the key areas that will develop a growth momentum for China. The first phase of CPEC is estimated to be achieved by December, 2017 (Business Recorder, 2017). This will assure that the second phase will also be completed by 2020 (Arif, 2016) and will prove as a litmus test for the achievement of China's first centenary goal of 2021.

3.2 Driving Concepts of Xi Jinping's Doctrine

President Xi Jinping took office in March, 2012 (Forbes, 2017). He has a visionary personality and seems to ride China in privatization-friendly reforms, exhibiting fresh thinking in all key developmental sectors of the country. The series of new steps put forth by President Xi can be structured as Xi's Doctrine for Chinese diplomacy. This doctrine finds its basis in some basic principles that aim to achieve Chinese claim to "great power".

- Concept of Hub and Spoke
- String of Pearls Concept
- Gunboat Diplomacy Concept

3.2.1 Concept of Hub and Spoke

China is developing a hub and spoke system where China at the center has become the hub while the spoke nations – Central Asia, Middle East, Africa and South Asia – are tied in bilateral relations of military, economic and strategic nature (CSIS, 2015).

3.2.2 String of Pearls Concept

This term was first used in an internal report "Energy futures in Asia" by the United States Department of Defense (The Washington Times, 2005). It is a geo political theory regarding potential Chinese intentions in the Indian Ocean (CSIS, 2014). It refers to a Chinese web of commercial and military facilities along its sea lines of communication. It aims at encircling the region and enfolding it into Chinese umbrella of command and influence. These maritime choke points include; The strait of Malacca, the strait of Hormuz, the strait of Mandeb, the Lombok strait as well as other strategic maritime points at Bangladesh, Pakistan, Maldives, Sri Lanka, Myanmar and Somalia.



Figure 3.1 String of Pearls

This will earn China a steady flow of energy resources, it will secure Chinese presence in new markets, it will secure commercial/supply routes throughout the Indian Ocean Region, it will also facilitate China to exercise its soft power by development of the countries that will play part in String of Pearls and finally it will reduce the potential security and economic competition for China in the region (South Front, 2016).

3.2.3 Gunboat Diplomacy Concept

It relates to acquiring foreign policy objectives by the display of visible naval power in the contested area that may imply a direct threat of warfare (Cable, 1971). This concept finds its application in the existing Chinese presence in South China Sea as well as China's emerging influence in the Indian Ocean and the Indo-Pacific region.

These principals have also shaped Chinese One Belt One Road Strategy for Land Silk Road and Maritime Silk Road. These concepts have stimulated China to adopt a "Go West" and "Leap East" foreign policy. We will observe how these principles have provided foundational basis to Xi Jinping's Doctrine for Chinese Diplomacy. They have served as the precursor to Xi's six percepts of foreign policy aims.

3.3 President Xi Jinping's Foreign Policy Doctrine

President Xi Jinping appears to be nontraditional and unconventional leader, gifted with Western linkages, that has gained leadership of China. He pays importance to the average life style of an ordinary person and seeks to

eradicate corruption, provide better education, higher income, better living conditions, a reliable safety net for retirement and health care.

He took forth his ambitions for a better and prosperous China from the very start of his tenure. Xi had embarked on a campaign to oversee and account government corruption. He got a great number of officials arrested including the prominent government figure, former Security Chief Zhou Yongkang, and over 100,000 officials were disciplined by CCP by the end of 2014 (Timmons, 2016). He also brought about change in some laws enacted by predecessors. He formally ended China's one-child policy in 2015 and eliminated "reeducation through labor" system (Timmons, 2016).

Xi also worked towards pacing up China's slow economy. In 2014, he introduced "One Belt One Road" initiative to spread out an economic web. He also launched the ambitious Asian Infrastructure Investment Bank (AIIB). With regards to domestic economy, his party expanded the power of private banks and the Shanghai stock market allowed the international investors to trade shares directly.

All his actions direct towards Xi's foreign policy doctrine. The six elements of his doctrine encapsulated the vision of China's President and his diplomacy. (Chheang, 2016)

3.3.1 Community of Shared Destiny

Xi's world vision that is reflected in his doctrine aims at developing and sustaining an international community that glows with inclusive development, mutual growth and lives together in complete harmony. It seeks an environment that realizes common, cooperative, comprehensive and sustainable security. This concept shapes China's approach to global governance. It stimulates proposals and measures to generate support for the all nation states (Yan, 2015).

3.3.2 Chinese Dream

This phrase is a signature axiom of President Xi. It is referred as the collective aspiration of "the great rejuvenation of the Chinese nation" as well as the personal dream to acquire healthy, productive and happy lives for Chinese (Das, 2016). This is a very smart and assertive foreign policy approach that has been adopted by China. By portraying itself as a soft power, China enhances its international appeal and continues its peaceful development strategy. As President Xi says "We Chinese love peace. No matter how much stronger it may become, China will never seek hegemony or expansion. It will never inflict its past suffering on any other nation." Through the Chinese Dream, China aims at countering theories that perceive China as a threat to regional peace and security. It aims at resonating a benign and positive image of China. It illustrates a vision that China can only thrive as a nation when the world prospers.

3.3.3 Peaceful Development and Win-Win Cooperation

The countries that have conflicting interests and strategic competition with China perceive a sense of threat and strategic challenge from the rising power of China. It is speculated that China will use its economic leverage to dominate the political and strategic sphere of influence around the world. But President Xi wants to foster a different angle to Chinese economic, strategic and political activities. Through his aspiration for 'peaceful development' and 'Win-Win cooperation', he aims to diplomatically address regional disputes, advance regional and global integration and promote pragmatic cooperation (Qiwen, 2015). This element of Xi's Doctrine was explained in detail by Wang Yi, Foreign Minister of China, in his speech at the Luncheon of the China Development Forum in 2015. He talked about a new type of international relations of Win-Win Cooperation in different dimensions that have been outlined below (Ministry of Foreign Affairs of the People's Republic of China, 2015);

- Politically, a new thinking of building partnerships must be fostered.
- Economically, new prospects of common development must be envisioned.
- On the security front, a secure environment must be created for all equally.
- Culturally, inclusiveness and mutual learning between civilizations must be promoted.

3.3.4 A New Model of Major-Power Relations and avoiding Thucydides Trap

This relates to the theory of an ancient Greek historian that when an emerging power encounters an established power, it causes a conflict between them. In this case, the present global hegemon US, and the rising China appear to be dragged into the Thucydides trap (Akram, 2016). President Xi seeks to avoid such a structural confrontation between the ruling power and the rising power. In the new model of China-US bilateral relations, China hopes to promote mutual trust, expand dialogue, control disputes and develop an aura of cooperation. The rules of engagement between the two major powers should be of healthy coexistence in the international system, mutual learning and adjustment, equal power relationship paradigm and mutual respect for each other's national interest.

3.3.5 Promoting Good Neighborhood Diplomacy

A good neighborhood diplomacy has the center stage in China's foreign policy. The 'One Belt One Road' strategy is an effective application of Xi's vision that develops good diplomatic ties with regional countries. This initiative revolves around five key areas of cooperation (Chheang, 2016);

- Infrastructure connectivity

- Unimpeded trade
- Policy coordination
- Financial integration
- People-to-people ties

Through this Silk Road strategy, Xi aims to develop and nourish a healthy regional environment that will elevate the stature of China in the world politics.

3.3.6 Developing a New Asian Security Concept

The New Asian Security Concept is a revised form of regional security architecture of the New Security Concept that was presented in the mid-1990s. The New Asian Security Concept was put forth by the President in 2014 at the fourth Summit of the Conference on Interaction and Confidence-Building Measures in Asia (McCaughrin, 2017). The NASC is defined as "common, comprehensive, cooperative and sustainable" security for Asia and incorporates the NSC, which is characterized as featuring "mutual trust, mutual benefit, equality and coordination." (Takagi, 2014). This NASC envisions to replace the US led security order by offering security and economic incentives, in exchange for submitting to China's strategic authority in the region. This concept was raised once more in 2015 (McCaughrin, 2017), when China outlined its views in a Defense White Paper "Asia-Pacific Security Cooperation" (Panda, 2017). This paper was released by the Chinese Foreign Minister in January, 2017. (Panda, 2017)

To sum up the relevance of Xi's Doctrine to CPEC, we observe that The One Road One Belt initiative is one of the prominent blue print of his foreign policy doctrine. The trade and communication network that OBOR develops reflect the notion of Xi's Doctrine. It incorporates the elements of Xi's Vision to create a Chinese aura of influence, security, cordial relations and magnanimity around the globe.

These elements of Xi's doctrine translate into the 'China Pakistan Economic Corridor' that will open new avenues for economic activities. While it links the two countries, it also facilitates the flanking neighbors to benefit bilaterally, with greater amount of reciprocity. It binds China and Pakistan together for not only their economic uplift and survival but also for better future prospects. The implementation of Xi's Doctrine shows how the monetary system and economic development can carve a brighter future for all states on board.

While having a conceptual look on Xi's Doctrine of Chinese diplomacy, they all drive down to a kind of factual manifestation of balance of power concept and multi-polarity that enables regional stability and collective security. China after industrialization rooted itself economically. It became self-sufficient and had the extra financial resources to invest beyond its borders through financial engineering efforts, which could have otherwise cause/resulted into inflation in China. CPEC is the skillful utilization of its financial resources to reach the top. This venture and the OBOR strategy may even elevate Renminbi (Chinese currency) and take it on a level to compete and even overpower US dollar.

The One Belt One Road Strategy indicates the final stage of the Xi's vision taking shape of on ground reality. The year 2020 will presumably complete the entire cycle of China from a regional power to a super power. While democracies (Britain and US) have taken centuries to climb to the top, China has done this economic miracle in less than half the same time in the absence of democracy.

This struggle goes back to 1713 when a British envoy, Lord Macartney, arrived at the court of Chinese emperor, hoping to open up an embassy. He brought along a few gifts that included his newly industrializing nation. The Qialong emperor, whose country added up to about a third of global GDP, blew him away. "Your sincere humility and obedience can clearly be seen," he wrote to King George III, but we do not have "the slightest need for your country's manufactures". The British then returned in the 1830s to open trade forcefully with gunboats, and China's attempt to reform ended in collapse, chaos, humiliation and eventually Maoism.

Only time will well account the magnitude of validity of this doctrine around the world. The concepts and models posed in these elements exhibit idealism in a realist world. Presumably, these aims and objectives may help paint China a soft image in the media where President Xi is known as the "Chairman for Everything" but such aspirations can take a long time to shape.

It is nonetheless, a good step forward for Chinese foreign relations to echo such a harmonious international environment, well acquainted neighbors, integrated world, sustainable development, universally accepted and peaceful coexistence assurance.

3.4 13th Five-Year Plan of China

Now we will see the supporting mechanisms constituted in the form of social and economic development plan that augments what has been explained earlier. These will certainly help to understand the entire ambit of developmental efforts with strategic aims of China.

The Five year plans of China are part of its economic and social development series. These Five-Year plans have been driving China's economy since 1953 (Today in Pakistan, 2015). It contains detailed and thoroughly accessed economic development guidelines for the entire country. The 13th Five Year Plan of China is formulated for the year 2016-2020 (Pakistan Today, 2015). It deems to bring capability and efficiency in the working environment of the country and gives importance to growth and development just as the previous plans

had sought to bring.

The importance of CPEC reflects from the fact that it has also been made part of China's 13th Five-Year Plan (Pakistan Today, 2015). This decision also signals hope and motivation of China to complete this venture in its due time. As we look at the 12th five-year plan of China, we observe that China's GDP grew at an average annual rate of 7.8 from 2011-2012 (China.org, 2016). Premier Li Keqiang stated the plan to be a success as it had fulfilled all the main tasks and targets that were planned for the five years (China.org, 2016).

Since the inception of these Stalin inspired Five-year plan of China, we observe its gradual GDP growth per capita over the years, which illustrate the success of these Five-Year plans that aimed at raising China's industrial capability and neck-to-neck competition with the West (Graceffo, 2016).

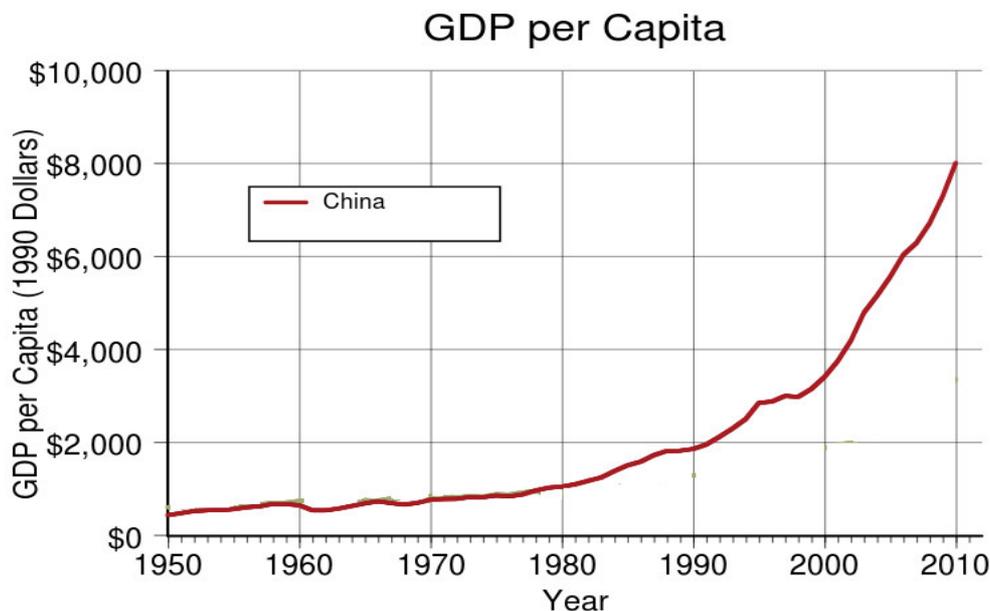


Figure 3.2: GDP per capita of China

Source: The Madison Project (2013) Accessed on 27th March 2017

The details shown above clearly reflect the sure-footed commitment of resources in realizing the given five-years plan. It also indicates that China is most likely to surpass United States and become the largest economic power of the world by year 2030 (Marwat, 2017). There are resources available and there are commitments also to achieve the targets. Hence, CPEC is one of the steps of China's strategic plan to go global and create a wider spectrum of economic territory for itself.

3.5 Pakistan Vision 2025

Having talked about China's stimulating factors that draw towards CPEC, we will now examine how Pakistan fits into the entire economic spectrum as such a welcoming recipient of CPEC.

On August 11, 2014, the Ministry of Planning Development and Reform launched 'Pakistan Vision 2025' (Samaa, 2014). The Vision is considered to be a foundation for transformation and change that will create new opportunities for Pakistan. It envisions Pakistan to rise from a middle income country and be among the top twenty-five economies of the world. In terms of social indicators, Pakistan is a least developed country and so Pakistan Vision 2025 recognizes the problems of the masses and aims to economically develop itself by adopting a people centric approach. These economic and social uplifting efforts are supported by seven pillars that orchestrate the objectives of Pakistan Vision 2025 (MOPDR, 2017):

1. Putting People First - Developing Human and Social Capital
2. Achieving Sustained, Indigenous and Inclusive Growth
3. Governance, Institutional Reform & Modernization of the Public Sector
4. Energy, Water & Food Security
5. Private Sector led Growth
6. Developing a Competitive Knowledge Economy through Value Addition
7. Modernizing Transportation Infrastructure & Greater Regional Connectivity

The government portrays that the Vision 2025 finds its roots from the Founding Vision of Pakistan that was delivered by Quaid-e-Azam on August 11, 1947 (MOPDR, 2017):

"... the first duty of a government is to maintain law and order, so that the life, property, and religious beliefs of its subjects are fully protected by the State ... if we want to make this great State of Pakistan happy and

prosperous we should wholly and solely concentrate on the well-being of the people, and especially of the masses and the poor.”

Therefore, the present Pakistan Vision 2025 has an ambitious target to take Pakistan on great economic heights and fulfil its historic aim of bringing prosperity to the country and welfare of the society at large. Minister of Planning Development and Reforms, Ahsan Iqbal, said at ‘National Roundtable on Sustainable Consumption and Production for preparation of National Action plan’ two day workshop on 3-4th August 2016 that was organized by Ministry of Climate Change and United Nation Environment Program, that Pakistan was the first country that adopted Sustainable Development Goals (SDGs) agenda as its own national agenda as it compliments Pakistan’s Vision 2025 (PID, 2016). He termed SDGs as PDGs, Pakistan Development Goals. Therefore, by linking to UN approved Sustainable Development Goals as well as Millennium Development Goals (MDGs), the vision pursues to make Pakistan among the top ten economies of the world by its centenary in 2047 (PID, 2016).

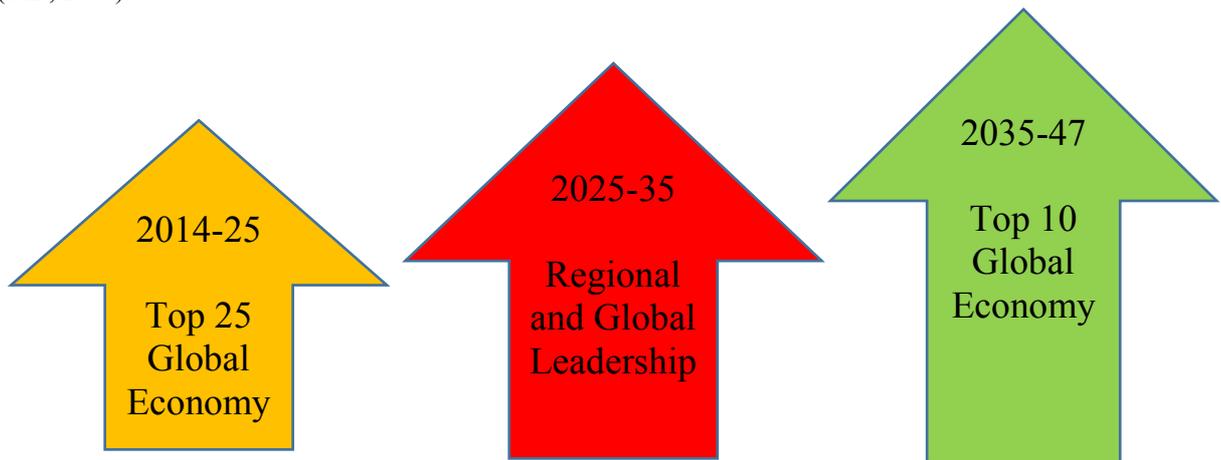


Figure 3.3 Goals of Pakistan 2014-2047

In the context of this, the China Pakistan Economic Corridor is more or less like a practical realization of the Pakistan Vision 2025 that aims to make it the next Asian Tiger (CPEC, 2017). This Chinese initiative is Pakistan’s top-level need in order to achieve its short, medium and long term goals. Success of this venture will give contributory support for the pillars of Pakistan Vision 2025 as well as facilitate fruitful results.

Seeing the politico-historic record of the Minister, Ahsan Iqbal, he had given Pakistan Vision 2010 in 1998 (NBEAC, 2017) which could not kick off or achieve any significant result. Having a vision is a different story, but mobilizing the various mechanism including that of the financial provisions in the budget needs to be brought in order.

Reviewing Pakistan’s economic track record of 70 years, there were only 21 years where we could make progress; 10 years of Ayub Regime and 11 years of Zia-ul-Haq regime. Although during these periods we observe politico social difficulties but the overall economic growth rate was significantly two to three fold high than the other political governments.



Figure 3.4: Comparison of Democratic and Dictatorial Rule on Economic Growth

Source: Pakistan Bureau of Statistics. Accessed on 27th March 2017

Focusing on the performance of last 9 years of the political governments, the performance has been rather dismal. When a country has budget deficits and serious trade imbalances than it becomes more of a dream than a reality to support such a huge project such as CPEC. Our load burden is also so monumental that it appears a financial collapse threat would continue to persist.

The coming 8-10 years are crucial in determining the future of CPEC, as the deadlines of conceived plans and actions are coming closer. This corridor brings a new phase of relationship for the ‘all weather friendly’ neighbors. CPEC puts regional connectivity and economic cooperation at the center of their multi-lateral agenda. The national and foreign policy of both the countries stimulate the investment of their financial resources and social capital to acquire the geo-strategic aims of their political and economic agenda.

4. Prevailing and Emerging Challenges for CPEC

A mega project such as China-Pakistan Economic Corridor is bound to be confronted with threats along its path towards successful completion. Pakistan being at the receiving end of its industrial, infrastructural, energy and economic projects stimulates much of the challenges to CPEC. This section examines the various social, administrative, political, economic and strategic threats that are likely to come in the way of CPEC. It will identify the primary sources of these challenges, the present situation of threat that they pose and the work that is being done or should be done to minimize its impact.

4.1 Crisis Discontent in Gwadar

Gwadar is the heart of CPEC and the main arterial link that connects the maritime silk route through the Arabian Sea to road and rail links to western China. It makes up 55% of the entire coastline of the country (Meer, 2016). This significant choke point of the project can become a threat to the success of CPEC if the problems here are not addressed.

The primary overlooked problem in Gwadar is regarding the shortage of water. The residents don’t have clean drinking water. A mega project such as CPEC can come to a halt if the acute water shortage problem is not addressed soon. The Akra Kaur dam, which was built in 1995, is the main source of potable water to this area but unfortunately it is drying up from last two years due to the less than usual rain and therefore does not meet the water demand of the city (Ahmed, 2017).

The major source of water supply to Gwadar these days is Mirani Dam, which is more than 170 km away north of Gwadar. The water is brought through tankers to a pumping station, which then supplies it to the local residents (Ahmed, 2017). The city’s population is also increasing due to CPEC, so the crisis will become severe if no action is taken soon (Samad, 2016).

In addition, the local residents have apprehensions regarding CPEC and are not that welcoming towards

it. They believe that these new developments might deprive them of their traditional sources of livelihood. It has already effected the fisher folk. Due to construction of the port back in 2000s, they had lost their fishing spots. Now, with the further development under CPEC, they will lose all of them (Ahmed, 2017). The fisherman also complain about the finding frequent notices near the Gwadar jetty on account of security constraints. Due to this, the fishermen face daily problems and it effects their income (Ahmed, 2016).

Only time will tell if CPEC will be able to resolve this threat. Presently, four desalination plants installed by the government are lying idle in Gwadar in a situation of acute water crisis (Baloch, 2017). Should another country be responsible to address the problems of Pakistan through its development projects when its own government neglects it? CPEC may become promising for the people of Gwadar as more job opportunities other than fishery will be viable for them. Along with this, as the Gwadar port develops and flourishes, more and more commerce will be carried out in this area which will increase the value of property in this town. Better living standards is also an add-on to Gwadar as the overall potential social and economic development is brought about under CPEC.

4.2 Civil Military Relations

The civil military relations in Pakistan have never been black and white. Their differences are not limited to CPEC alone, though it seems to be another source of tension between the civil and military leaderships. The military essentially has to look over the national security strategy of the country. However, in a developing country such as Pakistan, especially that which has a colonial past, military intervenes in decision making at national levels. This also signals the incidents where military has overthrown the constitutionally elected governments. Apart from this, Pakistan has experienced 30 years of military rule; from 1958-1971, 1977-1988 and 1999-2008 (Hashim, 2013).

In the years when the military was not in government, it has still sought to consolidate and centralize political power and exerts a strong influence over both domestic and foreign affairs. Though in various dimensions of analysis, there are situations where civil structure has sway military advice.

But these assumed strained civil military relations are often also distorted to cast an impression of serious rift between the two. Such as the furnished story reported by Cyril Almeida on October 6, 2016 which framed their contrasting decisions that while the government wanted to proceed against the defunct militant groups, the ISI didn't (Raja, 2016).

In addition, we observe a struggle between the civil and the military over who gains control over Chinese funded projects in Pakistan. This tussle is not favorable to China as it would not only effect China's reputation and support base in Pakistan's establishment but a potential military takeover will also stain China's reputation in countries with similar interests (Godbole, 2016).

The civil military clash of approach and priorities challenges the sound and progressive working of CPEC as well. The Pakistan Army had insisted over developing a Special Security Division in 2015 after President Xi Jinping's visit to Islamabad for the ground breaking of CPEC projects (Syed, 2016). Up till the end of 2016 (Syed, 2016), the civil body had pushed back on its motion and implementation. This reluctance by the government is primarily due to the fact that such a division will deprive the government of the unbridled powers to favor Punjab and bend or manipulate some CPEC projects.

Also, the government's apprehension was that such a division will pave way for the military to enhance its indirect control over CPEC and expand military's influence on Law Enforcing Agencies at the cost of civilian administration authority. Consequently, the government had delayed to agree the "terms of reference" proposed by the Army and control its winning trophy project for the next general elections (Syed, 2016).

However, in the middle of all this Army had taken a step further and created the SSD to provide security cover to CPEC, its projects and Chinese nationals. China on the other hand had been insisting that Pakistan's government should formally include the army to secure the project and address their civil military differences in order to create favorable conditions to smoothly run CPEC (Kaiser, 2016). As of now, 15,000 personals have been deployed and the division intends to recruit more (Raza, 2017)

The silver lining is that in the midst of all the civil military wrangling, these institutes collectively welcome and support CPEC as well as seek to develop the venture in a harmonious environment. Even during their differences of approach to run the affairs of state in the context of Sino-Pakistan relations, the ultimate goal of the civil military leadership has been to provide safe ground for Chinese investment in Pakistan since it plays a key role in maintain Pakistan's strong strategic posture.

In the larger interest of the country, it is imperative these institutions should join hands to secure Pakistan and steer the country out of multifaceted crises. For this purpose, certain steps must be taken into account:

- To define the chain of command and civilian authority over military, clear set of laws and constitutional provisions should be put in place.
- Pakistan's media should take up a role of an impartial press and bring a change in the perceptions and social

acceptability among the masses for supremacy of civilian rule.

- There should be openness and access to information so that negative speculations regarding civil military relationship can be reduced.

4.3 Security and Intelligence

Pakistan has been a victim of terrorism especially after the 9/11 attacks. It has also faced great menace due to its porous border with Afghanistan and historical animosity with India. On the other hand, China has also experienced terrorism that has entered its region through Central Asia. We will examine a detailed account of the internal and external causes of insecurity that may disturb the smooth running of CPEC and its follow up infrastructural projects. Also, we will analyze the collective role of intelligence agencies that aim to sabotage CPEC. (through plantation of attacks, penetration, funding?)

4.3.1 Internal Challenges

Analyzing a wholesome picture of the internal state of insecurity between the two countries, we observe that Pakistan is primary source of threat to CPEC. It is embroiled by the potential and existing threats from Tahreek-e-Taliban Pakistan (TTP), Lashkar-e-Jhangvi, Siphah-e-Muhammad (in Karachi) and ISIS (Sial, 2014). Another internal security threat is posed by Baluchistan Liberation Army, Baluchistan Liberation Front and other militant groups of political parties (Sial, 2014). In 2006, BLA claimed to kill three Chinese engineers in Hub, a town west of Karachi (Falak, 2015). At least 20 laborers were killed by BLF in Turbat a week before Chinese President's visit in April, 2015 (Shahid, 2015). Tensions again rose in 2016 as the head of BLF, Allah Nazar Baloch, threatened to target CPEC (The Economic Times, 2016). Aside from terrorist attacks, separatists routinely attack power and energy transmission lines in Baluchistan. These groups may not necessarily have conflict with China itself, but they intend to use their efforts against Chinese interest such as CPEC to effect Pakistani state.

Inside China, East Turkistan Islamic Movement (ETIM) is a manifestation of three evils; extremism, terrorism and separatism, which have associations with A-Qaeda and Jundullah as well. In addition, Uighurs in Xinjiang province of China are another source of threat. These are Islamic militants that culturally and ethnically regard themselves close to Central Asian Nations (BBC, 2014). The major trouble spot of Xinjiang Uyghur Autonomous Region (XUAR) became a serious threat when violent riots and terrorist attacks broke within Xinjiang and as far away as Kunming and Beijing (Bhattacharji, 2008). Traces of both Uighurs and ETIM are also found in the tribal areas of Pakistan.

In 2014, warnings were made by Jamaat-ul-Ahrar, a splinter group of TTP that it will hit Chinese interests in Pakistan if Beijing didn't stop persecuting Xinjiang Muslims (Sehgal, 2016). Other incidents include the foiling of plans to kidnap and kill Chinese workers in Hyderabad, Matiari, Sukkar by the Law Enforcement Agencies (LEAs) (Sehgal, 2016). (add more recent incidents)

These threats indicate a risk of attacks on engineers and workers of CPEC-related project. Elements of militants, sectarian extremists, criminals and kidnapping are the tools by which the CPEC development can be stalled or even damaged. To combat these security constraints, China adopted a two pronged strategy (Falak, 2015);

- First, the central government carried out mass arrests and trials.
- Second, Beijing boosted up its previous strategy of economic development to address the ethnic tensions. The central government recognizes that poverty and unemployment among Uighurs is the primary source of discontent.

Since the CPEC will pass through the region of Pakistan, it is important that it takes strong measures to reduce the degree of threat to Chinese workers and infrastructural development. To access Pakistan's internal security challenges, Pakistani security forces have fought the Uighurs, ETIM, TTP, Al-Qaeda and other foreign militants in North Waziristan Agency area during its Zarb-e-Azab operation, which was launched in January 2014 (Nation, 2016). The government has also established a 'Special Security Division' for the protection of Chinese nationals working on CPEC projects (Tribune, 2017). Law enforcement agencies have also deployed Khasadar force in FATA and Levies force in Baluchistan. The National Action Plan also ordains the activation of National Counter Terrorism Authority to encompass potential and prevailing terrorism threats. In addition, the Pakistan Army has launched another operation called Radd-ul-Fasaad in February 2017 to eliminate threat of terrorism and ensure security of Pakistan internally as well as on its borders (Dawn, 2017). This operation will also receive active participation from Pakistan Navy, Pakistan Air Force, Pakistan Police and Civil Armed Forces. All these will blend into an effective security system for domestic purposes as well as for multi-lateral use.

4.3.2 External Challenges

The internal security challenges to CPEC are supplemented by external security challenges. These external challenges result due to perceived strategic threat to some countries' economic and military interests and pervasive influence in the region. These regional powers take CPEC as a threat to their own interests and

therefore these countries; Afghanistan, India and Iran tend to destabilize the project.

Pakistan is already facing the problem of sharing a porous border with Afghanistan which directly threatens the security of Pakistan and in turn CPEC. India on the other side has established a special intelligence desk at Research and Analysis Wing (RAW) to sabotage CPEC. This set up has been tasked to focus on Pak-China Defense relation, military dimension of CPEC, Karakoram Highway, Gwadar Expressway and Economic corridor projects and choke points. At the provincial level, Joint Secretaries have been appointed to identify and exploit the political fault lines of Baluchistan, political and public stance of Sindh, Punjab and KPK to disrupt CPEC (The Nation, 2015).

RAW was also accused by ISI to task a Kashmiri Politician to sabotage CPEC. This was revealed during a hearing of a petition that sought to renew national identity cards of overseas Pakistanis to Dr. Shabir Chaudary, a British National of Pakistani/Kashmiri origin. Nadra Counsel submitted the letter by ISI that stated the involvement of Mr. Chaudary in anti-Pakistan activities sponsored by RAW. It also brought into attention that his books/booklets on various aspects of Kashmir were also funded by RAW that created propaganda against ISI/Pakistan Army. He was allegedly also mandated by RAW to activate the people of Gilgit-Baltistan to rise against CPEC by portraying it as a damage to the local population (Dawn, 2016).

Other RAW funded involvements include the Balawaristan National Front (BNF) who were sponsored to vandalize CPEC in Gilgit-Baltistan and stir unrest in the local population (Dawn, 2017). 12 workers of this group were arrested by the Police from Yasin Valley of Ghizer District in January, 2017 (Dawn, 2017). After a week of this raid, another 6 covert operatives of RAW were nabbed in Gilgit-Baltistan who were tasked to conspire against CPEC (Dunya News, 2017).

These examples show how deeply RAW has penetrated inside Pakistan and seeks to jeopardize all economic development that may harm or effect India's own national interests.

RAW makes full use of its assistance by CIA, NDS, MI-6 and Mossad in proxy war in Pakistan since 2003 (Raja, 2016). The so-called friends pushed Pakistan to fight terrorism while they secretly backed the terrorist themselves. Many conspiracies have been hatched and launched that aim to destabilize and fragment Pakistan. RAW-NDS nexus backed by CIA continues to use Afghanistan as a launch pad for terror attacks in Pakistan. Focus of attacks is especially on Baluchistan and KPK to scuttle CPEC (Raja, 2016). These external threats by India are heated by US influence for its struggle to contain China. Naval capabilities have been strengthened at indo-Pacific region by India and US to deter Chinese maritime influence.

India so far violated its 2003 ceasefire agreement 103 times in one year (The Nation, 2016), thereby creating an aura of uncertainty, insecurity and terror around the globe for Pakistan. Intelligence Bureau (IB) Director, General Aftab Sultan, said that out of 865 terrorist that were arrested in the previous three years, a great number had connections with India's RAW and Afghan NDS (Khan, 2016).

In the lieu of these security and intelligence threats, the development and survival of CPEC is greatly speculated. Nonetheless, Pakistan is taking steps towards ensuring the security dimensions of CPEC. Pakistan Navy has raised a task force-88 at Gwadar to oversee the maritime front of the venture (Qureshi, 2016). On the whole, the Pakistani government has deployed 15,000 military personnel to protect projects under the umbrella of CPEC (Raza, 2017).

4.4 Political Instability

While the Federal Minister Planning, Development and Reforms, Ahsan Iqbal, claims that there is no threat of political instability in the country, the real picture paints a different story (Business Recorder, 2016). CPEC has been a corridor of discontent among the provincial governments. They express a lack of coordination and unsynchronized behavior over the launch and process of CPEC. This lack of mutual agreement poses a challenge to the sound establishment of the economic corridor.

In this case, CPEC itself entails the threat of political instability for this venture since this rusty political agitation is primarily because of emerging inter-provincial grievances over the route of CPEC. Despite government's repeated reaffirmations, KPK, Baluchistan and the northern part of the country allege that CPEC route preference is being given to the eastern side of the country (Dawn, 2016). According to them work is in progress at the eastern route whereas the western route shows no signs of infrastructural development yet. This creates an environment of animosity among the political parties and raises reservations towards CPEC. Dr Said Alam, Corridor Front convener, also insisted that the focus of CPEC must not be on Punjab only (Dawn, 2016).

However, since the Gwadar port is the running mill of this entire project, Baluchistan will serve as an important extension of the project since it will link Kashgar to Gwadar. But the Chairman of the National Highway Authority, Shahid Ashraf Tarar, brought a twist to the already existing controversy by saying that actual corridor only comprises of the eastern route and the western route is merely aimed at improving the North-South connectivity (Raza, 2016). While Sardar Akhtar Jan Mengal, President of the Balochistan National Party-Mengal (BNP-M), dwelt once again on the discontent over CPEC as he addressed a meeting in Quetta (Business Recorder, 2017). The Chief Minister of KPK, Pervez Khattak, has also addressed a letter to the

Federal Minister of Planning and Development, Ahsan Iqbal, to clear out all sort of ambiguities over development of the western route under CPEC (Dawn, 2017).

In addition to this, other inter-party disputes also pave way in creating a hindrance for CPEC. For example due to the protests at the end of 2014 by Pakistan Takreek-e-Insaaf (PTI) and Pakistan Awami League (PAT) created unfavorable conditions for Chinese President Xi Jinping to visit Pakistan and therefore, it repeatedly got postponed (Falak, 2015). Moreover, the recent revelation of Panama Leaks has led to many speculations and distrust for the present government. These are the things which create wavering effect of the continued commitment of the government.

These political confrontations create an environment of political instability that consequently effects the development of CPEC and layout of its project structure in the given timeframe. As the Minister of Inter-Provincial Coordination, Riaz Hussain Pirzada, says that CPEC is important for the country's economic security and stability and therefore must not be made controversial like the Kalabagh Dam (Dawn, 2016). China has also raised concerned about this unending controversy regarding rights of smaller provinces and the route of the corridor (Jamal, 2016). A spokesperson at the Chinese embassy urged all parties to bridge their differences (Jamal, 2016).

Political challenges also exist at the international front. It is postulated that India is try to approach a diplomatic route to halt the construction of CPEC in Gilgit-Baltistan, which it considers an integral part of its country. Also, the US being significant in the provision of military and financial aid and second largest export destination after the EU makes it difficult to ignore its efforts to dissuade Pakistan from involving China in a development project. It has been apprehensive of Chinese access and presence in the Arabian Sea and has tried numerous times to sway Pakistan away from China, including advocating the port authority of Singapore as suitable operator for Gwadar. There is a surging need to engage in a diplomatic campaign to hold off any efforts by foreign governments.

In a scenario such as this, the media should play an assisting role to crease off tensions between the political parties and project a strong political stance in support of CPEC internationally. It is also advisable that the government should acknowledge the larger picture of a prosperous Pakistan and abstain from cashing CPEC for mainly surviving its tenure and maintaining its dwindling popular support base. It should try and address the concerns of all the political parties and establish a harmonious environment for CPEC by being transparent. The political parties must also bend their rigidity, acknowledge the facts on ground and consider CPEC a national project. A future built on deprivations and grievances doesn't work out well for a country.

4.5 Economic Conundrum

4.5.1 Finances

CPEC is a Chinese investment project that is being funded under concessional loans to Pakistan. The interest rate on this loan is of about 1.6% to 2% depending on the nature of the project (The Express Tribune, 2016). This additional debt over Pakistan along with already existing debts from IMF will burden the economy of Pakistan. In this scenario, the completion of the entire project is of much value, as the implementation schedule will determine the payment stream. The entire portfolio of the project is to be completed by 2030 (Husain, 2017). As the energy projects (that are projected to be completed by 2020) together with bureaucratic delays will be operational by 2023, 10,000 MW would be added to the national grid by 2018 according to the early harvest program. Therefore, its disbursement schedule is eight years 2015-2023 (Husain, 2017). Infrastructural projects (amounting to \$10bn) can be expected of their completion around 2025. While the remaining \$5bn projects will spill over to 2025-2030 period (Husain, 2017).

This suggests a possible reduction in the paying capacity of Pakistan in the coming years Pakistan will end up paying around \$90 billion to China over a span of 30 years against the loan for projects under CPEC (Siddiqui, 2017). This is almost double the amount of the initial investment.

4.5.2 Controversy of Most Favorite Nation Status

It is quite interesting to observe the controversy of most favorite nation which is given to us by India while we are not able to extend the same facility to them. Granting the MFN status means extending non-discriminatory trade with that country as well as lower or zero tariff barriers (WTO, 2017). The reasons that Pakistan has not given MFN status to India are quite obvious. Our manufacturing sector costs are much high, import rate is more than export and our products are not competitive as that of the Indians. Therefore, Pakistan will not be able to protect its domestic industry from the cheaper imports in the price war.

So even if we have the status, we cannot benefit out of it. Whereas, if Indian gets this status by our country then our markets will be flooded and virtually most of our factories will close creating unemployment, law and order situations and clear decline in economic activities.

India as the most favorite nation will possibly benefit more from the facility of CPEC particularly on its lateral routes and thereby will threaten the economic interest of China and Pakistan in the regional and international market.

4.5.3 Gwadar Port Quandary

The greatest economic challenge to CPEC comes from its competitors such as Chabahaar Port. India is denied trade route through Pakistan to access Afghanistan and Central Asia. To bypass the rival Pakistan, India intends to invest \$85 million for the development of Chabahaar port to access Afghanistan, Central Asia and international trade via accessing Middle East and Europe.

The primary reason for contention between these two ports is because Gwadar Port and Chabahaar Port are regarded as a counter part of each other. An economic war of trade and commerce emerges between these two ports that are located less than 100 miles apart. This quandary may become an economic threat to CPEC due to constant Indian animosity with Pakistan being the major contributor in Chabahaar port. For this reason, India has also tried to sabotage CPEC through its intelligence and Indian analysts have written much negative implications for CPEC and postulated it as a burden for Pakistan.

As for now, Gwadar reaps more advantage for the country in comparison to Chabahaar since Iran is under pressure due to its nuclear programs, which also effects its trade with other states. Apart from this, the geostrategic location of Gwadar also compliments this port more and opens it for greater trade than Chabahaar.

Another resistance for Gwadar is displayed by UAE and gulfstates since this port will affect their oil trade and other import and export percentage.

4.6 Indo-US alignment and Sino-US rivalry

The economic threats posed by CPEC emerge due to the developing strategic alignments in the region. The China-Pakistan Axis has caused agitation for world's top power US and South Asian giant India. The developing Indo-US alliance is primarily driven by the mutual motive to contain China and obstruct smooth work over CPEC. The power struggle between major powers; US and China, is acquiring its geostrategic aims through the historic rivalrous countries of India and Pakistan.

Various agreements have been signed between US and India in order to check China's growing influence in Asia. The Logistics Exchange Memorandum of Agreement (LEMOA) allows US and India to use each other's military facility (Iqbal, 2016). Moreover, the Communications Interoperability and Security Memorandum of Agreement (CISMOA) and Basic Exchange and Cooperation Agreement for Geo-spatial Cooperation (BECA) are two other foundational agreements which are probably close to finalization but are presently experiencing some bureaucratic delays (Pandit, 2017). These agreements will tie US and India closer together. The two countries are also strengthening their partnership on "high technology" under the Defence Technology and Trade Initiative (DTTI) (Narayanan, 2016).

It has also been reported that US plans to deploy 60% of its surface ships in the Indo Pacific region by 2020 (Panetta, 2016). Among the most significant takeaways are the progress made regarding the joint working groups on both aircraft carrier technology and jet engine technology; C-17 Globemaster-III strategic airlift aircraft, the approvals given for additional numbers of Boeing P-8I maritime patrol aircraft and M777 ultra-light howitzers (PIB, 2015).

These agreements to strengthen their defence engagements will have direct impact on both China and Pakistan. For this strategic alliance, India also abandoned its stance on 'non-alignment' to adopt a pro American direction. This step miffed off the Russian who then extended their support for CPEC to enhance the regional economic stability.

It becomes evident that the discontent in Gwadar, the security and intelligence disturbances, the inter-provincial grievances along with shifting stance of the government, the possible economic problems and the strategic alliances are the challenges that will have to be addressed in order to ensure security, completion and successful execution of projects under CPEC. Among these threats it is also important to address the possible environmental concerns that may arise due to CPEC related construction and projects.

5. Future Prospects and Implications

There is no way to prosperity, prosperity itself is the way. The China Pakistan Economic Corridor brings hope and motivation for a better and brighter future for both China and Pakistan. It envisions to write the rules of the next era of globalization and develop investment engines for years to come. The geo strategic aims that CPEC entails for China is the driving force of CPEC. Having previously talked about the potential and existing threats and challenges to the venture, this section outlines the future prospects that a successful CPEC may deem to bring for its stake holders. These prospects are primarily centered upon Pakistan, since this development project will uplift the social and economic state of Pakistan. However, the prospects for China for to live its Chinese dream will also be discussed. It further outlines the implications brought about by CPEC that effect the geo-economic position of this venture around the world. All these aspects will be discussed under state, regional and international level of analysis at state, regional and international level. This three-level analysis will be geared upon contemporary indicators that suggest the turnout of CPEC as a game changer for the South Asian Region.

5.1 State-Level

5.1.1 Economic Dimensions

5.1.1.1 Increased Potential for FDI in Pakistan and China's Global rise in Investments

Foreign Direct Investment (FDI) plays a key role in the economic prosperity of the country. It provides immense boost to the business sector. It takes years of effort and wise strategic business oriented policies to meet up FDI with well developed economies. Pakistan has been struggling for quite a while towards increasing FDI. Apart from multiple reasons, high fluctuation in economic policies is another key factor that has always decreased the rate of FDI. CPEC however, has shifted the situation on the other side. It has provided a great opportunity for Pakistan as it displays the rise of Pakistan from being a perceived failed state. CPEC builds an image of potential and productive utilization of resources in Pakistan.

According to Nation (2016) China has deep anticipation that FDI in Pakistan will upsurge swiftly in coming years due to CPEC. Officials of China have also claimed that in the last fiscal year i.e. 2016, nearly 50% of total FDI that entered in Pakistan was from China. The argument can further be acknowledged by the figures reported by Chinese officials. In fiscal year of 2015-2016, FDI received only from China was estimated to be \$593.9 million i.e. 131.3% greater than that of FDI in year 2014-2015 (Nation, 2016). Rapid Chinese investments in Pakistan in the sight of CPEC have brought dramatic increase in FDI for the country. Some more countries from Europe and Central Asia have also shown their willingness to join in various business possibilities.

Currently Pakistan is in the phase of investment. During this phase, the investment coming for CPEC will provide huge potential to Pakistan for possible increase in its FDI. The reports estimate that CPEC related imports could reach 11% of total projected imports by 2020 (Husain, 2017). In addition, CPEC will attract other countries to invest in Pakistan that will bring up its FDI charts. Netherlands has already invested \$495.5 million in December alone which has pushed up the FDI figure for the next six month period (Iqbal, 2017). With the total of \$129 million, Turkey has been the third largest investor in Pakistan. Other significant investors include UAE (\$77 million) and France (\$46 million) (Iqbal, 2017).

China has always been vocal towards cross-border collaborations. Sources of China Ministry of foreign Trade and Economic Cooperation enlightened that Chinese Investment in Pakistan for CPEC is increasing promptly. This is laying a huge impact on FDI of Pakistan. Pakistan was constantly struggling for FDI since last 5-6 years and now CPEC is having a magnetic effect for constant climb in FDI. By evaluating the trend of Chinese Investment in CPEC and its impact on FDI of Pakistan, it is believed that by the end of this decade, China will become largest cross-border investor all across the globe as the global offshore assets triple from \$6.4 trillion at present to nearly \$20 trillion in 2020 (The Nation, 2016).

5.1.1.2 Growth in GDP of Pakistan

It is estimated that once the CPEC related projects become operational, Pakistan's Gross Domestic Product (GDP) rate will increase in the coming years. CPEC will increase production, boost economic activities and push development work which would in turn increase the rate of GDP of Pakistan.

In 2016, the GDP rate had touched 4.7 % (Pakistan Bureau of Statistic, 2017). However, the World Bank has now revised Pakistan's growth rate upwards. The bank now estimates that for the fiscal year 2017, the GDP of Pakistan will be 5.2 % (Dawn, 2017). The growth rate is forecasted to accelerate from 5.5 % for 2018 to 5.8% in the fiscal year 2019-2020 (Dawn, 2017). This reflects improvements in agriculture, energy, infrastructure and external demand. This increase in GDP is primarily owed to the projects under CPEC and the regional and international attraction that it brings to Pakistan.

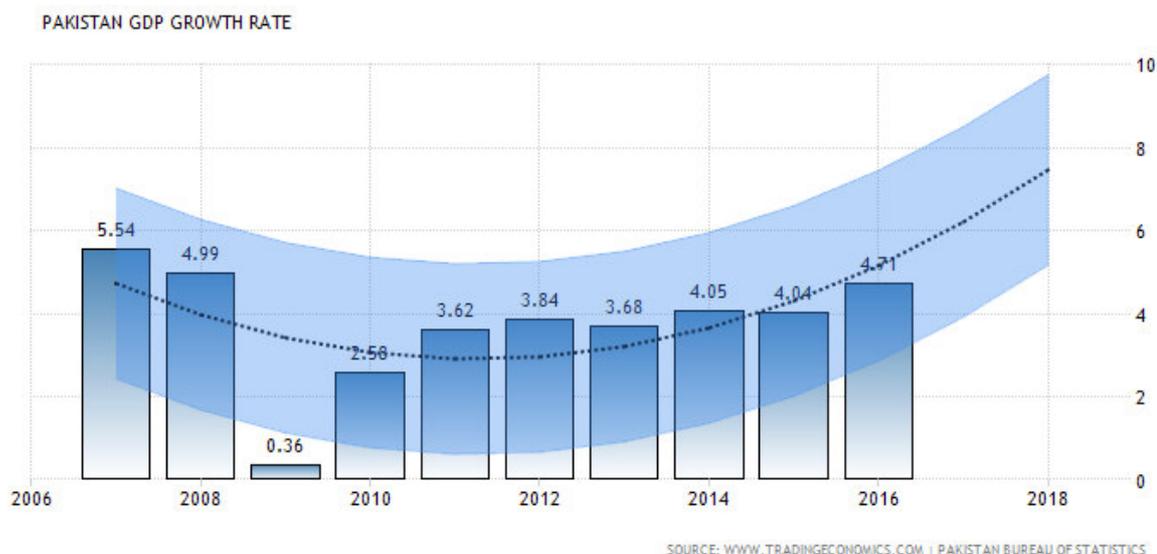


Figure 5.1 Gross Domestic Product Rate of Pakistan

Source: Pakistan Bureau of Statistics. Accessed on 12th April 2017

5.1.1.3 Improvement in Agriculture Sector of Pakistan

Agriculture is a significant part of low-income economies like Pakistan. Our society is directly or indirectly dependent on the agriculture sector. This is the larger sector of our economy that contributes about 24% of GDP (Pakistan Bureau of Statistics, 2017). It also accounts for a major chunk of employed labor force and is the largest source of foreign exchange earnings for Pakistan (Pakistan Bureau of Statistics, 2017).

CPEC will facilitate in not only the enhancement of agriculture sector but also in yielding greater profits for the farmers and consequently the economy of Pakistan. The development of infrastructure under CPEC will directly contribute to the aggregate agriculture output as the market access becomes more convenient. The setting up for energy projects will provide rural areas with electricity that will improve irrigation facilities and the output of crop cultivated will increase.

Development of infrastructure will also encourage the use of modern technology and farmers will be more educated about new techniques, skills and technological aid to nourish their crops. Crops will have a better rate of survival due to usage of improved fertilizers which will then yield more crops for not only market use but meet large scale quantity requirements for factories.

5.1.1.4 Duty-Free Imports from China will eat into the local market

The CPEC routes are likely to have duty-free shops for local consumption primarily housing the products from China. While these will kind of display centers but will also be acting as sale points. This may have the capturing effect on the local market thereby affecting or possibly denying the sale growth of local products. This would possibly start reduction in the business activities and create challenges for local enterprises and in turn the economy.

5.1.1.5 Trade Diversification and Liberalization

Pakistan's gradual shift from an agrarian economy to a logistics hub will be catalyzed by CPEC for the transport of goods from China to emerging markets in the Middle East and Africa and vice versa (Qasim, 2016). This will also facilitate trade liberalization as connectivity and movement of goods will be easier through the OBOR network.

The tariffs over the goods mobilized from China in such a trade network will also be significantly low in comparison to the advantages the 'Most Favorite Nation' status offers to the countries (Nakhoda, 2017). The brokerage house assumed exports of Pakistan to grow by 4.5% a year till fiscal year 2025, which is higher than 3% of the previous decade's average. This is because it is expected that CPEC projects will lead towards higher GDP growth in the coming years and positive impact on local industry (Siddiqui, 2017).

The similar facilities of utilization of the route will be possible by Afghanistan, Iran and 15 countries of Central Asia for transportation, distances and logistic expenses. There is also a possibility of SAARC becoming more effective and reduction of tensions with India.

5.1.1.6 Infrastructural Development

Under CPEC, Pakistan will witness the development of roads, railways, pipelines, energy sectors, industrial and economic zones. This infrastructural development will enhance the pace of industrialization, growth and advancement in Pakistan. These proposed industrial parks and economic zones will boost Pakistan's labor market and Pakistan's real estate and construction sector will also grow (Zulfiqr, 2016). This will consequently lead towards urbanization of remote areas of Baluchistan, KPK and Gilgit-Baltistan.

The pattern of infrastructure development works more like blood in the body of a human. The utilization of human capital and gravitation of economic interaction by financial institutions from home and abroad obviously will put the entire system on a fast track. Movement of money, human resource and availability of resources work as the engines of progress which is forecasted in 3-5 years on a much bigger scale.

5.1.1.7 Tourism Enhancement

The increased connectivity due to CPEC will make it make it convenient for people to travel. The development of infrastructure will help explore more options for tourism in Pakistan. According to official reports, the Visa applications to Pakistan submitted by Chinese increased by 37 folds during the first half of 2016 (The Nation, 2016). The visits by Chinese outbound tourists are expected to keep growing in the coming years due to the progress, development and praise of CPEC. In addition, Chinese investors are also keen to finance the tourism sector in Pakistan.

Azad Kashmir and Gilgit-Baltistan are the two prominent areas where CPEC will boost tourism. 73,000 sq. km of Gilgit-Baltistan region will welcome the world to its mountaineer's heaven (APP, 2016). While a 190 km long tourism corridor will be built in Azad Kashmir (Hashim, 2017). This will also encourage investments in scenic spots and hotels in the area. Such development in the tourism sector will in turn benefit the public of the region and the economy of Pakistan.

Presently, a bus service is operational from Gilgit Baltistan to Chinese border. Transportation is available for Kashgar and Urumqi from there onwards. Air routes also connects the two cities and 12 flights take off on daily basis (Shaik, 2016).

5.1.2 Political Dimension

5.1.2.1 Engagement of Education Opportunities

CPEC aims to pursue a mutual learning environment for the people of China and Pakistan. For this purpose the Chinese government has set up a series of scholarship programs to sponsor teachers, international students and scholars to not only study in Chinese Universities but also conduct research there. There are more than 250 designated universities that offer a wide range of academic programs (CPEC, 2017). The scholarship programs offered in these universities act as a cultural bridge between the people of China, Pakistan and the rest of the world. These educational opportunities will not only facilitate the students to proceed their studies in China, but will also foster a better socio-cultural understanding of the region.

Apart from scholarship programs, the governments of both the countries have also established institutional links between two renowned universities; National University of Modern Languages (NUML), Pakistan and Xinjiang Normal University, China. This association is set up under CPEC for cooperation on higher education and collaborate establishment of NUML International Center of Education between the two universities (NICM) (Haider, 2015). These educational engagements are expected to be followed by establishing collaborative research institutes and promote academic excellence.

5.1.2.2 Compromising Sovereignty of Pakistan

There are general feelings that CPEC has some kind of similarity with East India Company. As have been reported that to cover the loans for the series of projects, the collateral has been provided in the shape of various government infrastructure from various parts of the country. To be specific, a similar business relationship was developed in Sri Lanka for establishing a port by Chinese with the cost of \$1.5 billion. The port did not really create the expected revenues thereby, a revision of the contract makes Chinese 80% of the owner for the next hundred years. In addition, Sri Lankans had to release a sizable chunk of the land for establishment of industrial zones by Chinese, free of cost. This pattern if gets replicated in Pakistan, we will not only lose the sovereignty but the actual assets as well which creates considerable alarm.

Another example could be a huge landing in stock exchange of Pakistan and even taking the seat on the board of directors. It also generates fear like what happened to Malaysian stock market in a matter of hours bringing their financial system to a major disaster.

5.1.3 Social Dimension

5.1.3.1 Development of Xinjiang

The province of Xinjiang is not as developed as the rest of China. Poor infrastructure has been holding back Xinjiang's economic development. Under CPEC, Chinese government will invest \$24.8 billion by laying highway network to improve connectivity of this Province with Pakistan (Dawn, 2017). According to Zhang Chunlin, director of the Xinjiang Development and Reform Commission, this region has never seen such a huge investment in road construction (Dawn, 2017).

Through this, Xinjiang will better serve as the Chinese trade hub by linking countries along the economic Silk Road. Moreover, Xinjiang is a province rich in resources and proper forms of extracting and transporting them will make use of these resources more profitable. By developing Xinjiang, China seeks to create job opportunities for the people, especially in the Xinjiang Uighur Autonomous region (Jabri, 2017). China believes that the major reason for unrest and terrorism in China is due to dissatisfaction among individuals and frustration regarding their livelihood. Therefore, by opening up Xinjiang and developing it economically, China will also minimize the security threat posed by Uighurs in the region.

5.1.3.2 Uplifting Pakistan's Social Strata

The commencement of projects, communication lines and industrial zones will uplift the social status of Pakistan. This will create around 700,000 direct job opportunities (The Nation, 2016), increased market access of goods and services, improvement in agriculture (which is the dominant sector of Pakistan's economy), people-to-people contact and other potential exposure options for Pakistani social strata.

CPEC will especially uplift, Gilgit-Baltistan, Azad Kashmir, KPK, Baluchistan and Sindh region through the establishment of industrial zones and energy sectors (Pakistan Observer, 2017). The current leadership of these provinces have shown greater commitment and support for successful completion of these projects in their respective areas. It may be pointed out here that the reservations that were highlighted in the previous chapter have died down after sequential meetings of political leadership of various parties. Remote areas will become integrated and the poverty scale will reduce. Academic and cultural linkages will also establish that will soften the inter-provincial societal grievances. Moreover, due to introduction of advance technology under CPEC, unemployed people will get educated to use new technology and thereby acquire jobs that had been previously become unavailable to them due to reduced manual work in industries. Vocational training centers in rural areas will also aid the uplifting process of the social sector.

5.1.3.3 Academic Industrial Collaboration

Educational institutes will educate their students regarding the industrial transformation taking place in the country. This will enhance competitiveness, increase human resource development and ensure sustainability of progress in the country, as these students are the future of these development projects. If their industrial awareness and education is stressed, they will be able to envision more improvement in the industrial sector.

Such an academic industrial collaboration prospect was also recommended at the First International Conference on Industrial Engineering and Management Applications, which was organized by University of Engineering and Technology and Peshawar and Mehran University of Engineering and Technology (MUET), Jamshoro, Sindh (The News, 2017). The speakers said that university-industry linkages must be strengthened so that students can be mentored on entrepreneurship skills, develop personal and organizational skills, acquire on ground knowledge and suggest improvements in the industry sector.

It is predicted that a new wave of student exchange programs with China and other neighboring countries is going to be on rise. This will create opportunities for closer linkages amongst regional nations.

5.1.3.4 Cultural Assimilation

CPEC will trigger increased people-to-people contact. This will create cultural exchange and harmony between the two countries. New values and norms will pour into the Chinese and Pakistani society which will increase exposure for the masses. Due to the increased economic penetration, both countries will pay attention to the cultural dimensions and advance their public diplomacy efforts.

Minister for Information, Broadcasting and National Heritage, Senator Pervaiz Rashid Sunday, also emphasized that the cultural links between the two countries must extend beyond traditional state contacts. He said that the commonality in culture, crafts and arts of the countries can deepen relations at the societal level (APP, 2016). In this manner, CPEC will be transformed from a governmental project to a deeper venture that has grass root affinities. Cultural programs will be tailored in both countries to increase a greater level of understanding between the two countries and their societies (APP, 2016).

This will also contribute to bringing the two civilization in possibly close interaction thereby reducing any sort of 'Clash of Civilizations' as pointed out by Samuel P. Huntington in 1993.

5.1.3.5 Influx of Chinese Nationals in Baluchistan

With the development of CPEC related projects in Pakistan, it is observed that the population of Chinese will increase in comparison to the native population of Pakistan. The likelihood of influx of Chinese nationals is expected to be greater in the province of Baluchistan as this is the least populated province with rich natural resources. This characteristics attract the people to this province, while CPEC will facilitate to settle and travel in the province.

Economic reasons primarily trigger the increase of Chinese nationals to migrate to Pakistan. A report launched by the advisory committee on CPEC under the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) states that 0.44 persons per thousand migrate per year from China (The Nation, 2016). This corroborates the flow of more than 600,000 people per year. Keeping this in view, it is predicted that the share of Chinese in Baluchistan's province will increase greatly and outnumber Baluchi's by 2048 (The Nation, 2016).

This will not only disturb the ethnic patterns of Baluchistan but will also marginalize the interests of the Baluchis there. People have also raised concerns of losing ownership of the resources as more skilled people enter in the province from not only China but other parts of Pakistan as well.

5.2 Regional-Level

5.2.1 Expansion of Lateral Trade Routes for China

Chinese projects in Pakistan are viewed as a credibility test to execute similar projects with other OBOR partners.

The basic spirit of OBOR is to facilitate commerce between China and the wider global community. CPEC is the first project under the umbrella of OBOR (Business Recorder, 2016). This project will set up the pace for future projects that have been planned for Chinese investment. CPEC, being the initiation point of the process, will ultimately lead towards expansion of lateral trade routes for China.

Since the announcement of OBOR strategy, more than 65 countries have become part of this huge initiative (Cheung & Lee, 2017). As Pakistan is at the heart of the OBOR strategy, the smooth running and success of CPEC will drive work over other economic corridors. Five major economic corridors will be built under the auspices of this series of project (Jinchen, 2016):

1. New Eurasian Land Bridge
2. China-Mongolia-Russia Land Corridor
3. Indo-China Peninsula
4. Bangladesh-China-India-Myanmar Corridor
5. China-Central Asia-West Asia Corridor

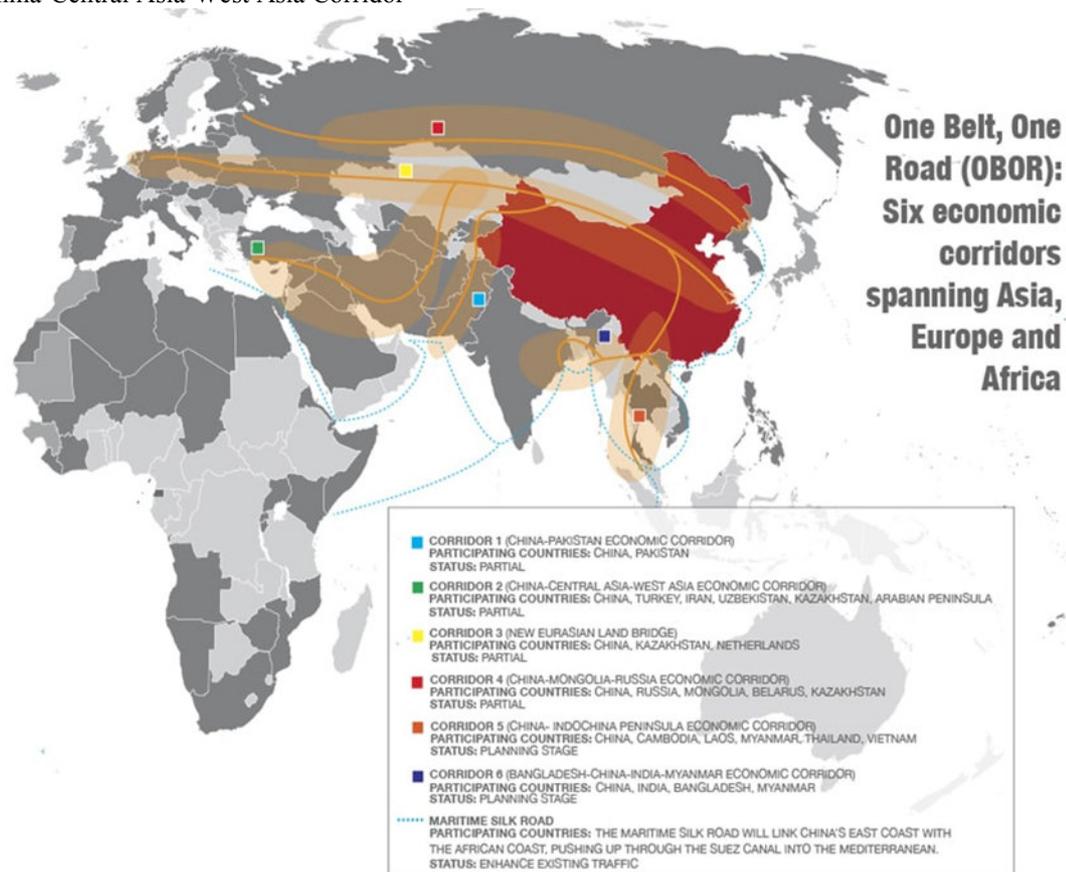


Figure 5.2 Lateral Trade Routes of China

Source: Herald Dawn. Accessed on 15th April 2017.

While the recipients of OBOR initiatives in Africa are Kenya, Tanzania and Zimbabwe (Khattak, 2014). Apart from these corridors, a few examples of projects that are underway include (Jinchen, 2016):

- A train connection between eastern China and Iran that may be extended to Europe.
- New rail links with Laos and Thailand.
- High-speed railroad projects in Indonesia
- High-speed railroad projects to connect Laotian capital of Vientiane to China
- Collaboration of China's Ningbo Shipping Exchange with the Baltic Exchange on a container index of rates between China, Middle East, Mediterranean and Europe.
- More than 200 enterprises have signed agreements along the OBOR route.

In terms of existing practical achievements, China has signed bilateral cooperation agreements related to the project with Hungary, Mongolia, Russia, Tajikistan, and Turkey (Jinchen, 2016).

5.2.2 Port War

The Gwadar port and Chabahar port can be considered as geo political launch pads for the two regional powers, China and India, which can alter the strategic balance in the region. Gwadar and Chabahar play the role of maritime proxy ports that keep a look out for India and US naval activities in the Indo-Pacific region and vice versa. These two ports have

resulted in the effort to circumvent the trade hurdles for China (the Malaccan Dilemma) and India (Pakistan denying trade route to Afghanistan).

Table 5.1 Comparison between benefits of Gwadar Port and Chabahar Port

What Gwadar has to offer to Pakistan and China	What Chabahar has to offer to India
Direct access of Xinjiang to warm water currents	Access to India to the oil and gas resources of Iran and Central Asia
Reduce time and distance to import oil from the Persian Gulf	India to access the oil resources of Turkmenistan by laying a pipeline through Afghanistan on to Iran and towards India through the Arabian Sea.
Exporting China's goods (part of 21st Century Silk Road initiative)	This route will be at a shorter distance than Asian Development Bank's proposed TAPI (Turkmenistan-Afghanistan-Pakistan-India) for the transport of gas resources with zero interruptions from Pakistan.
Duty-free trade for China and Pakistan and development of Gwadar as a Free Trade Zone.	A Free Trade Zone is also part of the agreement Between India and Iran.
Naval pad for China and Pakistan	Oversee China and Pakistan's naval activities
- 20,000 employment opportunities for locals - 2 million additional job opportunities will be generated due to high interface of Chinese and Pakistani business and investment.	Connect India to Indian Ocean, Afghanistan and Central Asia.
Estimated \$40 billion revenue will be added to China's economy per year while \$8 billion per annum will be added to Pakistan's economic resources by the year 2020.	
Nexus between China, Pakistan and Central Asia	

The Gwadar and Chabahar port are entangled in a port war with each other due to the fruit they predict to reap for its benefactors. Both the ports are vehemently trying to undermine each other, however, the fact remains that Gwadar holds an edge over Chabahar for some prominent reasons (Khan, 2016):

- Greater utility of Gwadar
- Geographic location that dominates the maritime waters
- Proximity with China due to the road link

Moreover, Chabahar is not located in the Indian Ocean where it could have had the Indian Navy cover to ensure maritime operations. This makes the Gwadar port an irritant for India as it is a Pakistani Navy dominated area. Although Chabahar has a road link to Afghanistan which is a partner in the Indian Trade Agreement of Chabahar, but the large portion of Afghanistan being at the command and control of Afghan Mujahedeen puts it at a disadvantage. These mujahedeen have no common interest with India whereas Pakistan has links with major tribal groups in Afghanistan which can pose a security threat to India's mercantile traffic that passes through Afghanistan. All this can be assumed to be in the backdrop of Indian efforts to sabotage CPEC through its intelligence operatives.

In addition, Iran is facing constant scrutiny by US in the shape of sanctions. Although the economic sanctions have now been lifted but it continues to put other sanctions over Iran on the pre text of Iran's alleged 'human rights violation and support for terrorism'. These sanctions bars US companies to invest in trade agreements with Iran. Gwadar on the other hand has no such problems.

Another factor that overshadows Chabahar with respect to Gwadar is that China and Pakistan have had time tested relationship with each other. Both the countries have jointly worked over social, economic, military and other projects. This has aided in the development of mutual trust and commitment between the two countries. As for Chabahar, India and Iran have not shared such an element of trust and dependence with each other before.

5.2.3 Impact on Regional Actors

A mega project such as CPEC is bound to influence and effect its surrounding countries and develop their stance towards this venture. Millions of people will benefit from this as it will stimulate greater economic activities, broaden cross border supply chains and generate new financial opportunities. Afghanistan, Central Asian Counties, Iran, UAE and India will experience a significant impact from CPEC primarily in terms of connecting trade routes and developing economic linkages.

Table 5.2 Impact of CPEC on Regional Countries

COUNTRIES	IMPACT
Afghanistan	<ul style="list-style-type: none"> Facilitate and encourage trade by linking Afghanistan to Pakistan and subsequently CPEC. Connect it to the warm waters of Arabian Sea. Increase in security threat for CPEC in Pakistan
Central Asian Countries	<ul style="list-style-type: none"> Oil and gas rich resource countries will get diversification of energy channel through CPEC Development of pipeline routes with Pakistan Transit route for exporting goods through Gwadar Port
Iran	<ul style="list-style-type: none"> Iran's mega gas pipeline through Pakistan will lead towards China Shortest route to connect China and Iran gas fields Push inter-regional trade
UAE	<ul style="list-style-type: none"> Dubai port will lose 70% business as Gwadar port become fully operational Recent denial of Pakistan to send forces to Yemen triggers UAE to search for new strategic partners UAE can generate profits through real estate and construction at Gwadar
India	<ul style="list-style-type: none"> CPEC counters hegemonic designs of India in the Arabian Sea and Persian Gulf. Will be undermined through Pakistan's direct land route access to Central Asian countries, Afghanistan and Iran Diplomatic battle between India, Pakistan and China

5.2.4 Regional Cooperation and Integration

The regional organizations like Shanghai Cooperation Organization, ECO and SAARC, because of their aims and objectives in terms of economic pursuits will per force have to get involved to realize their aims. It will more or less will turn into competition among these regional organizations to reap the benefits from the existing and functioning of CPEC. It will also provide a learning environment of the best practices of these regional organizations for integration in Pakistan's development programs.

It might also help in reduction of hostilities as it will open new vistas of cooperation amongst and between the regional countries.

5.3 International-Level

5.3.1 Impact of possible European Union disintegration

There appears to be a turmoil in the European Union (EU) as the British exit is quite likely to effect the integrity of this organization. The economic failures of Greece and Portugal have created serious repercussions even for Germany. Syrian Refugee immigrants and the policy of EU countries shows clear divide among them. All this indicates greater problems in financial dimensions of various countries. It may start an inward looking approach and battle for survival.

It possibly appears that there would be major adjustment in business relations around the world and China might find fertile trade markets waiting for it. EU and the body may not stay as a useful economic entity and shift in trade relations will create more opportunities for CPEC as well as OBOR in terms of foreign investments and for investors in terms of an alternate free trade zone. For example United Kingdom (UK) is eyeing the CPEC projects and plans to become a key partner in CPEC (Sonwalkar, P. 2017). UK's interest in CPEC may also instigate other European countries to divert their attention towards it.

5.3.2 Impact on Extra-Regional Powers

This mega land-sea project will also drive the attention of the extra-regional actors. This will not only enhance the influence of CPEC but it will also increase the equity finance sources for CPEC projects.

Table 5.3 Impact of CPEC on Extra Regional Countries

COUNTRIES	IMPACT
United States	<ul style="list-style-type: none"> • By encouraging Sino-Pak economic ties, US can address some key concerns of terrorism and extremism in the region with the help of China. • Gwadar port may experience some hurdles as it effects US geostrategic interest in the region if it becomes Chinese naval base. • US interest in resource rich region such as Central Asia, Middle East and Persian Gulf may also get challenged.
Russia	<ul style="list-style-type: none"> • Fulfil its decades long strategic desire to access Arabian Sea • Russia-China partnership against US intentions to sabotage CPEC • Continued Sino-Russian cooperation will become a demonstration project of OBOR that will enhance future multinational cooperation. • Will appease India
United Kingdom	<ul style="list-style-type: none"> • Britain as a free trade influenced country may capitalize on the opportunities in this region • Will compensate its loses in EU market and direct its economic energies to this region • Possible addition of UK to CPEC's super power triangle (China-Russia-United Kingdom).

5.3.3 Wide pool of Stake holders

Seeing the interest and willingness to join in the CPEC project from around the world is creating a very wide tool of stake holders from around the world. A SWOT analysis of the project in international context points out tremendous amount of opportunities for all the potential participants. CPEC would act as a magnetic hub for intellect, technologies and useful employment of financial assets of the stake holders. This will be boosting the pace of development and bringing the institution of Pakistan to a level of advanced nations of the world. Possibly it will help to turn the myth Asian Century into a reality.

All of these highlighted prospects and implications indicate a spring board for China to come out from a regressive role to a more active and possibly leading role like that of Russia from 1970-1990. They also indicate how CPEC serves as a win-win proposition for both China and Pakistan as it bears economic and social fruit for the two countries. The economic globalization that will spur from this region will also enhance absorption of technology, strengthen anti-terrorism efforts, increase banking activity, enhance political flexibility and maintain balance of power in the region.

6. CONCLUSION

The CPEC initiative is more like a Chinese need than Chinese blessing for Pakistan. It will help to rebuild the international image of China and transform it from a controlled system to a modern one. Through the process of OBOR and consequent CPEC, China aims to lift itself as a harmonious, developed, democratic, neighbor friendly and modern socialist country. China's recycling of surplus financial reserves is increasing them in terms of rate of return than if it was lying idle. This venture will facilitate China to gain a political and strategic leverage in Pakistan by increasing connectivity through economic linkages.

As far as Pakistan is concerned, CPEC is the country's only option, given the recent unfolding regional isolation of Pakistan. The emerging US-India partnership and development of Indian-Iranian-Afghan nexus, leave Pakistan with a dire need to fast track the project and strengthen its geo-political and economic position at the international scene. Being a victim of terrorism, CPEC serves as a consolation for Pakistan as its 'higher than mountains' and 'sweeter than honey' decade long friendship finally bears fruit.

This CPEC initiative represents a new and greatly ambitious model of cooperation between these two primary stake holders. The potential development and prospective benefits depends upon the successful completion of the myriad project designed for multifaceted bilateral economic cooperation and regional connectivity. In addition, the increased China-Pakistan military cooperation is not only for fighting and deterring militant groups within and outside the country, but also it is taking place against the backdrop of intensified competition among the various regional and extra-regional states.

However, it is imperative that the feasibility of the corridor must be questioned. The fact that most projects connected to the corridor are stalled is indicative of the fact that CPEC has not created new problems. It has only shed light on the prevailing issues that have plagued Pakistan. Unless these problems are addressed and resolved, they will keep creating hurdles for the successful completion of the project.

CPEC is indeed a wonderful news for Pakistan, but amidst all the chanting and praising of CPEC, we must keep our eyes wide open. Because, CPEC undoubtedly hold rewards for Pakistan, but the possible pitfalls cannot be

ignored at any cost as well.

6.1 Recommendations

In order to minimize any possible fallouts of CPEC, there are certain recommendations that policy makers must keep in mind:

- Details must be kept transparent and shared at every level that will contribute towards its credibility.
- A national awareness plan or campaign must be initiated to draw essential attention and required motivation for involvement of every member of the nation.
- The fruits of the project must be highlighted as they occur or/are achieved at every stage of the project.
- The project must be reviewed at 6 monthly basis to keep it relevant and updated as more information and details get highlighted
- There is a need to have careful financial deliverables that are mutually agreed upon at every phase of the project.
- Staff audits must be carefully identified and calculated to avoid oversights and shortcomings at any critical stage of the project.
- Pakistani businessman must not be denied any incentives that may be available to foreign investors to ensure market balance.

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APPENDICES

Appendix I

NOTE: All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted unless otherwise specified. Details may not equal totals due to rounding. Table reflects only those months for which there was trade.

Month	Exports	Imports	Balance
January 2015	1,543.7	3,667.1	-2,123.5
February 2015	1,616.6	3,313.5	-1,696.9
March 2015	1,817.2	4,111.9	-2,294.6
April 2015	1,944.7	4,122.7	-2,178.0
May 2015	1,789.6	4,042.4	-2,252.8
June 2015	2,315.1	3,788.1	-1,473.0
July 2015	1,871.7	4,102.3	-2,230.6
August 2015	1,875.0	3,805.0	-1,930.0
September 2015	1,725.8	3,672.4	-1,946.6
October 2015	1,829.2	3,878.3	-2,049.1
November 2015	1,580.1	3,273.3	-1,693.2
December 2015	1,543.2	3,014.7	-1,471.5
TOTAL 2015	21,451.9	44,791.6	-23,339.8

U.S. trade in goods with India in 2015

Source: <https://www.census.gov/foreign-trade/balance/c5330.html> Accessed on 15th March 2017

Appendix II

NOTE: All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted unless otherwise specified. Details may not equal totals due to rounding. Table reflects only those months for which there was trade.

Month	Exports	Imports	Balance
January 2016	1,488.7	3,680.1	-2,191.5
February 2016	1,532.0	3,646.8	-2,114.8
March 2016	1,839.3	3,946.4	-2,107.1
April 2016	1,788.2	3,730.3	-1,942.2
May 2016	1,597.1	4,128.8	-2,531.7
June 2016	1,745.4	3,538.8	-1,793.4
July 2016	1,618.1	3,797.1	-2,179.0
August 2016	1,886.5	3,905.9	-2,019.4
September 2016	1,915.8	4,099.6	-2,183.8
October 2016	2,113.7	4,541.0	-2,427.3
November 2016	2,068.2	3,537.1	-1,468.9
December 2016	2,096.1	3,446.5	-1,350.4
TOTAL 2016	21,689.0	45,998.4	-24,309.5

2016 : U.S. trade in goods with India

Source: <https://www.census.gov/foreign-trade/balance/c5330.html> Accessed on 15th March 2017

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