

China-Pakistan Strategic Partnership and India's Regional Ambitions in South Asia

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Abstract

Post-9/11 dynamic global political developments and the growing Indo-US strategic partnership has compelled Pakistan to seek strategic partnership with China and geared at maintaining the balance of power in South Asia. India is maximising its resources under the umbrella of Indo-US strategic partnership and working with the US on various sectors such as security, defence and energy to pursue its aspirations to be a regionally dominant power and to possess a blue water navy. Pakistan unaided and alone cannot counterbalance India's regional ambitions. Thus, Pakistan with China established a strategic partnership to counter India's hegemonic ambitions in the South Asian region. This paper will raise some questions about the latest contours of this partnership. Prime amongst them is: what kind of role is this partnership playing in South Asia? The paper argues that a China-Pakistan strategic partnership built around the development of Gwadar Port and the China Pakistan Economic Corridor is playing the role of a balancer against India's regional ambitions in South Asia. India has some serious security concerns about these mega development projects apprehending their geostrategic importance not only for both countries but also for the entire region. A neo-realist theoretical approach is used to describe both countries 'strategic partnership' in this paper. The paper further argues that India's claim that the corridor route passes through the disputed territory of Northern Pakistan will not stop China and Pakistan from continuing the project.

Keywords: China, Pakistan, Strategic Partnership, CPEC, Gwadar Port, India, South Asia.

Introduction

Balance of power politics of South Asia has been playing out from time to time since the independence (1947) of Pakistan and India because of

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the asymmetry in the hard power of both countries. Both states are nuclear powers and major players in the region but there is now asymmetry in their nuclear capabilities so the balance of power has shifted in India's favour after the recent Indo-US strategic partnership. As a result, Pakistan is compelled to reshape the balance of power through support beyond South Asia, and hence, an increasingly strong China-Pakistan diplomatic and strategic partnership. Pakistan strong alliance with China has the strategic aim at counterbalancing the Indo-US strategic partnership. India remains a common factor behind the strong strategic ties between China and Pakistan. The main objective of this paper is to analyse whether the strategic partnership of both states is playing the role of a regional balancer of power against India's hegemonic ambitions in South Asia or not? This paper also addresses two questions: a) Would India's regional ambitions affect the security of South Asia? b) Would the China-Pakistan Strategic Partnership affect India's regional ambitions in South Asia?

This paper explains the China-Pakistan strategic partnership through the prism of Neo-realism. Comprehending the dynamics of China-Pakistan ties, particularly since the 1960s requires a methodical approach to a global system. Kenneth Waltz offered this theory in 1979 in his book, *Theory of International Politics*, . Waltz says that the international system, which is anarchical in nature, determines the behaviour of states. Anarchy can be described as a system when there is no central authority in the international system or when there is no central government.¹

Neorealism envisages that states come together to oppose a rising power or to oppose an emerging state which poses a threat or in a situation when allies' interests align with each other. Where states find they have common interests they cooperate. Mutual interests are crucial in the anarchic character of international relations. It is not a major concern if states' ideological, political, socioeconomic and religious components diverge. States establish and tend to maintain good relations if they have mutual interests. China-Pakistan relations is a case in point. The prime focus of Neo-Realism is "security" in the anarchical international system. States are

¹ Kenneth Waltz, *Theory of International Politics* (Berkeley: University of California Press, 1979), 8-11.

actors who create their policies in order to protect their sovereignty as well as their territorial integrity.

China-Pakistan Historical Alliance

Pakistan recognised China on January 9, 1950. It was the first Muslim and third non-communist country to do so. Both countries are now time-tested friends and share an extensive relationship based on their mutual economic and security interests. Though both countries have different ideologies but their bilateral relations have remained stable throughout the history of Pakistan. Their common objective is to promote stability and mutual security and to keep the regional geopolitical balance of South Asia.

China also needs Pakistan's support to counter regional terrorism to have access to the Middle East and the Indian Ocean through the port of Gwadar. Likewise, the China Pakistan Economic Corridor is the best route for China to have access to Central Asia. Moreover, both countries have been cooperating in various fields such as defence, energy, infrastructure, health, counter-terrorism and technology.² Counter-terrorism has become the Chinese army's top priority. It seeks to achieve its aims through regional cooperation. Pakistan has suffered the most from the spill over effects of the 'War on Terror' and has remained a front line state against terrorism. China acknowledges Pakistan's efforts in this regard and considers the latter to be a key state in its bid for regional cooperation. Reportedly, there are 121 Chinese companies and ten thousand Chinese workers in Pakistan.

Pakistan unaided cannot counterbalance India's growing influence in South Asia. At the same time China needs Pakistan in order to contain India's regional influence. As a result, both countries are strengthening their strategic ties prioritising their security interests.

Contemporary world politics is witnessing the phenomenon of an increasingly complex system of interdependence. India and China are simultaneously competing/countering each other and cooperating with others. Only one war has occurred between the two countries which ended in India's catastrophic loss in 1962. However, simmering tensions carry the

² Umbreen Javaid and Asifa Jahangir, "Pakistan-China Strategic Relationship: A Glorious Journey of 55 Years," *Journal of the Research Society of Pakistan*, 52(1) (2015) : 157-183.

possibility of escalation which can be disastrous given that both sides are nuclear powers. China is one of India's largest trading partners, thus there would be economic consequences. Simultaneously, both states rely on the same sea routes for trade. There could be a future scenario that their mutual dependence on the sea routes could compel them to make an alliance which may indirectly be hostile to the United States (US). The other scenario could be that the global maritime system may evolve which would be led by the US. In this context, China could respond in one of two ways either by establishing its naval power or by developing alternative supply routes which are less vulnerable to attack by the US or other hostile powers. These routes already include overland pipeline projects in neighbouring Central Asia's energy-rich countries and the engineering projects which includes the Port of Gwadar in Pakistan. There are also other pipelines in Myanmar.³

In the 21st century, Beijing's cordial relations with Pakistan continue to flourish. They are manifested in the shape of strengthened civil nuclear and missile cooperation. China's South Asian Policy is linked to its military/security threats from India and to the Indo-US alliance.⁴ Therefore, to counter India's regional policies, Pakistan is valuable to China because of its strategic position.⁴ China perceives that a stronger Pakistan is vital for China's defence against any future security threat emanating from India. Hence, China has always supported Pakistan both economically and militarily in order to maintain a balance of power with India. India has remained the common factor in China-Pakistan relations.⁵ Regardless of divergent belief systems and cultures, the strategic relationship between Pakistan and China epitomises enduring friendship. As the Chinese proverb goes, "the journey of a thousand miles begins with a single step." Both countries have made thousands of steps to advance their relationship into a strategic alliance based on common values and interests. The first step toward strategic partnership was achieved in April 2005, when both countries signed a treaty of friendship, cooperation and good-neighbourly

³ Robert D. Kaplan, *Monsoon: The Indian Ocean and the Future of American Power* (New York: Random House, 2010), 60-90; Malik, J. M., "South Asia in China's Foreign Relations," *Pacifica Review: Peace, Security & Global Change* 13(1) (2001): 73-90.

⁴ H. V. Pant, "The Pakistan Thorn in China-India-US Relations," *The Washington Quarterly*, 35(1) (2012): 83-95.

⁵ Mohammad Habib Sidky, "Chinese World Strategy and South Asia: The China Factor in Indo-Pakistani Relations," *Asian Survey* 16, no. 10 (1976): 967-968.

relations. Their strategic interests converted their friendship into a strong strategic partnership.⁶

China and India have both had phenomenal economic growth and a strong political influence at the global level since the turn of the century. Both pursue their own strategic interests in South Asia. China does not discount India's aspirations to be a dominant power in the Indian Ocean Region (IOR). In this context, China's aspiration to counter India in the event of any military conflict between India and Pakistan has compelled China to support Pakistan. India also has some security concerns in the defence sector and security sector in the light of the Pakistan-Chinese partnership.⁶

India's Regional Aspirations and its Strategic Interests in the Indian Ocean

India's desire to operate far out into the Indian Ocean is the primary driving force behind the expansion and modernisation of its naval capabilities. Some Indian analysts perceive the Indian Ocean to be India's backyard. It is, therefore, advantageous for India to play an active role in the IOR. It is interesting to note that the Indian Ocean is the only body of water in the world named after a state.⁷

The Indian Ocean has enormous strategic, commercial and economic importance. It is surrounded on three sides by landmasses. The water area is approximately 73.5 million square kilometers and around its perimeter there are a total of 48 states in which 18 are in Africa, 11 in the Middle East, seven in South Asia and six in South East Asia. There are also five island states and the continent of Australia.⁸

India's military build-up lagged because of the lack of funds in the early 1990s. In the new millennium, however, it has accelerated. Its military budget was five per cent of its Gross Domestic Product (GDP)

⁶ J. D. Yuan, "The Dragon and the Elephant: Chinese-Indian Relations in the 21st Century," *Washington Quarterly*, 30(3) (2007): 131-144.

⁷ D. L. Berlin, "India in the Indian Ocean," *Naval War College Review*, 59 (2) (2006): 60.

⁸ S. Bateman and Bergin A., *Our Western front: Australia and the Indian Ocean* (Canberra: Australian Strategic Policy Institute, 2010), 8.

from 2001-2005 while from 2005 to 2008 it was 10 per cent. Indian military strategists were not blind about how essential it was to have naval equipment such as submarines, arsenals, surface ships and bases including sufficient manpower to man them. Eventually, a trilateral command was established in the Andaman and Nicobar islands in the Indian Ocean which, as an additional benefit, are also close to the mouth of the Strait of Malacca.

France assisted India in modernising and equipping its submarine fleet. India's economic growth rate allowed the country to update to the latest naval equipment. The current statistics reveal that India's Navy has 70,000 men for 130 ships, 200 aircraft and an aircraft carrier.

In addition, the India was planning to double the size of the Navy and to triple the size of the coast guard it intended to acquire 32 more ships, six more submarines and a Russian aircraft carrier to be renamed *INS Vikramaditya*.

This did not come to pass due to the downturn in the economy. It did take advantage, however, of Russia's generous supply of naval equipment. To accomplish India's intention of obtaining great power status, it is aiming to play a superior role in the Indian Ocean.⁹

It is pertinent to discuss here that the Indian Navy has signed joint agreements with navies of two nations: Indonesia and Thailand with which it plans joint sea patrols every six months. Indo-US and Indo-Israel defence cooperation has provided India with advanced military equipment. After the terrorist attack in Mumbai in November 2008 India reviewed its naval doctrine to emphasise a defence against maritime terrorism, piracy and to address coastal security concerns.¹¹

Under license from France, India can receive six submarines with an order for six more. In addition to the submarines, it has six improved Project 17A frigates and Russian MIG-29K jet fighters. This is all part of

⁹ A. Dixit, "Sino-Paki Relations and Their Implications for India," *Strategic Analysis*, 11(9) (1987): 1067-1080; P.I. Cheema, "Indian Ambitions in the Indian Ocean and the Pacific Rim: The Response of Global and Regional Powers," *Journal of European Studies* (2012): 13-15,140.

the Advanced Technology Vessel Program which it has worked on for the past three decades.

Former Indian Prime Minister, Manmohan Singh launched a 6000-ton nuclear-powered submarine INS Arihant on July 26, 2009. It has a 85-megawatt nuclear reactor. A significant day in India's naval history, he stated," "Today we join a selected group consisting of five states who have the capability to build a nuclear submarine i.e. P5 countries — the US, Russia, UK, France and China. India's 95 per cent foreign trade passes via the sea."¹⁰

In addition to these naval activities, India is expanding the facilities of the air force in the Andaman and Nicobar islands. India augmented its cooperation with the Indian Ocean regional countries by embroiling itself in the creation of East Pakistan to form the state of Bangladesh in 1971, operations in Sri Lanka and the containment of a coup in Maldives as well.¹¹ Over the past decade, India is increasing its security ties with the Indian Ocean littoral states by opposing China in building security relations with those states.¹² Its maritime strategy documented in a volume of 147 pages covers the period from 2007 to 2020. It dealt with two factors: the security architecture of maritime Asia and the emerging power of China which led India to focus or define its strategic interests and to review its maritime policy as well.¹³

All these developments show how India's regional ambitions affect the balance of power and the security architecture of South Asia. The question arises of how Pakistan can counterbalance India's hegemonic ambitions? For this, we have to analyse the China-Pakistan strategic partnership towards Gwadar Port and CPEC. As mentioned above, Pakistan unaided cannot counter India's hegemonic policies without assistance.

¹⁰ David Scott, "Nuclear Breakthrough for the Indian Navy?," <https://www.e-ir.info/2009/07/27/nuclear-breakthrough-for-the-indian-navy/>

¹¹ S. Nizamani, "India's Emerging Indian Ocean Strategy," *IPRI Journal*, 14(1) (2014), 69-70.

¹² D. Brewster, "An Indian Sphere of Influence in the Indian Ocean?," *Security Challenges*, 6(3) (2010): 2-3.

¹³ M. Baruah Darshana, "India's Evolving Maritime Strategy," *The Diplomat*, 2015, <http://thediplomat.com/2015/12/indias-evolving-maritime-strategy/>

China-Pakistan Strategic Partnership

Gwadar Port

It is important to know the geostrategic, economic significance and structural strength of Gwadar Port and how China manifested its interests in the development of the port. On March 22, 2002, the then President of Pakistan, General Pervez Musharraf said, "If we see this whole region it seems like a funnel, the top of this funnel is the wide area of Central Asia and China's western region, at the end of this funnel is Gwadar Port and it gets narrowed through Afghanistan and Pakistan. This funnel is the economic funnel of this whole region in the future."

Pakistan is blessed with a coastline of 1100kms. Seaports provide a fundamental linkage with the world and are the main hub of commercial activity. The annual trade of Pakistan is approximately 38 million tons and 95 per cent of it passes through its ports. Karachi Port and Port Qasim handle 68 per cent and 32 per cent respectively. The projected increase in trade in 2015 was 91 million tons.

Gwadar port is tapped as an additional port that will change Pakistan's economy. The reason is that Gwadar increases the strategic depth of the country from east to west providing it with the added expanse of a further 460km from India. As a result, Gwadar increases its security, it also helps Pakistan monitor the Sea Lines of Communications (SLC) initiating from the Persian Gulf and the bottleneck of Hormuz Strait. It is vital for regional and extra-regional players. It covers the area of 15,210 square kilometers and the population of the area is 235,000.¹⁴ It could be the centre piece of the gateway to the Hormuz Strait and it could provide a better route to the Caspian region.

It has various advantages. First, is its proximity to the international Sea Lanes of Communications and its transshipment facilities. Second, as it is located farther away from India than Karachi it offers added warning time in the event of any aerial or naval attack. It also provides natural protection against the weather and it is more suited for trade with Afghanistan and the Caspian region. Third, being a gateway to the

¹⁴ "History of Gwadar District," <https://bhc.gov.pk/district-judiciary/gawadar/introduction/history>

Persian Gulf, it offers a great many harbor facilities for regional as well as extra-regional actors such as the UAE and the Europeans. Kazakhstan and Kyrgyzstan, for example, produce dry goods and Gwadar offers a relatively close port for these to be shipped around the world. Kazakhstan, Turkmenistan and Uzbekistan have liquid cargo which could be sent to Gwadar through pipes for shipment by tanker. This route is only 1400kilometers which is 400 kilometers shorter than the Caspian route.¹⁵

Structural Strength of Port

Balochistan province is an exclusive economic zone of some 180,000 square kilometers but needs the expansion of Gwadar Port and the supporting infrastructure for it to develop fully. This needs to be done by the China Pakistan Economic corridor building facilities in Gwadar after acquiring land for the Gwadar Port Authority. This would not only dramatically enhance the number of imports and exports of these two countries, but it would also give Chinese companies the opportunity to build an exhibition centre adjacent to the port in order to display both Chinese and Pakistani products. This would be an economic zone with a 9.23 square-kilometer area near the port. Gwadar, as Makran's main port, contributes the most to Balochistan's overall fishing industry. The port's growth would provide infrastructure for fishing. It would eventually improve the processing and packing of fish at or near fishing areas and contribute a significant portion of the fishing industry's revenue. The contribution of marine capture fisheries production from Balochistan is almost 34per cent of total fisheries production in Pakistan. Jiwani, Pishukan, Gawadar, Surbandar, Pasni, Omara, Damb and Gaddani are the eight important fishing locations along the Balochistan coastline. Gawadar and Pasni, in that order, provided the most to overall fisheries production, 159798 t and 116036 t, respectively. Together, these two stations account for 47 percent of the overall catch (2011-2014).¹⁶ Another advantage of Gwadar is that it is the most direct and practical route to ocean trade for landlocked Afghanistan, the majority of Central

¹⁵ Malik, H. Y. (2012). "Strategic Importance of Gwadar Port," *Journal of Political Studies*, 19 (2): 57-60.

¹⁶ Muhammad Noman et al., "An Economic Analysis of Fisheries Sector of Balochistan, Pakistan: Current Status and Future Potential," *Indian Journal of Geo Marine Sciences* Vol. 47 (09) (September 2018) p. 1728.

Asian states, and even parts of Russia during the winter months when most of the country's ports are closed. This route would, in short, be extremely important for regional connections. It would also be a crucial gateway for China. China's trade would promote considerable economic activities in Pakistan and the entire area through the China-Pakistan Economic Corridor (CPEC). Along the corridor, jobs and commercial prospects would be expanded. The convenient position of Gwadar as a natural seawater port enables large container ships to load their cargo for further transshipment.

Pakistan's current maritime commerce through Karachi and Qasim ports is estimated to be 67 million tonnes. According to Dr. Azhar Ahmad, Gwadar port has a potential traffic of 42-65 million tonnes over the next fifteen years. In the next 50 years, this trade might reach 300 million tonnes. Gwadar will increase its international visibility in a variety of ways and Pakistan has the potential to become a significant world power.¹⁷

As for the history of Gwadar, Pakistan purchased the city from the Sultanate of Oman. A small port was built between 1988 and 1992. Its modern version was inaugurated by Pakistan's President Pervez Musharraf in 2007. China was formally awarded a multi-billion dollar contract for the construction and operation of Gwadar Port in 2013, with the aim that the port's growth will open up new vistas of advancement in Pakistan, especially in Balochistan. The contract stipulates that the port, which would remain Pakistan's property, will be operated by China Overseas Port Holding Company, a state-owned Chinese company (COPHC). The contract had previously been awarded to the Port of Singapore Authority (PSA).¹⁸ Along with the development of the port, there are other projects envisioned including the Gwadar International Airport, the Gwadar Power Generation Plant and the development of the city.

The benefits to Pakistan from the development of the port and the city are that it increases its strategic leverage vis-à-vis India, it boosts the

¹⁷ Mir Sherbaz. Khetran, "The Potential and Prospects of Gwadar Port," *Strategic Studies* vol. 34&35 and no. 4&1 (2014-15) 75-78.

¹⁸ Syed Irfan Raza, "China Given Contract to Operate Gwadar Port," *Dawn*, February 18, 2013, <https://www.dawn.com/news/786992/china-given-contract-to-operate-gwadar-port>:

economy by generating revenue through transit trade fees, and it develops tourism and the hotel industry. It is already attracting investors.¹⁹

Economic Significance

The port is quite important economically. Being 250 miles from the Strait of Hormuz, it provides a reliable and close point of access to the Gulf ports and serves as a significant distribution centre for the entire region. By making Balochistan's port a regional commercial hub, Pakistan will be able to attract foreign direct investment enabling the further construction of road and rail networks and connecting this coastal region to the rest of Pakistan, Iran and Afghanistan.

Apart from this regional connectivity this development would cultivate the region's natural resources and upgrade the socioeconomic situation of local Balochis. Gwadar Port is the country's third naval base and this is important for strategic reasons. India block Karachi during the 1971 war and threatened to do so again during the 1999 crises. 450 kilometers further west than Karachi Gwadar provides crucial strategic depth.

Gwadar Port Handed Over to China

In 1999, China first expressed an interest in developing the entire region. Following multiple failed attempts to create a deep-sea port in Gwadar, China offered to help revive the project with financial and technical aid. While this did not happen initially, Pervez Musharraf persuaded Chinese Prime Minister, Zhu Rongji, in 2001 to assist Pakistan in exchange for the establishment of a Chinese radar station. The port's construction began on March 22, 2001, lasted 72 months, with cost a total of US\$248 million.

Chinese engineers were prepared to work on the site but there was no progress because of the ongoing war on terror. Finally, on March 22, 2002, a groundbreaking ceremony was held. In that ceremony, Shaukat Aziz stated that they were expecting the completion of Phase I of the project by 2005. There were delays, however, so a revised time for the completion of the construction of the first phase of this port became June 2006. The cost was also revised. It went up from US\$243 million to US\$298 million.

¹⁹ Ghulam Ali, "China and Pakistan Prepare to Establish Economic Corridor," *Central Asia-Caucasus Analyst* (2015): 15.

It was also planned to hire operators for the management and the operations of the port after the construction of Phase-I. Thus the government of Pakistan advertised an Expression of Interest and Requests for Proposals on June 12, 2005. A year and a half later, on February 6, 2007 Pakistan signed an agreement with the Port of Singapore Authority (PSA) to manage the port. Two reasons have been identified as to why the port's operation was not assigned to China at that time. The first is that it would have irritated the US, an ally at the time. The second, according to the Indian media, is that China was unwilling at that time to completely commit to this project due to poor security situation in Balochistan.

As a result of the PSA agreement four container berths were built. This included the construction of one bulk cargo terminal, one grain terminal, one approach channel and two oil terminals. The PSA received a number of benefits, including a 20 exemption from corporate tax, duty-free construction equipment imports, and a 40-year duty waiver for exporting bunker oil.

There were, however, two main reasons PSA backed away from further investment in the port. The first was security. On August 26, 2006 the murder of the nationalist leader of Balochistan, Nawab Akber Bhugti, led to a new insurgency campaign in the region. The second was the Supreme Court's stay order on the allotment of land to any foreign business for Gwadar port, and the government's failure to offer PSA 550 acres of land for the site's development. For security reasons, Pakistan's Navy was likewise unwilling to leave the area. In the end, however, the Pakistani government issued a No Objection Certificate (NOC) to PSA and it was approved. A groundbreaking ceremony was held at President House in Islamabad in February 2013.

The situation changed as China developed a renewed interest in developing and completing the project, and struck an agreement with Pakistan to take over the port's operation. Gwadar port management was given over to a Chinese business, China Overseas Ports Holding Company, in 2013 for a period of 43 years. When the Chinese and Pakistani governments agreed on the CPEC initiative in 2015, Gwadar Port became a part of it.

India perceives that China's operational control of Gwadar encircles India. The counter argument is that China is not so powerful nor India so weak to make these arguments particularly credible although Gwadar is only 400km away from the Strait of Hormuz making for a shorter route to the world's second largest oil importer, China.²⁰

Pakistan's decision to hand over Gwadar Port to Chinese control, according to India's Defence Minister, A.K Antony, is a significant one, but Chinese Foreign Ministry has defended the decision stating that its decision to take over the operation of the port is part of the continued cooperation between China and Pakistan.²¹

China's Interest

China has a variety of interests in the development of Gwadar Port. Its bilateral relations with Pakistan would be strengthened through long-term and joint development projects. China is also investigating how it can protect and diversify its crude oil imports, its oil routes, and its access to the Indian Ocean. China imported 51 per cent of its total crude oil imports from the Middle East by 2003. Increasing piracy in the Strait of Malacca compelled China to search for alternate routes leading to Gwadar being used as a transit/passage facility to import crude oil from Iran and Africa into Xinjiang province. Control of Gwadar secures shipment along the existing routes. It can also more easily monitor naval activities of the US on the Persian Gulf, Indian naval activities and Indo-US maritime cooperation in the Indian Ocean.²²

CPEC (China-Pakistan Economic Corridor)

The CPEC project is a major step forward for the area. It will be a network of highways, railways, airports, and pipelines connecting Gwadar Port to the north-western Chinese province of Xinjiang. It aims

²⁰ A. Ali, "China Pakistan Economic Corridor (CPEC): Prospects and Challenges for Regional Integration," *International Journal of Social Sciences and Humanity Studies*, 7(1) (2015): 1-15.

²¹ Farooq Yousuf, "Gwadar Port: Chinese Acquisition, Indian Concerns and Its Future Prospects," *Spotlight South Asia*, (10) (2013): 4-7

²² Z. Haider, "Balochis, Beijing and Pakistan's Gwadar Port," *Journal of International Affairs*, (6) (2005): 95.

to transport oil and gas 3000 kilometers from Gwadar to Kashgar. Initially, the total construction cost was about 46 billion dollars with the estimated time for the completion to be 2030. In 1982 both countries completed the renowned Karakoram Highway which connects Kashgar and Islamabad via the Khunjrab pass. Throughout the 2000s the highway was lengthened and improved to accommodate all kinds of traffic.²³ China initially intended to invest around US\$46 billion which was approximately twenty percent of Pakistan's gross domestic product.²⁴ In 2020, the estimated cost of this project was US\$62 billion.

The CPEC is at the heart of China's Belt and Road Initiative in Pakistan. It is Pakistan's first and largest investment by a regional or extra-regional country. It is considered a game changer in the region. It is expected to bring prosperity to Pakistan by connecting economic hubs with large population centres. The expected outcomes of the CPEC are the promotion of inter-civilization communication through cultural exchanges, people to people contact, and the coordination of diplomatic strategies. These hopes were stated in the Joint statement of both China and Pakistan when Chinese President Xi Jinping visited Pakistan on April 21, 2015.²⁵

The proposed routes for the CPEC are:

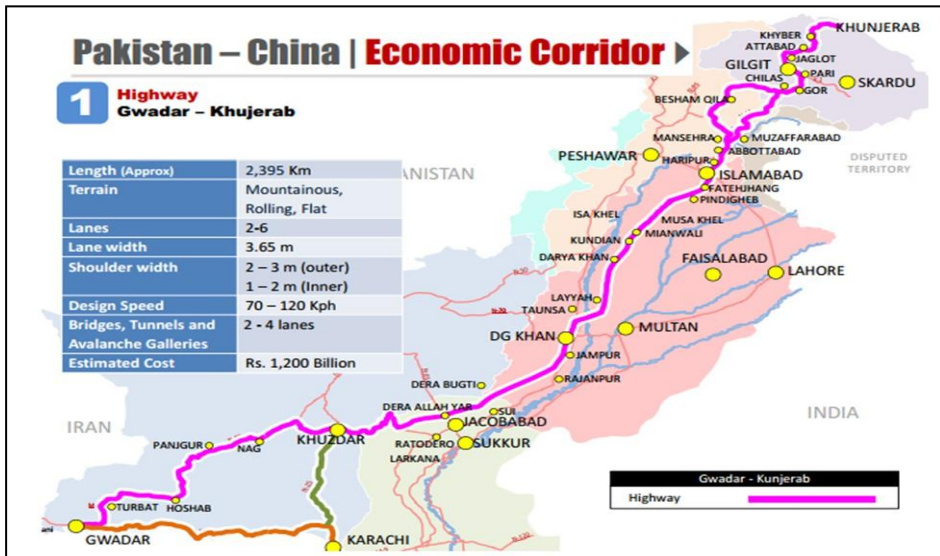
- a) Kashgar- Khunjrab-Peshawar- Dera Ismael Khan- Zhob- QillahSafiullah- Quetta- Gwadar.
- b) Kashgar- Khunjrab- Peshawar- Dera Ismael Khan- Dera Ghazi Khan- Sukkar- Ratodero- Gwadar.
- c) Kashgar-Khunjrab- Islambad- Lahore-Multan-Sukkar-Hyderabad- Karachi-Gwadar.

²³ Ali, "China and Pakistan Prepare to Establish Economic Corridor."

²⁴ Andrew Stevens, "Pakistan Lands US\$46b Investment from China," *CNN*, April 20, 2015, <https://money.cnn.com/2015/4/20/news/economy/pakistan-china-aid-infrastructure/>

²⁵ Khalid Manzoor Butt and Anam Abid Butt, "Impact of CPEC on Regional and Extra Regional Actors," *Journal of Political Science*, vol. 23 (2015): 23-44

China Pakistan Economic Corridor (CPEC)



source: <https://ideasnsolutions.wordpress.com/cpec/>

This communication network not only links China and Pakistan it also increases the usability of the Silk Route for China’s trade with the rich resources of the Persian Gulf. This will especially help China accelerate development projects in Xinjiang province where the separatist movement of indigenous Uighurs is a challenge the political authority of the country. Through the proposed route of the CPEC, the distance between China and the Persian Gulf will be reduced from 2500 kilometres to 1300 kilometres. This route will also reduce the shipping time to 15 days from 45 days. This is expected to generate very favourable financial returns for China. Chinese machinery and manpower will be utilised in infrastructure projects resulting in a large number of job opportunities. By providing an alternate route to the Malacca Strait which is used to gain access to the Middle East, Africa and Europe, this corridor when fully developed will be a critical component in securing its access to markets and resources. Gwadar handled its first private cargo vessel on May 11, 2015.

Energy Projects under the CPEC

With regard to the generation of energy, which Pakistan desperately needs, Tebian Electric Apparatus Stock Co Ltd of China constructed the Quaid-e-

Azam Solar Park aiming to develop 100 megawatts. Under the jurisdiction of the Punjab government, it was opened on May 6, 2015. Nine days later, on May 15, the United Energy Group officially opened a 50 megawatt windmill project in Jhimpir (Thatha). The EXIM Bank of China, Industrial, Commercial Bank of China Ltd, and SK Hydro (Private) Ltd also signed a financing deal for the 870 megawatt Suki Kinari hydropower project. Acquisition of land for the 720 megawatt Karot Hydropower project was also actively pursued by China Three Gorges South Asia Investment Limited with closing target date of December 2015.

As far as the industrial sector is concerned, the key beneficiaries for Pakistan are the cement and steel companies. Directly as a result of China's massive investment, GDP growth in FY16-18 was expected to exceed six per cent. The local component of this investment was estimated to be 18 billion dollars with increased local investment in hydro, road, rail and Gwadar Port. It is 20 per cent lower for the machinery of intensive coal-based power plants. This was expected to increase GDP growth above six per cent. This investment included a 15,000 megawatt coal-based power plant that is some 74 per cent of existing capacity. The indirect impact of this investment, however, is immense, especially in securing a reliable supply of electricity for the private sector.

Significance of the CPEC for China

China now has direct access to the Indian Ocean under the project of CPEC. Gwadar Port serves as a critical hub for China's energy and oil transportation needs from West Asia, reducing the country's current maritime transportation distance from 12000 to 3000 kilometres. This is also important as Malacca Strait became unsafe due to pirate activity. Connecting the Indian Ocean through Gwadar reduces China's vulnerability to disruption of its trade routes.²⁶

Economically, the CPEC is immensely significant as it gives an impetus to economic growth and development. Furthermore, private investment is expected to increase as a result of CPEC's enhanced infrastructure,

²⁶ A. Ali, "China Pakistan Economic Corridor (CPEC): Prospects and Challenges for Regional Integration," *International Journal of Social Sciences and Humanity Studies*, 7(1) (2015): 1-15.

increased security and generation of much-needed energy. This private investment was expected to boost the country's GDP by 0.5 per cent with the cumulative impact of investment for 2016-2018 being two per cent.²⁷

India's Reservation Regarding CPEC

Since the construction of the CPEC, India openly opposed it claiming that the route of the corridor runs through the disputed territory of the Northern Area of Pakistan. This stance was backed by the US.

The Kashmir conflict between India and Pakistan has always made the two countries wary of any large-scale foreign investment coming to the region, regardless of whether or not the foreign investment has a political motive. It is worth noting that the northern part of India which borders Pakistan, and Indian-controlled Kashmir, both lack basic infrastructure. Any development in the area can only benefit the people and provide much needed jobs. US Secretary of Defence, James Mattis controversially entered the CPEC issue by asserting that "One Belt, One Road" travels through disputed territory. This was a clear reference to the CPEC route via Gilgit Baltistan. Because the CPEC is part of China's Belt and Road Initiative and is an inclusive approach, India can also benefit from the region's rapid development.

Conclusion

Both Pakistan and China are committed to the common task of safeguarding their sovereignty and developing their economies. The China-Pakistan strategic partnership in the development of Gwadar Port and the creation of the China-Pakistan Economic Corridor has huge geo-strategic importance. The importance of the CPEC has grown because of Gwadar Port's deep-sea port, its geo-strategic location and the reliance of landlocked Central Asian states and China's Xinjiang province for access to the sea for its products. Gwadar has the capacity for Pakistan to foster economic growth and strategic partnerships with other countries. It will

²⁷ Azfer Naseem, "Impact of China Pak Economic Corridor — A Bird's Eye View," BMA Capital, Islamabad, <https://www.scribd.com/document/281995726/Economic-Corridor-a-Birds-Eye-View>

expand Pakistan's strategic depth from east to west by 460 kilometres and reduce Pakistan's vulnerability to Indian threats of aggression.

The mega projects envisioned not only have the potential to usher in great economic and trade benefits but strategically they will give Pakistan great leverage against India. The Indian territorial claims for the northern areas of Pakistan will be deterred by the Chinese presence. This will enhance Pakistan's security and boost its economy.

Simultaneously, there are many challenges ahead of these projects and the responses of major powers are yet to be determined but the new era promises the creation of new dynamics in the region. The success of China's huge investment depends upon Pakistan's own ability to maintain its security and stability. It is on Pakistan to make this huge Chinese investment sustainable and valuable in the long term. The China-Pakistan Economic Corridor can transform Pakistan into an energy transit corridor and a regional commerce hub by providing financial aid for infrastructural development. In addition, this partnership is playing a balancing role in India's hegemonic ambitions in South Asia.