Introduction

A key aspect to understanding CPEC pertains to the changing nature of Sino-Pakistani ties. Following the launch of the economic corridor, Sino-Pakistani relations are going through the most important qualitative shift in their history of long-standing, ‘all-weather’ friendship. Iran is another important player on the regional chessboard. Pakistan’s relations with Iran to date are a story of a great, though unfulfilled, potential. The early signs related to Iran’s involvement in CPEC seem to go in the same direction. Iran has expressed its desire to become a part of CPEC investment and China has welcomed the opportunity for Tehran to contribute to the development of the economic corridor.

The aim of the paper is to highlight what exactly we are gaining and the price we have paid for it. Undoubtedly, CPEC is the best game in town when compared to other historical opportunities. However, considering the strategic importance of Gwadar for the Chinese government the Pakistani government could have mediated to get a softer touch from China. To the very least at-least, a share in the contracts of supplies for the local cement and steel industries. As at present, all the construction and supply of raw materials will be contracted to Chinese companies and Pakistanis will only get a share in manual labour. Considering the quality and economic value of Pakistani construction material the industry deserves to get a fair share of orders rather than being side-lined as a reserve option to if the Chinese fail to supply then we’ll consider the Pakistani market.

With its $55 billion overall investment, CPEC represents the flagship project of China’s Maritime Silk Route initiative, aimed at the construction of ports, infrastructure, as well as road and rail connectivity in Pakistan, Bangladesh, and Sri Lanka. What has been CPEC’s impact so far? According to a recent report by the International Monetary Fund, CPEC is going to boost investment in Pakistan’s economy and there is general optimism in the country about the positive changes that CPEC would bring about.

(Boni, 2017)

Thus the question is what Pakistan is getting and what could it have gotten if the government had been a bit serious-er and sincere to the nation. India is growing in military and economic strength and this means that Pakistan needs China as a counterweight because the US is hardly the better choice from a political, economic or defence perspective. The Chinese know this and they are using it as leverage. The investment package may not be much, but it is important and a pillar for direct investment to follow. China is the hegemonic power in Asia and Pakistan has to live with it and make the best deal it can with Beijing. The Chinese integration model may not be attractive, but it is the best game in town when compared with every other alternative among the Great Powers historically and today. China aims to become the world’s economic superpower not by sharing its wealth, but concentrating it as it absorbs capital from regions where it makes an initial investment. The goal is to benefit China, not Pakistan. Does this mean that Pakistan
will compromise its national sovereignty? How much sovereignty has it enjoyed since the creation of its independence and is China likely to be much worse than the US?

The goal of China is to use domestic labour and their own companies. This typical imperialist model intends to benefit the patron country at the expense of national capitalist enterprises. The West, Australia or Japan would have done the same. The issue of negotiations rests on how much leverage each side has. How much leverage does Pakistan have vs. China?

**Synopses**

Traditionally, China and Pakistan have collaborated meticulously at strategic and political levels. Now the two nations are making efforts to expand their bilateral alliance economically as well. The edifice of the “China-Pakistan Economic Corridor (CPEC)” is a milestone that signifies this shift. In 2010, China declared Kasghar, an important transit point on the ancient Silk Route and a gateway between China and Pakistan, as a Special Economic Zone (SEZ) with the idea to develop the Chinese Western province of Xinjiang into a major trading hub leading to energy and economic integration with South and Central Asia. The SEZ’s in the Pakistani port of Gwadar and Kashgar and the prospects of rail and road connectivity between proposed SEZ’s would develop great economic, political and strategic potential for the region.

China first proposed the corridor project in May 2013. Chinese President Xi Jinping then visited Pakistan in April 2015, and both sides agreed to elevate their relationship to an “all-weather strategic partnership.” During Xi’s visit, the two countries signed fifty-one agreements at an estimated value of $46 billion. The two countries signed 19 agreements and Memorandum of Understanding (MoU) to boost the bilateral ties between China and Pakistan in various fields including energy and basic infrastructure sectors under the economic corridor.

CPEC is part of China’s policy of broadening its influence as a new player in the geopolitical arena. CPEC is formulated under China’s “One Belt One Road” Initiative announced in 2013; China is planning to invest more than $1 trillion in 60 countries all over the world to establish six different corridors. CPEC is the first project of its kind to foster economic cooperation on a massive scale for building large infrastructural projects in Pakistan. The amount spent on the projects will be in the form of concessional loans, mainly from Chinese banks to Chinese companies for specific projects. These projects will take three to fifteen years to complete. Chinese engineers, technicians and labour will come to Pakistan for construction of these projects. The Pakistan’s Army (principally the Frontier Works Organization) and civilian personnel will also be working on some of these projects.

The receptivity in other countries to this proposal has been anything but enthusiastic; however, some Chinese friends are puzzled by the sceptical and negative reactions from certain quarters in Pakistan expressed in the media, particularly on social media. This comes to them as a surprise because of the long uninterrupted record of strong bilateral relations between the two
In short-term CPEC is bound to bring prosperity in Pakistan however, its long run benefits are doubted. The biggest disadvantage of CPEC is infringement of Pakistan’s Defence System. As Chinese Navy is harbooured at Gwadar Port and its Army Personals deployed on land routes built under CPEC. Due to this factor, some fear that CPEC will turn out to be a Chinese version of East India Company. In the long-run CPEC is predicted to give huge geopolitical powers to china, as it will enable them to control the Persian Gulf Trade as Gwadar is situated at the neck of Gulf. Gwadar can act as an alternative route to Indian Ocean or South China Sea routes. Harbouring of Chinese Navy at Gwadar port instead of any other Pakistani port has a high strategic implication behind it. It is located at cross-junction of international sea shipping and oil trade routes. The port is located 533 km from Pakistan’s largest city, Karachi, and is approximately 120 km from the Iranian border. It is located 380 km (240 miles) away from Oman, and near key oil shipping lanes from the Persian Gulf. The greater surrounding region is home to around two-thirds of the world’s proven oil reserves. It is also the nearest warm-water seaport to the landlocked, but hydrocarbon rich, Central Asian Republics, as well as Afghanistan. The port of Shanghai is 10,000 kilometres from the Strait of Hormuz by sea via the Malacca route while Kashgar, the capital of Xinjiang, is about 4500 kilometres from the port of Shanghai. However, Kashgar is 2800 kilometres from Gwadar via the envisaged CPEC and hence just over 3400 kilometres from the Strait of Hormuz. It makes plain economic sense for Beijing to prefer this route only based on the time distance equation. The ships travelling from the Persian Gulf or the Red Sea have to pass close to the Indian Territory as well as through the Malacca Strait. China is fully aware of the vulnerability of the ships throughout the long sea passage and particularly through the Malacca, which is termed by the Chinese as the “Malacca Dilemma”. China is, therefore, looking for alternative options to safeguard its supplies and Gwadar provides the most secure and economically feasible alternative to link with this side of the world. If the fleet is docked at Gwadar Port and cargo is moved through land the Chinese will effectively avoid the “Malacca Dilemma”.

The jewel in the crown for China is the development of Gwadar, which would give Beijing a firm and reliable long-term beachhead in the Indian Ocean and close to the Persian Gulf, effectively making it a two-ocean power. (Rakisits, 2015)

China is a new player in the geopolitical arena and needs to broaden its influence. It is so doing through ASEAN, and now through Pakistan. Off late China is embarking on very huge projects, diverting river water in Tibet, building high-speed trains through its uninhabited territory, South China Sea development and reviving Silk route. To that perspective, we do not know if their investments would all yield the desired results but similar endeavours by other aspiring superpowers have been attempted and have had mixed results. Through the project, China would gain access to Arabian Sea, mega grip on Pakistan, Strategic encirclement of India, access to Central Asian Markets and potential
economic benefits through trade and commerce. The Chinese companies will get business and cheaper labour from the elongated hand of friendship from Pakistan.

CPEC is based on a $46 Billion loan to Pakistan and development of infrastructure from Gwadar to Kashgar. In return, China has estimated to transport goods worth $1 trillion per year through the CPEC corridor.

The China-Pakistan Economic Corridor is meant to dedicate US$45 billion to infrastructure projects in Pakistan. By far the largest share of this, $35bn, is going towards energy, including $500 million for renewable energy projects this year, money for coal-fired power stations and about $2.5bn for the Pakistani leg of the Iran-Pakistan pipeline. Projects such as making the dusty frontier port of Gwadar an energy hub may lack commercial and geographic realism, but Pakistan and Iran are key links in the new conduit from Beijing to the Indian Ocean.

(Mills, 2016)

The benefits to Pakistan is betterment of its infrastructure, foreign direct investment, employment of local labour and flourishment of business along the CPEC road network. As part of “infrastructure projects”, worth approximately $11 billion and 1,100-kilometre long motorway will be constructed between the cities of Karachi and Lahore, while the Karakoram Highway between Rawalpindi and the Chinese border will be completely reconstructed and overhauled. The Karachi–Peshawar main railway line will also be upgraded to allow for train travel at up to 160 kilometres per hour by December 2019. Pakistan’s railway network will also be extended to eventually connect to China's Southern Xinjiang Railway in Kashgar.

Pakistan Railways will conduct a feasibility study for connecting Havelian with Khunrbab under the Pak-China rail link project of China-Pak Economic Corridor (CPEC). The proposed rail link is a part of railway Public Sector Development Programme (PSDP) year 2017-18...rail link from Havelian to Khunrbab is 682 kilometres and the project includes the construction of railway stations, substations, parking facilities and related infrastructure...

(Railways to connect Havelian with Khunrbab under CPEC, 2017)

A network of pipelines to transport liquefied natural gas and oil will also be laid as part of the project, including a $2.5 billion pipeline between Gwadar and Nawabshah to transport gas from Iran.
Additionally, easy road access to Pakistan’s northern areas will increase tourism there as well. CPEC will also result in security alliance with China. The CPEC, some believe, will also boost tourism in the 73,000 square km region. The region is considered to be a mountaineer’s paradise, since it is home to five of the ‘eight-thousands’ (peaks above 8,000 meters), as well as more than 50 mountains over 7,000 meters. It is also home to the world’s second highest peak K2 and the Nanga Parbat.

As they will want peace in Pakistan’s territory to ensure smooth travel of its cargo. The trade through Gwadar will reduce china’s trade cost by a huge sum; however, Pakistan will only get transit receipt from the trade. It is also anticipated that after CPEC Chinese government will upgrade Kashgar province at par with Shenzhen province through subsidies and government reliefs. This will greatly threaten the local artisans of Pakistan who will have to compete with cheaper Chinese counterparts.

The major advantage Pakistan will get is installation of power plants in its territory and enrolment of Pakistani students in Chinese Universities at a relaxer term than rest of the world. Over $33 billion worth of energy infrastructure will be constructed by private consortia to help alleviate Pakistan’s chronic energy shortages. Over 10,400MW of ‘energy generating capacity’ is to be developed between 2018 and 2020 as part of the corridor’s fast-tracked "Early Harvest" projects.

The coal-fired power plants will result in more backlash then benefit to Pakistan as the country has poor quality coal reserves which will cause a significant amount of air pollution. Which is anticipated to bring an uproar from the developed nations hence has a potency of enduring higher cost to Pakistan through the emission of pollutants in air than savings through usage of local fuel reserve than imported ones.

Michael Kugelman, deputy director and senior associate for south Asia with the Woodrow Wilson Centre’s Asia Program, foresees a “wide variety of factors ranging from the use of emissions-belching technologies to the clearing or even destruction of agricultural farmland”. He is particularly concerned about the use of coal, environmentally damaging technologies and the heavy consumption of water – a prerequisite for such intensive development and construction.

(Ebrahim, 2017)

However, the solar, hydel and wind power plants are projected to be a greater benefit in the foreseeable future. Government of Pakistan (GoP) claims to revive Diamer-Bhasha dam on Indus River in Gilgit–Baltistan, in the second phase of CPEC, resulting in the production of 4500MW of electricity in addition to serving as a huge water reservoir for the country, which being authenticated by Asian Development Bank (ADB), Gilgit-Baltistan has the potential to produce nearly 50,000MW of energy. Just Bunji Dam, a run-of-the-river project that the Asian Development Bank has invested in, has the capacity to generate up to 7,100MW electricity when completed. However, the Hydel-plants too will bring a massive wave of displacement resulting in hike of poverty of those people.
Vaqar Zakaria, managing director of environmental consultancy firm Hagler Bailly Pakistan, is concerned about the lack of conversation around the impacts of hydropower projects on river ecosystems. China has promised to finance and build the USD 50 billion five-dam Indus Cascade to generate more than 22,000 MW. The cascade could stop the flow of silt – the lifeline of agriculture downstream – as well as drastically reduce the flow of water in the Indus, especially affecting downstream areas like Pakistan’s Sindh province. Thousands of people will be displaced. (Ebrahim, 2017)

Although money is being pumped in by China on the CPEC project, much of the opportunity is being exploited by Chinese companies rather than Pakistani ones. And the financial burdens are still obscured. (Jamal, The cost of CPEC, 2017)

The hope of local businesspersons of being benefited from CPEC has also been crushed as; Chinese companies are tax-exempt they will bring everything from China and hence they will have no reliance on Pakistani businesses to fulfil their demands. This has shattered the dreams of many local companies that planned to expand their production facilities in anticipation of receiving orders from these Chinese companies.

In addition to various fiscal incentives given to Chinese investors, the investment deals signed with China allegedly bind Islamabad to award contracts for all CPEC projects to Chinese contractors, who may or may not partner with local firms and may or may not procure material from local manufacturers. The alleged agreement means that Pakistani companies would not be in a position to compete with the Chinese contractors for any project or will depend on their sweet will to sell their products for the projects being implemented here. (Jamal, The cost of CPEC, 2017)

Chinese companies are interested in investing in sectors such as electronics, automotive, education exchange programmes, insurance, agriculture, textiles, shoe manufacturing, chemicals, battery recycling plant and real estate. A dozen executives from some of Pakistan's biggest firms told Reuters that Chinese companies were looking mainly at the cement, steel, energy and textile sectors, the backbone of Pakistan's $270b economy. (Reuters, 2017) It has proven difficult to extract much from them. The Chinese companies play smart and get excellent returns on their investments. Around 700 small, medium and
large-scale Chinese companies are currently working in Pakistan investing in various sectors, including the China-Pakistan Economic Corridor (CPEC), and the number is likely to grow in the future.

China’s Shanghai Electric Power Company has expressed a fresh intention to acquire 66.4 percent (18.335 million shares) of the paid-up capital of K-Electric Limited just one day after withdrawing from the previous buyout offer. (Mirza, 2017)

China has a 10-year control of the Saindak Copper and Gold Project and gets gold as a by-product of the mining. In addition, China does not share how much ore it is taking from Pakistan or how much copper it is extracting or what is the quality of gold obtained as a by-product hence the economic benefit of the lease to them cannot be estimated.

The most impact of CPEC will be on Gwadar, which will see mega upgradation of its infrastructure and creation of industrial zones in the district. The building of Pakistan’s third largest port and first deep-sea port. The shipment of Chinese goods from Gwadar Port will convert the city into a major industrial hub of the world. It will act as a bridge for the new Maritime Silk Route that envisages linking 3 billion people in Asia, Africa and Europe, part of a trans-Eurasian project. When completely operational, Gwadar will promote the economic development of Pakistan and become a gateway for Central Asian countries, including Afghanistan, Uzbekistan, linking Sri Lanka, Iran and Xinjiang to undertake marine transport.

The repatriation of profits and debt-servicing in foreign exchange arising out of these obligations would become possible after an increase in the volume of exports as a result of the Chinese-Pakistani joint ventures relocating their industries to the Gwadar Free Economic Zone and the nine industrial zones to be established under CPEC. (Husain, 2017)

The eminent advantage of CPEC is on retail merchandisers of Pakistan, who now have the economical access to worlds cheapest customized product makers. Pakistani traders usually go to Yiwu city in Zhejiang province, about 300 kilometres to the south of Shanghai. The city, according to the United Nations, houses the “largest small commodity wholesale market in the world”. The Chinese have introduced a completely new industry of cheaper counterfeits with varying classes according to quality and closeness to original, this has benefited the budgeted buyers the most who can buy the copies of luxury brands according to their budget.

The new commercial culture introduced by China has not just facilitated the middle and low-income consumers in Pakistan, it has also helped small traders like Ishaq and Sheikh to explore options they could have only dreamt about without access to Chinese merchandise.
Foreign travel was the prerogative of rich businessmen and exclusive domain of large-scale traders when business and trade destinations were mostly Western countries. China’s arrival on the scene has allowed even small-scale traders to go abroad and purchase their merchandise first-hand: visas are easy to get; expenses for travel and boarding and lodging are not as big as they would be for European or American destinations; and goods in demand back home are dirt cheap when purchased in bulk in China.

(Jamal, Mother China: A 'Chinese revolution' sweeps across Pakistan, 2017)

On the other hand, Pakistani manufacturers’ fear a wipe-out at the hands of Chinese manufactures’. The textile industry, for instance, fears the glut of textile goods from Xinjiang to create serious competition in future. The local industry already had to rely on expensive raw material imports in the wake of recent cotton crisis

Ironically, industrial cooperation is one area where Pakistan seems least prepared. While policymakers are overly optimistic on CPEC and its potential benefits, local manufacturers, chambers and industry associations appear to be seriously concerned about their future.

(Khawar, 2017)

Conversely, for all this Pakistan has paid a heavy price. It has mortgaged its economic sovereignty to China. Its military sovereignty is at risk too. China gets the lion’s share from the wealth created by CPEC. It will inevitably exacerbate conflict with India. It is a wipe out threat to the indigenous industry of Pakistan, which is already stumbling. If all Richie’s of the corridor go to Punjabis, Baloch’s will be further enraged who are already aggravated and illusioned to be unfairly oppressed by power players of Pakistan. Pakistan will also suffer from a huge environmental impact from the mass scale deforestation and movement of dirty manufacturing factories to Pakistan from China. More than 54,000 trees have already been chopped down to make way for the CPEC road network. In addition, a rise in dirty factories is apprehended from the mass scale acquisition of redundant Pakistani Steal Factories by Chinese Steal Giants.

On environmental front, experts fear that an open-gate policy towards China may bring in dirty industries to Pakistan, resulting in environmental degradation.

(Khawar, 2017)

The China Pakistan Economic Corridor has been lauded as a game changer for both nations. Due to lack of statistical data available to the public, nothing can be said with surety. As pointed out by Kaiser Bengali, a senior Pakistani economist
“I do not think Pakistan will gain a lot from the CPEC initiative which is still shrouded in mystery. There are no details available and the government is not ready to answer any questions. Instead of a game-changer; CPEC may signify a game over. I see the Corridor creating threats for local businesses and fear that it won’t be a win-win situation for both countries.”

(Bengali, 2017)

Hence we need at least a decade or two to analyse the outcome of the trade corridor and weigh how much beneficial it is for Pakistan. As of yet what Pakistan is getting from the agreement has not been clearly mentioned by the official and due to the air of scepticism in the nation there is not much expected from the economic corridor by the Pakistanis’ at large.

There is a lot of speculation in the media that promises being made by the Chinese government and businesses for investment in Pakistan, specifically through CPEC and its related projects, are a sort of bribe to make Pakistan do more against ETIM.

(Jamal, Mother China: A 'Chinese revolution' sweeps across Pakistan, 2017)

Apart from the aforementioned economic and political impacts Pakistan will also experience a unprecedented social change in the society. Including intra-cultural marriages, Need to learn Chinese, Experiencing new tastes in food, New fitness trends in Pakistan learnt from Chinese, and a blend of Chinese ethics and values in our own culture.
Conclusion

CPEC realizes the new realities of global and regional politics by cultivating a more systematic, up-graded and need-based interaction for socio-economic, industrial, energy and trade development. CPEC has enabled the emergence of new actors other than the PLA and the Pakistani Army, resulting in a marked transition from a security-centred partnership, towards a quasi-alliance in which the economic dimension has become an important pillar. Pakistan will have to provide security to engineers, technicians and labour that will work on the corridor projects. In April 2015, the Pakistan Army announced establishment of a special security division, headed by a Major General, for providing security. This special security division comprises nine Army battalions and six wings of paramilitary forces (Rangers and Frontier Corps), numbering around 10,000 personnel.

China is much aggressive about their investments and it need to aware about nature of Pakistan’s own geopolitics, Pakistan’s habits of dumping the benefactors and working against their interest. As time will tell, the CPEC will soon become Atlas’s burden, a symbol for the world to see but for Pakistan to carry. Pakistan has nearly (in 2017) $72 Billion debt all together which is nearly 70% of their GDP which are not part of CPEC and Current Account Deficit is now raised to 120%. Even currently, Pakistan has raised loans at 8.75% interest rate from I.M.F. by mortgaging Motor Ways, Air Ports, Radio & TV stations.

If you check some historical facts, Sri Lanka is one of the Prime Example. Unable to repay its debts to China, Sri Lanka is handing over the power plant, Hambantota port and possibly the airport to Chinese control in a debt/equity swap. Sri Lanka now spends 90 per cent of all government revenues to service debts. The fate of Pakistan seems to be no different.

Another example of heavy investment by china is of Venezuela, a politically and financially high-risk country in which China has invested over $52 billion from 2008 up till 2014. Venezuela was obliged to keep supplying to China millions of barrels of oil to feed the Chinese economic boom.

There are Pakistani experts who can make a positive contribution to the narrative on the CPEC. The society has been divided in to two camps: pro CPEC and anti CPEC groups. Whereas the Pro CPEC group is encouraged and provided with all the propaganda tools to support the Government and the CPEC, those who have genuine questions regarding the Project are discouraged to speak out. Still, the Pakistani business community is uncertain, and to some extent, nervous and scared because there could be ‘massive dumping of goods’ and smuggling of goods.

In a cursory view of CPEC’s impact on Pakistan’s geopolitical posture, the aspect that has recently attracted a great deal of attention is the development of Pakistan-Russia relations. Pakistan will doubtfully face troubles in the financial and international relations arena but will also witness a massive unprecedented change in the society’s social formation. The social and cultural impacts are likely to be of much higher significance, such as non-inclusive development in Gwadar and Thar, building the Karakoram Highway, and loss of environmental values in Gilgit-Baltistan region. Changes in access change the physical and social landscape.
In view of the above attitude to work and the CPEC, lack of transparency and hidden aspects of the CPEC one wonders if the CPEC has the ability to change the fortunes of citizens of Pakistan. Or it will mainly help Chinese to advance their agenda in the Arabian Sea, the Indian Ocean and the Central Asia. Furthermore, the CPEC will help to sustain Chinese economic growth and develop underdeveloped Western China. Thus in light of what oozed out from the government about the project a rationale citizen cannot make a rosy picture from it. In view of the above attitude to work and the CPEC, lack of transparency and hidden aspects of the CPEC one wonders if the CPEC has the ability to change the fortunes of citizens of Pakistan or it will mainly help Chinese to advance their agenda in the Arabian Sea, the Indian Ocean and the Central Asia. Furthermore, the CPEC will help to sustain Chinese economic growth and develop underdeveloped Western China.
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