

## Geo-Strategic Importance of China Pakistan Economic Corridor, Threat to India: An Analysis

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### ABSTRACT

*In my present paper I would focus on Geo-Strategic Importance of China Pakistan Economic Corridor, Threat to India: An Analysis. In 2013, China and Pakistan announced plans to construct an economic corridor to connect Kashgar in China's Xinjiang Uygur Autonomous Region with the southwestern Pakistani port of Gwadar. Together with the proposed BCIM Economic Corridor (BCIM-EC), the China-Pakistan Economic Corridor (CPEC) extends to South Asia the broader trend of Asian regional economic integration through economic corridors. The CPEC assumes crucial significance for India in the larger context of China's regional/transnational initiative, known as 'One Belt, One Road'. So far, observers in India have either ignored the proposed CPEC or have rejected it as unviable. India has also opposed this corridor as it will pass through disputed territory. It is true that some serious territorial disputes involving China, India and Pakistan are yet to be resolved. However, in the continually evolving regional dynamics marked by a remarkable upsurge in bilateral trade between India and China, increasing bilateral cooperation on various other fronts, including the development of the BCIM-EC, and attempts to revive the India-Pakistan peace process, the proposed CPEC presents to India some interesting and promising choices which, if exercised innovatively, may open new vistas of regional cooperation, stability and economic growth in the region. China's OBOR strategy is a bold and new strategy, which is still evolving and being developed as new issues arise. It is not a finite strategy in terms of time and geographic space. While it is built on the idea of revival of the old Silk Road which connected China through the Eurasian landmass to Europe it has evolved beyond that to a broader way of engagement with countries and with regional and other groups of countries.*

**Key words:** Geostrategic, CPEC, OBOR, Security

### Introduction

The China Pakistan economic corridor is a significant bilateral agreement which has the potential to reconfigure the geopolitics of the South Asian region. China is set to invest \$46 billion in this economic corridor which runs from Gwadar, a deep sea port in the province of Baluchistan in Pakistan to Kashgar in China's northwest province of Xinjiang with roads, railways and pipelines. The Gwadar port lies on the conduit of the three most commercially important regions namely West Asia, Central Asia and South Asia. It is expected to become a terminus point for trade and energy corridor emanating from the Central Asian Region. Operational control of this port gives the Chinese strategic and

geopolitical advantage for the following reasons: First, the port is strategically located not far from the Strait of Hormuz and at the mouth of the Persian Gulf. This will allow China to monitor the vulnerable sea lines of communication as 60 per cent of its crude supply comes from West Asia.

Moreover, most of its supply will be moved through this port which will save China millions of dollars, time and effort. This in a way will help reduce its dependence on the Strait of Malacca. Second, the Chinese face considerable economic and strategic challenges from the US presence in the Asia-Pacific and the Gwadar port will provide a listening post to keep a tab on the US naval

activities 460 kilometres further west from Karachi and away from the Indian naval bases. Third, the Chinese have expedited the process of developing Gwadar around the same time as US announced withdrawal of forces from Afghanistan, thus allowing them to conduct economic ventures in Afghanistan and other Central Asian countries. The Chinese aim to use Pakistan as a pipeline corridor to procure oil and gas from West Asian countries, especially Iran. China has also shown interest in joining the US\$7.4 billion Iran-Pakistan gas pipeline, a project that faces stiff opposition from the US.

### **Background of CPEC**

Plans for a corridor stretching from the Chinese border to Pakistan's deep water ports on the Arabian Sea date back to the 1950s, and motivated construction of the Karakoram Highway beginning in 1959. Chinese interest in Pakistan's deep-water harbour at Gwadar had been rekindled by 1998 and in 2002 China began construction at Gwadar port which was completed in 2006. Expansion of Gwadar Port then ceased thereafter owing to political instability in Pakistan following the fall of General Pervez Musharraf and subsequent conflict between the Pakistani state and Taliban militants.

The current form of the project was first proposed by Pakistan People's Party when President Asif Ali Zardari invited heads of all the political parties to a Luncheon in honour of the Chinese Premier Li Keqiang at the Aiwan-e-Sadr on 22 May 2013. Chinese Premier Li Keqiang and the Pakistani President Asif Ali Zardari have agreed to build an economic corridor between the two countries. Both sides have decided to further enhance mutual connectivity and both sides are connected to develop the long term plan for a China-Pakistan economic corridor. President Asif Ali Zardari and Chinese Premier Li Keqiang witnessed the signing

ceremon of CPEC President Asif Ali Zardari and Chinese Premier Li Keqiang witnessed the signing ceremony as the representatives of the two countries inked the documents at a ceremony held at the Aiwan-e-Sadr. The visit of Chinese Premier Li Keqiang marked the signing of important documents aimed at long-term cooperation between the two countries in multiple areas. The MoU on Maritime Cooperation between the two governments, an Agreement on Boundary Management System between China's Xinjiang and Gilgit-Baltistan area, and another Agreement on Border Ports and their Management System was signed by Chinese Foreign Minister Wang Yi and Pakistan's Foreign Secretary Jalil Abbas Jilani.

The MoU on cooperation for long-term plan on China-Pakistan Economic Corridor between the two governments was inked by Xu Shao Shi, Chairman National Development and Reform Commission, China and Shahid Amjad Chaudhry, Advisor to the Prime Minister. In February 2014, Pakistani President Mamnoon Hussain visited China to discuss the plans for an economic corridor in Pakistan. Two months later, Pakistan Prime Minister Nawaz Sharif met with Premier Li Keqiang in China to discuss further plans, resulting in the full scope of the project to be devised under Sharif's tenure. In November 2014, Chinese government announced its intention to finance Chinese companies as part of its \$45.6 billion energy and infrastructure projects in Pakistan as part of CPEC.

During the state visit of Xi Jinping to Pakistan in April 2015, he wrote in an open editorial stating: "This will be my first trip to Pakistan, but I feel as if I am going to visit the home of my own brother." On 20 April 2015, Pakistan and China signed an agreement to commence work on the \$46 billion agreement, which is roughly 20% of Pakistan's annual GDP, with

approximately \$28 billion worth of fast-tracked “Early Harvest” projects to be developed by the end of 2018. As a gesture of friendship, the Pakistani capital at that time was dotted with slogans and signboards such as “Pakistan-China friendship is higher than the mountains, deeper than the oceans, sweeter than honey, and stronger than steel an oft repeated phrase coined by the Chinese to describe their deep ties to Pakistan.

On 12 August 2015 in the city of Karamay, China and Pakistan signed 20 more agreements worth \$1.6 billion to further augment the scale and scope of CPEC. Details of the plan are opaque, but are said to mainly focus on increasing energy generation capacity. As part of the agreement, Pakistan and China have agreed to co-operate in the field of space research.

In September and October 2015, the government of the United Kingdom announced two separate grants to the Government of Pakistan for construction of roadways that are complementary to CPEC. In November 2015, China included the CPEC into its 13th five-year development plan, while in December 2015, China and Pakistan agreed on a further \$1.5 billion investment to set up an information and technology park as part of the CPEC project. On 8 April 2016, during the visit of Xinjiang's Communist Party chief Zhang Chunxian companies from Xinjiang with their Pakistan counterparts signed \$2 billion of additional agreements covering infrastructure, solar power and logistics.

The first convoy from China, carrying almost 250 containers meant for export to ports in Bangladesh, Sri Lanka, the UAE and the EU arrived in Gwadar on November 13, 2016, thereby formalizing operation of CPEC. On December 2, 2016, the first cargo train, launching the direct rail route and sea freight

service between China and Pakistan, departed from Yunnan. A cargo train loaded with 500 tonnes of commodities left Kunming for the port city of Guangzhou from where the cargo will be loaded on ships and transported to Karachi, marking the opening of the new route. The new rail, sea freight will cut logistics cost, including that of transport, by 50 per cent.

In November 2016, China announced an additional \$8.5 billion investment in Pakistan with \$4.5 billion allocated to upgrade Pakistan's main railway line from Karachi to Peshawar including tracks, speed and signalling, and \$4 billion toward an LNG terminal and transmission lines to help alleviate energy shortages. In February 2017, the Egyptian Ambassador to Pakistan expressed interested in CPEC cooperation. In January 2017, the Chief Minister Pervez Khattak of Khyber Pakhtunkhwa stated that he had received assurances from Chinese investment companies that they would invest up to \$20 billion for projects. In March 2017, an agreement was signed for the projects which include: a \$1.5bn oil refinery, irrigation projects worth \$2 billion, a \$2 billion motorway between Chitral and DI Khan, and \$7 billion worth of hydro-electric projects.

### **Projects in Gwadar Port and City**

Gwadar forms the crux of the CPEC project, as it is envisaged to be the link between China's ambitious One Belt, One Road project, and its Maritime Silk Road project. In total, more than \$1 billion worth of projects are to be developed around the port of Gwadar by December 2017. Initial infrastructure works at Gwadar Port commenced in 2002 and were completed in 2007, however plans to upgrade and expand Gwadar's port stalled. Under CPEC agreement, Gwadar Port will initially be expanded and upgraded to allow for docking of larger ships with deadweight tonnage of up

to 70,000. Improvement plans also include construction of a \$130 million breakwater around the port, as well as the construction of a floating liquefied natural gas facility that will have a capacity of 500 million cubic feet of liquefied natural gas per day and will be connected to the Gwadar-Nawabshah segment of the Iran–Pakistan gas pipeline.

The expanded port is located near a 2,282-acre free trade area in Gwadar which is being modelled on the lines of the Special Economic Zones of China. The swathe of land was handed to the China Overseas Port Holding Company in November 2015 as part of a 43-year lease. The site will include manufacturing zones, logistics hubs, warehouses, and display centres. Businesses located in the zone would be exempt from customs authorities as well as many provincial and federal taxes.<sup>[62]</sup> Business established in the special economic zone will be exempt from Pakistani income, sales, and federal excise taxes for 23 years. Contractors and subcontractors associated with China Overseas Port Holding Company will be exempted from such taxes for 20 years,<sup>[64]</sup> while a 40-year tax holiday will be granted for imports of equipment, materials, plant/machinery, appliances and accessories that are to be for construction of Gwadar Port and special economic zone.

The special economic zone will be completed in three phases. By 2025, it is envisaged that manufacturing and processing industries will be developed, while further expansion of the zone is intended to be complete by 2030. On 10 April 2016, Zhang Baozhong, chairman of China Overseas Port Holding Company said in a conversation with The Washington Post that his company planned to spend \$4.5 billion on roads, power, hotels and other infrastructure for the industrial zone as well as other projects in Gwadar city.

## Roadway projects

The CPEC project envisages major upgrades and overhauls to Pakistan's transportation infrastructure. Under the CPEC project, China has announced financing for \$10.63 billion worth of transportation infrastructure so far; \$6.1 billion have been allocated for constructing "Early Harvest" roadway projects at an interest rate of 1.6 percent. The remainder of funds will be allocated when the Pakistani government awards contracts for construction of road segments which are still in the planning phase. Three corridors have been identified for cargo transport: the Eastern Alignment through the heavily populated provinces of Sindh and Punjab where most industries are located, the Western Alignment through the less developed and more sparsely populated provinces of Khyber Pakhtunkhwa and Balochistan, and the future Central Alignment which will pass through Khyber Pakhtunkhwa, Punjab, and Balochistan.

## Karakoram Highway

Highlighted in red is the route of National Highway 35, which is to be completely rebuilt and upgraded under the CPEC agreement. Highlighted in blue is the 175 kilometre road between Gilgit and Skardu which is to be upgraded to a 4-lane highway. China and Pakistan already conduct trade via the Karakoram Highway. Reconstruction of the Karakoram Highway, The CPEC projects call for reconstruction and upgrade works on National Highway 35 (N-35), which forms the Pakistani portion of the Karakoram Highway (KKH). The KKH spans the 887 kilometre long distance between the China-Pakistan border and the town of Burhan, near Hasan Abdal. At Burhan, the existing M1 motorway will intersect the N-35 at the Shah Maqsood Interchange. From there, access onwards to Islamabad and Lahore continues as part of the existing M1 and M2 motorways. Burhan

will also be at intersection of the Eastern Alignment, and Western Alignment.

Upgrades to the 487 kilometer long section between Burhan and Raikot of the Karakoram Highway are officially referred to in Pakistan as the Karakoram Highway Phase 2 project. At the southern end of the N-35, works are already underway to construct a 59-kilometer-long, 4-lane controlled-access highway between Burhan and Havelian which upon completion will be officially referred to as the E-35 expressway.<sup>[74]</sup> North of Havelian, the next 66 kilometres of road will be upgraded to a 4-lane dual carriageway between Havelian and Shinkiari,<sup>[75]</sup> Groundbreaking on this portion commenced in April 2016. The entire 354 kilometres of roadway north of Shinkiari and ending in Raikot, near Chilas will be constructed as a 2-lane highway. Construction on the first section between Shinkiari and Thakot commenced in April 2016 jointly with construction of the Havelian to Shinkiari 4-lane dual carriageway further south. Construction on both these sections is expected to be completed with 42 months at a cost of approximately \$1.26 billion with 90% of funding to come from China's EXIM bank in the form of low interest rate concessional loans.

Between Thakot and Raikot spans an area in which the government of Pakistan is currently either planning or actively constructing several hydropower projects, most notably the Diamer-Bhasha Dam and Dasu Dam. Sections of the N-35 around these projects will be completely rebuilt in tandem with dam construction. In the interim, this section of the N-35 is currently being upgraded from its current state until dam construction commences in full force at a later date. Improvement projects on this section are expected to be completed by

January 2017 at a cost of approximately \$72 million. The next 335 kilometres of roadway connect Raikot to the China-Pakistan border. Reconstruction works on this section of roadway preceded the CPEC, and were initiated after severe damage to roadways in the area following the 2010 Pakistan floods. Most of this section of roadway was completed in September 2012 at a cost of \$510 million.

A large earthquake rocked the region nearest to the China-Pakistan border in 2010, triggering massive landslides which dammed the Indus River, resulting in the formation of the Attabad Lake. Portions of the Karakoram Highway were submerged in the lake, forcing all vehicular traffic onto barges to traverse the new reservoir. Construction on a 24 kilometre series of bridges and tunnels to Attabad Lake began in 2012 and required 36 months for completion. The bypass consists of 2 large bridges and 5 kilometres worth of tunnels that were inaugurated for public use on 14 September 2015 at a cost of \$275 million. The 175 kilometre road between Gilgit and Skardu will be upgraded to a 4-lane road at a cost of \$475 million to provide direct access to Skardu from the N-35.

### Eastern Alignment

The term Eastern Alignment of CPEC refers to roadway projects located in Sindh and Punjab provinces - some of which were first envisioned in 1991. As part of the Eastern Alignment, a 1,152 km long motorway will connect Pakistan's two largest cities, Karachi and Lahore with 4 to 6-lane controlled access highway designed for travel speeds up to 120 kilometres per hour. The entire project will cost approximately \$6.6 billion, with the bulk of financing to be distributed by various Chinese state-owned banks. The entire Eastern Alignment motorway project is

divided into four sections: a 136 kilometre long section between Karachi and Hyderabad also known as the M9 motorway, a 296 kilometre long section between Hyderabad and Sukkur, a 387 kilometre long section between Sukkur and Multan, and a 333 kilometre section between Multan and Lahore via the town of Abdul Hakeem. The first section of the project will provide high speed road access from the Port of Karachi to the city of Hyderabad and interior Sindh. Upgrade and construction works on this section currently known as Super Highway between Karachi and Hyderabad began in March 2015, and will convert the road into the 4-lane controlled access M9 Motorway which will be completed in an estimated 30 months. In February 2017, a completed 75 kilometre stretch of the motorway was opened for public use by Prime Minister Nawaz Sharif. At the terminus of the M9 motorway in Hyderabad, the Karachi-Lahore Motorway will continue onwards to Sukkur as a six lane controlled-access motorway known also as M6 motorway that will be 296 kilometers long, The planned cost for this project is \$1.7 billion, and will provide high speed road access to interior Sindh – especially near the towns of Matiari, Nawabshah, and Khairpur. The project will require the construction of seven interchanges, and 25 bridges on the Indus River and irrigation canals. The planned route of the motorway runs roughly parallel to the existing National Highway and Indus Highway at various portions. In July 2016, the Pakistani government announced that the project would be open to international bidders on a build-operate-transfer basis, with Chinese and South Korean companies expressing interest in the project.

The 392 kilometre Sukkur to Multan section of the motorway is estimated to cost \$2.89 billion, with construction works

inaugurated on this section of roadway on May 6, 2016. The road will be a six lane wide controlled access highway, with 11 planned interchanges, 10 rest facilities, 492 underpasses, and 54 bridges along its route. The Pakistani government in January 2016 awarded the contact to build this section to China State Construction Engineering, but final approvals required for disbursement of funds were not granted by the Government of the People's Republic of China until May 2016. 90% of the project's cost is to be financed by concessionary loans from China, with the remaining 10% to be financed by the government of Pakistan.<sup>[100]</sup> Construction on this segment is expected to last 36 months.

Construction of the portion between Multan and Lahore costing approximately \$1.5 billion was launched in November 2015 as a joint venture between the China Railway Construction Corporation Limited and Pakistan's Zahir Khan and Brothers Engineers<sup>[103]</sup> The total length of this motorway section is 333 kilometres; however, the first 102 kilometres of the road between Khanewal and Abdul Hakeem is designed as part of the M4 Motorway, and is being funded by the Asian Development Bank. The portion of motorway between Abdul Hakeem and Lahore that is under construction as part of CPEC will consist of the remaining 231 kilometers.

### **Western Alignment**

The Western Alignment of CPEC is depicted by the red line. The 1,153-kilometer route will link the Brahma Bahtar Interchange of the M1 Motorway with the city of Gwadar in Balochistan province. The portion depicted by the orange line between Basima and Shahdadkot is sometimes regarded as part of the Western Alignment. Main article: Western Alignment Main article: Brahma Bahtar-Yarik Motorway The CPEC project envisages an expanded and upgraded road network in the

Pakistani provinces of Balochistan, Khyber Pakhtunkhwa, and western Punjab Province as part of the Western Alignment. The Western Alignment project will result in the upgrading of several hundred kilometres worth of road into 2 and 4-lane divided highways by mid-2018, with land acquisition sufficient for upgrading parts of the road to a 6-lane motorway in the future. In total, the CPEC project envisages re-construction of 870 kilometres of road in Balochistan province alone as part of the Western Alignment. Of those 870 kilometres of road, 620 kilometres have already been rebuilt as of January 2016.

The Western Alignment roadway network will begin at the BarahmaBahtar Interchange on the M1 Motorway near the towns of Burhan and Hasan Abdal in northern Punjab province. The newly reconstructed Karakoram Highway will connect to the Western Alignment at Burhan, near where the new 285-kilometre-long controlled-access Brahma Bahtar-Yarik Motorway will commence. The motorway will terminate near the town of Yarik, just north of Dera Ismail Khan. Groundbreaking for the project took place on May 17, 2016.<sup>[112]</sup> The motorway will traverse the Sindh Sagar Doab region, and cross the Indus River at Mianwalibefore entering into Khyber Pakhtunkhwa province. It will consist of 11 interchanges, 74 culverts, and 3 major bridges spanning the Indus, Soan, and Kurram Rivers. Total costs for the project are expected to be \$1.05 billion.

At the southern terminus of the new Brahma Bahtar-Yarik motorway, the N50 National Highway will also be upgraded between Dera Ismail Khan in Khyber Pakhtunkhwa and Zhob in neighbouring Balochistan province, with eventual reconstruction between Zhob and Quetta. The upgraded roadway will

consist of a 4 lane dual-carriageway spanning the 205 kilometre distance between the two cities. The first portion of the N50 to be upgraded will be the 81 kilometre portion of the N50 between Zhob and Mughal Kot, with construction works having begun in January 2016. Construction on this portion is expected to be completed by 2018 at a cost of \$86 million. While the project is considered a vital link in the CPEC's Western Alignment,<sup>[117]</sup> the project's cost will not be financed by Chinese state-owned banks, but instead by Asian Development Bank under a 2014 agreement which preceded CPEC, as well as by a grant provided by the United Kingdom's Department for International Development.

Heading south from Quetta, the Western Alignment of the CPEC will continue to the town of Surab in central Balochistan as the N25 National Highway. From Surab, a 470 kilometre long route known as the N85 National Highway will connect central Balochistan with the town of Hoshab in southwestern Balochistan province near the city of Turbat. The stretch of road between these cities was completed in December 2016, as per schedule.

Along the Western Alignment route, the towns of Hoshab and Gwadar are connected by a newly-built 193 kilometre long portion of the M8 Motorway – the Hoshab to Gwadar portion of the motorway was completed and inaugurated in February 2016 by Prime Minister Nawaz Sharif. The Western Alignment will be flanked by special economic zones along its route, with at least seven special economic zones planned to be established in Khyber Pakhtunkhwa.

### **Geopolitical Implications of CPEC**

The China--Pakistan economic corridor is a significant bilateral agreement which has the

potential to reconfigure the geopolitics of the South Asian region. China is set to invest \$46 billion in this economic corridor which runs from Gwadar, a deep sea port in the province of Baluchistan in Pakistan to Kashgar in China's northwest province of Xinjiang with roads, railways and pipelines. The Gwadar port lies on the conduit of the three most commercially important regions namely West Asia, Central Asia and South Asia. It is expected to become a terminus point for trade and energy corridor emanating from the Central Asian Region. <sup>iii</sup> Operational control of this port gives the Chinese strategic and geopolitical advantage for the following reasons: First, the port is strategically located not far from the Strait of Hormuz and at the mouth of the Persian Gulf.

This will allow China to monitor the vulnerable sea lines of communication as 60 per cent of its crude supply comes from West Asia. Moreover, most of its supply will be moved through this port which will save China millions of dollars, time and effort. This in a way will help reduce its dependence on the Strait of Malacca. Second, the Chinese face considerable economic and strategic challenges from the US presence in the Asia-Pacific and the Gwadar port will provide a listening post to keep a tab on the US naval activities 460 kilometres further west from Karachi and away from the Indian naval bases. Third, the Chinese have expedited the process of developing Gwadar around the same time as US announced withdrawal of forces from Afghanistan, thus allowing them to conduct economic ventures in Afghanistan and other Central Asian countries. The Chinese aim to use Pakistan as a pipeline corridor to procure oil and gas from West Asian countries, especially Iran. China has also shown interest in joining the US\$7.4 billion Iran--Pakistan gas pipeline, a project that faces stiff opposition from the US. The

development of this economic corridor is a win--win situation for both Beijing and Islamabad. This holds tremendous potential as it would increase economic prospects and activity in Pakistan. There-existing ports, Karachi and Qasim, cannot handle much more traffic and Gwadar will help accommodate the increasing domestic demand. It will also enable Pakistan to expand its interactions with Central Asian countries and Afghanistan as in the case of China. The shift of operations in Gwadar into the hands of the Chinese is certainly a matter of deep concern for the major stakeholders in the Indian Ocean, particularly the United States and India. Therefore, China's ability to get more access to the Indian Ocean through the port of Gwadar is detrimental to the commercial and strategic interests of both the US and India.

China-Pakistan Economic Corridor (CPEC) is a collection of infrastructure projects that are currently under construction throughout Pakistan. Originally valued at \$46 billion, the value of CPEC projects is now worth \$62 billion. CPEC is intended to rapidly modernize Pakistani infrastructure and strengthen its economy by the construction of: modern transportation networks, numerous energy projects, and special economic zones. On 13 November 2016, CPEC became partly operational when Chinese cargo was transported overland to Gwadar Port for onward maritime shipment to Africa and West Asia.

A vast network of highways and railways are to be built under the aegis of CPEC that will span the length and breadth of Pakistan. Inefficiencies stemming from Pakistan's mostly dilapidated transportation network are estimated by the government to cause a loss of 3.5% of the country's annual gross domestic product. Modern transportation networks built under CPEC will link seaports in Gwadar and Karachi with northern

Pakistan, as well as points further north in western China and Central Asia. A 1,100 kilometre long motorway will be built between the cities of Karachi and Lahore as part of CPEC, 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 km per hour by December 2019. Pakistan's railway network will also be extended to eventually connect to China's Southern Xinjiang Railway in Kashgar. The estimated \$11 billion required to modernise transportation networks will be financed by subsidized concessionary loans.

Over \$33 billion worth of energy infrastructure are to be constructed by private consortia to help alleviate Pakistan's chronic energy shortages, which regularly amount to over 4,500MW, and have shed an estimated 2–2.5% off Pakistan's annual gross domestic product. Over 10,400MW of energy generating capacity is to be brought online by the end of 2018, with the majority developed as part of CPEC's fast-tracked "Early Harvest" projects. 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 eventually transport gas from Iran. Electricity from these projects will primarily be generated from fossil fuels, though hydroelectric and wind-power projects are also included, as is the construction of one of the world's largest solar farms.

CPEC's potential impact on Pakistan has been likened to that of the Marshall Plan undertaken by the United States in post-war Europe. Pakistani officials predict that CPEC will result in the creation of upwards of 2.3 million jobs between 2015–2030, and add 2 to 2.5 percentage points to the country's

annual economic growth.<sup>[26]</sup> Were all the planned projects to be implemented, the value of those projects would be roughly equivalent to all foreign direct investment in Pakistan since 1970, and would be equal to 17% of Pakistan's 2015 gross domestic product.

### **One Belt One Road (OBOR)**

China's "One Belt One Road" policy or the New Silk Road strategy is the centre-piece of the Xi Jinping administration. The Silk Road Economic Belt was first laid out first in President Jinping's speech in September 2013 in Kazakhstan. It is revival of the old Silk Road connecting China through Central Asia to the Middle East and Europe. A month later in October 2013 in Indonesia he announced the second part of the initiative - the Maritime Silk Road (MSR) or the 21st century Maritime Silk Route Economic Belt. He also announced new institutions to finance this strategy establishment of the US \$100 billion Asian Infrastructure and Investment Bank (AIIB) and the US \$40 billion New Silk Road Fund (NSRF). The OBOR policy was initially meant to be a framework for greater cooperation between Central Asia and China's western provinces in order to ensure more balanced development within China. As China's western provinces were lagging behind the eastern coastal provinces the new Silk Road strategy was a way to increase trade and cooperation from China to its western borders. The policy has however, evolved into a broader strategy for China's engagement with the world. The new Silk Road proposes to link China to Europe with trade and transport corridors across Central Asia and Russia. The Maritime Silk Road includes maritime links through the Straits of Malacca to the Indian Ocean, Middle East and Africa. This is a revival of China's maritime links to the Indian Ocean and Africa in the 1500's

before China turned inward. But it goes well beyond the idea of the ancient Silk Road. The China Pakistan Economic Corridor (CPEC) and the Bangladesh, China, India, Myanmar (BCIM) corridor are also included in the broader Silk Road idea. In scale and scope it is much larger than the traditional Silk Road concept.

### **Sovereignty claims by India**

The Government of India, which shares tense relations with Pakistan, objects to the CPEC project as upgrade works to the Karakoram Highway are taking place in Gilgit Baltistan; territory that India claims as its own. During the visit of Indian Prime Minister Narendra Modi to China in 2015, the Indian Foreign Minister, Sushma Swaraj reportedly told Chinese Premier Xi Jinping that projects passing through Gilgit-Baltistan are “unacceptable” as they require construction in the claimed territory. India's Foreign Secretary Subrahmanyam Jaishankar also confirmed that the issue had been raised with the Chinese government on the trip. Swaraj reiterated this stance during a meeting in August 2016 with Chinese foreign minister Wang Yi, stating India would “resolutely oppose” the corridor in Kashmir.

India did not object to Chinese construction of the Karakoram Highway, which was built between 1959 and 1979. India further did not initially object to major Chinese-sponsored upgrade works to the Karakoram Highway after a 2010 earthquake, though it did object the presence of Chinese troops in the region that were sent to guard Chinese workers. India further did not object to construction of the Mangla Dam, undertaken with World Bank funding and British technical assistance in southern Azad Kashmir – a region which India claims as its own territory. India even maintained that the Wullar Barrage project in Indian-administered Kashmir, which Pakistan

regards as a violation of the Indus Water Treaty, would ultimately be beneficial for the Mangla Dam. India further did not object to construction works at the Azad Kashmir's Neelum-Jhelum Hydropower Plant, under construction with Chinese assistance since 2008. India in 1991 agreed to allow the Neelum-Jhelum project to move forward, despite the project's location in territory which India legally considers as its own.

Following the 2005 Kashmir earthquake, large-scale reconstruction work of infrastructure took place across northern Azad Kashmir with the assistance of South Korean, Turkish, and Saudi firms. Chinese companies took part in 14 post-earthquake reconstruction projects in the disputed region, worth \$6 billion. India did not object to these works, despite the fact that infrastructure near the militarily sensitive Line of Control were upgraded. Indian objection to Chinese construction works in the Gilgit-Baltistan arose in 2011 in response to a Chinese complaint regarding a joint Indian-Vietnamese oil exploration project in the disputed South China Sea.

### **Conclusion**

CPEC is a multibillion dollar initiative which aims to facilitate trade along an overland route that connects Kashgar and Gwadar, through construction of a network of highways, railways and pipelines. It is considered an extension of China's ambitious One Belt One Road initiative. Pakistani officials predict that the project will result in job creation of up to 2 million direct and indirect opportunities between 2016-2030. Pakistan places high economic hopes in CPEC. Nevertheless, in the medium to long-term CPEC is likely to have a positive effect on the economic development of the country, for example by contributing to improving Pakistan's infrastructure and easing its chronic energy shortage. CPEC strengthens

the strategic alliance between Pakistan and China. At first glance, it would therefore seem likely to exacerbate the dispute between Pakistan and India. But in Pakistan, too, there is a change of thinking taking place. For example, in Islamabad there is a growing understanding that supporting militant groups in order to achieve foreign policy objectives in neighbouring countries such as India and Afghanistan is increasingly counterproductive and has negative effects on Pakistan's national security. Moreover, China nourishes hopes that CPEC and its economic effects will also contribute to the transformation of Pakistani society and the strengthening of moderate forces. China reasons that peaceful development in Pakistan could in turn also have a positive influence on the region, for example with regard to the situation in Afghanistan. Securing Chinese trade routes by granting Gilgit-Baltistan the constitutional status of a province would codify the status quo, thus indirectly bringing the Kashmir dispute to an end and closing a chapter in global politics. India has already signalled in previous negotiations with Pakistan, for example in 2007, that it is willing to accept the status quo in Kashmir, which evinces the current division of the territory. After all there is still a possibility, however unlikely, that India may one day endorse the internationalization of the Kashmir dispute and a referendum. CPEC must be viewed as a major threat to India. Both countries, (China and Pakistan) have a common intention to undermine India's position in the region.

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**Always do right - this will gratify some and astonish the rest.**

**~ Mark Twain**