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## China-Pakistan Economic Cooperation: Trade, Investment, Energy, Infrastructure and Gwadar Port



**Abstract** *This research paper presents an analytical overview of the China-Pakistan Economic Cooperation Under the umbrella of China-Pakistan Economic Corridor. This research study has employed the qualitative method in which secondary sources of data have taken from the existing literature, published and unpublished research works and primary data was collected by conducting interviews of International Relations experts' to analyze the significance of Pakistan-China's Economic Cooperation and CPEC.*

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### Introduction

Economic cooperation has become an essential element of the strategic partnership between China and Pakistan, and a special status has been given to economic partnership. China has invested a lot in infrastructure development in Pakistan. In February 2015, Chinese Foreign Minister Wang Yi visited Pakistan. Both China and Pakistan agreed to make a comprehensive strategy to counter-terrorism for the safety of masses of both countries and strengthen economic relations to ensure peace and harmony in South Asia. China announced the China-Pakistan Economic corridor under Belt and Road Initiative in May 2013, during the visit of the Chinese Prime Minister to Pakistan. (CPEC, 2015) Under the umbrella of CPEC, China and Pakistan agreed to complete energy and infrastructure projects as early as possible. The Chinese Foreign Minister, Wang Yi termed the China-Pakistan Economic Corridor as a flagship project of Sino-Pak strategic cooperation. (Hussain & Hussain, 2017) The China –Pakistan Economic Corridor has four Parts; The Gwadar Port, Energy Projects, Transport Infrastructure and Special Economic Zones.

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The construction of roads, railway links, and special economic zones would become significant sources of economic strength and open new doors for business communities in both countries. The China-Pakistan economic corridor is a pilot project of Beijing's Belt and Road Initiative, a grand economic strategy. Along with China and Pakistan, this project would be beneficial for the entire region. The construction of roads, railway links, and the establishment of special economic zones would become significant sources of economic strength and open new doors for business communities in both countries. However, CPEC has been seen especially by Americans and Indians as the expansion of China's efforts to enhance its influence at the regional and global levels to change the world's economic and security architecture. India is concerned regarding CPEC as it passes through the territories of Gilgit-Baltistan, which in their view, are disputed territories between Pakistan and India. India-US also sees this as China's effort to increase its maritime presence in the Indian Ocean and a threat to India's maritime security.

In December 2018, the New York Times published a report regarding China's military motives behind initiating Belt and Road Initiative and China-Pakistan Economic Corridor. According to the report, under CPEC, China will establish an exclusive economic zone to build fighter jets. Furthermore, factories will be built in Pakistan for the joint production of military hardware and navigation systems. According to the report, China's specific military initiatives under BRI reveal its military ambitions. (Chandran, 2018) Michael Fuchs, a senior fellow at the Centre for American Progress and a former U.S. deputy assistant secretary of state for East Asian and Pacific affairs, expressed his views on the issue. He Said

This should come as no real surprise, the Times report reinforces the notion that China's BRI project has military applications but that doesn't necessarily mean the Chinese military will use the entire BRI to its advantage, but it will certainly tap into a number of projects. BRI infrastructure schemes in member countries such as Pakistan, Sri Lanka and Djibouti are all about giving access to China's military and this could be the next step in the growing China-India rivalry. From the Indian perspective, the Chinese are trying to surround them so New Delhi may now step up its military activities.(Chandran, 2018)

Director of the Asia Institute at the University of Tasmania, James Chin also expressed the same views regarding the report. He said:

Most of the people working in military circles knew there was a security dimension to the BRI so this New York Times report is just a confirmation at best. It is impossible for a country to separate military power and economic power when it is striving for greatness. (Chandran, 2018)

Deputy Chief of mission at the Chinese embassy in Islamabad, Lijian Zhao responded to the report by expressing his views on Twitter. He Said:

Western propaganda against BRI & CPEC takes an ugly turn. It is now saying there are military strings. CPEC is the flagship project of Belt & Road Initiative & purely an economic program – as its name suggests. This is beyond western thinking of unilateralism & zero sum game. (Chandran, 2018)

The construction of the Gwadar port is the most significant project between China and Pakistan. The strategic importance of Gwadar cannot be avoided as it is located on the Strait of Hormuz. The Gwadar port was ready to operate in 2007, and the Chinese assisted this project with massive investment. For the first phase of construction, out of \$US248 million, \$198 million, and for phase II, out of \$932million, \$526 million was

given by China. (Makhdoom, Khan, & Khan) The objective of developing its western region compelled China to make this massive investment in Pakistan because the distance from Kashgar to Gwadar is only 1,500 km, and the distance from China's eastern part to the western region is 3,500km. In addition to this, China would be able to increase its presence in the Arabian Sea and the Indian Ocean's alternate sea route for its trade.

Gwadar is the central point of China's worth US\$60 million projects in Pakistan under its Belt and Road initiative as China and Pakistan planned to establish it as a mega port and trans-shipment hub. The plan is to connect Gwadar with the Western region of China by building special economic zones, railways, roads, and energy pipelines. However, India and the United States are not comfortable with these developments because through enhancing its presence in Gwadar, China can monitor shipments in the Persian Gulf and would provide a capability to bolster its influence in the Indian Ocean vis-à-vis Pakistan, Sri Lanka, Nepal, and Bangladesh. India showed its concern when Pakistan transferred Gwadar's management from the port of Singapore's authority to China in 2013. India's Defense Minister, AK Antony, said, "In one sentence, it is a matter of concern for us."(E. Tribune, February 6, 2013). In 2017, the United States of America expressed its concern that Gwadar could be a naval base for Chinese naval operations in the Indian Ocean. India and America are not comfortable with Chinese naval forces being stationed at the parallel of Strait of Hormuz because the world's almost 80 per cent energy supplies pass through Strait of Hormuz. Pakistan and China call it western propaganda as both the countries have denied that Gwadar is solely an economic hub. According to the Pakistani official, "China has not asked for military access to deep-sea port of Gwadar."(Reuters, October 26, 2018)

In a personal discussion with interviewees, a question has been asked whether Gwadar could be a Chinese naval base or not in the future as Gwadar is an important element of security as well as an economic partnership. Most of the scholars expressed similar views that Gwadar is an economic hub, and it is significant for China because it gives access to Chinese alternate trade routes, and for Pakistan, it would help in economic growth. Presently, Gwadar is not meant to be a naval base; however, future global politics could change the situation. In the view of Manzoor Afridi, "Both countries are denying that Gwadar port is not a naval or military base of China and it will not be in the future as well. However, yes, there will be the engagements of China's military in Gwadar in order to safeguard its supply of goods oil, gas and other goods while trading with the Middle East, Africa and Europe, to check the piracies in the Indian Ocean and to safeguard Pakistan's coastal lines. Nevertheless, there is a possibility in the future if the US develops its naval or military base in India to transform the Gwadar port into the Chinese naval base. Nevertheless, it is conditional, maybe in the future, but in present times, there are no signs."(Afridi, Personal Communication October 24, 2018) According to Wang Shida, "China does not have aspirations to turn Gwadar into Chinese naval base, and this is purely speculation."(Shida, Personal Communication January 20, 2019)

Dr. Salma argued that all three combined navies, China, Pakistan, and India, are nuclear country navies. India has a military nuclear missile and has global ambitions. According to her, due to BJP's aggressive policies, one can very easily wage the fact that India can instigate tension in the Indian Ocean. China, we can say with much confidence for the moment is going to be one of the last to enter into a military missile

game. They may have their navies there for protection, but China is not going to be one to initiate any military or naval conflict in the oceans. Moreover, perceiving threats from India, the Chinese have worked very hard on these worst-case scenarios. They have various options in mind about how to counter such a threat in the oceans. She further added: “Mercantile Activity can never happen without the help of the navy. Navy provides you with that protection and security so if in that case look at the presence of Pakistani Chinese navy to protect the mercantile ships and sea lanes that make much sense and there is no documentation available and Pakistani and Chinese governments are in complete denial and they are refusing that there is any hidden agenda behind cooperation in Gwadar so we should stick to that statement as such yes we can make intelligent statements and one intelligent guess is that you cannot have mercantile activities taking place without having large navies.” (Malik, Personal Communication November 19, 2018)

Khalid Chandio, a research fellow at Islamabad Policy Research Institute, argued that the Chinese and Pakistani navies are present because of the piracy issue as it needs to protect, but as far military base is concerned, why China would need a military base in Pakistan like the one it has in Djibouti. He further added that Gwadar would not turn into a strictly military base. If the Chinese convert Gwadar into a military base since the CPEC is part of the Chinese Belt and Road Initiative, the Chinese would not be able to convince other countries that you should join it.” (Chandio, Personal Communication November 14, 2018). Riffat Husain, Head of Department Government policy and Administration NUST argued that there is much propaganda against Gwadar and it is more from Indians regarding Chinese presence in the Indian Ocean but If you see the quadrilateral presence of India, Japan, U.S. and Australia, the Chinese presence is not more than 10% in the Indian Ocean.”(Husain, Personal Communication November 6, 2018). According to Riaz Husain Khokhar, Former Foreign Secretary of Pakistan and ambassador to China, “The propaganda against Gwadar is being archaistic by India and US. Indians are trying to convince the US that CPEC is a major strategic threat not only to the US but also to the West as Gwadar is going to become a naval base for Chinese, which is the too farfetched assumption of Indians.”(Khokhar, Personal Communication January 26, 2019) Zafar Khan argued that Indian Scholars like Raja Mohan and many others have mentioned that if Chinese presence is there at Gwadar, there is a possibility that Chinese nuclear submarines would come and keep an eye on . India. So that is why India is trying to develop Chabahar with Iran, which is close to Gwadar so that they can keep a balance. (D. Z. Khan, Personal Communication November 8th 2018) Most of the scholars from Pakistan believe that India is creating false propaganda against Gwadar due to its strategic significance. The Chinese government has given statements that are very clear that China’s presence at Gwadar is not a threat, and it will not bring its forces. The main objective is economic connectivity.

Dr. Ghulam Ali expressed his views regarding Gwadar with slightly different views from others. According to him, China and Pakistan want to turn this port into a military base as India is bolstering its naval capabilities, and it is vital to curtail its growing influence. However, China is slightly hesitant because it has declared that Belt and Road initiative is entirely an economic initiative. He noted: “I think the desire is there from both Pakistan and China because if you compare Pakistan defense forces with India, the navy is one of the weakest ones. The vulnerability of maritime weaknesses was evident in the 1965, 1971 Indo-Pak war, in Kargil conflict, and post

Kargil conflict. Indian navy is extending at vast scales, so the best choice for Pakistan is to invite China to present in the north Arabian Sea, which is on the Makraan coast. However, Chinese are a little bit cautious; at this stage, they do not want to come to establish a base in Gwadar. If China is not building a naval port, it is from the Chinese side, not the Pakistani side; Pakistan is more than willing to invite big power like China, which can provide a back to its far weaker naval force in the Indian Ocean.”(Dr. Ghulam Ali, Personal Communication January 12, 2019)

The United States of America is also concerned about Gwadar that there are possibilities that China would initiate naval operations in the Indian Ocean. In a personal interview, Former Foreign Secretary Riaz Muhammad Khan expressed his views regarding Pak-China naval cooperation, the presence of Chinese in Gwadar, and America’s concern. He noted: “Pakistan navy is not a B team for the Chinese navy in the region. Pakistan is not the cat’s paw for China or, for that matter, any other world power. We are happy that we have close cooperation with China, including in the defense arena for mutual benefits. Pakistan needs to build military strength for its defense. Pakistan needs a strong navy for its reasons and has acquired equipment from a variety of sources, including China. The primary purpose of Gwadar is commercial, to serve the hinterland, especially when Afghanistan settles down in the future, as a Transshipment port, and as an energy port. As for the US, there have been concerns by some analysts about Gwadar having a military dimension, but such academic airing of views is quite common in the US. Officially, the only expression of concern has been in the context of possible Pakistani approach to the IMF. US Secretary of State Mike Pompeo stated that Pakistan could not use any IMF loans to repay Chinese loans under CPEC. The fact is that repayment of the Chinese loans is not due anytime soon. Much of the concerns aired in the media are based on speculation, and it is because of paranoia about the economic rise of China.”(Riaz Muhammad Khan, Personal Communication January 16, 2019) China and Pakistan believe that China-Pakistan Economic Corridor is a win-win project for both countries. A brief description of each pillar of CPEC is given in the following pages.

### **Gwadar Port: A Gateway to the New World**

Baluchistan is a significant and resources-rich South-western Province of Pakistan. It is the largest province of Pakistan by land as it consists of 43.6 percent of the total area and lowest by population, with only 5 percent of the total population (Kanwal, 2018). Due to its geographical location, Baluchistan holds a significant position in domestic, regional, and global politics as it borders with two most important countries; Iran and Afghanistan. Due to its geographical significance and natural resources, foreign countries and investors are showing significant interest in making investments in the province. Gwadar is one of the most prestigious districts of this resource-rich province. Gwadar is strategically significant for Pakistan and foreign countries because it is a deep seaport on the Arabia Sea located very near to Strait of Hormuz, linking South Asia with the Middle East and Central Asia. It holds immense economic significance for South Asia, China, and other neighboring regions.

Gwadar is just 72 and 320 km away from Iran and Oman, respectively. Gwadar was an overseas asset from 1783 to 1958. After four years of intense negotiations, Pakistan procured Gwadar from Oman in exchange for US\$ 3 million in September 1958. Pakistan declared Gwadar as a port in 1964, and it became fully functional in 2009. In 2002, Pakistan got assistance from China to start the first phase of

construction work at Gwadar, and in 2002, Chinese Premier Wu Bangguo laid the foundation of Gwadar port (Kataria & Naveed, 2014).

According to experts, the most suitable and shortest route from Pakistan to Central Asian states is the road linkage between Gwadar and Saindak, a town in Chagai district Baluchistan, which also shortens the distance from Pakistan to Afghanistan and China. Afghanistan Central Asia is landlocked regions, and Gwadar port gives access to these countries to deep-sea waters (H. Y. Malik, 2012) and it also connects Pakistan with these states (H. Y. Malik, 2012). Gwadar was officially inaugurated on March 15<sup>th</sup>, 2008. (Kataria & Naveed, 2014) Pakistan has given Gwadar to China for 40 Years on a lease, and it is operated by the China Overseas Port Holding Company (COPHC). Gwadar is creating job opportunities to improve the living standards of local communities. (Kataria & Naveed, 2014)

China has made considerable investments in developing Gwadar port. For the first phase of construction, out of \$US1.6 billion, \$198 million (Alvi, 2015) and for the phase II, out of \$932million, \$526 million was given by China. In this first phase of construction, China built three multipurpose berths, and it was completed in December 2005. (Alvi, 2015) At the start of the second phase of development, China constructed a network of roads to connect Gwadar port with Karachi. China will also provide finances through the Asian Infrastructure Investment Bank and government to government loans on loose term to build nine more ship berths and storage terminal in the second phase of the development of the port. Gwadar is expected to have the capability to handle one million tons of cargo yearly. It is expected to handle almost 19 million tons of crude oil annually, which will be refined at the Gwadar port itself and then be sent to China through the Gwadar-Kashgar pipeline. (Bhutta, 2014) The estimated cost of the pipeline is US\$ 10 billion, and initially, this pipeline will have crude oil passing capacity of one million barrels per day. (Bhutta, 2014)

China imports nearly fifty percent of its oil supplies from the Middle East, and it comes via Dubai- Shanghai-Urumqi route covering a distance of around 10,000 kilometers (Bhutta, 2014). Through this pipeline, China will be able to increase its crude oil imports as this pipeline will link China's western province Xinjiang to Gwadar, and oil will come via Dubai-Gwadar-Urumqi covering a distance of around 3,600 kilometers which is far less than the existing route. (Bhutta, 2014). The objective to develop its western region compelled China to make this substantial investment in Pakistan because the distance from Kashgar to Gwadar is only 1,500 km, and the distance from China's eastern part to the western region is 3,500km (H. Y. Malik, 2012). In addition to this, China can increase its presence in the Arabian Sea and the Indian Ocean (Kalim, 2016). ). Gwadar is not just crucial for China but also for the other states as it provides a convenient trade route. (H. Y. Malik, 2012) China will also provide around US\$ 200 million for further infrastructure development such as railways, pipelines, and roads to connect this port with China and exploit its full capacities. China will also operate this port as an export zone for its finished merchandise. Through this trade route, the industrial potential of China's western province will grow and acquire ample benefits. In the coming years, it is expected that China's presence in Gwadar would help China in increasing its influence in global affairs. (Kataria & Naveed, 2014) In the coming ten years, it is expected that developmental projects in Gwadar will bring a remarkable change in the lives of locals as it will create two million job opportunities. According to predictions made by the

Gwadar Development Authority, the next three decades will see an influx of a total of 1.7 million economic migrants into Gwadar.

Both countries believe that developing the trade and energy corridor by constructing an extensive network of roads, railways, and pipelines gives a thrust to step up Gwadar's development, which is seriously required for its full operational capacities. Various projects related to Gwadar will cost US\$ 793 million. These projects include Eastbay expressway, airport, construction of breakwaters, digging of berths and channels, infrastructure development of free trade zones and export processing zones related industries, necessary facilities of new water treatment and supply, hospital and vocational institute ("CPEC Infrastructure Projects Ministry of Planning, Development and Reforms, Pakistan,"). The full exploitation of the port depends on the completion of these projects. In April 2017, the port's administrative and functional control was given to Chinese corporations (COPHC) for 40 years (Today, 2017). China and Pakistan agreed to expand the corridor and initiate the work is due course. China and Pakistan agreed to expand the corridor and initiate the work in due course. Dostana Khan Jamalini, Director of Gwadar Port Authority, expressed his views regarding the development of Gwadar's China-Pakistan cooperation. He noted:

Gwadar deep sea port is the second great monument of Pakistan-China friendship after the Karakoram Highway linking Pakistan and China. (Kanwal, 2018)

According to the agreement, to recover its investments in Gwadar, China will get 91 and 85 percent share of the revenue generated from the operations of Gwadar port and free zone, respectively. (Kanwal, 2018) There are few reservations within the Pakistani business community regarding this settlement as China will get most of the revenue share generated from Gwadar. They believe that getting a low percentage of revenue shares will not help Pakistan to return its loans, and as a result, Gwadar port could be lost like Hambantota in Sri Lanka where debt payments were so high, and Sri Lanka could not pay and gave its port to China for next 99 years. In a personal interview, Brig. (Retired) Naeem Saalik expressed his views regarding this issue. He noted: "Chinese built Hambantota port, but debt payment was so high that Sri Lanka could not pay that and consequently they had to give their port for 99 years to China, see this is a foreign narrative that same is going to happen with Gwadar as well. It is not the case really because Pakistani economy is far bigger than Sri Lanka, the economic capacity to payback is far more, and this 45 -50 billion is going to be invested in Pakistan till 2030, so this will be distributed in small segments. The debt payment will also be due after 10-15 years, so there is no immediate liability on Pakistan."(Saalik, Personal Communication November 12, 2018).

In the view of Dr. Zafar Khan, "The Gwadar port offers China to have a secure route to import energy supplies through a well-defined energy corridor passing through Pakistan's territory. Gwadar gives China a land-based port for its economic activities that are not controlled by the United States of America. Gwadar port, through the proposed energy and trade corridors, would help China to develop its Western region as it would connect Xinjiang to the Arabian Sea. Through Gwadar port, crude oil imports from Iran, the Middle Eastern states, and Africa could be transmitted to north-west China. Gwadar port also offers an immediate strategic benefit to Pakistan if there would be any armed conflict with India and that it gives maritime access to China to the Indian Ocean."(D. Z. Khan, Personal Communication November 8th 2018)

Baluchistan's people have raised concerns regarding the unequal distribution of revenues generated from Gwadar port and natural resources of the province. Baloch nationalists believe that CPEC would bring demographic changes in the province as many people from other parts of Pakistan and other countries will come to the province to make investments, turning them into a minority in the province. (Kanwal, 2018) As many people are selling their lands to investors at a cheaper rate, Baloch nationals do not see this beneficiary for the locals. They believe that their land is the backbone of this project, and Pakistan's government did not address these concerns before announcing this project. While discussing concerns regarding CPEC, Member of Baluchistan

Assembly, Sana Ullah Baloch expounds;

CPEC inevitably affects the social, political, economic, and cultural lives of Baluchistan's residents; Islamabad has excluded them from the decision-making, which will only accentuate their alienation. (Zubair, 2019)

CPEC inevitably affects the social, political, economic, and cultural lives of Baluchistan's residents; Islamabad has excluded them from the decision-making, which will only accentuate their alienation. (Zubair, 2019) The people of Baluchistan believe that the Pakistani government should disclose the details of all the agreements regarding CPEC and Gwadar. They believe that these agreements are benefitting Eastern Punjab and Southern part of Sindh more which are already developed (Zubair, 2019) In December 2018, Baluchistan assembly passed a resolution for the creation of a national commission to observe the distribution of resources for the province as most of the members believe that much of the investment has been spent on the development of eastern route of CPEC. (Zubair, 2019) According to Baloch leaders, the current unfair distribution of resources and development projects would increase differences among provinces. (Zubair, 2019) The government of Pakistan is trying to address these issues; however, China is concerned about Pakistan's security situation in general and Baluchistan in particular. Hence it is one of the significant hurdles in the way of development of CPEC. Religious extremists and Baloch separatists have repeatedly attacked and killed Chinese engineers and workers in the country. In May 2017, Baloch militants killed ten workers at a construction site near Gwadar by a member of the Baluchistan Liberation Army. (Dawn, 2017a)

In August 2018, a suicide bomber of the Baloch Liberation Army attacked a bus carrying Chinese engineers in Chaghi, a district in Baluchistan. Chinese were injured, but luckily there were no fatalities other than suicide bomber (Notezai, 2018). The most recent attack from Baluchistan Liberation Army was on the Chinese consulate in Karachi. On November 23, 2018, three terrorists attacked the Chinese Consulate. Two visa applicants and two police officers were killed in the attack. Although Chinese officials remained safe and all the three militants that carried out the attack were killed in retaliatory firing (Notezai, 2018).

It is a known fact that Baloch separatists are against the project, and they do not want the Chinese to continue their work in the province. According to analysts, by attacking Chinese engineers' workers and official, they want to create fear among the Chinese, and they are quite successful in their mission. According to experts, these kinds of attacks from Baloch separatists would not stop in the future. (Notezai, 2018) Religious extremists are also against the Chinese presence in the country as they believe that in 2007 when the Pakistani government cracked down on Lal Masjid in Islamabad, it was due to Chinese Pressure. More recently, China's oppressive policies



against the Uyghur Muslim majority in the Western province of Xinjiang are also one of the reasons for the anti-China sentiment in Pakistan. (Notezai, 2018). These reasons have forced religious extremists to attack Chinese citizens in Pakistan. In the past, when Pakistan has taken vigorous actions against these separatists and religious extremists across the country, Chinese citizens have been abducted and murdered in response. (Notezai, 2018) To ensure the safety of local and foreign workers and to secure all the projects under CPEC, the government of Pakistan has deployed Maritime Security Forces and Special Security Division in Baluchistan. (Dawn, 2017a)

In December 2010, Ahmed Shuja Pasha, former Director General Military Operations Pakistan, presented a report to the member of the National Assembly. According to the report, Baloch separatists are getting funding from Russia, UAE, and India to create insurgency in the province. (Today, 2015) He had shared the evidence of the existence of nine training camps for members of the Baluchistan Liberation Army along with the Pak- Afghan border. According to the report, governments of these countries were directly involved in funding/training/supporting Baloch separatists. (Today, 2015) UAE is concerned regarding the development of Gwadar as Dubai Port's strategic benefits may be affected if Gwadar would become fully functional. (Today, 2015)

Pakistan claims that India is providing funds to terrorists to create instability and unrest in Pakistan. In 2016, during his speech on Independence Day, Indian Prime Minister Narendra Modi openly expressed his support for Baloch nationalists. (Roche, 2016) In March 2016, Pakistan's law enforcement agencies arrested one Indian spy named Kulbhushan Jhadav while entering into Pakistan at Pak-Iran border. Later on, he confessed that he is a serving Indian naval officer, and his objective was to create instability and unrest in Baluchistan and Karachi. (Dawn, 2016)

India and Pakistan presented their case regarding Kulbhushan Jhadav in the International Court of Justice (ICJ), where Pakistan claimed that Kulbhushan Jhadav's criminal activities purpose was to create unrest in Pakistan and particularly sabotage the China-Pakistan Economic Corridor. He has done it on the instructions of the Indian government and state. On July 17, 2019, the International Court of Justice announced its final verdict regarding Kulbhushan Jhadav's case and rejected India's plea for his return. ICJ asked Pakistan to give consular access to Jhadav and to ensure the effectual reassessment of his case and reconsider his conviction and sentences (Dawn, 2019b).

To secure Chinese Investment in Pakistan, Pakistan is developing a Special Security Division of 15,000 security personnel and PLA soldiers to ensure the security of the CPEC project against terrorist attacks. The presence of PLA soldiers in Pakistan in large numbers will further strengthen South Asia's security environment. With its massive investment in infrastructure development projects and an increase in the number of Chinese nationals in Pakistan, China will have a more significant stake in regional peace and stability and could play a decisive role in maintaining regional peace.

### **Energy Projects under CPEC**

China and Pakistan recognized the necessity and significance of the power projects to meet the country's power demands; that is why power projects are an essential element of this flagship project. According to official reports, nearly US\$ 33.8 billion

have been allocated by Chinese for twenty-four energy projects of combined 17045 MW in Pakistan. Both countries agreed to develop 16 out of 24 energy projects of 10400 MW on a priority basis. Eight projects of 6645 MW are for enhancing the power capacities. ("CPEC-Energy Priority Projects Ministry of Planning, Development and Reforms, Pakistan,") Five out of 16 projects are coal energy projects of 7560 MW and 1320 MW each at port Qasim, Sahiwal, Thar Block-1, Thar Block-2, and Rahim yar khan, one project of 300MW at Gwadar, and one of 660 MW at Hub Baluchistan. The other energy projects include: one solar park of 1000 MW at Bahawalpur; the city in South Punjab, two wind power projects of 50 MW and one of 100 MW at Jhimpir (Thatta) and one wind power project of 50 MW at Bhambor, two hydro projects of 870 MW and 720 MW in Khyber Pakhtunkhwa province, one hydropower project in Azad Jammu Kashmir, Matiari to Lahore and from Matiari to Faisalabad transmission line projects ("CPEC-Energy Priority Projects Ministry of Planning, Development and Reforms, Pakistan,")

There are almost nine power projects which are actively working including Gaddani Power Park of 1320 MW, Coal energy project of 600 MW at Hub, Kohala hydropower project of 1100 MW at Azad Jammu Kashmir, wind power project of 100 MW at Jhimpir (Thatta), Mine Mouth coal power project of 1320 MW, Salt range Mine Mouth power project of 300 MW and Coal power project of 1320 MW at Muzaffargarh. ("CPEC-Energy Priority Projects Ministry of Planning, Development and Reforms, Pakistan,") Both countries believe that the development of energy projects improve socio-economic conditions in the country. In addition to these power projects, the Chinese are also interested in constructing an oil refinery, and oil storage facility at Gwadar port and China's western province would be linked to Gwadar through an extensive network of roads, railways, and pipelines for trade and oil transportation. (Naz, 2015)

### **Transport Infrastructure**

The development of transport infrastructure such as roads and railways and communication infrastructure in the country is the third most crucial pillar of CPEC. Most essential infrastructure projects under the China-Pakistan Economic Corridor include 440 Km Karakoram Highway Phase two with an approximate cost of US\$ 3.5 billion, 392 km Multan-Sukkur section of Peshawar-Karachi motorway with an approximate cost of US\$ 2.6 billion, 1736 km extension and renovation of existing line ML-1 with approximate cost US \$3.65 billion, Havelian dry port with an approximate cost of US\$ 40 million and 820 km Cross Border Optical Fiber Cable and DTMB with an estimated cost of US\$ 44 million ("CPEC Infrastructure Projects Ministry of Planning, Development and Reforms, Pakistan,") Undoubtedly, these infrastructure projects significant for Pakistan's overall development. These projects will create millions of job opportunities and bring investment, which will eventually improve living standards and security in the country. As China is making huge investments in Pakistan, it is encouraging that other countries invest in Pakistan as Saudi Arabia and the United Arab Emirates announced US \$20 billion and the US \$ 10 billion investment in Pakistan.

## **Special Economic Zones**

CPEC is a 2400 km long Economic Corridor passing through the territories of Azad Jammu and Kashmir and Gilgit-Baltistan. Pakistan-China is agreed to develop special tax-free economic zones within every 200 miles. The model of Gwadar port has been planned based on the 'Shanghai Free Trade Zone.' Industrial zones would be built through public and private partnerships and joint ventures. Chinese business community has shown significant interest in purchasing land within the free economic zone of Gwadar port to develop an industrial park.

Baluchistan is a resource-rich province and has vast stocks of gold, copper, oil, gas, marble, and gemstones. It would be advantageous for Baluchistan's resources to be explored and explored by the local workforce after giving them professional training. Both countries have identified potential sites for Economic Zones in all provinces from Khanjrab to Gwadar. Each exclusive economic zone will target specific goods and services based on the accessibility of local raw material, labor, and other such factors. Both countries believe that the development of these special economic zones will attract local and foreign investments, will generate huge revenues, and create job opportunities.

## **CPEC: A Win -Win Project**

Both countries believe that the CPEC project is mutually beneficial for Pakistan and China, and they view the development of this project as a win-win situation. While expressing his reviews regarding CPEC, China's Ambassador to Pakistan said that "CPEC will ensure the overall wellbeing of Pakistan." (T. E. Tribune, 2015). In the current environment of South Asia, China-Pakistan strategic partnership shows that they have common agendas and mutual interests and CPEC serves these interests. CPEC would also China in counterbalancing other regional alignments, especially Indo-US strategic partnership and alignment among significant powers such as India, the United States, Japan, and Australia to contain China. Due to its massive investment in Pakistan under CPEC, China is decisively dependent on Pakistan, so Pakistan's security, internal stability, and protecting territorial integrity have become China's core priorities. (D. S. Malik, Personal Communication November 19, 2018).

## **Benefits for China**

Strategically, CPEC would help China to counter Indo-U.S. influence in the Indo-Pacific region. It is also a massive economic plan to give a massive rise to China's economy by creating large-scale construction activity, providing an alternative route for energy supplies, and providing access to new markets for China's merchandise.

China's massive investment in Pakistan and other South Asian states will be supportive of bringing stability in South Asia. Economically and financially secure, Pakistan is in favor of China's strategic ambitions. By having financial stability, Pakistan would be able to fight against non-traditional security challenges. This would help China to break linkages among militants present in Xinjiang, Pakistan, and Afghanistan.

Furthermore, through CPEC, China will be able to develop its western region Xinjiang as 90 percent of the population lives in the eastern part of the country. China imports approximately fifty percent of energy supplies from the Middle East, and it comes via Dubai- Shanghai-Urumqi route covering a distance of around 10,000 kilometers. (Bhutta, 2014) Through this alternative trade route, China will be able to

increase its crude oil imports as this pipeline will link China's western province Xinjiang to Gwadar, and oil will come via Dubai-Gwadar-Urumqi covering a distance of around 3,600 kilometers which is far less than the existing route. (Bhutta, 2014). The objective to develop its western region compelled China to make this substantial investment in Pakistan because the distance from Kashgar to Gwadar is only 1,500 km, and the distance from China's eastern part to the western region is 3,500km. (Bhutta, 2014) CPEC is also benefited for China as it would help it in alleviating its foreign exchange reserve structure. It would also create investment opportunities for Chinese companies and developing new connections between central land china and the Indian Ocean.

### **Benefits for Pakistan**

Pakistan has been facing serious security challenges since 9/11. CPEC brought huge Chinese investments and government to government loans on softer terms. CPEC is a huge opportunity for Pakistan for infrastructural development as mega-projects such as roads and railway networks, pipelines, and industrial parks would help it in revitalizing its economy, and Pakistan will also be able to overcome its power shortage through extensive energy projects under CPEC. Infrastructure projects, transportation networks, and Gwadar port are creating millions of jobs and investment opportunities, helping the country reduce the unemployment rate. CPEC is also beneficial for the entire region and neighboring regions, as is a network of several roads, railways, and pipelines from Gwadar to Khunjab.

There are three routes of CPEC; Eastern route Central route and the Western route, which means it passes through all the provinces of the country and offers jobs and business opportunities to all provinces of Pakistan. CPEC would help the government solve economic inequality in all the provinces of the country. Undoubtedly, peace in Pakistan and across South Asia is crucial for the success of every project under CPEC. Pakistan is trying hard to address China's concerns regarding peace and security in the country through initiating military operations like Zarb-e-Azab and Radd-ul-Fasaad across the country to curb terrorism, extremism, and Separatism. Pakistan's efforts have been very successful, and the country's security situation is getting better with each passing day.

### **Benefits for South Asian Region**

CPEC has the potential to transform the whole region as it is not just a bilateral project. Gwadar can connect the South Asian region to resource-rich regions, and almost three people can be benefitted from this multi-billion project. As Pakistan is a central point of this project, it can play a tremendously positive role in enhancing trade among South Asian states, and SCO (Shanghai Cooperation Organization) states to ensure peace in South Asia and beyond (Dawn, 2015c).

### **Conclusion**

The CPEC is win-win cooperation between the two countries. Due to Chinese investments in Pakistan under CPEC, other states like the UAE and Saudi Arabia are also taking initiatives to invest in Pakistan. These investments and economic growth can transform Pakistan into an economic hub. This economic growth will help Pakistan to enhance infrastructure, increase employment opportunities, and promote industrialization.

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