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China-Pakistan Economic Interdependence



Abstract *This research paper presents an analytical overview of China-Pakistan bilateral trade, Free Trade Agreements and Chinese Foreign Direct Investment in Pakistan. Geo-economics has become a focal point in inter-state relations. Initially, geo-economics was analyzed by the theorists as an element of Geo-strategic politics along with other elements for projecting power. According to realists and Neo-realists, military power is the primary element of exercising power in global politics. Paul Kennedy was one of the leading scholars who discussed the relation between national power and economic resources of the country in his work entitled; *The Rise and Fall of the Great Powers*.*

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Introduction

Economic interdependence among states, especially the regional states, presents a solid foundation for the development of friendly relations. In the age of globalization, to achieve an objective of national and regional security, economic growth has become a significant imperative. Now economic growth of a country has been considered as one of the most important components of its national power, and states are using economic tools to exercise their national power and redefining their conventional partnerships with other states. Pakistan-China strategic partnership is based on comprehensive geostrategic and realist calculus. It is a multidimensional partnership where both countries are equally important for each other. Pakistan is facing severe economic challenges, so China-Pakistan economic cooperation is an essential element of this strategic partnership. As China has economic resources and technological capabilities to take Pakistan out of these problems, at the same time, geographically, Pakistan is

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significant for China's grant economic plan BRI because Pakistan is giving China access to the vast markets of Central Asia, Middle East and Africa through Gwadar, so the economic cooperation is mutually beneficial for both states. (Irshad, 2015) By investing in infrastructure development and energy projects, both countries can get equal benefits. The Chinese role and interests in shaping the regional security order are increasing. Geo-economic instruments are being employed to achieve geo-strategic objectives in the region, which is already marked by conflict and instability. (M. M. Khan & Kasi, 2017)

As China has emerged as the second-largest economy in the world and has the potential to become the largest one in the coming years, it can help Pakistan through enhancing economic cooperation, trade, and investments in Pakistan. According to the International Monetary Fund (IMF), China has become the world's largest economy, as in terms of Purchasing Power Parity (PPP), China's GDP surpassed the United States of America in 2014. (Gorman, 2014) By 2030, According to the world's economists, China's economy could be twice that of the United States. (Tehseen, 2017) China has become one of the world's largest exporters. In 2012, China became the world's largest trading country after surpassing the US. China's global investment would reach as much as one to two trillion dollars by 2020. (Cardenal, 2013). China is the world's most populous country with 1.3 billion people, approximately a fifth of the world population. (Economics, 2018). China's primary objective is to enhance economic cooperation with all South Asian states as China's economy grows with each passing day. The Sino-Pak strategic relationship has further strengthened in the past few years. With considerable investments in Pakistan, China is the largest trading partner of Pakistan and is one of the top states providing Foreign Direct Investment (FDI) to Pakistan. (Dawn, 2014) Pakistan has been facing economic challenges due to the security situation since 9/11. China's investment in Pakistan helps to bring Pakistan's economy back on track, and it is encouraging other countries as well to invest in Pakistan.

Bilateral Trade: Pre and Post 9/11 Situation

Since the beginning of the 21st century, the global economic field has been experiencing profound changes, mainly due to the emergence of economic globalization and regionalization. There was a significant change in most of the countries' economic policies; hence several states adopted economic diplomacy and exploration for business opportunities worldwide as a policy approach mainly after the world trade organization (WTO). To enhance bilateral and multilateral economic cooperation and trade, states have been using free trade and investment agreements as tools.

In the prevailing situation, the trade model between the two countries has not been so much profitable for Pakistan. Because of the high demand for Chinese goods in Pakistani markets, Pakistan's imports from China is exceeding than exports. Pakistani market is rapidly becoming more dependent on Chinese imported goods. The overall practice of trade between China and Pakistan has been par-excellence owing to the practices of readily accessible measures in trade. Pakistan has become one of the largest importers of Chinese merchandise as Pakistani businesspeople import the bulk of goods such as textiles, machinery, electronic appliances, stationery, chemicals, and construction materials from China due to low prices.

In 2011 alone, the trade between China and Pakistan was worth US\$ 7 billion (M. Khan, 2012). However, it was more favourable for China as China exports merchandise from Pakistan on a microscopic scale, but there is a definite understanding between China and Pakistan to lessen such trade discrepancies. (Ahmed, 2015) For Pakistan, the

profitable export goods to China are textiles, agriculture, leather and plastic products, fruits, oilseeds, and base metals. China is in a better position than Pakistan due to its export goods, which include heavy machinery, electronic appliances, textiles, transport tools, expensive instruments, precious pearls, stones, defense equipment, arms, and aircraft. (S. A. Khan, 2009)

Pakistan and China signed a Free Trade Agreement in 2007, and trade volume has been increasing substantively since then. With the increase of 19 percent, China became the largest trading partner of Pakistan as trade volume between China and Pakistan reached US\$ 17 billion in November 2015. ("Remarks by Ambassador Sun Weidong at the Opening Ceremony of Pakistan-China Business Friendship Conference," January 18, 2016) On May 22, 2016, during an interview, Chinese Ambassador H.E. Sun Weidong gave the exact figures of trade volume. According to him, the bilateral trade volume is US\$ 18.9 billion. (Nation, 2016)

The economic cooperation between China and Pakistan has opened doors for more opportunities in information technology, telecommunication, heavy machinery, textile products and machinery, automobiles, chemicals, polymers, agribusiness, and electronic appliances. (Ahmed, 2015) In addition to this, some other vital industries, such as food processing, packaging, livestock, oil, gas, power sector, mining, and dairy farming, are also benefitting from this increasing cooperation between the two states. China has emerged as the most significant bilateral trading partner in Pakistan. (S. A. Khan, 2009)

In the post 9/11 period, strategic cooperation between China and Pakistan has drastically enhanced. The economic and trade cooperation is also enhanced at the same level as economic cooperation, which has become an essential element of the overall strategic partnership between China and Pakistan. Initially, the trade volume between the two states was deficient. For instance, China's export to Pakistan was worth US\$19 million, and import from Pakistan was worth US\$ 4 million in 1960. China's export share to Pakistan was worth US\$377 million, and import from Pakistan was worth US\$ 45 million, so the total trade volume of US\$822 million was achieved in the year 2000. Although from 1960 to 2000, trade volume between the two states was increased by 43 percent (M. Khan, 2012) but it was still not as much as it could be when considering the following points:

- i. The size of Sino-Pak economies.
- ii. The close strategic partnership between the two countries.
- iii. Sino-Pak geographical proximity.
- iv. Several domestic production and consumption of a wide variety of products.
- v. Enjoying the comparative benefits of manufacturing varied merchandise.

In post 9/11 era, Pakistan became more dependent on China economically. For instance, China emerged as the largest exporter of Pakistan and the second-largest market for Pakistan's merchandise in the year 2014. Free Trade Agreement between the two states was beneficial for Pakistan as it exports to China multiplied. Hence, bilateral trade volume between China and Pakistan reached US\$12.7 billion in 2014, which was double compared to the volume in 2007. (M. M. Khan & Kasi, 2017) According to the figures, China's imports from Pakistan have reached US\$1.7 billion, and Pakistan's imports from China are worth US\$15.7 billion.(M. M. Khan & Kasi, 2017) Despite the increase in economic cooperation, and tremendous growth in total trade, the gap between export and import is continually increasing. (Munir, 2018) Though, according to few official and unofficial reports, discrepancies between imports and exports within the range of \$3-6 billion are due to mistakes in reported data.

There is a considerable increase in Pakistan's exports to China, but Pakistan's imports from China are more than exports, and this gap is broadening day by day. In order to tackle the trade imbalance issue, China and Pakistan agreed to take various steps, e.g.:

- i. Harvest Program of the Free Trade Agreement (2005)
- ii. Free Trade Agreement (2006)
- iii. Agreement on Trade in Services (2009)
- iv. Second Phase Negotiations of Free Trade Agreement (2015) (Munir, 2018)

Harvest Program of the Free Trade Agreement

China and Pakistan marked this agreement on April 5, 2005, in Islamabad. This agreement provided tariff concessions to both Pakistan and China. This agreement's implementation started on January 1, 2006. ("Pak-China Early Harvest Programme," 2006).

Free Trade Agreement

Free trade agreement was signed between the two countries on November 24, 2006 ("Pak-China Free Trade Agreement in Services," 2006) (Shabir & Kazmi, 2007) and was implemented from July 1, 2007. It was a beneficiary step for the trade and investment between the two countries. The Early Harvest Programme was also combined with the Free Trade Agreement. Trade and investments in cotton fabrics, bed-linen, home textiles, leather products, marble and tiles, sports goods, fruits, vegetables, engineering equipment, and machinery were part of the first phase. According to the agreement, China cut 50 percent of tariffs on fisheries, milk goods, orange juice, plastic, leather goods, rubber products, and woven and knitted products. China attained access to Pakistani markets for its fruits, vegetables, raw materials for several industrial sectors, engineering equipment, heavy machinery, and chemicals.

The Agreement on Trade in Services

Negotiations on 'Agreement on Trade in Services' were started, both countries finalized the agreement on December 3, 2008, and signed on February 21, 2009, in Wuhan, China ("China-Pakistan free trade agreement on services to be in effect soon," February 23, 2009). This agreement was beneficial for Pakistan because it was a comprehensive free trade plan which included trade, investment, and services. The agreement focused on 1) the Incorporation of Pakistan-China economies, 2) Setting up an investment system in the services sectors, and 3) Encouraging joint projects to enhance the capacity of local service suppliers' transfer of cost-effective technology and creation of new jobs in Pakistan. The first phase of the Free Trade Agreement got expired in December 2012. After this expiration, China and Pakistan initiated a process to negotiate for the second phase in July 2013. The agreement fixed around US\$ 15 billion targets for the Pakistan-China trade until the end of the second phase.

Second Phase Negotiations of Free Trade Agreement

Representatives of both countries met on January 6, 2015, to start negotiations for the second phase of the free trade agreement. ("Pakistan, China finalise free trade agreement in banking sector," April 3, 2015) Pakistan-China decided to make the requirements for opening bank branches easier in both countries. Both countries agreed

that the asset requirement for opening a bank branch should be decreased from US\$ 20 billion to US\$15 billion. On March 20, 2017, Habib Bank Limited (HBL) opened its first branch at Urumqi high-tech Industrial Development in China. (APP, March 22, 2017). The industrial and Commercial bank of China opened its two branches in Islamabad, and Karachi and The Bank of China opened its first branch on November 8, 2017, in Karachi. (Standard, 2017). China and Pakistan decided to channel the investments for the China-Pakistan Economic Corridor through Pakistani Banks as it would be beneficial for reducing the current account deficit. China and Pakistan launched an electronic system for exchange trade data to capture the accurate value of imports on April 30, 2018. (News, 2018) On April 29, 2019, Pakistan and China signed the second phase of Free Trade Agreement which includes several trade agreements and MOUs such as the development of Havelian Dry Port under China-Pakistan Economic Corridor, Completion of the preliminary design of Phase-1 for Up-gradation of ML 1, MOU on cooperation in the field of Marine Sciences, China-Pakistan Economic and Technical Cooperation Agreement, MOU on Implementation of projects under CPEC for Socio-Economic Development. (P. Tribune, April 29, 2019)

The second phase of FTA will be helpful for the enhancement in bilateral trade between the two countries and would decrease the discrepancies. Undoubtedly, Pakistan has widened the export regime to China in several fields, but Pakistan had specific fears regarding the inadequate provision of services in the Free Trade Agreement. Both countries signed an agreement to limit the exceeding quota of import of any product from either country. In the second phase of FTA, tariff concession has increased from 35 percent to 90 percent. Presently, in order to maximize its gains, Pakistan needs to broaden its export regime to China more because eighty percent of its exports include just a few merchandises. Currently, Under the second phase, there are good chances for Pakistan to create a balance in its imports and exports and get maximum benefits, which were not possible previously as the first phase of the Free Trade Agreement was not beneficial for Pakistan. Both Pakistan and China agreed to devise five working groups to amend the agreement. The main products China imports from Pakistan include cotton thread, cotton textiles, leather products, and fish. Pakistan can get maximum benefits from its exports to China because it has a vast range of products such as agriculture, mineral, chemical, textile, and leather products (M. Khan, 2012) Moreover, Pakistan has a relative advantage in oilseeds, vegetables, fruits, base metals, plastic products, and perfumery, etc. China is in a much better position than Pakistan due to its range of goods, including heavy machinery, electronic appliances, textiles, transport tools, expensive instruments, precious pearls, stones, defense equipment, arms, and aircraft. (M. Khan, 2012).

In post 9/11 period, both countries have enhanced the economic cooperation and signed more than a few bilateral agreements, like China-Pakistan Joint Investment Company (CPJIC), Free Trade Agreement (FTA), Double Taxation Agreements (DTA), custom related agreements and procedures, several MOUs and other agreements in many fields. (M. Khan, 2012) Most recently, both countries agreed to make a comprehensive plan for trade in services. Therefore, the enhancement in technical and financial assistance will occur once this agreement is implemented successfully.

Foreign Direct Investment (FDI)

Presently, there has been a continuing increase in mutual investments between the two countries. In recent years, China has invested in various sectors in Pakistan, and

Chinese companies are actively participating in business and economic activities in Pakistan. Chinese companies such as Metallurgical Construction Corporation of China, ZTE, Huawei Technologies, and Machinery Imp/Exp Corporation are playing an essential role in providing services and creating jobs in the fields of Information Technology, Telecommunication, mining, and automobiles sector. In the same way, according to a few MOU's, for the development of the energy sector in Pakistan, China International Water and Electric Cooperation and China Petroleum are working on the projects.

In 2015, China made investments in 39 projects in Pakistan, and total investment in Pakistan was worth US\$ 18.9 billion. According to available data, it is worth mentioning that from the year of 2003 to 2015, despite few differences, China's investments in the country have incessantly been growing. Similarly, to other features of strategic partnership, China and Pakistan increased their economic cooperation and Preferential Trade Agreement (PTA) was signed. In 2006, it was transformed into a Free Trade Agreement. In the year 2013, China-Pakistan signed multi-billion dollar agreements for infrastructure development, roads, railway links, gas pipelines, and Gwadar port under CPEC. (Dawn, 2013)

In the year 2013, after the announcement of the project and investment policy, Chinese business investors have initiated joint ventures with Pakistani companies which significantly augmented China's investment in Pakistan. Since 2006, after the signing of the Free Trade Agreement, China has made considerable investments in several sectors of Pakistan, such as fruits, vegetables, seafood, livestock, electronics, heavy machinery, engineering equipment, vehicles, and textiles. This investment has generated revenues for the Pakistani government and created thousands of jobs and services in Pakistan, helping to reduce the unemployment rate in Pakistan. (K. Abbas, 2015) Chinese investors are investing most of the capital in the private telecommunication and technological sector. In recent years, China has exceeded the USA and became the largest foreign direct investor in Pakistan. (K. Abbas, 2015)

Despite the above-mentioned positive elements of economic cooperation, both countries are also facing some severe challenges most importantly, life and investment security is the biggest challenge as Pakistan has been facing severe security threats internally and externally since 9/11. In addition to this, the country's unstable economic policies, administrative delays, and lengthy processes are also a few of the factors that are putting foreign direct investments at risk. These factors are significant concerns for private Chinese investors and have limited these foreign investors in Punjab, urban Sindh, KPK, and Baluchistan. For the economic betterment, the Pakistani government must make proper arrangements to provide full proof security to private investors. In order to get more investments from Chinese mainly in the agricultural field, which gets the smallest investment from private Chinese investors in the country, promotional activity is a significant step that needs to be taken by the government. (K. Abbas, 2015) In July 2019, 55 executives and heads of different companies met Prime Minister Imran Khan and assured him that they would invest \$5 billion in different sectors of Pakistan in the coming three to five years. (Dawn, 2019a).

Pakistan is also facing a power shortage problem. According to Chinese, Pakistan should decrease its dependence on hydropower and must look for other ways to overcome the problem of power shortage. (Durrani, 2015). Pakistan has other means for electricity generation such as coal, wind, and nuclear power production, which attract investors

from China to bring their money to Pakistan and invest in energy projects. (Durrani, 2015)

China-Pakistan's cooperation in the energy sector will be further enhanced because China has assured Pakistan to invest US\$ 35 billion for the development of nineteen hydro, solar, coal power projects, power transmission projects. It includes four wind power projects of 300 MW capacity, one solar power project of 900 MW, three hydropower projects of 2,714 MW, five coal projects in Thar, Sindh of 3,960 MW and four imported coal projects of 4,260 MW and one HVDC transmission line between Sindh and Punjab (Dawn, 2017b). To strengthen civil-nuclear cooperation, China has guaranteed that Pakistan would be worth US\$ 6.5 billion on loose terms, and two nuclear power plants would be constructed in Karachi with these loans. (Dawn, 2015b) The combined power generation capacity of these plants would be 2,117 Megawatts. (Dawn, 2015b) Pakistan has become one of the highest recipients of Chinese Investments in South Asian countries as both countries have signed agreements in almost every field. China has invested in around 200 small and mega projects, and almost ten thousand Chinese workers are working on various joint ventures in Pakistan. These projects have strategic significance for China as China is expanding its influence in the region through considerable investments in different regions. Strategic cooperation with Pakistan would enable China to access shorter trade routes and develop its western region. On the other hand, China is a high-value supporter of Pakistan's national interests at a global level.

At the same time, China and Pakistan actively participate in regional and multilateral organizations. Both countries are in favor of bilateral and multilateral economic cooperation and connectivity networks among states. Pakistan-China agreed on the continuation and enhancement of strong strategic partnerships and played a proactive role in multilateral forums such as the South Asian Association for Regional Cooperation (SAARC), Shanghai Cooperation Organization (SCO), etc.

China's Development

China has been receiving extraordinary achievements in alleviating poverty in the country for the last two decades. These achievements distinguish China from other developed countries. The essential and central point of its economic policy has been the establishment of special economic zones, industrial parks, advanced agriculture, disaster management, regional economic integration, and enhancement of foreign direct investments. (Jisi, 2011) Pakistan and China have strong semblance in poor-rich and urban-rural divide and economy-related parameters. Therefore, Pakistan can benefit from Chinese expertise by exchanging valuable information regarding global trends, trade avenues, communication, and coordination to improve its overall economic growth. (Irshad, 2015) Along with effective economic policies and political stability, Pakistan needs to improve the internal security situation for economic alleviation. (Irshad, 2015).

The speedy augmentation in trade and economic investment is austere dependent on these factors, which can be achieved through comprehensive planning and joint strategic efforts. The recommendations that may make the existing policy structure better to achieve economic objectives include creating an enabling environment for the timely implementation of the agreements. Furthermore, the rapid implementation of the Transit Trade Agreement will enhance foreign investors' confidence, which is crucial for long-term sustainable economic partnerships among states. China is an indispensable partner for Pakistan as it is heavily dependent on China economically.

China's rapid economic growth and regional dynamics in the post 9/11 period have increased the demand level of production of raw materials, manufacturing, and exchange of products with other states. Such a Chinese context is favourable for Pakistan's natural resources, making the increase in trade possible through investment to replace the diversification risk in policy structure and further enhance economic cooperation in the region and beyond for mutual benefits.

China-Pakistan's economies are deeply interconnected. China provides financial and technical assistance for the various infrastructure developments. To make things easy for foreign investors, and productive results, development and information sharing must be aligned. Both countries need to be more active to encourage and facilitate economic cooperation (Javaid & Javaid, 2016). Many Pakistani and Chinese companies have signed agreements and MOUs worth millions of dollars to cooperate and start joint ventures in almost every field. These sectors include infrastructure, transportation, telecommunication, finances, agriculture, chemicals, automobiles, and industries. (Tauseef, 2013) It is encouraging to see that the prospects of bilateral economic cooperation between the two countries are bright as China and Pakistan have much potential to enhance cooperation in so many other fields. Additionally, Pakistan and China can cooperate in establishing an open and regional economic integrated market as both countries are dynamic supporters of regional economic integration (M. Khan, 2012)

Role of Pakistan as an Alternate Energy Route for China

China's energy needs have drastically increased due to its massive economic growth in the last few decades. In this regard, Pakistan's significance for China has been increased because Pakistan can provide a secure route to resource-rich states of Central Asia, the Middle East, and Africa through Gwadar. Presently, most of China's oil imports come via Strait of Malacca and the Indian Ocean. The drawback of these sea lanes is the susceptibility in case of any terrorist attack; mainly the Malacca Strait is more prone to any terrorist attack. According to Chinese President Hu Jintao, China's vulnerability and heavy reliance on the Malacca route for energy trade is the biggest weak-spot that the enemy can exploit. (Storey, 2006) In addition to Malacca Dilemma, China has territorial conflicts with the littoral states of South China Sea, which includes Japan, Vietnam, Malaysia, Brunei, Philippines, and Taiwan and it is creating serious problems for China regarding securing its energy routes. (Shaikh, Ji, & Fan, 2016)

Gwadar is vital for China as an alternate transit route for its energy imports due to the "Malacca Dilemma." Gwadar is one of the main alternate transit routes for its imports that China has chosen to reduce its strategic vulnerabilities. According to Chinese security analysts, Japan and the United States have used terrorism as an excuse to enhance their naval presence in and around the Malacca Strait. The U.S increased its military engagement with China's neighbors, which was also taken by China as a containment strategy.

In 2013, China's President Xi Jinping announced the 'Belt and Road Initiative' (BRI). He formally announced two components, Silk Road Economic Belt and 21st Century Maritime Silk Road under BRI during his visits to Indonesia and Kazakhstan. It comprises of the number of projects to connect the Baltic Sea with the Pacific Ocean through roads, railways and sea lanes for free trade. There are six projects of economic connectivity under BRI involving 65 countries, mostly developing states. Almost 4.4

billion people of these countries would benefit from this massive economic plan, which is almost sixty-three percent of the world population.

(Aoyama, 2016) Six corridors are:

- i. The New Eurasia Land Bridge Economic Corridor also known as Second Eurasia Land Bridge
- ii. The China-Mongolia-Russia Economic Corridor
- iii. China-Central Asia-West Asia Economic Corridor
- iv. China-Indochina Peninsula Economic Corridor
- v. China-Pakistan Economic Corridor
- vi. Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC) (Aoyama, 2016)

Many states welcomed China's initiative for economic progress and integration among states. However, at the same time, this has been seen as an expansion of China's efforts to enhance its influence at the regional and global levels to change the economic and security architecture of the world. In a personal interview with Khalid, Chandio expressed his views regarding China's intentions. He noted: "China does not believe in hegemonic designs and offensive strategies as it never invaded in any country. Unlike America, China has come up with a different strategy to enhance its influence like Belt and Road Initiative. The purpose of BRI is to Increase economic and strategic interdependence among the states."(Chandio, Personal Communication November 14, 2018) According to Dr. Muhammad Khan: "We cannot deny the fact that great powers always have strategic motives and maximize their power. China is engaging the world through soft power. Belt and Road initiative is the promotion of trade, commerce, and culture across Asia, Europe, and Africa. It is the soft power propagation of China." (D. M. Khan, Personal Communication October 23, 2018). Brig. (Retired) Naeem Saalik described China's position as: "The problem China is facing, the tug of war going on in the South China Sea between China and neighbouring states as china's claim ownership over certain disputed Islands and America is challenging China's claim by supporting other states. Currently, the Chinese vessels have to pass through Malacca straits, which can be blocked, and then they have to pass closer to the Nicobar Islands which are controlled by India, and it is a very long route that is why they are investing so much on the CPEC to get access to the Arabian Sea. China's strong naval and maritime cooperation with Pakistan is not only benefitting Pakistan's navy but also it serves China's national interests."(Saalik, Personal Communication November 12, 2018)

China-Pakistan Economic Corridor is a flagship project of China's Belt and Road initiative. Chinese Prime Minister paid an important visit to Pakistan in May 2013 and announced CPEC, the most significant project under Belt and Road initiative. Under this project, roads, gas pipelines, and railway links would be constructed for connectivity as it would connect China's Xinjiang region with Gwadar. Through this massive connectivity project, China will be able to utilize a shorter route for imports and exports. According to Pakistani and Chinese scholars and analysts, this project benefits both these two countries, but the whole region would benefit from this massive development plan. China included CPEC in its 13th Five Year Plan (2016-2020) due to its significance for China. The six main objectives of China to initiate this project are:

- i. To get access to the shorter router for trade and supplying of merchandise. Presently, China is trading with most of the states through the Pacific and the Indian Ocean. China is highly dependent on the Strait of Malacca for its imports

of oil, gas, and other goods and; also to export its merchandise to the Middle East, Africa, and Europe and beyond. The total distance from Middle East ports to Shanghai port is around 12000 KM, and to Xinjiang province is around 16000 Km, which is a long distance to cover and costly as well. By linking Xinjiang with Gwadar through roads, railways, and pipeline networks, it is only 2500 km, which is the swiftest, secure, and cost-effective route for Chinese. United States' presence in the Pacific Ocean to monitor the activities and its alignment with China's neighboring countries is also one factor that pushes China to look for alternate routes to secure its position.

- ii. To develop its Western and North Western region as 90 percent of China's population resides in the Eastern part of the country. The purpose of this project is to create job and business opportunities in this part as it would enhance the country's overall economic growth, and it would also help to curtail terrorism and curb ongoing separatist movement. China believes that these militants are creating unrest in the province under the umbrella of a terrorist organization 'East Turkistan Islamic Movement,' which has links with the militants present in Afghanistan and Pakistan. The Chinese government believes eradicating terrorism would be possible by bringing economic cooperation into mainstream politics.
- iii. China has become the second-largest and fastest-growing economy of the world, and it is the second largest consumer of energy resources. China needs to secure and expand its oil and other energy resources and trade routes. Pakistan can provide an alternate and shortest route for energy imports. The search for energy resources has pushed China to look for other ways to get it from the Middle East and to get access to new markets of African countries, where China is the world's biggest investor.
- iv. China's fourth objective is to make investments in Pakistan's mining and energy sectors. China has initiated different projects of coal, copper, and other minerals.
- v. The fifth objective is the development of Gwadar Port and infrastructure development. To achieve these objectives, regional peace and Pakistan's security are very important. Pakistan is facing severe economic challenges due to many external and internal factors. China's primary motivation behind CPEC is to provide economic support to Pakistan to deal with economic and security challenges as a peaceful, stable, and prosperous Pakistan is favorable for China.
- vi. The last objective is to enhance its naval presence in the Indian Ocean to monitor the region's strategic developments. This would also help in expanding its presence in the Middle East. It will also connect China with the energy-rich and landlocked Afghanistan and Central Asian states (Afridi & Khalid, 2016).

The six main objectives targeted by Pakistan to achieve from China-Pakistan Economic Corridor are:

- i. The first and foremost objective is to overcome the power shortage. Pakistan's public and private industry has been suffering due to the power shortage for long, and it has been increasing since 2007. Many power generation projects such as coal, thermal, wind, nuclear, and hydropower power projects are part of China-Pakistan Economic Corridor which are not only useful to generate job opportunities around the country, but it would also be helpful for local industries to enhance their production, quality of goods and exports. It will also be helpful to attract more foreign investors and countries to invest in the country. It will

- also reduce the current gap in China-Pakistan imports and export volume, which is currently more beneficial to China.
- ii. The second objective is to enhance infrastructure development capabilities. Due to continuous war, terrorism, and militancy, its infrastructure needs to be improved. The development of infrastructure plays a vital role in any country's overall progress. Under CPEC, China will invest and provide loans for several infrastructure projects such as roads, railways, pipelines, special economic zones, and industrial parks.
 - iii. The third objective that Pakistan wants to achieve through CPEC is to make Gwadar port fully operational and gain maximum benefits through it because Gwadar is located near the Strait of Hormuz. Pakistan got assistance from the Chinese to build this port, and Pakistan has given it to China on forty years lease. Once this port is fully operational, it will be helpful to bring Baluchistan in mainstream politics and economic activities by generating thousands of job and investment opportunities in Baluchistan and which is an underdeveloped province of Pakistan. Gwadar Port is contesting with Oman port, Dubai port, and Iran's Chabahar port.
 - iv. The main objective of the Belt and Road initiative is connectivity, so regional connectivity is an integral component of this project. Through CPEC, South Asia would be connected with West and Central Asia and further to Africa and Europe. Central Asian states are landlocked states, and through Gwadar, Central Asia and Afghanistan can get access to the Arabian Sea, so it is a win-win situation in the entire region and beyond.
 - v. The fifth objective of Pakistan is to eliminate terrorist and militant factors from the country through economic emancipation. Pakistan has been suffering severe economic losses since 9/11. Pakistan, China, Afghanistan, and Central Asian states have been facing terrorism, separatism, and militancy since 9/11. All the countries believe that through economic initiatives, they would be able to overcome these challenges.
 - vi. The Sixth motive of Pakistan is to explore new resources and systematically take advantage of the already-discovered ones. Pakistan is a resource country, so it is an attractive destination for China and other countries to invest in Pakistan. The unemployment rate will be reduced in Pakistan, and Pakistan's youth will learn new technological skills. It would be helpful to raise the living standards of the public and strengthen Pakistan's economy. (Afridi & Khalid, 2016)

Pakistan's Prime Minister Muhammad Nawaz Sharif visited China in July 2013. During his visit, China and Pakistan signed MOU on CPEC. On August 27, 2013, the CPEC secretariat was launched in Islamabad. In November 2014, the Chinese government announced that it would provide finances worth US\$ 45.6 billion to Chinese companies for infrastructure and energy projects in Pakistan (Ahmad, Sohail, & Rizwan, 2018). China and Pakistan signed an agreement to start infrastructure development and energy projects worth US\$ billion on April 20, 2015. This amount is about 20 percent of the annual GDP of Pakistan. According to the agreement, around US\$ 28 billion would be invested by China in infrastructure projects, and the rest will be invested in pipeline projects along with the installation of optical fibre worth US\$ 44 million. (Ahmad et al., 2018) Over the years, the dynamic of Pakistan-China Strategic cooperation has become more influential. There is a deep understanding between two countries on the formulation of policies regarding CPEC. The most significant recent visit was made by

Prime Minister Imran Khan in November 2018 when both the countries pledged to strengthen their economic ties. The prime minister appreciated President Xi Jinping's Belt and Road Initiative to enhance economic cooperation and connectivity among states. (Xinhuanet, November 04, 2018)

Conclusion

In the post 9/11 period, China and Pakistan realized that along with defense and diplomatic cooperation, economic and trade cooperation is very important to boost the existing strategic partnership. Pakistan-China strategic partnership is based on comprehensive geostrategic and realist calculus. It is a multidimensional partnership where both countries are equally important for each other. Pakistan is facing severe economic challenges, and in order to meet these challenges, Pakistan needs assistance from China. On the one hand, China has economic resources and technological capabilities to take Pakistan out of these problems; on the other hand, through Gwadar, which is located on the southwestern coast of Baluchistan, Pakistan, China can get trouble-free access to resource-rich regions (Central and West Asia). This economic cooperation is mutually beneficial for both states. By investing in infrastructure development and energy projects, both countries can get equal benefits. Geo-economic instruments are being employed to achieve geo-strategic objectives in a region, which is already marked by conflict and instability.

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