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Economics

CHINA-PAKISTAN ECONOMIC CORRIDOR: CHALLENGES AND OPPORTUNITIES TO INDIA

KEY WORDS:

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ABSTRACT

China and Pakistan announced to construct "China-Pakistan Economic Corridor" (CPEC) 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 corridor. 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, observes in India have either ignored the proposed OPEC or have rejected it as unviable. New Delhi 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 a remarkable upsurge in bilateral trade between India and China, increasing bilateral co-operation 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 innovatively, may open new vistas of regional co-operation, stability and economic growth in the region.

Introduction

The China Pakistan Economic Corridor (CPEC) is one of the most important projects of the 'One Belt, One Road' project initiated by China that aims to connect the Asian economic giant with Europe and Africa, thereby making the country a bigger player in world economic affairs consisting of a number of road, rail and pipeline ventures, the CPEC connects Xijniang in North Western region of China with Pakistan's Gwadar port on the Arabian Sea going over the Pakistan occupied Kashmir territory of Gilgit-Baltistan and the disputed region of Blochistan. Reportedly, the part at Gwadar will have the capacity to manage 19 million tons of crude oil which will be directly transferred to China.

The project had been conceived much earlier in the 1950, but failed to achieve completion over the years due to political instability in Pakistan. Its present form was announced by the Chinese government in November 2014 and work started off in April 2015 originally valued at \$ 46 billion, the value of CPEC projects is now worth \$ 62 billion. As a multi-million dollar project, the CPEC is reported to have brought Pakistan twice the amount of foreign investments the country received since 2008. 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. As a multi-million project, the CPEC is reported to have brought Pakistan twice the amount of foreign investments the country received since 2008.

Strategic importance of CPEC

The CPEC is strategically and economically important both for China and Pakistan. It will pave the way for China to access the Middle East and Africa from Gwadar Port, enabling China to across the Indian Ocean and in setup China will support development projects in Pakistan to over come the latter's energy crises and stabilizing its faltering economy. Additionally, the CPEC could serve as the drive for trade and economic integration between China, Pakistan, Iran, India, Afghanistan and Central Asian states provided the frosty political atmosphere between Pakistan, India and Afghanistan and to some extent Iran gets improved in the near future.

The CPEC connects China directly to the Indian Ocean and the region of the Middle East from the deep Gwadar Port reducing its existing dependence on the South China Sea as the latter is becoming a contesting territory between various regional and global actors and can be choked any time by the completing powers in the Asia-Pacific region.

China currently transports 80% of its oil and energy needs through the Malacca strait and increasingly feels that its economic and energy security interest in the region are under serious threats due to the escalation of tensions between China and the region and global players in South and East China Sea. This is why China is looking for alternative viable transit routes both economically and security wise, the CPEC is the best choice for China linking it directly to the Indian Ocean via Gwadar Port.²

Pakistan's benefits and opportunities from the project

The project is described as a 'game changer' for Pakistan's economic future, which otherwise has only meager prospects to develop its economy. Pakistan's economy can get rejuvenation due to Chinese investment. If Pakistan is able to overcome its security problems, the CPEC can be a game changer. At the same time, the benefic it can get from being a transit country for Chinese goods depends upon its ability to change itself by achieve industrial progress.

The word game changer is to be carefully read along with the past great game played between US, Pakistan and Saudi Arabia on the one side and Russia, Iran and India on the other side to establish a land route to Central Asia joined because the opposite side tried hard to retain their woes. Right control over Afghanistan. Now with Chinese help, Pakistan can get a change to become at least one of the transit points.

Pakistan can get on opportunity to develop its infrastructure especially energy. Bulk of the CPEC is aimed to develop Pakistan's energy sector including the construction of the largest solar energy plant in the world. China will help Pakistan to develop its resource based industries so that they can be exported to China. Another advantage of the project is that with the potential economic decline of the Gulf State, Pakistan as a natural resource exports can sell its commodities to the lucrative China markets through the CPEC transit route.⁴

Chinese interest from the project

On the economic front, China is the biggest beneficiary as the project gives it a shortcut to Indian Ocean, bypassing the Strait of Malacca. It can access the Western part of the Indian Ocean in the most politically easiest way because of its friendly and strategic relationship with Pakistan. At present, China transports 80% of its oil through the Strait of Malacca. This can be deviated through the Pak route. On the political front, a decisive advantage for China is that Pakistan historically shows willingness to play the role of



Source : <https://walltowallindia.com/wp-content/uploads/2015/02/china-pakistan-Economic-corridor-CPEC-1-1280x1356.jpg>

satellite state to major powers including the US. Because of the India factor, Pakistan will remain an ally of China even by surrendering several rights to Chinese economic and strategic interests. This means that among all the OROB associate country, Pakistan offers more strategic value to China. There is a future option for Beijing to retain a significant army in Pakistan in the pretext of providing security to the CPEC.

India's security concerns

India needs to be concerned about China attempting to replicate in POK the well-projected policy it has applied earlier in Tibet, Xinjiang and across Central Asia. Beijing would be seeking a historic opportunity to fill up gaps where India has largely foiled. Considering POK's strategic location as a connective point of South, West, Central and East Asia, China's move has implications for limiting India's outreach to the critical Eurasian region.

India's main objection to the CPEC has been that it runs through Gilgit-Baltiston, a part of Jammu and Kashmir that is under Pakistan occupation. Earlier this year Prime Minister Narendra Modi criticized the belt-road initiative, saying connectivity could not be allowed to undermine the country's sovereignty. Finance Minister Arun Jaitley reiterated the same concerns. "I have no hesitation in saying we have some serious reservations about it (OBOR) because of sovereignty issues," he held a media round-table in Tokyo.⁵

India also admits the CPEC is the part of China's string of pearls' and encirclement to India. New Delhi sees Gwadar-a deep-sea port located in Baluchistan province as part of China's "String of Pearls" bases, that extends from its eastern coast to the Arabian Sea. China is also developing ports in Sri Lanka, Bangladesh and Myanmar.⁶

Opportunity for India

Modi Government is apt in retrieving the POK agenda. Placing GB along with Ladakh (82% of J&K) on the political centre stage could easily undermine the Pakistani rhetoric on the Kashmir issue. More murmuring is not enough; India needs to start working on Pakistan's domestic residence i.e. in Baluchistan, Khyber Pakhtunkhwa and GB over CPEC. The 'Modi effect' is already working after he offered help to the people of POK during the 2014 floods. GB is now abuzz with pro-freedom slogans as the people are fed up with decades of Pakistani atrocities, terrorism and sectarian killing.

Option for India

India should stop making intermittent and tentative overtures and instead adopt a rebuts policy on POK. A counter strategy should go beyond building partnerships with the US the Asia-Pacific. Quite clearly, India's non-endorsement or difference to China's Silk Road Proposal appears to be short-signed thinking, perhaps stemming from suspicion and insecurity.

In any case, India's options are limited. In contrast to the Asia-Pacific, the US is not alarmed at Beijing's push; instead it has been seeking convergence with China perhaps necessitated by the need to share the burden to containing terrorism in Afghanistan. In fact, Washington's own New Silk Route initiative has fallen short perhaps due to shifting priorities and its inability to commit adequate funds. Geopolitically, China too is not risking a zero-sum game with the US in Eurasia. To be also sure, China also knows that the current priority of the West is to break Russia's ambitions in Eurasia rather than a counter China's move.

Additionally, if Russia moves closer to Pakistan India's reliance on Moscow for protecting its interests would become less salient. Against the looming threat of terrorism and extremism, and prospect for joining the silk route dynamics could open an opportunity for India to cooperate in soft political areas including greater understanding of the Uighur problem that we know little about. Another equally important challenge is to break the current tight geopolitical spot India finds itself in, wedged between a wall of Pakistani hostility and the fear of cooperating with China.

Also, India can do little to stop OBOR or scuttle the CPEC, almost all the countries in the subcontinent are excited about the project. India's non-participation would lead to isolation and loss of clout at the regional level. Being the world's second largest economy and India's largest trading partner, New Delhi is unable to ignore China anyway. To be sure, OBOR may be carrying security undertones but India also requires massive infrastructure investment and only China seems to have the surplus capital. Without partnering with China, India's integration in Asian regionalization would be less than smooth. Chinese companies are building infrastructure in India and there is little difference whether one gains by helping or limiting China's influence. It cannot be in India's interest to support the project and not reap all the economic benefits of those projects. It is important to establish a fine balance between economics with security.

India also cannot ignore the significance of the symbolism of history. After all, it was the silk route on which Indian trade and philosophy (Buddhism) travelled to the rest of Asia. Modi himself showed an inclination towards and confidence in dealing with China for building an Asian century. At Ufa, Modi displayed pragmatism by seeking convergence with China and Russia. As China is fast transforming internally, the imperatives of culture affinity will demand closer propinquity between India and China. Thus, staying outside cannot be to India's advantage. New Delhi needs to re-conceptualize and seek new realities on the ground. China has called upon India to join the Silk Route and India should respond positively while accepting a trade-off here and there.

A wise approach would be to join the regional networking process just as India Joined the Asian Infrastructure Investment Bank (AIIB). There is nothing wrong in exploring OBOR as an alternative as long as India's security interests are not compromised. Remaining disconnected would only instill greater insecurity and fears of Chinese encirclement. What Modi requires is a policy that would help to overcome predicaments that have thus far stymied India's role in Asia.

A counter Strategy

India needs to work on its own counter strategy by offering a plan for a direct India-China Silk Route Corridor (ICSRC) that could run along the traditional Ladakh-Xinjiang axis. A shift in thinking can no longer be put off, for it would mean not just about breaking the connectivity bottlenecks but about finding interlocking economic interests between its northern states and the Eurasian growth story.

The ICSRC could provide an alternate transport, energy, trade, fiber optics and communication highway that could originate from a port in Gujarat run across northern India to connect with Kashgar in western China through the Indus Valley in Ladakh. The initiative would have multiple advantages for both India and China without compromising on their respective security concerns. These include:

1. The corridor could bring massive Chinese investments for building infrastructure in India that would boost the economy and generate greater employment opportunities.
2. India could earn billions as fee from pipeline transit.
3. An energy corridor would help India gain a durable guarantee against any Chinese misadventure across the border.
4. There could be a trade-off here in terms of India possible getting long-distance transport and energy pipelines from Russia through western China.
5. ICSRC would blunt the impact of the CPEC.
6. For China, ICSRC would be more reliable and less hazardous than risking investments in terrorism-plagued Pakistan.
7. ICSRC would open a historic opportunity for India to physically connect with markets in China, Eurasia, and Europe.
8. India could offer several other alternate outlets for China through the Northeast or Sikkim that are nearer to Chinese growth centers.

If the idea were to be pushed forward, it could become a grand announcement indicating India's willingness to deepen economic engagement with China and would be something akin to how

Russia and China started two decades ago. ICSRC could help revive the shared legacy of a common history and culture enriched by the trade in silk and spices. The development could pave the way for strengthening trust between the two countries and eventually contribute to the solution of the boundary problem.

ICSRC could prove to be a masterstroke of a counter-strategy in India's long-term domestic and foreign policies. It would be a coup de maitre for India in dealing with multiple challenges of countering an expansive Chinese foreign policy, aggressive Pakistani designs, the growing threat of extremism, and addressing the connectivity issues.

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Conclusion

In conclusion, what Prime Minister Narendra Modi said during his interaction with Chinese Media organizations is worth examining.

"Successful revival of the ancient trade routes require not only physical connectivity and requisite infrastructure, but even more important, a climate of peace, support for mutual prosperity and free flow of commerce and ideas"⁸

The CPEC is a strategic project of China and not a silver bullet for Pakistan's economic woes. Right now it is just the rosy perception about the CPEC, the reality may prove to be quite different. The concerns that India may have succeeded in isolating itself by staying away from the BRIC are enjoined as many nations would have appreciated not just the principled stand but also the fact that India can stand up to China in open international forum. As they say, "the jury is still out". We have a long wait ahead.

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