

УДК 327: 339.92

**THE TRANS-REGIONAL IMPLICATIONS OF
THE CHINA-PAKISTAN ECONOMIC CORRIDOR
AND THE ONE BELT AND ONE ROAD INITIATIVE**

Khan S.S.

The paper is an analytical examination of the geo-political implications of the China-Pakistan Economic Corridor and the One Belt and One Road Initiative. The paper examines the probable implications of the two mega projects for the regional, as well as, trans-regional actors. The paper debates on the likelihood for the creation of a new kind of relationship among China, Pakistan and Russia. It is also discussed how the prospects of reduced western influence in the region, in the backdrop of CPEC and the B&R Initiative, may result in the escalation of Russian and Chinese dominance on regional and trans-regional affairs.

Keywords: OBOR, CPEC, Silk Road, Axis, hydrocarbons, railway, Gwadar, Cold War, foreign policy, peaceful coexistence.

**МЕЖРЕГИОНАЛЬНОЕ ЗНАЧЕНИЕ КИТАЙСКО-ПАКИСТАНСКОГО
ЭКОНОМИЧЕСКОГО КОРИДОРА И ПРОЕКТА ЭКОНОМИЧЕСКОГО
РАЗВИТИЯ «ОДИН ПОЯС И ОДИН ПУТЬ»**

Хан С.С.

В статье анализируется геополитическое значение Китайско-пакистанского экономического коридора и проекта «Один пояс и один путь». Изучается значение этих двух больших проектов, как для региона в целом, так и для межрегиональных отношений. В статье рассматривается вероятность создания нового типа отношений между Китаем, Пакистаном и Россией, а также то, каким образом уменьшение западного влияния на регион на фоне китайско-пакистанского экономического коридора и проекта экономического развития «Один пояс и один

путь» повлияет на перспективу усиления русско-китайского влияния в регионе и на межрегиональные отношения.

Ключевые слова: «Один пояс и один путь», китайско-пакистанский экономический коридор, шелковый путь, углеводороды, железная дорога, Гвадар, холодная война, внешняя политика, мирное сосуществование.

Introduction

At the time when President Xi Jinping announced the *One Belt and One Road Initiative* also called OBOR or B&R, China's relations with most of its eastern neighbours, including Japan, Philippines and Vietnam had been considerably strained. Furthermore, US-China ties had also had a setback during the same time. A move towards regional and trans-regional integration at such a time was a reflection on Chinese understanding of the fact that a deeper economic integration is the only means for peaceful co-existence. Moreover, China's Two Century Goals also motivate Beijing in the same direction. The First Centenary Goal aims to double the GDP and per capita incomes by the year 2021, the 100th anniversary of the establishment of the Chinese Communist Party, from the levels of 2010. The Second Centenary Goal is to increase per capita GDP to the level of moderately developed countries and achieve modernization "by and large" [1]. The Chinese government is trying for a vast number of goals to be completed by the year 2020. These goals also include becoming an Internet power, completing the development of Chinese space station, and transition to clean energy against coal energy, among other projects in the pipeline. Thus, by the year 2020, China hopes to become a fairly modern society through a socialist system with Chinese characteristics. The current five year plan of China (2016-2020) revealed by Xi Jinping is mainly a series of social and economic initiatives focused on expanding Chinese economy, ecological management and escalating the country towards a welfare state.

China-Pakistan Economic Corridor (CPEC)

The China-Pakistan Economic Corridor (CPEC) is an investment project, currently underway between Islamabad and Beijing at an estimated worth of nearly US \$50 billion. The project which is intended to deepen Pak-China links and facilitate in the consolidation of Pakistan's struggling economy, is an extension of the highly ambitious One Belt and One Road (OBOR) Initiative. The Initiative which was outlined by China in 2013 constitutes of a land-based Silk Road Economic Belt and the sea-based Maritime Silk Road. While the former is planned to take Eurasian route, the latter will largely be a link of coastal communications in Southeast Asia.

The OBOR Initiative is in fact a modern version of the famous Silk Road established during the period of Han dynasty (206 BC – 220 AD) in China. The Ancient Silk Road consisted of a network of trade routes connecting the ancient world in trade and commerce. This network connected China with India, Mesopotamia, Egypt, Rome, Greece, Britain and the countries of Africa and Asia Minor. Though commodities of various types were traded along the Road, the name was inspired from the trade of Chinese silk which found its way from the markets of Han China to the imperial chambers of the realms lying near, far and beyond. With the silk also travelled the stories of grandeur and opulent ambience that formed the principal features of the Middle Kingdom. Trade along the Silk Road was also a contributing factor in the evolution of civilizations across the route as along with commodities moved principles of science, art, culture, religion and philosophy.

The creation of the Ancient Silk Road by China has been a very important factor in maintaining Chinese economic suzerainty over their counterparts through centuries. The imperial seat in Peking paid special attention to the regulation of law and order along the route of the Silk Road so as to maximize benefits and reduce the risks of shrinkage of economic activity against security failures for the traders. However, the disintegration of the Mongol Empire loosened Peking's grip on the Silk Road. The successive dynasties were unable to exercise as dominant a grip on the Road as their

predecessors. Moreover, with conquest of Constantinople by the Turks in 1453, Europe's links with Asia were officially suspended as the Ottomans blockaded the Mediterranean route. With the Mediterranean blocked and Asia Minor now the official seat of Ottomans, the Europeans envisaged alternate trade routes to Asia. Thus, the beginning of the age of Geographical discoveries was consequent to the diminishing of the importance and utility once associated with the Silk Road.

Nevertheless the opulence of the Ancient Silk Road has once again been brought into China's economic map by the conception of the OBOR Initiative. Under this plan, which was forwarded by Xi Jinping, China will be connected to Europe and Asia via a planned network of roads, railways, oil and gas pipelines and sea ports. The Coastal communications fall under the bracket of Maritime Silk Road while the former will be completed as the Silk Road Economic Belt. The essence of this plan is to revive China's position as the centre of economic activity in global affairs. Therefore, as the cornerstone of Chinese foreign policy for the coming years, Beijing will need to make huge investments in rail, road and hydrocarbon sectors in addition to escalating economic partnership with the maritime states in the east.

As a matter of fact, China has already started its ventures in various quarters for the completion of its highly ambitious plans. Some of these initiatives have likewise caused excitement as well as apprehension. In order to completely actualize its economic plan, China has an indispensable need of investing in Pakistan as the latter has the potential of aiding in the maritime as well as road projects of the OBOR. For this purpose, while China has recently invested billions of dollars in the CPEC, the same investment has stricken alarm bells in Delhi.

The main motive behind CPEC is to enhance socio-economic development of Pakistan and thus enable the country to become a stable neighbour to the PRC. The stability of the country is of peculiar importance to Beijing which shares a common border across the Xinjiang Uyghur Autonomous Region (XUAR). As an ethnically disturbed region itself, XUAR is directly influenced by the wave of terrorism and

instability in Pakistan with which the region shares a common religion. Disturbances of any degree in XUAR carry huge impact for Beijing as the latter is highly dependent on Xinjiang not only as a source base for hydrocarbons but also as conduit of oil and gas coming from Central Asia. Therefore, by means of CPEC, China hopes to extend security in Pakistan through economic development. Creation of jobs is very likely to reduce anti-state feelings in the local population. Moreover, Islamabad would also be pushed to generate more anti-terrorism resources as the future of CPEC would rest highly on security situation in the country.

Furthermore, investing in Pakistan is a prequel to China's aspirations for connecting to the world via One Belt and One Road. The projected stability coming in Pakistan as a result of CPEC would also be translated into increased Chinese operations in the Gwadar port; thereby minimizing China's Malacca dilemma and the exposure of its vessels in proximity of Indian waters. In addition to this, completion of Gwadar-Xinjiang railway network will help in creating job opportunities in not only Pakistan but also in Xinjiang; a region where Beijing has been repeatedly accused of neglect in the face of providing little economic stimulus to the populace. In fact, if China's plans in Gwadar and CPEC are materialized; Gwadar "will be China's Shanghai in the west" [2].

In addition to the port access through Gwadar, Pakistan and China will also increase their land communications for larger and deeper economic integration. As a matter of fact, the precedence of road links for economic integration between the two neighbours is decades old as the first step in this direction was taken in 1959 when China began the construction of the 1300 KM long Karakoram Highway, also known as Friendship Highway (formally inaugurated in 1979), in the north which connects Pakistan with China via Kashghar and presents a strong example of Pak-China friendship. As of recent, Pakistani government has also proposed three highway routes to facilitate the economic corridor with China:

- Western route (via KPK and Baluchistan provinces).
- Eastern route (largely via Sind and Punjab provinces).

– Central route (passing through the country).

In this way, CPEC will not only connect China with the Indian Ocean and with Pakistan via Kashghar to the port of Gwadar, in fact, it will increase connectivity within Pakistan by means of railroads, highways, and energy and industrial infrastructure. This, in turn, has huge importance for energy bankrupt Islamabad as the proposed network of energy set-up will aid in boosting the local industry.

CPEC Beyond Pakistan: A new era of Russo-Pakistani bilateral ties

In addition to the benefits offered by CPEC in context of Pak-China ties, the same project can also prove to be fruitful in a larger context. Gwadar is not only a healthy alternate route to the Indian Ocean, but it also provides a short-cut to Africa, Middle East and Europe. As a matter of fact, one of China's main aims has been to connect itself with the rest of the world not only by means of energy pipelines but also through high speed railways. One part of this scheme is the Pan-Asia Railway Network consisting of three 4500-5500 km railway lines linking China with Southeast Asia. The Chinese city of Kunming and Thai capital Bangkok will be the main hubs for this route. Under this plan, a central line will run through Laos and Thailand and reach Malaysia and then Singapore. The eastern line will meet the central line in Bangkok after moving across Vietnam and Cambodia. The western line will cover south-western China and Myanmar and join the central line in Bangkok [5]. The Yiwu-Tehran railway route is another milestone achieved under the OBOR scheme. The route allows the passage of freight trains from eastern China through Kazakhstan and Turkmenistan into Iran. Another railway program by the Chinese will cross Karakorum Mountains and reach Pakistan, Turkey, the Mediterranean, Black Sea and south-eastern Europe.

Other than economic incentives for Pakistan, CPEC also has the potential of seriously altering political graph for the country. As a matter of fact, many EU and non-EU states have shown their keen interest in becoming a participating partner in the program. A very significant development in this regard has been from the Russian side. Not only is Russia a regional neighbour to Pakistan but it also has a unique nature of

relationship with Islamabad. Moscow and Islamabad remained on opposite sides of the fence during the years of Cold War. While Russia maintained a strictly pro-socialist and anti-capitalist approach, Pakistan took no time in declaring allegiance to Washington, and since then until the recent past, continued to act from under the umbrella of the USA. Although this state of affairs kept serious differences between the Kremlin and Islamabad's administration, things have been slowly moving in a new direction. Russia and Pakistan have been coming closer in the context of diplomatic and military ties. Moreover, both the states have a common partner in Beijing. In fact, Russia and China have very deep economic ties with each other. Chinese investment in Russia is significantly prominent as are Russian trade activities in China. Moreover, China and Russia are also very close strategic partners. Both the states have resolved two-sided border disputes for the greater cause of smooth bilateral economic, political and military ties. In the face of such ties, an economic incentive such as CPEC provides Russia a huge opportunity to further strengthen its political footing in the region and even beyond. It also has the potential of maximum advantages for Russia's rich hydrocarbon market which Moscow can expand via CPEC.

Furthermore, there are also talks of a Russian-Chinese-Pakistan triangle to counter radicalism, terrorism and non-regional influence in the region. Many critics have doubted at the potential viability of an alliance involving Russia and Pakistan due to the fact that the memories of Pakistan choosing west as its Cold War ally and of organizing a strong anti-Soviet resistance in Afghanistan during the Soviet-Afghan War of 1979 is still fresh in the minds of Russian policy makers. It is also considered that Pakistan, sharing a long history of political, cultural and social interaction with the west in general and English speaking countries in particular, is highly unlikely to abandon its relations with the west in the favour of the former Soviet Union. But, two factors must be kept in regard while casting doubts on any alliance involving Russia and Pakistan. Firstly, while many western countries have old ties with Pakistan and English language is widely spoken and understood by the people of Pakistan; it must be noted that Pakistan shares a

very rich historical social, cultural, religious and linguistic past with the countries of Central Asia, which carry close cooperation with Russia and have formerly been part of the same. In addition to this, Russian language itself is one of the languages that shaped Urdu language over centuries. Secondly, political trends have been changing swiftly since the start of the new millennia. Russia and China have settled centuries' long border dispute for the greater cause of regional political graph, trade and economics. Similarly, this example can also be followed by Pakistan in creating a new alliance involving Russia for the benefit of its socio-political, economic and security situation.

The chances of such an adventure become increasingly more in view of the unprecedented partnership shared between China and Pakistan. China is the only country trusted by not only military and every strata of the civil society but also by all the political wings of the ever complicated Pakistani political elite which customarily tends to be at different pages on all other matters regarding foreign and home policy. Therefore, the probability of a new alliance between Russia and Pakistan, and the prospects of an altered geo-political milieu in the region, with Russia and China as dominant actors in the political landscape of the region, are significantly positive in the backdrop of CPEC.

International participation: EU's Response to CPEC

China and the European Union (EU) are major trading partners. Relations between the two sides were officially established in 1975 when the European Commission (EC) formally recognized Beijing; following US recognition of the same in 1972. During the Cold War period, bilateral relations between EC and China were limited only to economic and commercial affairs. The current EU-China ties are based on the Trade and Cooperation Agreement (TCA) signed between the two sides in 1985. In 1989 the bilateral trade was recorded at \$13 billion; amounting to 15% of total Chinese foreign trade and a mere 1% of total EC trade. Moreover, during this time, not only did EC support US led embargo on China but following the Tiananmen Square incident imposed its own set of sanctions on Beijing.

Nevertheless, China's strategic partnership with EU which is based on the 1985 TCA has expanded over the years between the two sides to include matters of foreign and global affairs, economy, security and climate change. Most recently, the EU-China 2020 Strategic Agenda was signed by the two sides in 2013 and it now forms the basis of bilateral relations between the European Union and China. Under this agreement, both EU and China have pledged to enhance cooperation in peace and security, trade, agriculture, industry, transport and infrastructure, space and aerospace, science, energy, urbanization, climate management, regional stability and cultural exchange.

China's economic relations with EU are quickly escalating. The EU is China's largest trading partner. In September 2015 China became the first and only non-EU country to announce its decision of investing in the multibillion Investment Plan for Europe. Simultaneous to this development was the MoU on the EU-China Connectivity Platform signed between Brussels and Beijing to further bilateral interaction on the OBOR initiative. According to an EU official "this is the right moment to invest in Europe, and I am delighted that China has relations with China in the context of the Investment Plan, as well as the One Belt One Road initiative, to promote connectivity between EU and China" [3].

As it remains beyond doubt that OBOR projects will increase Chinese impact on the recipient countries, the same result in the milieu of Pak-China ties will be even stronger due to CPEC. In the recent past, due to multiple factors, Pakistan's relations with USA have not been on an escalating mode. According to a report by the European Parliament, this could be used as an opportunity by the EU to strengthen its presence in the country. Other than EU's concern for cases of human rights violations, Pak-EU relations have generally fostered well. Under the Multiannual Financial Framework (2014-2020), which focuses on rural development, good governance, human rights, rule of law and education; EU's development assistance for Pakistan has also increased. Furthermore, Pakistan is also a beneficiary of EU's GSP+ (Generalized System of

Preferences) scheme allowing Pakistani goods into Europe with reduced tariffs [8]. Pakistan also benefits from zero tariffs on some of the goods that enter EU.

The proposed CPEC is in harmony with EU's policy for the region in general and Pakistan in particular which calls for regional integration, economic integration and strengthening infrastructural connectivity. As China progresses with OBOR and CPEC projects, the economic and also political reliance of the recipient countries of Asia, Africa, Middle East and Europe will hugely shift in favour of China. The EU Parliament has therefore stressed upon the Commission to "reflect on the impact of China's global investment policy, as well as its investment activities in the EU and its eastern neighbourhood" [6]. At the same time, it is also believed in EU circles that "given the geostrategic relevance of this initiative it should be pursued in a multilateral way... it is of the utmost importance to develop synergies and projects in full transparency and with the involvement of all stakeholders" [6]. Keeping this in view, it becomes increasingly clear that the platform of CPEC presents a welcoming podium for EU's plans for the region.

Until recently, Chinese economic involvement in Europe had been limited to individual countries rather than with EU as a bloc. Chinese announcement of investing in the €315 billion Investment Plan for Europe, whereby it became the first non-EU country to contribute in this plan, is a manifestation of a change in this approach [3]. This move has also created a platform for China and the EU for cooperation on OBOR projects. Moreover, within China alone, the country's massive urbanization schemes give huge investment opportunities to EU. Combined with the massive OBOR and CPEC, EU has healthy chances of benefitting from Chinese business activities. Similarly, both China and EU are facing energy challenges and are trying to come up with means to address the same. In this situation, China's huge energy ventures in Pakistan under CPEC can also prove to be beneficial for Europe's energy markets. As Chinese investment in Europe is also increasing every year, a deeper economic cooperation with the Asian giant can only benefit monetary growth in the Eurozone.

Indian Apprehensions against CPEC

On the other side, China-Pakistan alliance remains a topic of scepticism in international circles. Pakistan relies heavily on China for its military projects. The latter also helped Islamabad in its nuclear program during the 1990s. Pakistan is, in fact, the largest recipient of Chinese weapons and Beijing depends on the former to contain terrorism in its own western provinces which lie in close proximity of Pakistani frontier. This has caused alarm against what is seen as a “China-Pakistan axis” [4]. “...China’s largesse means that western nations will have little leverage to shape Pakistan’s actions on militants or nuclear weapons...” [4]. Another concern comes in view of the Indian element in South Asian politics. With an uneasy past with both Beijing and Islamabad, India also remains uncertain towards Pak-China investment. In this regard, it is feared in Indian as well as European circles that with a partnership as deep as that shared by the two countries, not much would remain to be done in keeping South Asia from splitting into a US backed Indian camp and a China-Pakistan camp.

CPEC will run through the length and breadth of the country, including the territory of Gilgit-Baltistan and Azad Kashmir. If CPEC succeeds, the increased connectivity in these areas will further consolidate Pakistan’s claim on these regions and diminish Indian rhetoric on the same; very much against the national and international agenda of New Delhi. Moreover, Chinese investment in Gwadar is significant in the context of regional geopolitics for two reasons. Firstly, establishing connectivity between Kashgar and Gwadar, which lies at a distance of 386 km from the Strait of Hormuz from where 30% of world’s oil shipments pass daily, will reduce Chinese reliance on the Strait of Malacca in the Indian Ocean where Chinese vessels have to pass under heavy Indian and US presence. Secondly, the Strait of Hormuz has often been choked as a result of confrontation between Iran and Israel. But, increased Chinese presence in the strait in the coming years translates into the fact that the world will depend on Beijing to intermeditate between Iran and Israel in the case of any confrontation between the two.

Another important aspect of CPEC that has been causing unease in Indian circles remains the pace of economic progress of Pakistan which the former believes will quicken as a result of commercial towns and rail and road communication that will emerge in the backdrop of CPEC. This can develop Pakistan into a favourable destination for contract-manufacturing-outsourcing for western companies as Indian counterpart for the same has become expensive and Bangladesh has been unable to meet quality and regulatory standards. Similarly, Pakistan's exports of textile and construction materials are a direct competition to the Indian exports in the same sector. As the supply of raw materials from China becomes easier, Pakistan will have healthier chances of becoming the regional leader of this market at the expense of Indian exports.

Thus, while CPEC and Pak-China ties have huge benefits for not only the two states but also for other regional actors, the same is seen rather sceptically by India as well as some circles in the west. Nonetheless, Chinese investment, the prospects of a new era of bilateral relations with Russia and increased partnership with the EU has continued unabated in Pakistan.

Conclusion

In addition to the above mentioned debate, it remains to be understood that while the west has increased its military presence in the region, China seeks to counterbalance the western presence with economic integration of the region. For this reason, China's pivot in Asia extends all the way from Southeast Asia to Central Asia. CPEC and Bangladesh-China-India-Myanmar (BCIM) corridor are the most obvious examples in this regard. Moreover, "SCO's six full members account for 60% of the landmass of Eurasia and a quarter of world population" [7]. Moreover, "unlike Washington, Brussels has minimal security interests in the Asia-Pacific. But like Washington, Brussels tend to look at the region through security-coloured glasses. That is precisely the wrong approach at the wrong time" [7].

China is all set to take the world stage in the coming years. That CPEC and OBOR are a prelude to an era of Chinese globalization is manifested in light of the

arguments mentioned above. Moreover, US withdrawal from Trans Pacific Partnership (TPP) has left the remaining member countries; Canada, Australia, New Zealand, Singapore, Vietnam and Peru looking up to China for trade leadership. There remain high speculations that Britain and China might sign a trade deal following Brexit while speculations for EU-China partnership also remain optimistically grand. Similarly, a weakened North American Free Trade Agreement (NAFTA) will only help in establishing Chinese supremacy in global affairs.

Thus, the CPEC and B&R having huge trans-regional implications have high chances of not only initiating positive relations between Moscow and Islamabad but can also serve as instruments for shifting the regional balance of power in the favour of Beijing and Moscow as the projects will see increased economic activity from the latter in the hydrocarbon market which is already considered as the Russian sphere of influence. The same can also aid in diminishing western presence in the region by escalating Chinese and Russian influence on the regional actors through increased commercial and economic activities.

Bibliography:

1. Ding L. China's "Two Century Goals": Progress and Challenges [Web resource] // National University of Singapore. 22.10.2015. URL: <https://goo.gl/7H9gWQ> (reference date: 20.03.2018).
2. Interview: Peter Frankopan. The Oxford historian on China-Pakistan relations, the Silk Road, and implications for India [Web resource] // The Diplomat. 17.05.2016. URL: <https://goo.gl/AK5ems> (reference date: 20.03.2018).
3. Investment Plan for Europe goes global: China announces its contribution to #investEU [Web resource] // European Commission. Press Releases Database. 28.09.2015. URL: <https://goo.gl/XvPBZS> (reference date: 20.03.2018).

4. Manuel A. The Great Debate: What to read into a growing alliance between China and Pakistan [Web resource] // Reuters. 27.04.2016. URL: <https://goo.gl/ap6KBh> (reference date: 20.03.2018).

5. Martin N. China's high-speed rail plans for Asia inch closer [Web resource] // Deutsche Welle. 27.04.2016. URL: <https://goo.gl/tgS2y4> (reference date: 20.03.2018).

6. One Belt, One Road (OBOR): China's regional integration initiative. Briefing July 2016 [Web resource] // European Parliament. 2016. URL: <https://goo.gl/QspV2n> (reference date: 20.03.2018).

7. Steinbock D. Will Europe benefit from China's grand new strategy? [Web resource] // Euobserver. 20.11.2013. URL: <https://goo.gl/qgWiqA> (reference date: 20.03.2018).

8. Vandewalle L. In-Depth Analysis: Pakistan and China: Pakistan and China: 'Iron brothers' forever? [Web resource] // European Parliament. 2015. URL: <https://goo.gl/vbW1Q2> (reference date: 20.03.2018).

Data about the author:

Khan Samra Sarfraz – Doctor of History (PhD), Assistant Professor of General History Department, University of Karachi (Karachi, Pakistan).

Сведения об авторе:

Хан Самра Сарфраз – доктор истории (PhD), доцент кафедры всеобщей истории Университета Карачи (Карачи, Пакистан).

E-mail: samrasarfrazkhan@uok.edu.pk.