



THE CHINA PAKISTAN ECONOMIC CORRIDOR AND ITS IMPLICATIONS

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ABSTRACT

Since the partition between India and Pakistan, both countries have primarily fought four wars in 1947, 1965, 1971 and 1999 respectively. Sino-Indian relations also saw strains during this era which resulted due to the 1962 and the 1967 wars. Over the period, these countries have tried to create their own hegemony, both physical and economical, in the South Asian continent. India's enmity with Pakistan has strengthened both economic and military relation with china, thus emphasizing the notion of "enemy of my enemy is my friend".

This Sino-Pak relation now has a new manifestation, namely "The China Pakistan Economic Corridor". The china Pakistan economic corridor is a framework of regional connectivity aiming at improving geographical linkages between the two countries and will in turn result in an enhancement of co-operation between the countries by leading to the creation of a win-win model by taking a large leap towards economic regionalization in the South East Asian Region.

Such a project ought to have legal implications as it passes through the PoK (PAKISTAN OCCUPIED KASHMIR), a disputed area between India and Pakistan, which both countries claim it to be theirs and also owing to the presence of India

between these two nations and because of the history of hostility amongst all the nations. India is a little wary of the project, since a combined foe is something which the country does not want at its doormat.

The Corridor is also being constructed in Baluchistan, which is problematic as the area is chock full of human rights violations being carried out by the Pakistani military and the CPEC is bound to create more issues and could also spell trouble for India and Pakistan in the future, something which can only be speculated about at this point of time.

The China Pakistan Economic Corridor and its Implications

Introduction:

Since the advent of the Industrial Revolution, the economic and business drive of man progressed by leaps and bounds. People started doing business with each other on an international scale, which led to the development of international trade. Over a period of a century, this thirst to trade on a global scale increased drastically as it presented a huge number of opportunities and growth prospects, so much so, that nations started promoting a global marketplace and started aiding each other in many ways to arrive at a nexus of global economic collaboration. An example of this cooperation is the upcoming China Pakistan Economic Corridor (henceforth, CPEC).

The CPEC is a joint venture being carried out by The People's Republic of China and Pakistan together. The project includes the creation and overhaul of various infrastructural projects, setting up of special



economic zones and better supply of power in Pakistan¹ and ultimately link the two countries through the Pakistan-Chinese Border in the PoK (Pakistan Occupied Kashmir) region, where there is little confluence of the unofficial borders of both the countries. As of 13th November, 2016, the Corridor is partially functional and China transported some cargo using the corridor to the Pakistani Gwadar Port for further maritime shipment to West Asian nations and Africa.¹

To further expound on the planned projects under the CPEC, a brief summary of the various projects has been provided below:

- The primary project is to link the Pakistani port city of Gwadar to its major economic hub of Karachi and ultimately to the Chinese North Western Region of Xinjiang. The aforementioned shall be done with the aid of creation of a comprehensive rail and road network. The flagship in this network is the construction of a motorway spanning a distance of 1,100km, connecting Karachi and Lahore.¹ Another significant project is the total revamp of the Karakoram Highway¹ and the Karachi-Peshawar railway line¹. The expenditure on the creation of this vast network of roads and railways is estimated at \$11 billion¹ and it is being funded by major Chinese banks, like the Industrial and Commercial Bank of China, the Exim Bank of China et al,¹ with the provision of heavily subsidized bank loans, i.e. loans with extremely low interest rates so as to make it easy for the Chinese and the Pakistani government to repay the banks.
- Apart from the ground interconnectivity, the project also aims to improve other infrastructural aspects present in the

country. A prime example of this is the creation of energy infrastructure to the tune of \$33 billion¹ to ensure that Pakistan is able to overcome its chronic lack of electricity. The proposed plan wants to bump up the energy production in Pakistan from 4,500MW to approx. 15,000MW by 2018, which shall be imperative in order to have the CPEC functioning at maximum efficiency and effectiveness. Further, to aid the process, the construction of one of the world's largest solar farm and wind farms is also in the talks.¹

- The CPEC also aims to make the availability of natural gas a must in Pakistan as it can aid in the functioning of the various planned projects in the country, and to facilitate this, pipeline worth almost \$2.5 billion is being constructed to link Gwadar and Nawabshah, so as to transport natural gas from Iran in the future.¹

Above is a concise presentation for what the CPEC project has in mind for Pakistan in the years to come. The Corridor is being considered one of the biggest foreign direct investment plans laid down in history, and Pakistani officials consider it the godsend they have been waiting for in order to turn around the economic and social condition of their nation. However, such a project shall have implications, both positive and negative, primarily, owing to the presence of India between these two nations and because of the history of hostility amongst all the nations. Thus, India is a little wary of the project since a combined foe is something which the country does not want at its doormat. A detailed outline of the implications has been provided below, which studies the



impact the Corridor shall have from various perspectives.

Implications and Reasons for the CPEC:

• Nation-wise Implications:

Primarily, the CPEC project has direct impact on Pakistan and China only, but, India is also included in the fray owing to the fact that this act would strengthen the bond between Pakistan and China and could spell danger for India in the future. Further, the plan impacts Iran as well, since Iran shall be tapped into for the supply of natural gas and it has shown interest in the same. Below is a distribution highlighting the impact of the CPEC on various nations with a stake involved in the project:

- a) China: The reason why China is building the CPEC in Pakistan has both geopolitical and economic reasons, however, the economic criterion supersedes the geopolitical one. Since the creation of The People's Republic of China, China has aimed to be a superpower through heavy industrial growth and trade. The same has been accomplished by China through a great deal of investment in its Eastern front and in its mainland. However, the Western Chinese region has not been exploited by China until now. The region is rich in natural resources¹ and is ripe for development purposes. The creation of the CPEC corridor shall enable China to shift its focus to the Western front as well, which shall foster further economic growth in the region and for the country. However, this is not the main impact that China is hoping for through the creation of the CPEC. Currently, when China has to import to export goods, it has to take the long and arduous route through the Strait

of Malacca¹ which increases its operational costs tremendously, and spells more efforts for the whole process. However, with the establishment of the Corridor, China shall have direct access to the Arabian Sea, making it easy for the nation to export and import goods from European and African nations.¹ This shall be a boon for China as this shall foster global trade and take its market to new levels while simultaneously reducing the cost it incurs on trade as well. Also, with rising international diplomatic hostilities regarding the South China Sea, China is aiming to have another route to facilitate international trade, which the Corridor has the capacity to do.

Another reason why China is fostering the construction of the Corridor at its Western front is to quell the disturbances and revolts ongoing in the region through the creation of employment opportunities in the region. The unrest in the Xinjiang region is mostly because of separatist sentiment prevalent in the region, but China wants to retain its hold over the nation by making its people economically invested in the country, making it harder for them to leave the People's Republic of China.

A geopolitical reason as to why China is looking forward for the establishment of the Corridor is because of its hostility towards India in the past. It is evident that China and India have had bad blood in the past and their economic ties are not top notch as of now. Thus, the country is seen honeying up to Pakistan in order to cover all of its fronts, should there be a war like situation in the future. Many analysts view the CPEC as a method for rapid troop movement for China to aid its ally in case



of any disputes and they also believes that China can position their troops in Pakistan under the guise of providing protection to the Corridor.¹

- b) Pakistan:Pakistan today is starved for Foreign investment due to its security situation, there is a huge negative perception with regards to its capability and ability as a sourcing destination for goods and services. Many Foreign companies might set up distribution networks in future to cater for domestic demands but hopes for it being an export hub is little next to none.
- c) The government of the day needs to change the perception and make a start somewhere, however exorbitant the cost is, CPEC is that start. If they manage to operationalize it successfully then it will be a signal that Pakistan is truly open for business and its cheap labor and young educated demographic is an alternative to India/Bangladesh/ South East Asia and likes. CPEC thus is an entry ticket to get into the economic prosperity game and not about winning the winning the game. In addition, CPEC is a useful tool to convince the domestic population of Pakistan that the Nawaz Sharif Government is not wasting time and is doing work for their benefit of the Pakistani people.
- d) After the withdrawal of complete withdrawal of NATO forces from Afghanistan no major power will have any stake in Pakistan. However, CPEC changes that not only it grants a permanent Chinese presence in Pakistan, it also ensures Pakistan's stability. This massive

Chinese investment in Pakistan will forge a strong China Pakistan nexus in addition to granting Beijing a way to insert themselves into the Indo – Pakistan Equation which is a good thing for the stability of Pakistan. China will also not want a weakened Pakistan as it does not want an Indian dominated South Asia threatening its interests in the region.

- e) For Pakistan, the CPEC project could not have come at a better point in time. The country is floundering economically and is facing massive unrest because of lack of employment opportunities in the country and low standard of living. Thus, Pakistan surely breathed a great sigh of relief when the Chinese Premier Li Jinping agreed to the creation of the CPEC with the Chinese Government funding the project.

It is clearly manifested that Pakistan has the most to gain from the CPEC to the point that the project shall be the largest job creating initiative in Pakistan ever. The degree and scale of the plan is such that it has been compared to the Marshall Plan initiated by the USA government to foster development in post-World War II Europe.¹ Analysts have predicted that the Corridor has the capacity of creating approximately 2.3 million employment opportunities between the years 2015-30 and add an overall of 2-2.5% to Pakistan's yearly economic growth.¹ The amount to be invested by China is so colossal that it is equivalent to all the foreign direct investment Pakistan has received since the year 1970¹ and shall be at par with 17% of the gross domestic product earned by Pakistan in 2015. ¹ While, this is



impressive, the main change Pakistan is hoping for is secondary and is derived from the CPEC's economic implications. Pakistani officials hope that the creation of jobs shall enable the people to have a better standard of living and more economic power, which ultimately means more money in the government's coffers. The Pakistani government then plans on using this increase in the government treasury to sort out its other problems like the presence of extremists groups and jihadists running amok in the country.

Ergo, it can be seen that the CPEC shall have a huge impression on the Pakistani political and economic scenario, and can help in the improvement of its social conditions as well. Pakistan should thus, play its cards really well and stay on the current track as the Corridor definitely spells better years for it in the future.

- f) India: India, even though not a state which is directly impacted by the CPEC, but, the ramifications of the project are such that it indirectly influences India as well. The alliance of Pakistan and China aside, the project is situated in such a region that India is bound to have a problem with the construction of the corridor.

The problem India faces is that the ever since the Partition, every prime minister and a person of economic sense has concluded that Pakistan shall have to deal with India in the future at one point and shall have to rely on it owing to its commercial viability.¹ However, with the construction of the CPEC, China has altered this view altogether. The investment made by China will enable Pakistan to directly trade with China

without having to use long trade routes or through reliance on other countries, especially India. Essentially, this makes the nation self-sufficient and autonomous, at least in the trade sphere, which is something India would not have preferred. However, economic impact aside, the main reason for concern for India regarding the CPEC is because of the military history of the three countries. India and Pakistan have had a violent past ever since the two countries were separated because of the Partition. The countries have engaged in acts of war on no less than four occasions, i.e. 1947, 1965, 1971 and 1999, and there have been various reports of small skirmishes and standoffs in between. In all these wars, India has emerged victorious against its hostile neighbor. One would think this shall reduce the conflicts both countries have since Pakistan would realize it just does not have the capacity to take on a nation of such economic and military might, but, even after such a realization, Pakistan has not stopped its aggressive behavior and both the countries remain wary of each other. This is where China comes into the play. China and India have also engaged in armed conflicts in the past, in the year 1962 and 1967, and while things are peaceful now, there are still reports of standoffs on the Sino-Indian border owing to the fact that China has illegally occupied many Indian territories because it feels that it has a claim over these lands.

China realized long ago, that it needs to partner up with Pakistan in order to ensure that it shall have a staunch ally in the reason and someone to call on for help in times of military conflict. Pakistan has



also held the same belief and since the late 20th century, both the countries have been in bed with each other and remain the strongest allies in the South Asian subcontinent. Thus, a major implication of the CPEC project is the fear of rapid troop deployment by China in Pakistan should India and Pakistan enter into a war. In order to protect its investment and its allies, China shall have to provide troops to Pakistan in the event of conflict and this provision of forces is something which can directly impact India as well.

Apart from the above, the very act of construction of the Corridor is in direct violation of international laws as the CPEC shall be built in PoK, i.e. Pakistan Occupied Kashmir. PoK is legally a part of India, but, was taken by Pakistan through the use of military force and now they recognize the territory as their own, while India still claims the occupied area as a part of their country. If the Corridor is constructed and becomes fully operational, it shall strengthen Pakistan's claim to the area along with China backing it up owing to the investment made by it in the project. Thus, the location of the Corridor is a cause for concern for India as it is literally eating into its territory and can have a huge impact on its current prevalent situation in the war torn state of Jammu and Kashmir.

Ergo, although the project does not directly influence or concern India in any manner, the implications of its construction are huge in terms of future border and national security and for the sovereignty and territory of the country.

Legal Implications of the CPEC Initiative:

Since the project is something which involves two nations, the only body of law applicable to this situation is international law as laid down by the United Nations and multilateral and bilateral treaties. And keeping these bodies of law in mind, there are two major legal violations being incurred through the construction of the CPEC.

The first one is a technical one and has huge ramifications. Pakistan and China are not new friends and have had many trade deals in the past like the China Pakistan Free Trade Agreement, 2006.¹ However, Pakistan as per its classification is a dualist nation! i.e. any international agreement or treaty it enters into needs to be domestically approved as well through federal legislature in order to make the treaty applicable on Pakistan. And till this date, with approximately 50 agreements signed between China and Pakistan, none of them have been ratified internally by the Pakistani federal legislature. This implies that none of the treaties Pakistan has entered into with China, including the CPEC agreement, are legally binding on Pakistan and Pakistan cannot make use of contents of such agreements. However, there is a loophole to this which Pakistan can potentially exploit. As per the Vienna Convention on Treaty Law, if the countries entering into an agreement express their desire in writing to commit to an agreement, then such an agreement shall be a treaty and the desire/intent for the same does not necessarily have to express and can be implied as well. Using this principle, the International Court of Justice held in the case of *Qatar v Bahrain*,¹ that any consent shown in a meeting or through a pact counts as well and shall enable the agreement to be



a viable treaty, even if it is not ratified internally. Thus, while the treaty is still applicable, Pakistan is not fulfilling its duty under international law to ratify its treaties in order to make them legally enforceable, highlighting its first violation of international law.

The second problem with the CPEC is the issue of Balochistan. Balochistan acceded into Pakistan back in 1948, with Gwadar joining the province in 1977. It is one of the largest provinces in Pakistan and is the most resource laden region of the country. Conversely, however, its populace is the most impoverished and faces a life of human rights violations and hardships. There is an ongoing conflict in the region between the Baloch nationalists and the Pakistani military with separatist sentiment as the main agenda. However, the area is rife with flagrant violations of human rights like, torture, extrajudicial killings, disappearances of people based on hunches of the government et al. The condition there is extremely inhumane and the government is not doing enough to bring a stop to it and is promoting violence in some areas. And added to this, the CPEC shall pass through Balochistan, prompting more revolts and uprisings in the region. The Corridor shall definitely turn the world's eyes to Balochistan and the condition of the inhabitants there and Pakistan should definitely sort this issue violation of human rights and international law first before going ahead with the construction of the various projects under the CPEC.

Conclusion:

Since the partition between India and Pakistan, both countries have primarily fought four wars in 1947, 1965, 1971 and

1999 respectively. Sino-Indian relations also saw strains during this era which resulted due to the 1962 and the 1967 wars. Over the period, these countries have tried to create their own hegemony, both physical and economical, in the South Asian continent. India's enmity with Pakistan has strengthened both economic and military relation with China, thus emphasizing the notion of "enemy of my enemy is my friend".

CPEC is a game changer for the region not only Pakistan and China will get benefits but also many other countries will also be benefited as well. Definitely, the companies of other countries which export goods and services to China and Pakistan would like to use the proposed route because of less shipping cost and transit time. Landlocked central Asian countries like Afghanistan, Kyrgyzstan, Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan would also get benefits of shortest way to seaport of Gwadar which is only at a distance of 2500 km as compared to Iran (4500 km) and Turkey (5000 km) This route not only serves China but also European countries, Middle Eastern countries, and landlocked central Asian countries.

The CPEC initiative is one of the largest projects ever undertaken in the South Asian subcontinent. It involves heavy investments being made by China in Pakistan to construct various infrastructural projects in order to link the Chinese region of Xinjiang to the Pakistani port of Gwadar. Apart from this, the plan also includes the establishment of other facilities like a gas supply pipeline, energy projects etc. The Corridor shall create many employment opportunities in the nation and shall improve Pakistan's



economic standing. It shall also be useful to China as it shall gain access to the African and European markets at lower costs.

The China Pakistan Economic Corridor will surely allow Pakistan to build a robust and a stable economy, as well as, create a momentous opportunity for Pakistan to revive its stalled industry and advance its economic interest. CPEC is a game changer project which will lift millions of Pakistanis out of poverty and misery. The project includes the construction of a textile garment, industrial projects, construction of dams, the installation of nuclear reactors and creating networks of road, a railway line which will generate employment and people will also take ownership of these projects. Fully equipped hospitals, technical training institutes, water supply and distribution in undeveloped areas will also improve the quality of life of people.

However, India as a country stands to lose out on the PoK territory because of CPEC as it shall strengthen Pakistan's claim on the region and it also poses a threat to India's security because of the ease of troop movement China shall acquire because of the Corridor. The Corridor is also being constructed in Balochistan, which is problematic as the area is chock full of human rights violations being carried out by the Pakistani military and the CPEC is bound to create more issues in the future. Thus, while the Corridor is a godsend for Pakistan and a project of strategic importance to China, the operation of the Corridor could spell trouble for India and Balochistan, something which can only be speculated about at this point of time.
