International Journal of Contemporary Issues in Social Sciences
Volume 3, Issue 1, 2024 ISSN(P):2959-3808 | 2959-2461

UNLOCKING ECONOMIC POTENTIALS, CPEC'S IMPACT ON THE SOUTH ASIAN REGION

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Received: 03 March, 2024 **Revised:** 07 March, 2024 **Accepted:** 12 March, 2024 **Published:** 18 March, 2024

ABSTRACT

The China-Pakistan Economic Corridor (CPEC) represents a significant milestone in contemporary economic geopolitics, holding vast implications for South Asia. Beyond infrastructure development, it encompasses trade, energy cooperation, and regional connectivity, promising transformative socio-economic benefits. This study explores CPEC's economic dimensions in the South Asian Region, utilizing qualitative methods. It underscores the potential for increased trade and connectivity to foster shared prosperity among stakeholders. Collaboration on joint ventures and economic projects is encouraged to create mutually beneficial outcomes. While CPEC offers opportunities for regional cooperation, it also poses challenges due to geopolitical shifts. Proactive policy responses are essential to navigate these complexities and ensure the project's success amidst evolving dynamics in Asia. And engage in multilateral forums and initiatives to promote stability and prosperity in the wider South Asian region.

INTRODUCTION

An economic corridor serves as a vital conduit for the perpetual transportation of people, services, and goods between countries worldwide, fostering connectivity between economic hubs and facilitating the exchange of economic assets among various stakeholders (Brunner, 2013). It plays a pivotal role in linking the supply and demand sides of markets, forming an integral part of the interconnected financial networks. Such corridors encompass dynamic sea and land-based connectivity, facilitating the movement of services, goods, and energy across different regions. In contemporary times, economic corridors have emerged as crucial instruments for regional cooperation and development within a globalized framework. Concepts like China's Silk Road and Economic Belt, along with the Maritime Silk Road of the 21st century, epitomize the maritime and land-based routes aimed at fostering financial collaboration among South Asian, Central Asian, Russian, Persian Gulf, European, Southeast Asian, and Indian Ocean states (Sheng, 2014).

The (CPEC) stands out as one of China's largest investments under the One Belt One Road initiative (Wagner, 2016). It builds upon historical trade routes, such as the Karakoram Highway, linking China's Xinjiang province with Pakistan's Gilgit-Baltistan region. Originally initiated in 1959 and expanded after the India-Pakistan conflict of 1965, the road network underwent several upgrades, culminating in its modern incarnation as a vital trade artery (Rizvi, 2015). CPEC's strategic significance is evident in its potential to substantially reduce China's reliance on the lengthy and costly Strait of Malacca route for oil transportation (Javaid & Rashid, 2015).

The proximity of Gwadar Port to Xinjiang offers a more economical alternative, significantly shortening the distance for oil transportation. However, CPEC's development has raised concerns among neighboring countries, particularly India, which perceives it as a challenge to its regional influence. India's efforts to bolster its presence in the Arabian Sea and Central Asia reflect its apprehensions regarding Pakistan's growing strategic importance facilitated by CPEC. Moreover, the United States, viewing China's rising influence with suspicion, has aligned itself with India to counterbalance Chinese initiatives in the region, thereby shaping the geopolitical dynamics surrounding CPEC (Javaid & Rashid, 2015).

CPEC acknowledges the evolving dynamics of global and regional politics by fostering a more structured, upgraded, and demand-driven interaction for socio-economic, industrial, energy, and trade advancement (Ali et al., 2019). This initiative also presents an opportunity for China and Pakistan to enhance their engagement with Central Asia, West Asia, the Middle East, and Europe. The proposed oil and gas pipelines from Gwadar and Iran to Kashgar through Pakistan would alleviate energy shortages in Pakistan (Ranjan, 2015). It's projected that CPEC could significantly boost Pakistan's economy, with the potential to generate substantial transit revenues and transform the country into a regional trade hub (Khawar, 2017).

Gwadar's Strategic Role in Shaping Regional Dynamics

In recent years, there has been a noticeable trend of port cities outpacing inland towns in terms of growth, prompting countries to prioritize the development of their coastal areas for trade (Ahmad & Hong, 2017). Pakistan, strategically and economically positioned in South Asia, boasts over 1000 km of coastal land. The Gwadar port, a flagship project of the (CPEC), symbolizes the deepening economic ties between China and Pakistan and underscores Pakistan's potential to benefit from China's economic progress. Gwadar, positioned as the tail of the Silk Belt, plays a pivotal role in CPEC's ambition to serve as an energy corridor. Situated near the Strait of Hormuz, Gwadar offers a shorter route for China's energy imports, enhancing its energy security (Ahmad & Hong, 2017). This strategic positioning also raises concerns in neighboring India, given China's involvement in similar ports in Sri Lanka, Myanmar, and Bangladesh.

Historically, Gwadar, a former small fishing village on the Arabian Sea, was under the ownership of the Kingdom of Oman for two centuries. Its strategic significance became evident in British India when it was part of the state of Qalat. Following a marital alliance between the Khan of Qalat and the Oman royal family, Gwadar was gifted to the son-in-law or daughter of the Khan. In 1954, Ayub Khan, the President of Pakistan, engaged the United States Geological Survey (USGS), confirming Gwadar's coast as an ideal site for a deep-sea port. This discovery, coupled with Gwadar residents' desire to join Pakistan, led to negotiations with Oman, resulting in Gwadar formally becoming part of Pakistan in 1958 for a negotiated price of US$ 5.5 million. Located at the mouth of the Persian Gulf and the Strait of Hormuz, Gwadar's strategic location positions it 460 km west of Karachi, 75 km east of Iran, and 380 km northeast of Oman. Following construction from 1988 to 1992, Gwadar Port was inaugurated by General Musharraf in 2007 and was managed by the Port Singapore Authority until 2012. Subsequently, management transitioned to the China Overseas Port Holding Company (COPHC) in 2013, facilitating rapid developments and operationalizing the port for regular shipments (Rafiq, 2020). Under the CPEC, plans include expanding Gwadar Port by constructing nine new multipurpose berths and cargo terminals (China to Construct 3.2 km Berths, 2016).

In total, COPHC has allocated $1.02 billion for the expansion of the port ("Zhuhai Port Scores Big Deal", 2015). Besides the construction of nine berths and cargo terminals, several projects will be financed by loans from Chinese state-owned banks. The Gwadar Port dredging project aims to deepen approach channels to a depth of 14 meters from the current 11.5 meters, costing $27 million ("China converts $230m loan", 2015). This dredging effort will accommodate larger ships with a deadweight tonnage of up to 70,000, compared to the current maximum of 20,000 DWT (Tanoli, 2015). Plans involve dredging the harbor to a depth of 20 meters to accommodate even larger vessels ("Why Gwadar", n.d.). Additionally, a $130 million breakwater project around the port is part of the CPEC infrastructure development package ("China to Extend Assistance", 2015). Ancillary infrastructure projects include a $114 million desalination plant and a $35 million contribution from the Government of Pakistan towards infrastructure in the Gwadar Special Economic Zone ("CPEC- Gwadar Port Related Projects", 2016). A 19-kilometer-long dual carriageway, the Gwadar East Bay Expressway, costing $140 million, will connect Gwadar Port to the existing Makran Coastal Highway and the planned $230 million Gwadar International Airport ("Gwadar Port Create 40,000 Job", 2016).

A floating liquefied natural gas (LNG) facility with a capacity of 500 million cubic feet per day is slated for construction at Gwadar Port as part of the $2.5 billion Gwadar-Nawab Shah segment of the Iran–Pakistan gas pipeline project ("China to Build $2.5 Billion", 2015). This venture, undertaken jointly by Pakistan's Interstate Gas System and the China National Petroleum Corporation, aims to enhance energy infrastructure in the region ("China to Build $2.5 Billion", 2015). The Pakistani government also plans to establish the Pak-China Technical and Vocational Institute at Gwadar, costing 943 million rupees, to equip locals with skills for port operations (Abrar, 2015).

Initially projected to handle over one million tons of cargo by 2017, primarily construction materials for other CPEC initiatives ("China's Gwadar Port", 2016), the project has encountered setbacks. Pakistan's mounting debt and the Covid-19 pandemic have hindered its progress (Elmer, 2021). However, COPHC envisions expanding the port's capacity to 400 million tons annually ("The $46 Billion Tie of China and Pakistan", 2016), with plans for 100 berths by 2045 (Tanoli, 2015).

Since becoming fully operational under the CPEC in late 2016, Gwadar Port welcomed its first liner in March 2018, with around 20 companies investing approximately $460 million in the Gwadar free trade zone (Jabri, 2018). Officials anticipate its cargo handling capacity to burgeon, aiming to make it South Asia's largest shipping center within five years, capable of handling 13 million tons annually, with expectations to reach 400 million tons by 2030 (Gul, 2017).

Gwadar Port symbolizes the economic and geostrategic partnership between China and Pakistan. It stands as a vital component of the CPEC, facilitating various developmental projects such as the International Airport, power plants, economic and industrial zones, and the East-Bay Expressway (Salim & Sultana, 2019). China's plans to establish a road network connecting the free economic zone to the airport and port further emphasize its significance in fostering regional economic and industrial development.

"Unveiling the Cosmopolitan Market: Exploring South Asia's Evolution through CPEC"

China has spearheaded the financing and construction of the Gwadar port, facilitating the transportation of Middle East oil through a 3,000-kilometer land route to Kashgar, its north-western city, much closer than its eastern ports like Shanghai, which are 4,000 kilometers away. With Gwadar providing port facilities at three-fourths the distance, China aims to extend its East-West railway line to Kashgar and onward to Gwadar. The Karakoram Highway (KKH), originally constructed in 1986 with Chinese assistance, serves as a vital trading route between Pakistan and China, now being upgraded into a wider expressway. The Gwadar-Karakoram-Kashgar corridor offers China the shortest access to major Arabian Sea maritime routes, enabling diversification of energy routes away from US and Indian influence. Traditionally, Central Asian Region (CAR) transportation routes headed towards Moscow, but after the USSR's disintegration, CARs sought new routes towards South Asia, Turkey, and China, evident in projects like TAPI and IPI gas pipelines ("Gwadar A Jewel", 2015).

The Gwadar-Karakoram-Kashgar Corridor provides an alternate route to Central Asian Regions, with China's 'Line D' energy agreement with Tajikistan and Kyrgyzstan ensuring the flow of Central Asian energy through a new route to Xinjiang. This route bypasses Afghanistan, providing an alternative energy route for Pakistan and safeguarding its political and strategic interests. The corridor's development, including railway links and oil and gas pipelines spanning 3,300 kilometers from Gwadar to Kashgar, will connect industrial zones like the Kashgar and Gwadar economic zones and facilitate infrastructure development in surrounding regions, positioning Gwadar as an energy hub for Central Asia, Afghanistan, and China. Additionally, as a gateway to the Strait of Hormuz, Gwadar has the potential to compete with the UAE as a better trade route to the landlocked Caspian Region, further enhancing Pakistan's strategic importance in the wider region. China's investment in the corridor aims to stabilize Pakistan amidst concerns of spillover from the Pakistan-Afghanistan terrorism belt into its Uighur minorities ("Gwadar A Jewel", 2015).

"Enhancing Trade Logistics and Investor Confidence: Strategies for Economic Growth"

It is widely thought today that improved connectivity through bilateral and regional integration together with spending money on transportation networking is by way of putting finance for trade and infrastructure projects with the assistance of facilitated trade policy. In this strategy, the respective and regional congruity can include common participation in the economy. In connection with these efforts, better logistics and transport infrastructure may improve foreign investment opportunities lower expenses, and make the country perform better. Improved logistics can also improve the functions of special economic zones (SEZs) and their productivity.

The Chinese B & R initiatives have wide economic significance worldwide, and particularly for the Chinese economy, in terms of resource mobilization and resource security. The Chinese economy would gain in terms of easy and speedy access to the raw materials markets in African countries and oil and liquefied gas supplies from the oil-producing Arabian countries. Simultaneously, it will open up new markets for Chinese exports and diversify the potential market risk given increasing protectionist policies in the US market and the slow economic growth patterns in European economies. Moreover, it is also an important step towards the internationalization of the Chinese currency 'the Yuan', the utilization of foreign currency reserves and excess production capacities, and the development of underdeveloped Western provinces in China (Chaisse, 2018). On the other hand, the participating countries in Central Asia and the Southeast will benefit in terms of improved logistics via huge investments in infrastructure sector developments. Like many others, Pakistan is also among the countries listed where these revolutionary developments are in process under this B & R Initiatives program, and the China–Pakistan Economic Corridor (CPEC) was initiated in the year 2013. The priority areas of CPEC development include regional connectivity, diverse investment opportunities, economic cooperation, socioeconomic development, tourism development, and security and stability of the southeast region. A large number of projects related to road, rail, air, telecom, and Gwadar port developments are undertaken and in near completion stages. Under CPEC, 5 Highway development projects will connect the China Khunjrab to Gwadar Port Pakistan through the western and eastern routes. CPEC investment benefits would not only limited to China and Pakistan's logistics industry but will have a positive impact on other neighboring countries such as Iran, Afghanistan, India, Central Asian Republic region. Recently, Iran and China both agreed to work on a 25-year Cooperation Program. Under this cooperation, China would invest about US$400 billion in the Iranian economy over the next 25 years and would benefit from a smooth and low-priced huge supply of oil in exchange. It would also boost a variety of economic activities such as oil mining, industrial development, transportation infrastructure, agricultural collaborations, as well as cultural and tourism activities among both partner countries. Moreover, all these cooperation programs would also benefit the partner countries in terms of geopolitical context as well. These will further strengthen the ties between China, Pakistan, and Iran, especially given US sanctions on Iran, and would also build pressure on the Indian economy ("China, Iran Sign Accord", 2021).

The Pakistan logistics industry comprises rail, road, air, and water transport infrastructure and related vehicles, communication sources, and storage facilities in the economy. The logistics industry (headed under the name of "Transportation, Storage and Communication" in the Pakistan Economic Survey and SBP Annual reports) is growing fast and its total contribution to GDP swelled to 13.4 percent in the year 2016 starting from 5 percent in the year 1951 (State Bank of Pakistan [SBP], 2005). It employed approximately 3 million people per annum and its employment share was about 5.1 percent of the total employed labor force in the period 2013–2014 [5]. The road transport sector carries about 93 percent of passenger traffic and 96 percent of inland freight traffic, while the share of Pakistan Railways is limited to only 7 percent to 6 percent respectively in the year 2013–14. This modal imbalance not only overburdened the road systems but also created traffic congestion, environmental pollution, road damage, etc. There are 46 airports including 12 international airports that provide commercial services for both passengers and cargo movements. Pakistan International Airlines (PIA) carries about 87 percent of the passenger traffic, while Airblue and Shaheen capture the remaining part (Economic Survey of Pakistan, 2015). The inland total traffic by road and rail is estimated to be 614 billion passenger kilometers (BP-KM) and 381 billion ton-kilometers (BT-KM), respectively, in the year 2018. There are two fully functional ports in the country and almost 95% of exports and imports are supported by the Karachi Port Trust and Port Qasim Authorities (Ekici et al., 2016).

The CPEC project has two components. One component aims to develop a new trade and transport route from Kashgar in China to Gwadar Port. This includes US$33.8 billion for energy projects, US$5.9 billion for roads, and US$3.7 billion for railways. CPEC energy projects will serve as the backbone of the energy strategy to overcome Pakistan's power crisis. CPEC's other component envisages developing special economic zones along the route, including power projects. CPEC will be a confidence booster for investors. The project is viewed by many as a business magnet, attracting investment beyond China, from Europe and other regions (Iqbal & Nawaz, 2016).

"Powering Up: CPEC's Role in Resolving Pakistan's Energy Crisis"

Historically Pakistan has faced electric power shortages after economic booms, but the current crisis is the most severe and the most prolonged. The country faces an ever-increasing electric power demand rate of 2.55–5% each year (Vats, 2016) with minimal investments aiming at increasing the power supply base in the past decade until the agreement of CPEC was signed. Electricity shortage is an issue that the government of Pakistan cannot ignore as it impacts the fabric of Pakistani society. In modern times, energy has become a prerequisite to economic growth, and it is one of the driving forces for economic activities. Pakistan's energy crisis is one of the single largest drains on the country's economy. The country faces 5 to 8 hours of power outages daily (Mustafa, 2016). Due to this reason, most of the energy projects have been kept among the priority projects under the umbrella of CPEC. An estimated US$34 billion is being invested in Pakistan's electric power sector and the aim is to enhance Pakistan's power production capacity by adding 16,400 Megawatts to the total production capacity while attempting to ease Pakistan's energy crisis (Houreld, 2015). The irony is that Pakistan's energy crisis is not simply a predicament of deficiency in the country's production capacity. The crisis is manifold; the existing installed power generation capacity is 22,797 Megawatts while gross demand for electric power looms at around 17,000 Megawatts. The crisis is a mix of demand-side as well as supply-side issues within the country's electric power sector and these issues are owed to mal governance, inadequate resource administration, and outdated technologies which trigger a circular debt crippling the supply chain. Besides, deficiencies in recoveries of payables and reliance upon costly and unsustainable fuels for power generation contribute heavily to the crisis and as a result, electric power production oscillates between 12,000 and 13,000 Megawatts (Hali et al., 2017).

Pakistan's energy policymaking credentials are well known for being half-baked and myopic; history is replete with examples. Work started on Pakistan's largest dams Mangla and Terbela after India had cut water flows to Pakistan's eastern rivers. Pakistan's first formal energy policy and plan was adopted in 1994, 47 years after the country's independence. As explained above the 1994 policy had set the wheels of unsustainable energy production into motion which the country until today suffers from. In 2002, another power policy was approved and it was the exact opposite of the 1994 policy which instead of crowding in investment served the purpose of a wall between investment and Pakistan's energy sector. In the year 2009 at a time of dwindling economic conditions, the government once again resorted to half-baked measures to meet electric power demands by adopting the Rental Power Plants policy (Islamabad Chamber of Commerce and Industry [ICCI], 2010). The 2009 power policy failed as the rental power plants provided expensive electricity; in fact, the Asian Development termed the agreements made for such plants to be the most expensive in the world at the time ("Failure of the Rental Plants", 2011). In 2013 the Government of Pakistan adopted a new energy policy, which was an attempt to appease the public by providing massive subsidies (Aziz, 2013), but resultantly the subsidies became too much to bear and the government defaulted on its payments to the rental power companies resulting in massive planned and unplanned power cuts worth 18 hours in the year 2014. The lack of payments also contributed to a hefty circular debt within the supply chain (Ghumman, 2014). The gap between power demand and production reached 6,000 and 8,000 megawatts (Khan 2013). Consequently, the National Transmission and Dispatch Company (NTDC) in 2015 approximated the country's power deficit to be around one-third of the peak demand (National Transmission and Dispatch Company Limited [NTDC], 2015).

It has been explained above that the largest portion of the Chinese investments coming into Pakistan are directed at Pakistan's electric power sector. The early harvest projects under the CPEC envision the addition of 10,400 Megawatts to the electricity system utilizing liquefied natural gas

(LNG), coal, wind turbines, solar-panel parks, and most importantly hydropower projects. The current installed capacity is 22,571 Megawatts as of 2015 (Rizvi, 2015). From this total installed capacity, the contribution or share of the hydro sources accounts for 7,097 Megawatts, and 15,474 Megawatts are contributed by thermal sources. These supplementary 10,400 Megawatts are planned to enhance Pakistan's total capacity of producing electricity to the figures of 32,971 Megawatts by the end of the year 2018. If the government's plans take effect and all the proposed power plants get functional and operational by 2019, the electricity shortfall issue can be addressed for the short term.

Special Economic Zones:

A mutually acceptable mechanism among the researchers to accumulate and sustain the growth of GDP and to revolutionize the status of developing towards development is to expand exports by encouraging industrialization to facilitate FDI for export-oriented production. To keep this into account, numerous government policies have adequately concentrated on encouraging exports as a tool to improve the productivity and advancement of the overall economy. Among these policies, the most considerable strategy which has been widely practiced by several countries, is to establish a special economic zone (SEZ). As per the Ministry of Commerce, SEZ is defined as "A specifically duty-free enclave which shall be deemed to be foreign territory for trade operations and duties and tariffs". The SEZ is further categorized into several specific zone types, which include Free Ports, Industrial Estates (IE), Export Processing Zones (EPZ), and Free Trade Zone (FTZ). As discussed earlier, the rendering of Special Economic Zones (SEZs) in many developing states is meant to encourage intensive foreign direct investment (FDI) into particular pockets and clusters of the state's industry. This in return stimulates the local, government to subsidize various facilities like assuring the provision of uninterrupted electricity, favorable trade, and tariff legislation which are only applicable to those goods tendered and produced within SEZs. Similarly, indigenously provided labor and viable transportation networks for the exports of production are some of the most appealing tasks and benefits of SEZs. Such zones are meant to complement existing commercial activity within a particular region to increase diversification, render the possibility of value-added commodities, boost employment, and encourage improvements in labor standards by keeping them in line with internationally set standards as per the origin of the FDI meant for SEZ. Pakistan has already signed Memorandums of Understanding (MOUs) for upward of nine SEZs throughout the country's different provinces in collaboration with China under the CPEC program, which further falls under the One Belt One Road Initiative (OBOR). ii The flagship component of CPEC funding is the Gwadar port project, which aims to cut shipping times for Chinese commodities drastically by bypassing the Strait of Malacca, which in turn saves almost 10,000 miles worth of ocean routes (FIGURE 1.3) for Chinese shipment tankers. Therefore, the Gwadar port project proves to be one of the most crucial vicinity for the future of Pakistan as compared to any other port concerning energy, transport, and security. However, there exist some profound examples which highlight the core issues potentially prevailing within the period of installation and functioning of SEZs, especially, in developing countries. These zones do create some long-term impacts like environmental pollution, exploiting the profitability and creditability of other operating firms outside of these zones, producing negative externalities, etc. Keeping in view these challenges, adequate steps like human rights and Corporate Social Responsibilities (CSRs) should be integrated into every step of establishing SEZ. In a nutshell, SEZs are a subset within the geographical boundaries of the state needed to expand exports, develop infrastructure, increase employment, and minimize the distortions usually faced by the administration along with low or no tax. On these foundations, this particular study aims to assess the exact potential of Pakistani SEZs via a detailed insight especially encompassing the challenges faced by the SEZs operating in many parts of the developing world, namely Africa and Southeast Asia, to avoid such incidences in establishing SEZs in Pakistan (Zia et al., 2018).

An upward of nine total SEZs have been approved far under the auspices of the CPEC infrastructural and energy corridor. These SEZs will utilize specifically designed favorable tariff and tax legislations which will allow an expansion of Pakistan's manufacturing output alongside the CPEC motorways aiding in delivering the final products from this platform. These various zones as proposed in conjunction between the Pakistani and Chinese federal governments are located in Nowshera (KPK), Dhabeji (Sindh), Boston (Balochistan), Faisalabad (Punjab) Islamabad (Federal), Port Qasim near Karachi (Federal), Mirpur (AJK), Mohmand (FATA) and Monqbondass (Gilgit/Baltistan).

Pakistan has experienced the implementation of SEZs in the past, but none at the scale and metrics that CPEC-oriented ones are set to deliver. The Special Economic Zones Act was passed by Pakistan's Majlis-e-Shoora (Parliament) in September 2012, allowing for various incentives regarding machinery import taxation, to establish a framework for combined public-private ownership of ventures within the private sector itself ("Federal Government of Pakistan", 2012). Such ventures can be conducted on either a state-to-state basis (i.e. Pakistan to China) or under the mechanism of the provinces of Pakistan negotiating with China themselves. Various clusters are to be addressed by Pakistani SEZs including, but not limited to information technology, mining processing, and value-added manufacturing. The comparative analysis performed in this paper not only aims to decipher the potential implications of SEZs in Pakistan rather it provides recommendations for safeguarding against the inefficiencies and low output in such ventures.

Transformation of International Dependency and Emergence of Regional Dependency

Alfred Mahan's assertion in 1890 that "whoever controls the Indian Ocean will dominate Asia, the destiny of the world will be decided on its waters" underscores the contemporary relevance of maritime power politics and geo-strategic maneuvering among international and regional powers (Abbasi, 2015). The Indian Ocean has become a focal point for various actors due to its strategic significance and the importance of its Sea Lanes of Communications (SLOCs), drawing attention from the US, India, China, and Pakistan. While the US has historically exerted hegemonic influence in the region, the economic and political ascendancy of China has introduced new complexities to the maritime power structure. India, as a major littoral state, holds a crucial position in the Indian Ocean, which adds to the strategic considerations of neighboring Pakistan. Tensions between New Delhi and Beijing could potentially escalate into a maritime standoff, involving not only the two states but also other regional actors. This is exacerbated by the presence of sensitive chokepoints like the Strait of Hormuz, Bab el Mandeb, and Malacca Strait, which play vital roles in global trade, particularly in oil transportation (Ahmad, 2015).

Washington has employed both bilateral and multilateral strategies to maintain its influence and prevent the emergence of rival alliances that could threaten US interests in the region. However, changing strategic dynamics have made the Indian Ocean a contested arena for international and regional players. To address this evolving landscape, Washington is forging closer strategic ties with New Delhi to counter the growing role of China, which poses concerns for both the US and India (Smith, 2016: 4, 5). The construction of the Gwadar port and the CPEC is expected to reshape the status quo and power dynamics in South Asia and the Indian Ocean. Pakistan's advancement towards its second-strike naval capability and China's direct access to the Indian Ocean through CPEC pose significant challenges to the long-held interests of the US and India in the region. Strategic Significance of CPEC. Pakistan's unique geo-strategic location at the convergence of energy-deficient and energy-proficient countries. CPEC is a flagship project of China's One Belt One Road initiative, focusing on industrialized zones, energy infrastructure, communication networks, and the Gwadar port. Economic and commercial significance of CPEC, albeit with limitations due to various factors. Speculation on CPEC's role as a transit trade route for Central Asian Republics (CARs) and Afghanistan, is contingent on overcoming obstacles and ensuring stability in the region. Positive impacts of CPEC and Gwadar on Pakistan's land-based defense capabilities and security situation in Baluchistan, while also raising security concerns for India (Pande, 2015: 22).

Considering the geographical position of the Gwadar port, it could serve as a strategic listening post to monitor and, if necessary, intervene in the highly significant maritime oil trade region of the world, the Strait of Hormuz. Some strategists argue that Gwadar Port and the CPEC could enhance Islamabad's bargaining position in both regional and global arenas when negotiating with other stakeholders. Furthermore, in the event of a naval confrontation between key regional players, Islamabad and New Delhi, Gwadar would offer a superior geo-strategic alternative compared to the vulnerable and heavily burdened ports of Karachi.

Gwadar's potential role as a listening post to monitor the Strait of Hormuz and intervene if necessary (Chandramohan, 2015: 97). Contribution of Gwadar and CPEC to enhancing Islamabad's bargaining position in regional and global negotiations (Boyce, 2017: 22). Gwadar and CPEC as the primary line of defense for Pakistan in the event of a worst-case scenario naval confrontation, providing logistical advantages for swift military movements (Chandramohan, 2015: 97). The logistical network of CPEC providing a better option for the swift movement of Pakistan's military forces in response to changing situations (Chandramohan, 2015: 97). Threats to the Eastern and Western routes of CPEC by hegemonic designs of India could prompt China to intervene to protect its strategic and commercial interests (Boyce, 2017: 22). A well-equipped naval base in Gwadar would render India's hypothetical barricade of Karachi meaningless (Boyce, 2017: 22). In summary, Gwadar's strategic location and the development of CPEC offer Pakistan significant advantages in terms of monitoring crucial maritime routes and responding effectively to potential threats in the region. Additionally, these developments enhance Pakistan's bargaining power and offer a deterrent against potential naval confrontations with neighboring states.

On the other hand, Pakistan has historically relied heavily on the ports of Karachi for both commercial and naval operations, lacking a comparable alternative. Thus, a blockade of Karachi alone could severely compromise Pakistan's naval security. However, with the development of the deep-sea port of Gwadar, Islamabad would possess a resilient alternative to Karachi in the event of any naval adventurism by its adversary, New Delhi (Hussain et al., 2014: 602). The construction of Gwadar port and the CPEC is expected to further bolster bilateral naval collaboration between Pakistan and China. Both countries would benefit from a conducive environment for joint military and naval exercises. The shifting regional and international power dynamics have pushed Islamabad and Beijing closer to each other. According to a report from the China-US Forum, Washington's courting of New Delhi to secure a lead role in the Indian Ocean region has prompted Pakistan and China to deepen their bilateral ties (Butt & Butt, 2015: 30).

In consideration of Tehran, Iran's plans to build an oil refinery, along with the previously planned Iran-Pakistan Gas Pipeline, suggest a trilateral aspect to the CPEC. Tehran would export its gas and oil-related products to Beijing and Islamabad, providing China with a more reliable energy source. This convergence of interests among Beijing, Tehran, and Islamabad would strengthen Pakistan's position in the region. Although all three capitals have ambiguous ties with New Delhi, except for Indo-Iranian relations, which are somewhat objective-oriented, Iran may attempt to limit the increased role of India and the US in the region (Wolf, 2018: 170). The construction of Gwadar and CPEC would further reinforce the objective of promoting peace and stability in Baluchistan. A peaceful Baluchistan is essential for the success of the project (Wolf, 2018: 170). While it may be premature to assume that Gwadar will be utilized for combined naval operations by Beijing and Islamabad, it is evident that both partners are focused on energy, security, and trade. Pakistan's proactive stance in operationalizing the Gwadar port for non-commercial purposes contrasts with China's somewhat reserved approach. Nonetheless, China's partial takeover of Gwadar is not only aimed at securing its energy trade route but also signifies its interest in an increased role in the Indian Ocean (Jamshed, 2015).

Therefore, for China, Gwadar represents more than just an alternative to the Malacca Strait; rather, Beijing views it as a staging ground for various maritime operations. It is seen as the first opportunity for Beijing to operate at a port in the Indian Ocean on such a large scale, enabling the deployment of submarines and ships, as well as refueling and refurbishing Chinese vessels, thus enhancing its influence in the Indian Ocean. This development is anticipated to assist Islamabad and Beijing in specifically counterbalancing New Delhi, and Washington in general, in South Asian regional affairs and the Indian Ocean.

While China has assisted in various other seaport projects in the littoral states of the Indian Ocean, such as Bangladesh and Sri Lanka, these projects do not undermine the strategic significance of CPEC and Gwadar. Islamabad's rift with New Delhi, unlike its relations with Colombo and Dhaka, and Gwadar's potential as a transit trade route bypassing the Malacca Strait, make it a unique proposition compared to ports in Bangladesh and Sri Lanka. By potentially restructuring the power equation in the Indian Ocean and South Asia, specifically in the hub of global trade oil, the Strait of Hormuz, CPEC would enable Islamabad to marginalize New Delhi's naval dominance in the region.

For Islamabad, CPEC serves as a deterrent to New Delhi for its alleged interventions in Pakistan generally and Baluchistan specifically. This is because any attacks on Chinese workers by insurgents, assumed to be partially Indian-backed, could escalate tensions and strain Sino-Indian relations. New Delhi would likely face a severe response from Beijing, ultimately benefiting Pakistan (Wagner, 2016: 2).

CPEC's Success is BRI's Success

The CPEC offers China a more efficient route to connect with the larger Belt and Road Initiative (BRI) family, benefiting the 69 countries and organizations officially part of China's trade and investment initiative. President Xi Jinping has emphasized that the BRI should be collaboratively developed to serve the interests of all involved, integrating the development strategies of the countries along the route. It is envisioned as an open and inclusive initiative, not solely driven by China but as a collective effort involving all countries along the route. Significantly, the momentum of the BRI is growing, with countries like Iran, Myanmar, Thailand, and Russia, despite initial reservations, now welcoming and embracing the project. While China's primary objective is to secure its energy and oil supply through this initiative, the BRI states spanning from the Mediterranean Sea to the Middle East, Central Asia, South Asia, and Southeast Asia stand to benefit from the enhanced connectivity and economic opportunities it offers (Shafqat, 2017). India finds the CPEC particularly provocative due to one of its highways passing through Gilgit-Baltistan, a region administered by Pakistan but claimed by India as part of Kashmir. Consequently, New Delhi interprets Beijing's support for the corridor as implicit recognition of Pakistani sovereignty over Gilgit-Baltistan ("Why the Belt and Road Fuels," 2019). Despite India's discomfort with China's expanding influence in the region, China's approach remains non-confrontational. Despite conducting significantly more trade with India than with Pakistan in 2012, China is hesitant to prioritize its relationship with either country over the other, preferring not to make such a choice at all.

From a regional perspective, China naturally desires to maintain positive ties with both India and Pakistan to maximize its strategic interests. The CPEC could potentially transform Pakistani territory into crucial communication lines for a new Chinese land empire, with Pakistani ports and highways serving as vital infrastructure under the initiative. While Beijing is committed to its enduring "all-weather" friendship with Pakistan and envisions a long-term future where Pakistan plays a significant role, it also aims to cultivate stronger trade relations with India (Markey, 2013). However, China's proactive foreign policy, particularly exemplified by the Belt and Road Initiative (BRI), faces skepticism from Western countries, notably the United States. Some Americans fear that the BRI serves as an extension of the Chinese Communist Party's efforts to undermine the existing international security and economic architecture. They worry that China's expanding influence may come at the expense of international institutions and American interests. Conversely, critics argue that the BRI represents a strategic misstep for China, as it oversimplifies complex geopolitical challenges and relies excessively on financial investments to address them. Moreover, Xi Jinping's authoritarian leadership style makes it challenging for China to acknowledge potential flaws in the initiative or reconsider its course (Greer, 2018).

The Chinese Belt and Road Initiative (BRI) presents a vision of global inclusivity packaged as a win-win proposition. It offers a master narrative that embraces transformation, reform, and transition while committing to an overarching mission that resonates with many. This mission's appeal lies in its vagueness, aspirational nature, and open-mindedness. Under Xi Jinping's leadership, China's foreign policy has shifted from being risk-averse to embracing an optimistic vision of a better world where China reclaims its rightful place. While China once hesitated or offered tentative responses to the international community, it now seeks to affirmatively engage with most countries (Ferdinand, 2016). For Pakistan, fully embracing the CPEC is more than just a partnership with an emerging global power; it is crucial for securing Pakistan's future as a significant regional and international player, both economically and geo-strategically. The longstanding and close ties between Beijing and Islamabad, rooted in a shared enmity with India, have deepened over the years. China's support for Pakistan has been extensive, even extending to providing the necessary materials for Pakistan's nuclear program. Pakistan has served as China's ally during periods of domestic isolation, facilitated diplomatic engagement between China and the West, and played a vital role in Beijing's strategic interests during the Cold War era (Small, 2015).

Pakistan's political and military elite fully endorse the CPEC, representing a significant opportunity for economic development and strategic influence. Moreover, China's involvement is reshaping the dynamics of South Asia. China has not only facilitated strategic engagement between Pakistan and Russia but also advocated for increased trade between India, Pakistan, and Afghanistan. The potential for open trade pathways in the region, particularly for India, presents significant opportunities for economic growth (Butt & Butt, 2015). The success of the CPEC is paramount for China, as it not only signifies economic growth but also solidifies China's influence and strategic interests in the region. By fostering cooperation and potentially resolving longstanding tensions between South Asian neighbors, China stands to enhance its global influence significantly. Therefore, the success of the CPEC is essential for China's broader strategic objectives.

4.3.1. Benefits for China

The CPEC represents a convergence of geopolitical and geoeconomic interests, bolstered by longstanding socio-economic and diplomatic ties. The complementarity of their economies stands to serve mutual economic interests, while the development of collaborative infrastructure will strengthen efforts to address shared challenges.

CPEC's contributions to the Chinese economy are manifold:

1. **Gwadar Port**: Positioned as a pivotal gateway to South West and Central Asia, Gwadar holds strategic significance as a transit point for nearly 35 to 40% of global seaborne oil shipments passing through the Strait of Hormuz. Its strategic location at the crossroads of three sub-regional systems facilitates the economically viable and cost-effective transportation of vital energy resources, benefiting approximately 20 countries in Central and South Asia, as well as China.
2.
3. **Reduced Transportation Distance**: The corridor significantly reduces the sea-land route distance between Europe and Western China, making transportation more efficient. Recent trials have shown that transportation via the land route through Khunjerab Pass took almost half the time compared to sea routes.
4. **Economic Development in Western Regions**: CPEC promotes economic development in relatively underdeveloped Western regions like Xinjiang, fostering peace and stability while facilitating trade with Central Asia to meet growing energy demands.
5. **Enhanced Market Access**: By utilizing Gwadar Port, China gains shorter access to markets in Asia, Europe, and beyond, reducing transportation distances by thousands of kilometers and cutting costs significantly.
6. **Oil Transportation Efficiency**: Completion of pipeline projects under CPEC will drastically reduce transportation time for oil imports from the Middle East and Africa, reducing reliance on vulnerable maritime routes like the Strait of Malacca.
7. **Investment Opportunities**: Pakistan offers attractive investment opportunities for Chinese investors across various sectors, driven by low labor costs and favorable conditions.

In summary, CPEC serves as a vital conduit for enhancing China's economic connectivity and strategic interests in the region, while also fostering economic development and stability in Pakistan and beyond.

4.3.2. Benefits for Pakistan

To capitalize on the immense potential of the CPEC and ensure sustained economic development, our focus must be on improving and developing essential infrastructure. Key imperatives include:

1. Alignment with Pakistan's security paradigm and "Look East" policy to strengthen strategic partnerships.
2. Full functionality of Gwadar Port, connecting with China and Central Asia, to revitalize Pakistan's economy.

3. Seizing opportunities for socio-economic development in Gilgit-Baltistan and Baluchistan provinces.
4. Attracting Chinese investment for infrastructure development and energy projects to position Pakistan as a regional trade hub and energy corridor.
5. Maximizing transit revenues and creating employment opportunities, estimated at over 100 billion US dollars annually.
6. Enhancing regional connectivity through highways, railways, and oil pipelines.
7. Developing world-class logistics and trade facilitation infrastructure.
8. Establishing Special Economic Industrial Zones and transit facilities along the corridor.
9. Expanding oil storage capacity connected via pipelines.
10. Investing in water and hydroelectric power development, including mega dams and medium-sized hydroelectric projects.
11. Exploring and exploiting mineral resources to support economic growth.
12. Prioritizing the development of a skilled human resource base.

Benefits for Afghanistan

Since 2014, Chinese officials have significantly increased their involvement in Afghanistan, appointing Sun Yuxi, a seasoned diplomat, as Special Envoy to the country. This appointment, rare for China, underscores Beijing's proactive approach towards Afghanistan. With NATO's withdrawal and deteriorating security in northern Afghanistan, China sees an opportunity to mediate, aligning with its foreign policy objectives. Beijing aims to reassure Washington of Pakistan's cooperation in the peace process and to facilitate a complete US withdrawal from the region. This mediation effort enhances China's international image and aligns with its strategic interests (Chéné, 2015). Moreover, China is keen on normalizing ties between Afghanistan and Pakistan to bolster the success of the CPEC. Trilateral agreements signed in December 2018 demonstrate efforts to enhance security cooperation and encourage Afghan peace talks, with China also pledging to improve infrastructure to connect CPEC with Afghanistan (Gul, 2018). Analyst Jan Achakzai suggests Prime Minister Imran Khan include Afghanistan in CPEC by offering alternative routes via Gwadar, potentially through the Wakhan Strip, to establish connectivity with Tajikistan's Dushanbe. This approach could expedite Gwadar's development and foster regional economic integration ("Pakistan to Benefit by Involving Afghanistan," 2021).

The potential agreement between Pakistan and Taliban-led Afghanistan regarding the Wakhan Strip and a corridor between Kandahar and Herat through Baluchistan's Dalbandin, closer to Ahmadwal/Noshki, to Gwadar as part of CPEC/BRI, presents a groundbreaking geo-economic alignment. Controlled by the Taliban-led Afghanistan, the strategic Wakhan strip serves as a key junction linking China, Pakistan, Afghanistan, and Tajikistan. If the Taliban agrees to exclusive usage rights for Pakistan in Wakhan, Pakistan could reciprocate by granting Afghanistan similar access through Gwadar. This proposal gains traction due to America's diminished influence in Afghanistan and China's support for the Taliban-led government. Fencing both segments of the route, akin to the Pak-Afghan border, could ensure security. Strategically, this arrangement benefits both Pakistan and Afghanistan. Islamabad gains a direct route to Central Asia, bolstering its geopolitical significance, while enhancing connectivity between Russia and the Middle East, potentially reducing Moscow's dependence on Iran for Indian Ocean access (Pakistan to Benefit by Involving Afghanistan, 2021).

Benefits for Iran

Situated in a region abundant with natural resources and strategic significance, Pakistan, China, and Iran possess immense economic potential, making trilateral cooperation highly promising. Despite US sanctions against Iran, China remains its largest trading partner, with bilateral trade reaching US$37.18 billion in 2017 (Azer News Agency). China's extensive industrial activity necessitates a stable energy source, making Iran a natural partner, particularly along the 'Silk route' (Dorsey, 2017). Recent developments, such as China's US$3 billion investment offer to develop Iranian oil fields, underscore this partnership (Tanchum). In the context of the CPEC, Iran's potential contribution to energy and infrastructure aligns with the corridor's objectives (Dorsey, 2017).

Despite initial resistance, Iran has shown interest in participating in the CPEC, aiming to enhance connectivity through road and railway networks (Dorsey, 2017). Moreover, the proposed Iran-Pakistan pipeline, connecting Asaluyeh to Gwadar via Nawab Shah, promises significant benefits for inter-regional trade (Dorsey, 2017). Strengthening trilateral cooperation among Pakistan, China, and Iran augurs well for the success of the CPEC and inter-regional trade (Iran's Look East Policy Takes Wings, 2015).

Benefits for Russia

The absence of Russia's participation in the CPEC, despite its strategic partnership with China and President Putin's proposal to pair the Eurasian Economic Union (EAEU) with the Belt and Road Initiative (BRI), is notable. It is believed that Russia refrains from involvement out of respect for India's objections to CPEC due to territorial disputes with Pakistan. However, prioritizing national economic interests over diplomatic sensitivities seems prudent, especially considering China's significant investment in CPEC (Morozov, 2020). Russia's participation could strengthen Sino-Russian cooperation and serve as a demonstration project for future multinational cooperation under the BRI. Moreover, Pakistan's open diplomacy approach and the potential use of Gwadar Port by countries like Iran and Turkmenistan for trade underscores the region's evolving dynamics (Korybko, 2020). Russian involvement in CPEC could mitigate concerns over China's dominance and foster cooperation among BRICS countries, including India (Korybko, 2020).

President Putin's proposal for expanding North-South connectivity aligns with the concept of "N-CPEC+" and "W-PEC+," which envision extending CPEC into Afghanistan, Central Asia, and Russia, or connecting it with Iran, Turkey, Azerbaijan, and Russia, respectively (Korybko, 2020). Additionally, initiatives like the International North-South Transport Corridor (INSTC) and collaboration between Azerbaijan, Turkey, and Iran further highlight the potential for enhanced connectivity and economic integration in the region (Korybko, 2020). These projects complement China's broader objectives in the region and contribute to Iran's domestic and regional interests (Korybko, 2020).

Conclusion

The CPEC presents a transformative vision for regional integration, offering immense economic potential for Asia. However, alongside opportunities for cooperation, it also introduces challenges, as differing regional interests may lead to tensions. Factors such as India's alignment with the US and evolving geopolitical dynamics necessitate careful policy considerations. To ensure the success of CPEC and mitigate conflicts, stakeholders must adapt to emerging realities, prioritize mutual interests, and foster collaborative strategies. Proactive measures, including dialogue and joint initiatives, can foster stability and maximize the benefits of this ambitious project for all involved parties.

Recommendation: Emphasize the economic benefits of CPEC for all stakeholders, highlighting how increased trade and connectivity can lead to shared prosperity. Encourage collaboration on joint ventures and economic projects to foster a win-win situation for all involved parties. Implement robust security measures along the CPEC route to ensure the safety of infrastructure and personnel. Collaborate on intelligence-sharing and joint counter-terrorism efforts to mitigate security risks and create a conducive environment for economic development. Prioritize environmentally sustainable practices in the development and operation of CPEC projects to minimize ecological impact. Enhance transparency in CPEC-related agreements and projects to build confidence among stakeholders. Ensure accountability in project implementation to prevent corruption and address concerns about resource allocation and project management.

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