

China-Pakistan Economic Corridor: Its Impact On India-Pakistan Relations

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Abstract: India Pakistan and china are the growing economies in Asia in the current contemporary world. Among each other, every country wants to dominate with one another with military, economic, political and social aspects. As china, India and Pakistan are the developing economies of the world, their borders are interconnected with one another, so each country has a special significance in terms of economic, security and strategic positions are concerned. In this paper the main focus will be on China Pakistan Economic Corridor (CPEC) which is a road project between Pakistan and china definitely going to affect relations between India and Pakistan. The transport corridor between Pakistan and China traverses Jammu and Kashmir, the status of which has been a subject of contention between India and Pakistan since 1947. This constellation would seem to suggest a negative scenario whereby CPEC could place additional strain on India-Pakistan relations. On the other hand, a positive scenario is also conceivable, with a settlement of the Kashmir dispute even becoming possible in the long term.

Keywords: CPEC, Economy, Effects, India Pakistan Relations, Jammu and Kashmir, Etc

I. INTRODUCTION

The China-Pakistan Economic Corridor (CPEC) constitutes one of the largest foreign investments China has made in the framework of the “One Belt, One Road” initiative. The expenditures planned for the coming years in the amount of approximately \$46 billion will further intensify relations between China and Pakistan. At the same time, Pakistan will assume a more prominent role in China’s foreign policy. But CPEC also affects relations between India and Pakistan. The transport corridor between Pakistan and China traverses Jammu and Kashmir, the status of which has been a subject of contention between India and Pakistan since 1947. This constellation would seem to suggest a negative scenario whereby CPEC could place additional strain on India-Pakistan relations. On the other hand, a positive scenario is also conceivable, with a settlement of the Kashmir dispute even becoming possible in the long term.

CPEC plays a key role in China’s foreign policy, linking infrastructure measures aimed at establishing a “New Silk Road” (one road) running through Central and South Asia

with efforts to create a “Maritime Silk Road” (one belt) in the Indian Ocean. The two routes are to meet in the Pakistani port city of Gwadar in the Balochistan Province, the development of which China has been promoting for many years. Upon completion, CPEC will form a network of roads, railways and gas pipelines encompassing approximately 3,000 kilometers in length. Around \$11 billion is currently earmarked for infrastructure measures. The bulk of the funding, however, about \$33 billion, is slated for energy projects. The aim here is to alleviate chronic energy shortages, stimulate economic development and establish new industrial parks.

The implementation of the CPEC project has fueled a series of domestic political debates in Pakistan. Initially, a dispute arose between the provinces and the political parties over the road and railway routes between Gwadar in the country’s southwest and China in the northeast. This dispute has since given way to general agreement that there should be several routes benefitting as many provinces as possible. But there is still ongoing debate over whether the “western” or the “eastern” route should be completed first. A second issue concerns the safety of Chinese personnel. There are already

several thousand Chinese workers and experts in Pakistan and this number are likely to increase as CPEC proceeds. As Chinese are regularly attacked or abducted, for example by separatist groups in Balochistan, the army is in the process of deploying a special security division to protect them. A third issue is the dispute over the tax exemptions the Chinese government has demanded in return for easing credit terms and importing machinery from Pakistan.

A. THE CHINA-PAKISTAN ECONOMIC CORRIDOR

Pakistan reciprocated Premier Li's proposal for an economic corridor with great enthusiasm and signed an agreement to cooperate on a 'long-term' plan on the corridor. In his very first speech after his election, Pakistani Prime Minister Nawaz Sharif made mention of the project, though his speech was essentially about Pakistan's domestic issues and lacked any other foreign policy details. Later, during his visit to China in July 2013, he reiterated his commitment to the CPEC and highlighted its importance not only for Pakistan and China but for the whole of South Asia. Expediting the process, both countries constituted a Joint Cooperation Committee for the CPEC headed by Ahsan Iqbal, the Pakistan Federal Minister for Planning, Development and Reforms and Zhang Xiaohang, the Vice Chairman of China's National Development and Reforms Commission. The first meeting of this Joint Committee was held on 27 August 2013 in Islamabad (Government of Pakistan, Ministry for Planning, Development and Reforms 2014). The CPEC project received a significant impetus with the signing of various agreements and MoUs worth US\$28 billion during Chinese president Xi Jinping's visit to Pakistan from 20 to 21 April 2015. At first glance, the emerging contours of the proposed economic corridor are simply breathtaking. According to the plan, various industrial parks and economic zones, dams and energy stations, interlinked through world-class expressways and railway lines, will be constructed along the Kashgar-Gwadar route, bisecting the entire length and breadth of Pakistan. The total cost of this entire set-up is estimated at US\$45 billion, with the project expected to be completed in 2030.

a. MAJOR COMPONENTS

Kashgar-Gwadar Expressway

As per the available information, this trade corridor will be around 2,000km long within the territory of Pakistan (Government of Pakistan, Ministry of Communication 2014). Some important cities of Pakistan will also be connected to this corridor through many expressways, either proposed or under construction. The alignment of the CPEC has generated heated debates in Pakistan. Many provinces, especially the backward areas of Balochistan and Khyber Pakhtunkhwa (KPK), have raised their voices alleging a change in the 'original' route of the economic corridor. While the government of Pakistan has denied any change in the route, opposition senators, mainly from Khyber Pakhtunkhwa and Balochistan, allege that the original 'Western alignment' has now been replaced by an 'Eastern alignment' (Wasim 2015). However, in an interview in March 2015, the Minister for

Planning, Ahsan Iqbal, denied any change in the route and said that the CPEC is not a project of just one road but it's a network of multiple roads, which will go from Gwadar to Khunjerab and the government is only implementing the first phase of the route (Shahzad 2015).

Kashgar-Gwadar Rail Link

In addition to the Kashgar-Gwadar expressway, a rail link between Kashgar and Gwadar is also planned. Several possible alignments are being discussed. According to media reports, the most likely alignment could be as follows: Kashgar-Hotan-Gilgit-Abotabad-Havelian-Rawalpindi-Gujrawalan-Lahore-Sahiwal-Multan-Bahawalpur-Rohri-Spezand-Mastung-Kalat-Hoshab-Turbat-Gwadar (Raja 2013).

The railway link from Kashgar to Hotan is already operational. It was opened for cargo transportation in 2010, while passenger transport started in 2011 (People's Daily 2011). Though no rail link exists at present between Hotan and Havelian, a rail link is proposed and the pre-feasibility study has reportedly already been done (Khan 2012). Havelian is connected to Pakistan's railway network at Islamabad through a broad gauge single line. Islamabad is further linked to Rawalpindi by a broad gauge double line. In fact, the Islamabad-Rohri rail section is part of the Main Line (Karachi-Peshawar) of Pakistan Railway, mostly broad gauge double line except for two sub-sections, Rawalpindi-Lahore and Pattoki-Sahiwal which are broad gauge single lines. From Rohri, the route turns west on the Sukkar-Quetta line and goes up to Spezand via Jacobabad and Sibi via a broad gauge single branch line. Presently no rail link exists between Spezand and Gwadar but a railway line to connect Gwadar with Pakistan's railway network via Mastung, Hoshab and Turbat is planned (Pakistan Today 2013).

Kashgar-Gwadar Pipeline

Parallel to the expressway and rail link a pipeline to transport oil from the Middle East to China's western regions through the port of Gwadar is also planned. In a related development Islamabad and Beijing have also included the Iran-Pakistan (IP) gas pipeline project in the planned economic corridor, extending this pipeline to connect with western China (Bhutta 2013).

Development Of The Gwadar Free Trade Zone

Pakistan is also planning to develop Gwadar as a free trade zone on the lines of Hong Kong or Dubai and couple it with the Kashgar Economic Development Zone, already approved and being developed by China (Dawn 2013). During Pakistan Prime Minister Nawaz Sharif's visit to China in November 2014 the various agreements signed with China included those to construct (i) the Gwadar New International Airport; (ii) the Gwadar Eastbay Expressway; and (iii) a Technical and Vocational Training Institute in Gwadar (Abrar 2013).

B. CPEC AND INDIA-PAKISTAN RELATIONS

CPEC will also have consequences for India- Pakistan relations. The corridor runs through the region of Gilgit-Baltistan (GB) in northern Pakistan. This region belongs to Jammu and Kashmir, to which both India and Pakistan have asserted claims. Since the accession of the former princely state to the Indian Union in October 1947, New Delhi has claimed the entire area for India and insists on resolving the dispute only with Islamabad. India invokes the 1972 Shimla Agreement, according to which disputes between the two countries are to be resolved through bilateral negotiation. Pakistan, in contrast, invokes a series of resolutions on Kashmir in the United Nations and views the former princely state as disputed territory, the affiliation of which is to be decided by referendum. The Kashmir dispute has been the cause of three of the four wars that India and Pakistan have waged against each other since 1947.

Another view is of particular relevance given China's integration rationale for CPEC. That view centers on the possibility of finding common economic ground between India and Pakistan, given that bilateral trade, through the Wagah-Attari border has remained well above the \$2 billion mark (except for 2011-2012), even during cross-border skirmishes, terrorist attacks, and aggressive rhetoric from either side. Hence, the increase in trade continuing unabated can potentially act as a stabilizing factor given that CPEC materializes on the ground, China would be interested and could gain access to the Indian market through this route, which fits into China's integrated rationale for investment. A number of top Chinese officials, including Le Yucheng, the Chinese Ambassador to India, have already alluded to the participation of India in the project. If trade routes are opened between Punjab (Ferozpur-Kasur and Fazilka-Sahiwal) and Rajasthan-Sind (Munabao-Khokhrapar), corridors can be built bilaterally between India and Pakistan, prior to being utilized by China.

Year	Total Trade (USD)
2010-2011	2.37 billion
2011-2012	1.93 billion
2012-2013	2.6 billion
2013-2014	2.7 billion
2014-2015	2.35 billion

Source: Ministry of Commerce (Department of Commerce, Export Import Data Bank), Government of India.

Figure 1.1: India-Pakistan Bilateral Trade (Wagah-Attari)

a. THE NEGATIVE SCENARIO

The aim of CPEC is to improve economic development in Pakistan. In recent years, economic growth has been weaker than in other South Asian countries such as India, Bangladesh and Sri Lanka. Improved economic development could lead to an increase in Pakistan's military spending. This would presumably further fuel the arms race with India. So far, efforts to intensify economic relations with India have foundered on the resistance of Pakistan's armed forces. The political rapprochement connected with the 1999 Lahore process and the 2004 Composite Dialogue has been undermined by military adventures like the 1999 Kargil War

and major terrorist strikes like the 2009 Mumbai attacks. A Pakistan economically strengthened by

Chinese support would have little interest in expanding economic cooperation with India. Pakistan could then more forcefully place the Kashmir dispute on the foreign policy agenda, as it did intermittently in 2014/15. Major terror attacks in India, with or without the knowledge of the security forces in Pakistan, could lead to an escalation of the Kashmir dispute. This in turn would prompt the international community to intervene, thereby playing into Pakistan's hands. If in the course of a renewed India- Pakistan conflict Chinese citizens were to be attacked, for example in Balochistan, where separatist groups operate, partially supported by India, this could also produce a crisis between New Delhi and Beijing. In this scenario, the economic and political effects of CPEC would essentially prolong the negative cycle of India-Pakistan relations. In this case the positive economic effects that CPEC would have for Pakistan would spur a military build-up, which in turn would have negative effects on relations with India.

b. THE POSITIVE SCENARIO

On the other hand, a positive scenario is also conceivable in which CPEC exerts a moderating influence on India-Pakistan relations and the Kashmir dispute. In concrete terms, this would have an effect on the constitutional status of the Gilgit- Baltistan region in Pakistan, on the one hand, and on relations between China, Pakistan and India on the other. As one would expect, the routing of the corridor through Gilgit-Baltistan, which is claimed by India, has prompted protests by the government in New Delhi. Gilgit-Baltistan has a special status in Pakistan. As it is part of Jammu and Kashmir, Pakistan officially considers it disputed territory and therefore refuses to accord it the rights of a province. The special status of Gilgit-Baltistan has repeatedly led to protests by the local population, who demand more political participation and investments. Due to its strategic significance, the region is de facto controlled by the armed forces. Various Kashmiri rebel groups, which are supported by the armed forces in their fight against India, are said to run training camps here. Pakistani governments have improved regional self-government through a series of reforms. As part of the last major reform in 2009, the former Northern Areas, among other areas, were renamed Gilgit-Baltistan. At the same time a legislative assembly was established in the region, which in contrast to provincial parliaments has only limited powers. The most recent elections in Gilgit- Baltistan in the summer of 2015 yielded a majority for the Pakistan Muslim League – Nawaz (PML-N), which governs in Islamabad.

Were CPEC to improve Pakistan's economic development, this could foment discontent in Gilgit-Baltistan over the growing gap between the region and other provinces. If the governments were to respond to such protests by constitutionally upgrading the region to a province, it would simultaneously be undermining its own official stance in the Kashmir dispute, since as a province of Pakistan, Gilgit-Baltistan would no longer be a "disputed territory". The dispute with India would thus be indirectly ended, as both sides would have then completed the integration of the

respective parts of Kashmir controlled by them into their state entities.

The second positive aspect of CPEC lies in the effects it could have on relations between and among China, Pakistan and India. The relationship with China has been extolled for many years as extremely positive and described in metaphorical circumlocutions such as “higher than the Himalayas and deeper than the ocean”. In formal terms, moreover, Pakistan is China’s only strategic partner, though closer analysis shows that China is not the unconditionally reliable partner that Pakistan hopes for, above all in the dispute with India.

First of all, China does not support Pakistan’s position on the Kashmir issue. Pakistan wants to resolve the matter through internationalization. China, in contrast, along with the US and the EU, among others, believes that the dispute should be resolved through bilateral talks. This stance corresponds to India’s position. Second, during the 1999 Kargil War Beijing was not willing to stand with Pakistan against India. Third, at the 2008 Nuclear Suppliers Group (NSG) negotiations, which took place in the framework of the US-India Civil Nuclear Agreement, China voted for Indian exemptions that were heavily criticized in Pakistan. Fourth, India-China relations have improved considerably since the 1990s.

The bilateral relationship continues to be marked by tensions, stemming for example from the unresolved border issue in the Himalayas. Nevertheless, the two countries have significantly expanded their political and economic cooperation in recent years, for example through participation in the BRICS group (Brazil, Russia, India, China, South Africa). In international negotiation rounds they regularly agree on common positions vis-à-vis the West. The accession of India (and Pakistan) to the Shanghai Cooperation Organisation (SCO) will strengthen cooperation between New Delhi and Beijing even further. As mentioned above, China’s participation in CPEC increases its vulnerability due to its substantial investments and the danger posed to its own citizens in the eventuality of renewed India-Pakistan hostilities. But as China’s cooperation with Pakistan is focused on its armed forces rather than its political parties, China’s influence could have a moderating effect on Pakistan’s military. Military adventures like the 1999 Kargil War would thus become less likely.

II. CONCLUSIONS

Pakistan places high economic hopes in CPEC. To what extent the project can really be carried out remains unclear. There has always been a gap between official announcements and the funds actually spent on Chinese projects in Pakistan. Nevertheless, in the medium to long-term CPEC is likely to have a positive effect on the economic development of the country, for example by contributing to improving Pakistan’s infrastructure and easing its chronic energy shortage. CPEC strengthens the strategic alliance between Pakistan and China. At first glance, it would therefore seem likely to exacerbate the dispute between Pakistan and India. But in Pakistan, too, there is a change of thinking taking place. For example, in Islamabad there is a growing understanding that supporting

militant groups in order to achieve foreign policy objectives in neighboring countries such as India and Afghanistan is increasingly counterproductive and has negative effects on Pakistan’s national security. Moreover, China nourishes hopes that CPEC and its economic effects will also contribute to the transformation of Pakistani society and the strengthening of moderate forces. China reasons that peaceful development in Pakistan could in turn also have a positive influence on the region, for example with regard to the situation in Afghanistan. Securing Chinese trade routes by granting Gilgit-Baltistan the constitutional status of a province would codify the status quo, thus indirectly bringing the Kashmir dispute to an end and closing a chapter in global politics. India has already signaled in previous negotiations with Pakistan, for example in 2007, that it is willing to accept the status quo in Kashmir, which evinces the current division of the territory. After all there is still a possibility, however unlikely, that India may one day endorse the internationalization of the Kashmir dispute and a referendum. Were Kashmiris to then vote in favor of accession to the Indian Union, CPEC would become obsolete overnight?

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