



China-Pakistan Economic Corridor (Cpec): A Road To Development Filled With Potholes

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Abstract

Over the past few decades, foreign investment has received great attention from both scholars as well as international organizations alike as an impetus for fostering growth and development in host countries. Despite the robustness of the theoretical arguments underlying the relationship between foreign investment and development, empirical evidence regarding this so-called relationship across a large number of countries largely remains inconclusive at best. This article examines the interplay between actors, interests and institutions and the implications thereof for implementation of CPEC in Khyber Pakhtunkhwa province of Pakistan. The findings suggest that implementation of the CPEC has largely been shaped by particularistic interests. The findings offer implications for the mainstream theoretical arguments underlying the relationship between foreign investment and development.

Introduction:

In International Relations, outcomes of foreign policy are largely determined by national interests as well as the prevalent regional and global conditions. Foreign policy is formulated by each state for achieving her own national interest. East and South Asia are the two sub-regions of Asian continent. Nepal, Bangladesh, Bhutan, Sri Lanka, India, Maldives and Pakistan are situated in Southern part of Asia while North Korea, Hong

Kong, Japan, South Korea, Taiwan and China are situated in eastern part of China. Eastern part of Asian countries has largest and booming economies. But China is the first largest economy in Asia and second largest economy in the globe besides she is the largest and giant of imports and exports of goods. Four South Asian states Nepal, Bhutan and India and Pakistan have shared their common borders with China. Geo-politically and geo-strategically Southern part of Asia is very significant for rest of the globe. Countries always see their own national interest and the biggest interest of China in South Asia is economic interest. For that she has friendly relations with all countries in the region to achieve her economic interests. In this region Pakistan is the strongest and time tested ally of China. Their relation remains uninterrupted and never-ending since independence. Both nations give diplomatic support to each other in any condition. Both states found friendship on the basis of mutual cooperation, brotherhood, and sovereign equality. China is very strong economic and military power but never interfered in the Pakistan domestic affairs. Strategic partnership of both countries have always found very reliable and sound (Kataria & Naveed, 2014).

Foreign economic investment is considered as a blessing for each and every country to achieve her economic need particularly the developing states which have no sufficient resources for their development projects. Pakistan is also trying to increase foreign direct investment in the country but terrorism and extremism decreased the flow of foreign direct investment but difficultly she sustain and increase the investment level. The trading relation of china and Pakistan were enjoyed from the very beginning through Silk Road at the northern side of Pakistan where almost all the activities of trades were carried out. But now for that purpose both countries planned and developed more strengthen by establishing China Pakistan Economic Corridor (hereafter referred to as CPEC). It is considering very beneficial for both the countries. The CPEC is very necessary for China to sustain her lead in the economy of the globe while also necessary for the sustaining and stability of Pakistan economy. It is not only a road for China and Pakistan but is the foundation stone of financial growth of the whole the region; connect South Asia, Middle East, Europe, Central Asia and Africa. China organized to construct a One Belt One Road project that consists of Southern, Central and Northern routes in which CPEC is the southern route. This CPEC project was an idea from the 1st decade of the 21st century. While the vision transformed into materialized when Prime Minister Nawaz Sharif came into power in 2013, signed the agreement of China Pakistan Economic Corridor (CPEC). Prime Minister Nawaz Sharif visited china in 2014, and signed the agreements of constructing 200 Km tunnel. In 2015, Xi Jinping the president of China visited Pakistan in which signed the final treaties of forty-six billion dollar to build the CPEC. It is not a short-term project but it is a project of one and half decade from 2014 to 2030. It consists of power development projects and infrastructures in Pakistan (Mustaf & Zafar, 2017).

The governments of Pakistan and China have fully understood the significance of constructing the CPEC which starts from Kashgar city in Xinjian Province, of China and reaches to Karachi capital city of Sindh Province and Gawadar port city in Balochistan

Province of Pakistan via Khunerab Pass¹. The CPEC is considered a game changer for the economy of Pakistan. However, there are obstacles and hurdles i.e. foreign and domestic which might affect the corridor and the projects under it. The main bone of contention is the route of the corridor which is used by few politicians for political gains while few view it under the cost and benefit analysis prism. There have been made three possible routes which are Central, Eastern and Western route that will pass through different regions of Pakistan. Among the three, the Western route is considered more economically and politically viable comparing to the other two routes under the rubric of the cost and benefit analysis but domestic politics makes it obfuscated. There emerges a conflict in Punjab oriented corridor and Khyber Pakhtunkhwa oriented corridor. Therefore, CPEC is now a battle among actors, interests, and institutions which has to be understood by analyzing the above political controversies among the mentioned subjects.

Route Controversy:

In spite of huge capabilities and benefits, China Pakistan economic corridor is surrounded by the vast controversies on the route. Two provinces of Pakistan, Baluchistan and Khyber Pakhtunkhwa claims the Prime Minister Nawaz Sharif's government has changed the initial route. Dispute begins by the ends of 2013 year and start of the next year. While the government of Pakistan Muslim League (N) (hereafter referred to as PML(N) remained silent on the controversy. But later, the government of PML(N) insisted that there “would be no change in the route and maintained this stance for quite a while”. Controversy and campaign begun that there would be two routes, eastern route and western route and western route should be given the priority. It was shown by allocation that the government of PML(N) focuses and gives importance to Eastern route and gives less preference and importance to the Western route². Dr. Qasir Bengali estimated cost and benefits and analyzed on the basis of production factors, land and population he also added central route which is as follow in the table:

Table 1.0 Routes of CPEC

	Central Route	Eastern Route	Western Route
Average population density	156	264	98

¹ Official Report: Long Term Plan for China-Pakistan Economic Corridor (2017-2030). <chrome-extension://oemmnndcbldboiebfnladdacbfmadadm/https://www.pc.gov.pk/uploads/cpec/CPEC-LTP.pdf>

² China Pakistan Economic Corridor; A Chinese Dream Being Materialized Trough Pakistan by Shakeel Ahmed Ramay. <chrome-extension://oemmnndcbldboiebfnladdacbfmadadm/https://think-asia.org/bitstream/handle/11540/6694/ChinaPakistan.pdf?sequence=1>

Total Area under cultivation (000 ha)	5829	10322	2933
Production of four major crops (000 tonnes)	13754	30928	7430

Source: Dr. Kaiser Bengali, Paper for Chief Minister of Baluchistan.

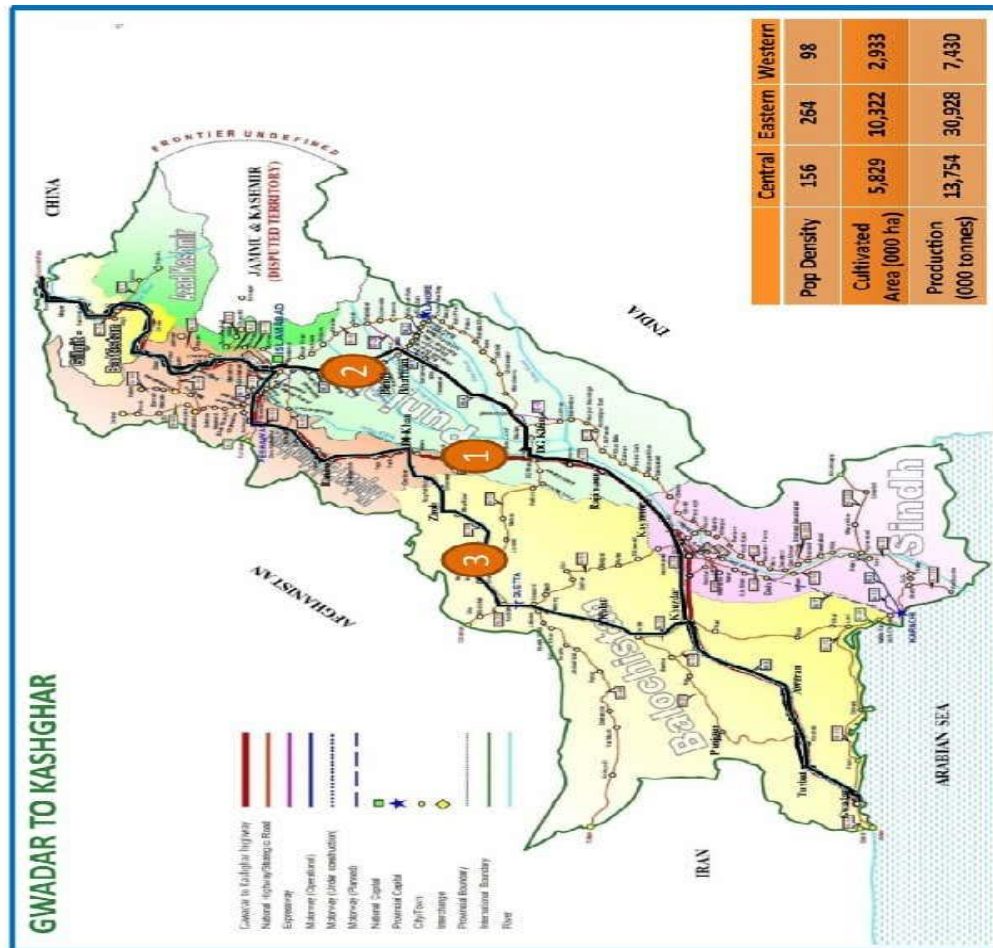


Figure 1.0 Map of the Central, Eastern and Western Route³.

1 on the above map is central route, 2 on the map is eastern route and 3 on the map is western route.

The eastern route is the longest and high costly while the western route is the shortest possible route and likely to be least costly in terms of land purchasing because of the low density of population while the eastern route is expensive because of high density

³(Bengali, 2015) https://www.academia.edu/35153865/CPEC_The_Route_Controversy.pdf

of population. Western route saves time and costs but the security cost on western route is higher on account of terrorism and extremism in FATA and Baluchistan than the security cost of eastern route (Bengali, 2015). The controversy raised and criticized the CPEC project handled by federal government that has only surrounded the benefits of it from Punjab and Sindh and KP on the backburner of development. The Planning Minister of Pakistan Ahsan Iqbal arranged the meeting in Peshawar Governor House and trying to calm the KP government. But KP government did not calm completely and convinced the federal government of PML(N) that the interests of KP has ignored. PML-N was trying to convince them diplomatically that the security risks is the major reason of not working on western route and also stated the significance of completing the eastern route first but PML-N government did not handle the issue diplomatically. It seems that the province of Punjab gets so many benefits from the CPEC and in comparison a very less benefits to KP province⁴. The tussle among federation and federating units related to CPEC route that activist and politicians in Sindh, Balochistan and Khyber Pakhtunkhwa including Awami National Party and Jamiat Ulema e Islam Fazlur Rehman claimed that PML(N) Nawaz Sharif's government had changed the original route to get benefits to its constituencies in wealthier parts of central Punjab where PML(N) political bastion. A Baloch member of the parliament told that Chinese officials were alert of constructing the western route because of security concerns: "The federal government has created this impression in their mind". A former senator and senior Awami National Party (ANP) leader from KP said "we feel cheated" and also said "Punjab gets the industrial zones and trade; Khyber Pakhtunkhwa gets [militant] training grounds and madrasas"⁵.

Final Decision of the All Party Conference:

On 28 May 2016 The All Party Conference unanimously took decision to adopt a modified Western Route. The route would pass through Gwadar-Turbat-Hoshab-Panjkur-Besima-Kalat-Quetta-Qila Saifullah-Zhob-DeraIsmael Khan-Mianwali-Attock-Hasanabdal-and onwards. The western route is best possible option in terms of land purchasing and dislocation compensation costs (Bengali, 2015). The Map of the western route is following:

⁴ The express tribune *January 8th, 2016*. <https://tribune.com.pk/story/1023658/k-p-and-the-cpec>

⁵ China-Pakistan Economic Corridor: opportunities and Risks. <https://www.crisisgroup.org/asia/south-asia/pakistan/297-china-pakistan-economic-corridor-opportunities-and-risks>



Figure 1.1: Finalized the CPEC Route in All Party Conference on May 28, 2015⁶.

Khyber pakhtunkhwa provincial assembly member Khan Kundi, said that western part of the country was ignored in the past but now it should prior in the 2nd phase of CPEC (Abrar, 2019).

The chief minister of KP Parvaiz Khattak, gave warning to federal government that if the western route was not announced part of the CPEC and facilities weren't provided then no any road of the china Pakistan Economic Corridor would be allowed to pass through the Khyber Pakhtunkhwa. CM of KP speaking in the assembly of KP, he said that he himself asked the ambassador of China about the western route is the part of CPEC or

⁶ (Bengali, 2015) https://www.academia.edu/35153865/CPEC_The_Route_Controversy.pdf

not. He replied 'no'. CM said that it is sure that federal government kept us in dark. He also said that we do not want a common road while federal government should provide an economic corridor with whole facilities. He also demanded to fulfill the decisions made by The All Party Conference that western route is the part of the CPEC and completed on priority basis which could bring prosperity to the impoverished people of KP (Mahmood, 2016). Muhammad Daud Khan Achakzai (ANP) chairman of the standing committee on communications of the senate said that whenever asks from the federal government about the western route progressing, they replied with excuse that funding and workforce aren't available⁷. Daud Khan Achakzai said that CPEC is the project of "a highway project between China and Punjab" it is not China Pakistan economic Corridor but in real this is "China-Punjab Economic Corridor" because this is only beneficial for Punjab not for other provinces of Pakistan. PM Nawaz Sharif constantly initiating different project on eastern route as like industrial zone of Sialkot and Lodhran and the KP will achieve noting only get promises. He also said that it appear that the work on western route will not begins in even 2025. (Raza, 2015).

Awami National Party (ANP) criticized and begun controversies in KP about the changing of route that federal government alter the original route which passes through Khyber Pakhtunkhwa province and changed toward Lahore which is almost completely passes through the whole province of Punjab and the KP was ignored. Afterward it was decided in the meeting of All party Conference in 2015 that the western route would be constructing in the project. After promises of the federal government a new battle was started by Pakistan Tehreek Insaaf government in KP that the federal government prioritize the eastern route and it seems that there is no western route in the project, federal government just keep us in the dark and Pervaiz Khattak gave threat to the PML(N)'s government that if the demands of Khyber Pakhtunkhwa were not fulfilled, the federal government would be facing a great mass agitations.

CM Parvez Khattak spoke that different projects being executed under the CPEC, begins new phase of CPEC industrialization. He also said that provincial government successful in getting number of mega projects in the KP. CM KP said that Chinese company accepted to construct Rashaki industrial zone and signed MoU. The KP government developing nine sites for industrialization in the KP, he said. nine sites for industrialization in the KP consists of Swat, Hattar, Mohmand Agency, Kohat, Karak, D.I Khan, Rashakai and Jalozei⁸.

⁷ <https://www.financialexpress.com/world-news/pak-senate-committee-dissatisfied-over-govts-attitude-on-cpec/546801/>

⁸ 23rd January 2017 "CPEC to promote Industrialization in KP, hopes Khattak"
<https://www.thenews.com.pk/print/181130-CPEC-to-promote-industrialisation-in-Khyber-Pakhtunkhwa-hopes-Khattak>

Yao Jing ambassador of China to Pakistan was speaking in the seminar on the topic “CPEC and Khyber Pakhtunkhwa” at Peshawar University which was attended by businessmen, academics, politicians and officials. Ambassador highlighted the significance of KP in the CPEC, he said that first of the nine special economic zones in the country was being established in Reshakai, KP and increase economic activities and jobs. He also said that mining and tourism sectors of KP are a lot of capabilities and it can be developed with well planning (Burea Report, 2019).

Literature Review/Theoretical Framework:

The research is best be fitted in the framework of the theory of economic liberalism. Adam Smith states the Liberalism theory in the finest way in *The Wealth of Nations* 1776. National wealth and national power is increased by economic growth and the economic growth is increased by free trade and investment abroad. Trade among nations should be allowed by the political leaders and decrease the government interaction in the trade⁹. Improve living standards of people is the aims of economic activities not to increase power of the country. “Liberalism argued that countries do not enrich themselves by running trade surpluses¹⁰.” There are different groups some achieve benefits and some are harmed by such policies, the government is pressurized by them to make policies according to their interests and achieve the aims. Domestic political institutions transmitted these pressures of the groups. State preferences are defined by social pressures (Moravcsik, 2010).

Domestic and international interaction can be analyzed in terms of three factors:

- i) Interests: The driving force in back of the decisions of the economic policy. How is translating the interests into results depends on strategic conditions (institutions and information).
- ii) Institutions: The method that interests are arbitrated by internal political institutions could basically affect the results. Two functions are performed by institutions (a) Aggregation and Delegation.
- iii) Information: The structure of information impacts the barter and policy choices (Frieden & Martin, 2018).

Economic Interests:

⁹ Theories of International Political Economy by Bill Newmann: <http://www.people.vcu.edu/~wnewmann/IPTheory.365.htm>

¹⁰ International Political economy by Thomas-Oatley: <chrome-extension://oemmdcbldboiebnladdacbfmadadm/file:///C:/Users/Urfi%20Afridi/Desktop/IPE%20Mid%20term/Thomas-Oatley.pdf>

“Foreign economic policymaking starts with an implicit or explicit model in which politicians confront an amalgamation of pressures from the broad public and the concentrated interests. This framework and its emphasis on the demand side coming from self-interested socioeconomic actors have roots in three perspectives: the Stigler-Peltzman approach to the political economy of regulation, the analysis of rent seeking or directly unproductive behavior and the analytical Marxism that applies neoclassical tools to traditionally Marxist concerns. In these frameworks, governments assess gains and benefits to special interests against costs to the general public, along with clashes among special interests groups and different levels of concern over wide public goods.”¹¹ As in the case of CPEC project (direct foreign investment) politicians (Ruling party) confronts a large number of pressures from the economic interests, publics as well as provincial politics. The aim of the project is to increase the trade among China, Pakistan, Central Asia, and Middle Eastern countries through this CPEC route along with different economic zones would be constructed which is very beneficial and welfare for all those areas where the route goes. There were three proposed route western route, eastern route, and central route, Prime Minister Nawaz Sharif changed the route from western route to eastern route which he construct the route through rich Punjab and through Lahore in which KP and Baluchistan were ignored but public pressure, interests groups and the provincial ruling party pressurized the federal government and compel them again to begins the western route too.

- **Political Institutions:**

Interests, preferences, and organization of socioeconomic factors is just a beginning point for analyzing the domestic constraints on foreign economic policy. These interests are arbitrated by national political institutions. There are two functions those are performed by institutions: (i) aggregation and (ii) delegation. Interests are aggregated through some institutions in ways which are affecting the capability of groups to organize and the pressure they shall have in the political process. Other institutions transfer decision making power to specific actors, similarly changing the pressure of several interests in the political process.¹²

“A clear logic to the approach commonly used by scholars in the analysis of the internal politics of foreign economic policy. In any given policy arena, we first specify the interests at play, drawing on observations of expressions of policy preferences or on

¹¹ (Frieden & Martin, 2018 International Political Economy: Global and Domestic Interactions Pages 126-127) <chrome-extension://oemmndcbldboiebfnladdacbfmadadm/https://scholar.harvard.edu/files/jfrieden/files/stateofdiscipline.pdf>

¹² (Frieden & Martin, 2018 International Political Economy: Global and Domestic Interactions) <chrome-extension://oemmndcbldboiebfnladdacbfmadadm/https://scholar.harvard.edu/files/jfrieden/files/stateofdiscipline.pdf>

established bodies of theory or on both. It is useful to distinguish between special and mass interests and between policies of primarily narrow on sectoral incidence and policies that widely affect public welfare. Look at the ways in which these interests are organized. Finally, analyze political institutions that determine the impact of organized and public interests on policy through both aggregation and delegation. Electoral institutions affect the relationship among voters, interests groups, and politicians. Legislative institutions influence the ways in which politicians bargain toward policy outcomes. Bureaucratic institutions condition the ways in which policy is made and implemented, depending on the degree of autonomy delegated to bureaucratic agencies.”¹³

- **International Interactions:**

Besides of domestic factors that influence foreign economic policies, international interaction – other countries also influence the economic policies of a country. Literatures also argued that interaction among states which influence economic policies, foreign trade decisions, and outcomes¹⁴, as India and UAE was against the CPEC project and frequently trying to influence Pakistan to withdraw from the project and in the initial stage Iran was also on the same page to pressurize Pakistan in the result Iran initiated different project with India. India claims that China is trying to make dominate the Arabian Sea and Indian Ocean and reach easily its Naval (Markey & West, 2016). The stance of india was very clear from the initial stage of CPEC many voices and pressures arises against CPEC project even Prime Minister of India Narendar Modi also against and criticizing the CPEC as unacceptable and intolerable. In consequence, India promotes insurgency and terrorism to disturb the project of China Pakistan Economic Corridor it was evident that a spy of India secret Agency RAW was captured by Pakistan secret agency ISI in Baluchistan in 2016, Pakistan argued (Rodriguez, 2016).

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