

CHINA-PAKISTAN ECONOMIC CORRIDOR (CPEC):
ANALYZING INTERESTS, CHALLENGES AND
IMPACTS ON PAKISTAN (2015-2019)

BY

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ABSTRACT

This study focused on China-Pakistan Economic Corridor (CPEC), and analysed interests, challenges and impacts on Pakistan. CPEC is an important initiative, which is expected to play a major role in shaping not only the present-day but also the future outlines of Pakistan. The three objectives of this research study were to analyse the interests of Pakistan in CPEC, assessed the risks and challenges that Pakistan is facing in the implementation of CPEC. Literature review was done on CPEC initiative, its importance for South Asian region and the geopolitical implications of CPEC. This is a qualitative study to address research questions using both primary and secondary resources. For primary sources, documents published by Pakistan's Ministry of Planning, Development and Reform were consulted. Leaders' speeches, remarks and official information were also used for this research study. An interview with the Deputy Head of Pakistan High Commission Malaysia was also conducted. For secondary sources, research articles, academic journals, news-based information were used. This research study concluded that CPEC offers a great opportunity for Pakistan. CPEC is a product of Special Relationship that exists between Pakistan and China. Without Special Relationship, no country would grant such mega initiative to any other country. CPEC is a mega initiative of \$62 billion dollar, aiming at bringing positivity and development for Pakistan in the history of Pakistan. This research study found that Pakistan was able to accomplish several interests through CPEC. This initiative was embedded with valuable interests of Pakistan. Pakistan is using CPEC as a tool to empower economy and gain geopolitical security. CPEC is a key project for Pakistan to influence the region. However, accomplishing interests through CPEC is bedevilled with challenges. There are a lot of geopolitical, economic, political, strategic and domestic challenges that are impeding the implementation of CPEC. This research study concluded that CPEC has positive impacts on socio-economic sector of Pakistan. It was also found through close inspection that implementation of CPEC will accelerate economic growth of the country. Spillovers of CPEC on society will improve the life of people. Hence there should be periodic research to follow and find out the actual extent of impact and effects that it will further bring both within as well as beyond its borders.

مُلخَصُ البَحْثِ

يتناول البحث الخط الاقتصادي الصيني الباكستاني، وتحليل المصالح والتحديات والآثار المترتبة على باكستان؛ إذ إن هذا الخط مشروع مهم يُتَوَقَّعُ أن لها دورًا أساسًا في تشكيل حاضر باكستان ومستقبلها، ويهدف البحث إلى: تحليل مصالح باكستان في ذلك الخط، وتقدير المخاطر والتحديات التي تواجهها في تنفيذه، ومراجعة الدراسات السابقة لهذا المشروع وأهميته لمنطقة جنوبي آسيا وآثارها الجيوسياسية، ومن ثم؛ يجيب هذا البحث النوعي عن أسئلته بمراجعة المصادر والمراجع، من الوثائق التي نشرتها وزارة التنمية والتخطيط والتنظيم في باكستان، والمقابلة مع نائب ممثل المفوضية العليا الباكستانية في ماليزيا، والدوريات الأكاديمية المتخصصة والمعلومات الإخبارية، واستنتجت الباحثة أن مشروع الخط الاقتصادي الصيني الباكستاني يوفر فرصة عظيمة لباكستان في علاقتها الوطيدة مع الصين، كما أن قيمته المادية التي تبلغ ٦٢ مليار دولار تحقّق التنمية والاستفادة لباكستان اليوم، وقد وجدت الباحثة أن باكستان قادرة على تحقيق عدد من المصالح الخارجية من خلال هذا المشروع، من مثل التمكين الاقتصادي وتعزيز الأمن الجيوسياسي، فضلاً عنه أثر المشروع على المنطقة، مع التنبيه إلى أن تحقيق هذه المصالح محفوف بالتحديات الجيوسياسية والاقتصادية والسياسية والإستراتيجية والمحلية التي قد تعيقه، أما الآثار الإيجابية الداخلية فتتمثل في تنمية القطاعات الاجتماعي من خلال تسريع النمو الاقتصادي لباكستان، وهو ما ينعكس على المجتمع وتحسين مستوى حياة أفراد، وعليه؛ من الضروري متابعة البحث الدوري لمعرفة مدى تأثير مشروع الخط الاقتصادي الصيني الباكستاني، والآثار التي سيجلبها داخليًا وخارجيًا .

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Political Science

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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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DEDICATION

This thesis is dedicated to my dearest friend, Khalid Mahmood, without whose support I could not complete this work. He is a source of inspiration and motivation for me. It is his encouragement that uplifted my spirit to pursue master studies. I cherish our friendship and believe that he played a very important role in motivating me to accomplish my studies.

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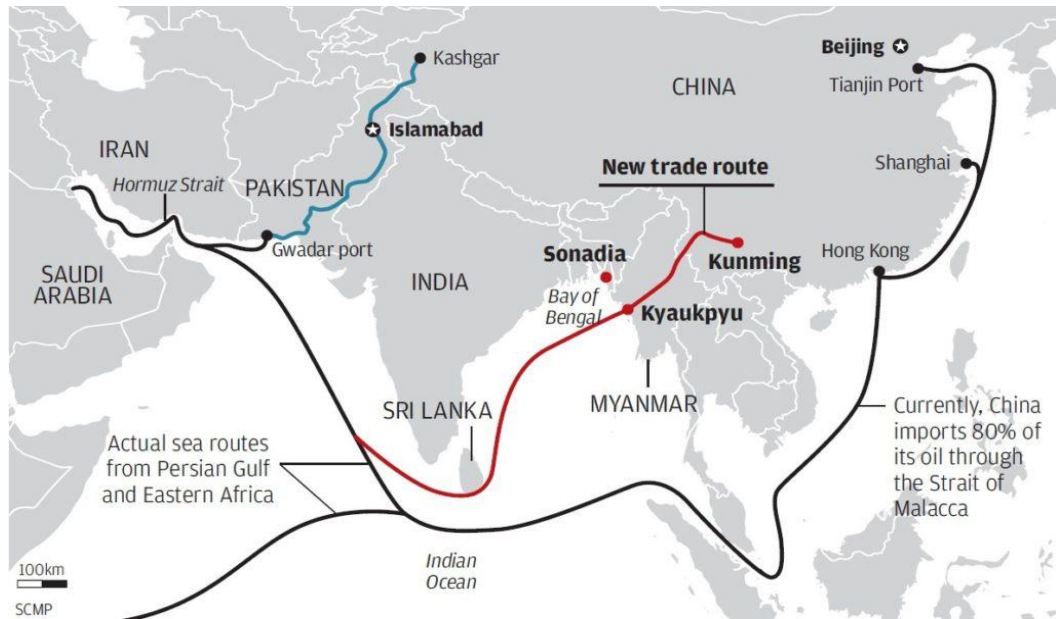
BLA	Balochistan Liberation Army
BLF	Baloch Liberation Front
CSIS	Center for Strategic and International Studies
CIA	Central Intelligence Agency
CPEC	China-Pakistan Economic Corridor
FPCCI	Federation of Pakistan Chambers of Commerce
HEC	Higher Education Commission
ISI	Inter-Services Intelligence
ISIS	Islamic State of Iraq and Syria
LEJ	Lashkar-e- Jhangvi
KPK	Khyber Pakhtunkhwa
MOU	Memorandum of Understanding
NUML	National University of Modern Languages
NATO	North Atlantic Treaty Organization
OBOR	One Belt One Road
RAW	Research Analysis Wing
TTP	Tehreek-e- Taliban

CHAPTER ONE

INTRODUCTION

The China-Pakistan Economic Corridor (CPEC) is part of China's multibillion-dollar policy initiative, known as One Belt One Road (OBOR). Belt and Road Initiative is a multitude of projects to promote flow of goods, investments and people. The new connections fostered by the BRI could reconfigure relationships, reroute economic activity, and shift power within and between states. It is also known as the "21st century Silk Road" project. It also aims to improve connectivity and cooperation among more than 70 countries across three continents: Asia, Africa and Europe. This project consists of two parts: the Silk Road Economic Belt and the Maritime Silk Road. CPEC is an integral project of OBOR which aims at connecting Southwestern China through Pakistan to the Arabian Sea routes.

CPEC was announced formally in 2015 jointly by Pakistan and China. This project allows regional connectivity and has the potential to strengthen bilateral cooperation, as well as improve infrastructure and energy projects within Pakistan. The CPEC is a network that consists of 3,000 kilometers of roads, railways and pipelines to transport oil and gas from Gwadar port in Southern Pakistan to Kashgar City in Northwestern China's Xinjiang Uyghur region (See map 1.1).



Map 1.1: Link between Kashgar and Gwadar (Farooq, 2016)

CPEC is a significant framework which has the ability to bring together several countries in the region. Relations between China and Pakistan began in 1950, when the first official delegation from Pakistan visited China on 4th January 1950 and started diplomacy in 1951 (Syed and Hashmi, 2019). During the first six decades, relations between Pakistan and China was limited to the political sphere with both countries supporting each other on domestic, regional and international issues.

Both China and Pakistan shared common goals when it came down to international affairs. It was in May 2013 when Li Keqiang visited Pakistan that the CPEC, which is part of OBOR, was proposed to Pakistan (Embassy of the People's Republic of China, 2018). It was proposed that CPEC would function as a bridge for a New Maritime Silk Route that would create links within Africa, Asia, and Europe. The launch of CPEC led to a new era of bilateral relations and friendship between Pakistan and China, enhancing its military, political and economic relations. Besides that, the CPEC also aim to improve the lives of people in Pakistan and China, including alleviate

poverty and improve tourism financial cooperation as well as human resource development. Pakistan's Ministry of Planning (n.d.) described this project as having the potential to carry out the task of integrated transport and information technology as well as the development of agriculture and industrial parks. However, even though it was hoped that CPEC would bring about profound economic revolution in Pakistan, some sections among Pakistani society questioned the success of the implementation of CPEC projects. Such as the remarks of Abdul Razak Dawood, The Pakistani cabinet member for commerce, industry and investment said that CPEC could be eligible for suspension of one year so that we can streamline our exact plan.

It is obvious that CPEC is a joint venture of Pakistan and China, aiming to potentially provide their desired goals. Regardless, CPEC does not only receives appreciation but also criticism. CPEC is admired for having the capability to prove a greatest opportunity for Pakistan, but at the same time, there were concerns and reservations over it as well, especially from nationalist perspectives and political spectrum. Similarly, CPEC is a topic of attention in international media as well. According to the Ambassador of China to Pakistan Yao Jing, CPEC will bring economic stability in Pakistan (Yousaf Ali, 2019). However, International Monetary Fund (IMF) reported that Pakistan will face a big amount of loan repayments to Chinese banks and these payments will be increased by 2021. Policy analysts are also concerned about Pakistan's reliance on China's investments in CPEC, especially since the latter nation has been known to have geopolitical interests in the region. Therefore, it is necessary to understand and discuss the current international political literature related to CPEC. This research is an effort to contribute to the growing literature on CPEC by understanding the project from Pakistan's perspective as to its challenges and consequences.

1.1 STATEMENT OF THE PROBLEM

Numerous studies have been carried out on China-Pakistan Economic Corridor (CPEC). However, it was found that most of these researches were conducted in relation to the interests of China. Most of CPEC projects are initiated in Pakistan. Since CPEC is also important for Pakistan, this study therefore, will focus on analyzing the interest of Pakistan in this project. CPEC contains interests of Pakistan which are needed to be addressed. Furthermore, CPEC also face many challenges and hurdles. This study will also address the risks and challenges that Pakistan is facing throughout the implementation of CPEC. The time frame for this study is limited from 2015 to 2019. It was also found that there is a lack of study done on assessing the impact of CPEC on the society of Pakistan. Therefore, this study is a contribution in exploring the impact of CPEC on Pakistan's society and economy.

1.2 SIGNIFICANCE OF STUDY

This research focuses on a topic that is related to contemporary international relations in the South Asian region. China-Pakistan Economic Corridor (CPEC) is a significant project for both Pakistan and China to achieve certain goals. It is the product of special relationship which exists between Pakistan and China. CPEC attracts global attention as its implementation will have major implication for Pakistan and China as well as for the rest of South Asian region. Balochistan's Minister for Forest and Wildlife, Syed Agha Raza states that CPEC project is one of the most important initiative, which has the ability to open new avenues of multi-investment not only for Balochistan but for the whole country. Pakistan is implementing CPEC, since it has the potential to not only bring about changes to the entire region, there is also the hope that the project would

boost Pakistan's economy. Hence, CPEC can be identified as an important project that aims to overcome economic malaise in Pakistan.

It is important to understand a mega project such as CPEC. This thesis aims to explore the interests and challenges for Pakistan throughout the implementation of CPEC from 2015 to 2019. Examining the impact of CPEC on Pakistani society is a significant step and hopefully, it will contribute to the existing literature on the subject. This research will be helpful to readers, analysts, critics, and researchers for better understanding as well as approaching CPEC with different prospective. The research is based on the following main arguments:

1. CPEC is a product of special relationship between Pakistan and China.
2. CPEC reflects Pakistan's policy for development.
3. CPEC signifies China-Pakistan mutual cooperation in socio-economic fields.
4. CPEC is one of the most significant projects, equipped with many challenges for Pakistan.
5. CPEC has the potential to bring about profound economic and social changes in Pakistan due to its wider scope.
6. This project inspires Pakistan to rise as a developed country.
7. This project may stimulate a transformation in the geopolitics of the region.

1.3 RESEARCH QUESTIONS

The research questions are as follows:

1. What are the interests of Pakistan in CPEC?
2. What are the risks and challenges for Pakistan in implementing CPEC?
3. How will CPEC impact Pakistan's economy and society?

1.4 RESEARCH OBJECTIVES

The research objectives of this study are as follow:

1. Analyze the interests of Pakistan behind CPEC.
2. To assess risks and challenges for Pakistan in implementing CPEC.
3. Examine the impacts of CPEC on Pakistan, economically and socially.

1.5 LITERATURE REVIEW

Literature review includes identifying, evaluating and synthesizing relevant literature within the field of research. Most literature explored the importance of CPEC for Pakistan and China as well as their ambition behind CPEC. Some researches explored the geopolitics of CPEC, as well as its implication and importance for the entire region. There are three main aspects that will be discussed here which derived from the most common themes found in existing literature. This section will include discussions on China-Pakistan Economic Corridor initiative and identify the gaps in the existing literature on the subject. Since CPEC is a remarkable project for the whole region, the discussion therefore, will also include its importance for South Asia. This section will also evaluate the geopolitics of CPEC.

1.5.1 China-Pakistan Economic Corridor (CPEC) Initiative

China-Pakistan Economic Corridor (CPEC) was proposed in 2013 and formally announced in 2015 when China's Premier Li Keqiang visited Pakistan. CPEC is an example of one of China's significant investments with its neighboring countries. According to Kausar et al. (2018), Pakistan display its interest to collaborate with China in CPEC in order to accelerate its economic growth. This is because, Kausar et al. said

that the 3,000 km project, which involves constructions of network of roads, railways and pipeline, will provide numerous economic opportunities for Pakistan.

Kausar et al. (2018) said that project for connecting Gwadar (Pakistan) with Kashgar (China) will benefit people of both countries (p.916). This mega corridor will serve as a gateway to sustainable economic growth in Pakistan and regional connectivity. However, the implementation of the project is also equipped with many challenges, which need to be controlled. Kausar et al. investigated that CPEC is able to attract Foreign Direct Investment. It also brings trade opportunities to China by providing them access to new markets.

Whereas Kousar.et.al focused primarily on the positive spillovers of CPEC expected for Pakistan as well as for China, Riaz Ahmad and Hong Mi (2017) studied positive and negative impacts associated with CPEC. They stated that CPEC is a long-term infrastructural project and a major global initiative by Chinese government for Pakistan (p.1). CPEC possess value for both Pakistan and China because it is a joint venture. It aims to connect transportation routes from Gwadar (Pakistan) to Kashgar (China), opening many economic opportunities for both countries. According to Riaz and Hong Mi, CPEC is a project of peace, development and prosperity which face many internal and external challenges. Hence, in their study, Riaz and Hong highlighted the role of China to pursue economic diplomacy with neighboring countries (p.2). Riaz and Hong approach to CPEC is very well defined by covering the expected impacts as well as problems associated with the implementation of CPEC.

Muhammad Samrez Salik (2018) explains that Pakistan has been fighting in its own land against internal challenges such as terrorism. Bringing stability in a country is a long-term commitment. Muhammad Samrez stated that this commitment to bring stability will also result in major impact on the regional permanence (p.2). Muhammad

Samrez referred OBOR as a project of economic influence and incorporation of civilization. From this point of view, CPEC is an important project under OBOR, capable to play a key role in developmental goals. Furthermore, he stated that CPEC is a project which will solidify the federation of Pakistan (p.8). In other words, CPEC will strengthen Pakistan's position in the South Asian region. It is a lifetime project for Pakistan, aiming to bring economic prosperity for Pakistan. His Study focused on the construction of CPEC projects which are under security threats. He stated that China-Pakistan relations are the strength to accomplish CPEC vision. CPEC brings huge opportunities for Pakistan but viewing this project without challenges is merely a delusion. To materialize this project, China and Pakistan collaboration and bilateral relation are very important. It is often included in his study that Pakistan is hoping great economic benefits from this mega initiative.

1.5.2 The Implications Of China-Pakistan Economic Corridor In South Asia

China-Pakistan Economic Corridor is considered a pilot project for Pakistan and China. Ibrar et al. (2018) investigated the initiative of CPEC for Pakistan's crucial development and its implications for South Asian region. According to Ibrar et al., Economic Corridor does not only aim to improve economic prosperity in Pakistan, but it is also significant for regional development (p.2242). China and Pakistan possess special relationship because Pakistan is strategically at a very important location and hence, China has got opportunity to invest in CPEC. According to Ibrar et al., through CPEC, China will gain access to Central Asia, Middle East, and Africa through Gwadar port. Ibrar et al. defined the importance of CPEC for regional development through railroad projects, which will enhance regional cooperation from South Asia to Russia (p.2246). CPEC also has the potential to surround the region and develop it through fastening

political and diplomatic interactions. Therefore, it was suggested that CPEC will create an environment of political, diplomatic interaction and infrastructure as well as technical assistance that will lead to regional development. In this regard, CPEC is considered as an important project in providing regional countries with economic and development support. Therefore, CPEC is substantial for connectivity and flow of economic development in the region. CPEC will also provide major developmental and economic implications for South Asian region.

In his study, Fakhar Hussain (2017) analyzes the implications of CPEC for South Asian region. Firstly, Hussain pointed out that cooperation between China and Pakistan in the form of CPEC will benefit the region. He described that historical relations between Pakistan and China currently benefits both countries. Fakhar stated that this can be seen on how Pakistan assisted China to establish their own Uranium based centrifuge technology while China used Pakistan to gain access to Western technology (p.10). Another geopolitical factor that strengthen the relationship between China and Pakistan was Soviet occupation of Afghanistan in 1919. Pakistan was a frontline state for the Cold War that led them to develop a new alignment for the resistant forces. China joined Pakistan and the Western Bloc in supporting these resistant forces in Afghanistan (p.10). Then, in 1989, Pakistan's Inter Service Intelligence (ISI) and United State's Central Intelligence agency (CIA) forced the Soviet Union to leave Afghanistan. Later, USA-Pakistan relations were deteriorated, and this was the point where Pakistan turned towards China. Thus, China's growing support for Pakistan is a signal of strategic rapprochement between USA and India. Furthermore, he stated that CPEC is a vital example of China's investments in the region. According to Fakhar, CPEC will become a source of regional economic integration. According to him, implementation of CPEC projects at strategic location of Pakistan will create a potential nexus for Eurasian Silk

Road and a Southeast Asian Maritime Silk Road” (pp. 27-28). He referred CPEC as a key part of the One Belt One Road (OBOR) initiative in which Pakistan will play a role inter-connecting Land Road across Asia and Europe and, Silk Road across Southeast Asia and Indian Ocean.

In their research, Ibrar et al. (2018) discussed expected impacts not only on Pakistan and China but also on regional development. Fakhar Hussain (2017) on the other hand highlighted CPEC as a great outcome in Pakistan-China relations and it will have implication for the region in terms of its economic development and connectivity. Thus, CPEC hopes for greater connectivity and economic cooperation among regional countries. Therefore, Pakistan needs to assure smooth implementation of CPEC. Prior to this, Akber Ali (2016) explored the potential of CPEC as a catalyst for regional economic integration and challenges in attaining it. Akber explained that “Pakistan is a suitable economic corridor for trade and transit activities since it is a gateway to Central Asia, South Asia, East Asia, and West Asia” (p.2). Pakistan’s location serves as a gateway for commercial and business activities. Therefore, Akber highlighted the role of China in bringing Afghanistan’s Taliban to the negotiating table to settle on a quadrilateral framework between China, Pakistan, USA and Afghanistan (p.3). This requires Afghanistan’s stability which is important for regional stability. Akber stated that antagonist attitude between Pakistan and India could block any public support for India inclusion into the CPEC in Pakistan (p.4). CPEC is potentially capable to contribute in South Asian economy. Akber focused on how the instability of Afghanistan and relation with India are responsible for affecting Pakistan’s efforts to economic stability. Akber suggested that regional economic improvement requires trade connectivity and integration of South, Central and East Asian region. But he also pointed out that this developmental strategy needs changes in current attitudes of both

India and Pakistan towards economic and trade relations. Akber stressed that CPEC is crucial for economic implications in South Asia but there are hurdles which needs to be addressed. Economic collaboration is necessary for Asia to ensure success. CPEC is an opportunity for major implications in South Asian region. Economically, CPEC is suitable for Asia in order to connect with other regions and extend business and trade.

1.5.3 Geopolitics of China-Pakistan Economic Corridor for Pakistan And China

Garlick. J (2018) described Pakistan-China relations as well-coordinated and well-systematic in its approach to domestic, regional and international issues. Jeremy also described that despite of wealth imbalance and geographic hurdles between China and Pakistan, both have maintained strong relations. According to Garlick, CPEC symbolizes the long-term cooperation between them (p.519). Garlick's study revolved around geopolitical opportunities for China through CPEC. His research focused on the role of physical geography in assessing global and regional geopolitics. According to Garlick, CPEC is not just a project which links Kashgar to Gwadar but it also provides China an access to Indian Ocean. Hence, CPEC is a geopolitical initiative for China to expand its influence in Indian Ocean. He pointed out that CPEC will also cause tension between India and China. Chinese influence and access to Indian Ocean is also challenged by India which also want to expand its influence in Indian Ocean. Jeremy also claimed that China's intentions within the regions are more geo-politically inclined rather than geo-economically inclined (p.521). Pakistan's strategic location allows China to counter balance India and safely transport oil from alternative route instead of Strait of Malacca. This is because, Strait of Malacca is a sensitive choke point. In his research, Jeremy concluded that viewing CPEC from geopolitical point of view will assist in evaluating China's motivation in terms of geo-positional balancing. Jeremy

discussed a wider scope of CPEC from geopolitical lens specifically for China. He deconstructed the CPEC into geopolitical and geo-economic prospects for China. CPEC provides alternative route to China for importing oil and this is one of the geopolitical interests of China. Through his study, it is revealed that CPEC contains China's motivation in term of geo-positional balancing against India in Indian Ocean. Jeremy also stated that CPEC reflects geopolitical realities of China for sustaining strong footholds in Indian Ocean.

In his research, Zahid Hussain (2017) provided an analysis on geopolitical parameters of CPEC for both Pakistan and China. According to him, the strategic location of Pakistan is crucial for ensuring China's energy security (p.1). According to Zahid Pakistan is located at an important geo-strategic location on the globe (p.2). CPEC has the potential to make Pakistan an important strategic country in the region as well as enable China to achieve geopolitical goals. He stated that CPEC is crucial in creating links of infrastructure through "New Silk Road" in South Asia as well as building "Maritime Silk Road" in Indian Ocean (p.7). His profound analysis also revealed that CPEC is vital for China's economic and strategic goals. He provided an example of "String of pearls policy" which is used to define a chain of sea ports of countries like Sri Lanka, Burma, Bangladesh, and Pakistan (p.9). However, CPEC will shorten the routes for Chinese trade. Zahid claimed that Pakistan and China agree that economic growth is required in stabilizing security and economic situation of Pakistan. Geo-strategic location of Pakistan has the potential to enable trade and economic connection between Asia, Middle East, and Europe. Thus, CPEC is expected to play a substantial role in economic incentives, regional connectivity as well as progress. Geopolitically, CPEC is of paramount importance. This is because, this initiative seems to be capable of bringing major geopolitical shifts in the region.