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CHINA-PAKISTAN ECONOMIC CORRIDOR: POTENTIAL IMPACT ON PAKISTAN AND BEYOND

BY

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The proposed 2,900-km. China-Pakistan Economic Corridor (CPEC)—that would stretch from Kashgar in China's Xinjiang province, entering Pakistan through Gilgit-Baltistan, a part of Jammu and Kashmir owned by India but administered by Pakistan, and then wind its way to Gwadar port on the Makran Coast of the Arabian Sea—is a huge project scheduled to be completed in 15 years. The project is essentially a transport corridor linking China to the Arabian Sea, traversing the entirety of Pakistan from north to south. However, China has sweetened the project to lure Pakistan, offering in addition financing for a number of power projects, six-lane highways and modernization of parts of Pakistan's moribund railroad to make the CPEC more than a simple transit corridor. Beijing claims that this large investment in Pakistan's infrastructure will not only economically uplift that nation but will also make it secure from the Jihadis and terrorists who seem to rule the roost there.

The China-Pakistan "all weather" friendship has produced many bilateral agreements in the military, energy and infrastructure sectors over the years, and it will get a massive boost when the CPEC becomes fully functional and the national interests of each country are further intertwined. In 2014, Pakistan signed a currency swap with China, the first South Asian nation to sign such an agreement with Beijing. Already China is Pakistan's largest trading partner and the country's biggest investor in the infrastructure, telecommunications, ports and energy sectors.

However, in discussing the CPEC project one aspect of it has been underplayed by both Beijing and Islamabad: namely, the fact that successful completion of the corridor will also pave the way for China to expand its geostrategic influence well beyond its borders, make its presence felt in the Arabian Sea and gain access to the increasingly busy Indian Ocean and the oil-rich Persian Gulf. It could also help China to play a direct role in war-torn Afghanistan, Iran and beyond in energy-rich southwest Asia.

For China's part, CPEC is part of the One Belt, One Road (OBOR) grand vision of President Xi Jinping, who announced China's plan to build both a continental Eurasian "Silk Road Economic Belt" and "Maritime Silk Road" in 2013. Although Beijing is quick to downplay the geostrategic motivations behind CPEC, many commentators have noted that, over the long run, an overland link across Pakistan to the Arabian Sea could help alleviate the "Malacca dilemma"—China's vulnerability to the fact that roughly 85 percent of its oil imports travel through the single chokepoint of the Strait of Malacca. (See "Behind China's Gambit in Pakistan," by Daniel S. Markey and James West, Council on Foreign Relations project on the New Geopolitics of China, India, and Pakistan, May 12.)

CPEC: China's Defensive-Offensive Mechanism

The CPEC is a key element of China's future defensive and offensive mechanism, but for Pakistani authorities it is like manna from heaven. The estimated $46 billion project, most of it financed by China, was announced during Chinese President Xi Jinping's April 2015 visit to Islamabad. The idea, however, has been floated back in 2013 by Chinese Premier Li Keqiang during his visit to Pakistan. Subsequently, a month after President Xi's visit, Pakistan's newly elected Prime Minister Nawaz Sharif signed a MoU formalizing the project during a visit to Beijing. Between 2013 and 2015, when the proposed Chinese investment figure for the CPEC was made public, China made steady investments in Pakistan. It is likely that the Chinese investment in the project will be significantly more and that higher costs will not pose an impediment in executing the project.

As soon the CPEC work started, China began announcing its intent to make further investments. According to Pakistan-China Joint Chamber of Commerce and Industry (PCJCCI) President Wang Zihai, the $46 billion investment deal under the CPEC is not the end for Pakistan; fresh investments and joint ventures between business groups of Pakistan and other nations under the corridor could push the investment figure to $100 billion, he stated. (See "More Chinese firms to invest in Pakistan in future," *The Dawn*, Oct. 5.) As a prelude to that forecast, on Sept. 30, *The Express Tribune* of Pakistan, citing Pakistan's Minister for Planning, Development and Reform Ahsan Iqbal, then on a visit to China, reported that Beijing will add another $5.5 billion concessionary loan to Pakistan for the expansion and renovation of its main rail link connecting Peshawar and Karachi as part of the investment under CPEC. That pushes the total cost of the CPEC projects to more than $51.5 billion. (See "China approves $5.5b for Pakistan's main rail link," by Shahbaz Rana, *The Express Tribune,* Sept. 30.)

The size of the CPEC investment is significant, but even more important is the fact that it is directed toward sectors that Pakistan has so far kept highly underdeveloped, seriously affecting the country's overall economy. Consider, for instance, the power sector. Pakistan is a power-starved nation. According to a 2015 report by the United States Institute of Peace, Pakistan faces a severe and multifaceted energy crisis. Electricity shortages exceeded 7,000 megawatts (MW) in 2011, and the natural gas shortfall is 2 billion cubic feet per day. The energy shortages are estimated to cost about 2 percent of GDP annually. This shortfall is the result of the failure, over successive governments' tenures, to invest enough to expand power system capacity. Low and declining investment and savings rates (including in power) reflect serious macroeconomic weaknesses. (See "Pakistan's Power Crisis: The Way Forward," by Rashid Aziz and Munawar Baseer Ahmad, USIP Special Report 375, June 2015.)

In reality, however, the shortfall is even more severe. According to Pakistan's Water and Power Development Authority (WAPDA), national peak demand will reach 40,000 MW by 2020. The country's *total* power-generating capacity (as distinct from peak power supply, which is about 60 percent of generating capacity in the best of times) is 23,538 MW. CPEC addresses this problem directly. Under CPEC, China plans to invest $33.8 billion in thermal, nuclear, solar and wind power generation facilities to overcome Pakistan's immediate energy shortages.

In addition to contributing to the development of Pakistan's power sector, the CPEC also consists of interconnected highways, railways and pipeline systems. In May 2015, the Pakistan government unveiled three highway routes for the project: a western route through Balochistan and Khyber Pakhtunkhwa provinces; an eastern route primarily through Sindh and Punjab provinces; and a central route crisscrossing the country. A northern highway route connects to Kashgar via the Karakoram Highway, a direct ground linkage between China and Pakistan. Other transportation projects include the improvement of existing railways, including laying of new track and upgrading some of Pakistan's aged rail track.

Significantly, these investments will all act as underpinnings for additional, future investments because they are transformative. As the original CPEC-led investments help spur economic activity, they will lead to new investments from home and abroad—among other things, enabling China to export some of its excess industrial capacity along the CPEC. In essence, Pakistan could provide China a solid economic hub in South Asia from where China's economic activities can be widened to encompass Afghanistan, Central Asia and beyond.

In August this year, Director of the Institute of South and Southeast Asian and Oceanian Studies at the China Institutes of Contemporary International Relations Hu Shisheng told the Indian news daily, *The Hindu*, that the objective of the CPEC is to impart economic and political stability to Pakistan, with an eye to promoting OBOR. "Our real purpose is that by undertaking construction of industrial parks, the Gwadar port construction and establishing inter-linkages within Pakistan, we would be able to transform the internal structure of Pakistan, and even shift some of China's industrial overcapacity into Pakistan." (See "China now a major player in the AfPak-Central Asia theater: Chinese scholar Hu Shisheng," Atul Aneja, *The Hindu*, Aug. 27.)

Pakistan's authorities within both civilian and military establishments are fully supportive of the economic, political and security opportunities that the CPEC offers. Pakistan has long been seeking investments, but in light of Pakistan's terrorism-related insecurity and sectarian unrest, investors have stayed away. When China's investment plan via the CPEC becomes a reality, it could lead to a doubling—or more—of foreign direct investment (FDI) in Pakistan since 2008.

Gwadar Port: A Key Element in the CPEC

Notwithstanding the economic and strategic benefits that China will derive in the long run once the CPEC route through Balochistan becomes operational, it is fair to assume that China's prime interest in developing the corridor at all is to make Gwadar Port fully functional. Interestingly, Pakistan had tried unsuccessfully to involve the United States in Gwadar Port development as far back as 1973. But by 2002, years before the CPEC project was sketched out, China had already decided to take up the seaport's revival, investing $200 million in its infrastructure at that time. Located in the Strait of Hormuz, Gwadar opens up bulk trade access to the Persian Gulf, to southwest Asia, Central Asia and the Indian Ocean. In 2007, following completion of the first phase of Gwadar's development, Islamabad signed a long-term agreement with PSA International (of Singapore) for development and operation of the tax-free port and duty-free trade zone. Not a geostrategic power and simply looking for commercial benefit, Singapore did not move quickly. And Pakistan decided to bring China in once more, repealing its agreement with PSA International. In this second round of involvement, Chinese investments were large. In 2013, China Overseas Ports took over control of the development under a 40-year deal that assigns ownership of the facilities to Pakistan with the Chinese firm designated the long-term operator.

Under this agreement, two oil terminals were installed, giving Gwadar the capability to host oil tankers and move up to 19 million tons of crude oil per year. China perceives the economic and strategic value of Gwadar will be fully on display with the completion of multiple projects linked to the port's energy security issues. Then it will function as a strategic hub where oil and natural gas from Africa and the Persian Gulf are collected and transported to China. Crude oil is expected to be refined at this port and then sent to China via land pipeline along the CPEC route. (See "Gwadar Port, the Latest of the Chinese 'Pearls,'" by Marco Giulio Barone, *International Security Observer*, May 28, 2013.)

At the time of writing, statements by Chinese and Pakistani officials indicate that the expansion of the deep water port at Gwadar is nearing completion and the port will see traffic of some one million tons in 2017. Although the tonnage stated is small compared to most large sea ports, it marks an important milestone in the extensive Chinese plans for infrastructure investments in the region. "The port cranes are almost ready, and we are thinking that the port will be (at) full operation by the end of this year," said Zhang Baozhong, chairman and CEO of China

Overseas Ports Holding Company Ltd. Zhang attributed the port's low expected volume to the small economy in its home province of Balochistan, where separatists have been waging a long-running guerilla conflict against the Pakistan government. With little to import and little to ship out locally, increasing demand for the port's services will require a network of roads and pipelines to more prosperous areas. At present, traffic at Gwadar is limited mostly to government-funded fertilizer shipments. (See "China's Gwadar Port Nears Completion," *The Market Executive*, April 14, 2016.)

Though Gwadar Port is now developed as a commercial port of great importance for Pakistan, its optimum utilization awaits full development of the CPEC. Once the CPEC is developed, Pakistan could become a viable energy artery into China's western provinces. Xinjiang province, in particular, is thousands of miles from the east coast where China receives almost all of its energy imports. From that vantage point alone, an energy artery linking Gwadar to Xinjiang through CPEC is of great necessity for China.

Beyond Gwadar's Commercial Use

The commercial aspect aside, geostrategic analysts have been discussing the significance of China's involvement in Gwadar for years. In 2005, Booz Allen Hamilton, a U.S.-based strategy and technology consulting firm published a report, "Energy Futures in Asia," predicting that China would try to expand its naval presence throughout the Indian Ocean Region (IOR) by building maritime civilian infrastructure in friendly states in the region, a strategy dubbed the "String of Pearls." While that prediction has yet to be validated given China's pursuit of its national strategy of "peaceful economic rise," there are reasons why China may want to convert Gwadar Port into a naval base at some point in the future.

Being a mighty power, second only to the United States, with 1.25 billion people and having built up a huge manufacturing sector that requires both large-scale imports and exports, China will need to secure more access to all maritime trade routes, such as the Indian Ocean, Arabian Sea and the oil-rich Persian Gulf. Having grown into a leading trading nation, China's intent to establish a larger footprint in the world's maritime routes is only natural.

Some analysts argue that China is developing access points to various maritime routes to escape the Malacca Strait dilemma. However, Beijing does not admit that, and it is not conceivable that in the short term, or even within a few decades, China will be able to achieve such an objective. No doubt, the Gwadar Port, the southern end of the CPEC, would become an overland energy corridor through Pakistan to Xinjiang province 2,000 km. away. However, this could only be a partial alternative to the Malacca Strait, through which 85 percent of China's oil imports and more than 35 percent of its liquefied natural gas imports now flow.

On the other hand, there are tell-tale signs that Gwadar Port could be converted into a naval base—not only to serve China's own interest, but also to protect Pakistan's interest. Since the CPEC is of strategic importance to both Pakistan and China, Beijing is expected to make all possible efforts to ensure Pakistan's coastal security. Pakistan has a weak navy and its coastal areas will remain militarily vulnerable. Under the circumstances, the presence of a Chinese naval base in Gwadar would ensure a higher level of security to Pakistan's coastal areas.

This belief is prevalent in Pakistan, particularly within the military, paranoid as it is of India's economic growth and strengthened military muscle. In 2015, researcher Markus Markert held conversations with Pakistan's military personnel on this subject, and they conveyed to him that 'Gwadar will become the gem in China's string of pearls.' Markert summarizes their explanation for the likelihood of a Chinese naval presence at Gwadar, citing other sources, as well: "Firstly, there is its close proximity with the U.S.-dominated Strait of Hormuz, a critical chokepoint through which 17 million barrels—that is almost 20 percent of oil traded worldwide per day—are being transported to fuel the global economy. Secondly, although China has rejected this offer by Pakistan for now, the port might also provide the People's Liberation Army with a strategic listening point and potential naval base to gain a substantial foothold near the Middle Eastern oil fields. Thirdly, there is the potential economic connection to the Central Asian Republics. Finally, there is the fact that whilst Balochistan itself might not have been granted peace, it has certainly been blessed (or cursed, depending on the perspective) with abundant natural resources." (See "Pakistan in the New Great Game: On Gwadar Port," by Markus Markert, *E-International Relations*, Oct. 26, 2015.)

China's Objective: How to Secure Pakistan and Why

There is yet another sign that Gwadar Port will be more than a commercial port in the future. Last April, a senior Pakistan Navy official announced that Karachi Shipyard & Engineering Works (KSEW) had secured a contract to produce the first four of a total of eight submarines for China, which will be fitted with air-independent propulsion (AIP) systems. The defense deal is valued at $4 billion to $5 billion, and China is expected to extend a long-term loan at a low interest rate for the work.

Most analysts speculate that the new submarine will be a lighter export version of the Peoples Liberation Army Navy's Type 039 and Type 041 Yuan-class conventional attack submarine, excluding the sub's AIP system, which may be procured independently. According to IHS Jane's Fighting Ships, the Type 041 Yuan-class is "a diesel electric attack submarine (SSK), potentially with Stirling AIP systems, that is armed with YJ-2 (YJ-82) anti-ship missiles and a combination of Yu-4 (SAET-

50) passive homing and Yu-3 (SET-65E) active/passive homing torpedoes." It is purportedly one of the quietest subs in the Chinese Navy's inventory. The scaled-down 2,300-ton export version is designated S20. The first four submarines are expected to be delivered by the end of 2023; the remaining four will be assembled in Karachi by 2028. The new subs are expected to form the sea-based arm of Pakistan's burgeoning nuclear second-strike triad. (See "China to Supply Pakistan with Eight New Stealth Attack Submarines by 2028," by Franz-Stefan Gady, *The Diplomat*, Aug. 30.)

China's contribution to all aspects of Pakistan's defense is on-going and long-standing. According to some Pakistani analysts, Pakistan-China defense cooperation has been the most important component of their overall bilateral relations since 9/11. The exchange of high-level visits by the armed forces of the two countries further improved their bilateral military-to-military and strategic relations. (See "New Trends in Sino-Pak Defence and Strategic Relations since 9/11: Indian Concern," by Zahid Ali Khan & Shabir Ahmad, *South Asian Studies: Vol. 30, No.2*, July–December 2015, pp. 247-263.)

To enhance naval cooperation, both countries conducted a joint maritime search-and-rescue exercise near Shanghai in October 2003. That was the first time the navy of the People's Liberation Army conducted an exercise with a foreign country. In April 2005, Pakistan and China signed a landmark treaty of friendship and cooperation. In the words of a former Pakistani ambassador to China and Mongolia, Salman Bashir, "the most important aspect of the treaty was the clear and the categorical assurances by China to defend Pakistan's sovereignty, territorial integrity and political independence." (See Noor-ul-Haq (ed.), 2005, at http://ipripak.org/factfiles/ ff-60.shtml.)

Beijing's development of Gwadar Port and plan to build the CPEC is the culmination of a long-term project that began with its close military relations with Islamabad. Some analysts point out that China's keenness to stock Pakistan with weapons and missiles is designed to prevent New Delhi from threatening Pakistan with war; some others claim that should India get adventurous and attack one or the other, New Delhi would have to face a two-front war. More importantly, perhaps, China is aware that because Pakistan has a fragile political system and is engulfed in sectarian violence with no end in sight, the country will remain under virtual military control and that, therefore, the only way Beijing can derive benefit from the relationship is by strengthening Pakistan's military. And it is from this standpoint alone that it is most likely that Gwadar Port will be converted into a naval base over the years.

China's Potential Long-Term Benefits from CPEC

In addition to China's overall strategy of integrating CPEC with the OBOR and Maritime Silk Road and thus developing a wider geographical reach to enhance economic benefits and strategic aims, China will establish a very strong long-term presence inside Pakistan through construction of the CPEC. Pakistan has declared Gwadar Port a free-trade zone with the intent to attract Chinese investors. The entire network of projects could connect with pipelines to Iran and trade routes through Afghanistan. In the long term, improved regional connectivity could resurrect such things as the Pakistan-Iran gas pipeline project. Further, China has made sure that its investment in Pakistan's power plants will be secure and will not be affected by the circular debt crisis that has plagued Pakistan's power sector. Circular debt reflects the difference between Pakistan's high cost of power generation and low electricity prices, which forces the government to use tax revenues to subsidize the power sector. In the case of the power plants financed by China under the CPEC, Pakistani power purchasers will be required to fund a revolving account covering 22 percent of monthly costs, and Pakistan's Ministry of Finance will back those funds with sovereign guarantees to ensure uninterrupted payment. In early 2016, these arrangements were expanded from coal-fired power plants to all CPEC energy projects. (See "Pakistan and China: 'Iron brothers' forever?" by Laurence Vanderwalle, Directorate-General for External Policies, European Parliament: European Union, June 2015.)

CHINA-PAKISTAN TRADE

With completion of the CPEC, it is expected that China-Pakistan trade will grow rapidly. Though China-Pakistan trade began in 1949, it's had a long history of sluggishness. International Monetary Fund (IMF) data released in 1960 showed that Pakistan-China trade was only $18 million. It grew to $100 million in 1977, and $401 million in 1980. At the beginning of this millennium, the two-way trade figure stood at about $800 million.

The two countries signed a free trade agreement (FTA) in 2007, and their bilateral annual trade rose sharply. Prior to signing the agreement, bilateral trade was about $7 billion. Once the FTA became operational, that value surged, reaching $14 billion in 2013 and making China Pakistan's biggest trading partner. The two governments expect the value of bilateral trade to reach $20 billion by 2020. (See "Mother China: A 'Chinese revolution' sweeps across Pakistan," by Nasir Jamal, *Herald*, Sept. 02.)

But the Pakistan-China trade is also a threat to Pakistan's small and medium-size enterprises. According to Nasir Jamal: "The FTA has brought down import taxes on both sides of the Pak-China border and removed many non-tax barriers which, in the past, disallowed bilateral trade in certain goods and commodities. This has led to a deluge: from high-end electronics to low-end toys, from replicas of art pieces to handbags, from sanitary ware to shoes and sunglasses, from cell phone accessories to kitchenware, Chinese consumer goods are ubiquitous in

Pakistani markets. Large malls and markets 'specializing' in Chinese products have come up in almost every big city in the country; Rawalpindi's China Market being just one of them." The deluge of cheap Chinese products has not only created a huge trade imbalance, but it is also putting Pakistan's small business out of business.

The two parties can overcome the trade imbalance to some extent with Chinese Foreign Direct Investment (FDI) in Pakistan. However, that FDI has not shown up as yet. Meanwhile, the larger problem for Pakistani small businesses is to keep their head above water and stay alive. Nasir Jamal cites a Karachi-based tile manufacturer, who does not want to be mentioned by name, who "believes Chinese tile manufacturers and their Pakistani importers are doing something unlawful to ensure that the prices of their merchandise continue to drop. All cost indicators, such as wages and transportation charges, are going up in China, but surprisingly the import trade price of Chinese tiles is still going down in Pakistan, he says: 'The import trade price of Chinese tiles came down from US $4.57 per square meter in 2011 to US $2.51 per square meter in 2013.' How has that become possible is a mystery for trade authorities in Pakistan to resolve. Local tile manufacturers, in the meanwhile, chafe under its negative impact. 'The 40-billion-rupee local tile manufacturing industry is suffering losses and teetering on the brink of closure,' the manufacturer claims." To keep their business alive, some Pakistani businessmen have already shifted their production to China to reduce manufacturing costs, further undermining the Pakistani economy.

These developments—exacerbated by the fact that China has tons of excess goods in inventory and ready to be shipped out at any cost—indicate that while Pakistan does not have the infrastructure, manufacturing technology or capital to make the same goods and match the Chinese price, further economic alliance with China, with the FTA in place, could be a very serious threat to Pakistani entrepreneurs in the short and medium term.

AFGHANISTAN

Another important objective of China in building the CPEC is Afghanistan. Beijing is keen to intervene in Afghanistan to ensure stability there and create a favorable environment for Chinese investment in Afghanistan's vast natural resources. China, which shares a 76-km. border with Afghanistan in the Xinjiang Uighur Autonomous Region, is discretely stepping up its involvement there. One example is Beijing's offer to help mediate talks with the Taliban and to support Pakistan in hosting the Fifth Ministerial Conference of the Istanbul Process in 2015 (See "Pakistan and China: 'Iron brothers' forever?" by Laurence Vanderwalle, Directorate-General for External Policies, European Parliament, European Union, June 2015.)

China has already shown its hand in Afghanistan. In 2012, the China National Petroleum Company secured rights to develop oil fields in the Amu Darya basin in Afghanistan's north. China has also committed to provide grants of more than $300 million to Afghanistan over the next three years. "Its [China's] principal assets are economic and diplomatic," writes Andrew Small, an analyst with the German Marshal Fund who specializes in China's role in 'problem' and fragile states. "The troubles of investing in Afghanistan, however, pale into insignificance by comparison with Beijing's broader concerns about the future of the region. While China certainly wished to see an end to the presence of Western troops, it is contemplating with mounting concern the fact that it will no longer be able to rely on the Europeans and Americans to contain the worst of the potential outcomes after 2014." (See "As Afghanistan looks for investment, China eyes stability," by Tom Kutsch, *Al Jazeera*, Oct. 29, 2014.)

Pakistan's Security: Eradication of Uyghur terrorists

Finally, China is also concerned about the Uyghur terrorists sheltered inside Pakistan. Beijing expects that once it is benefitting financially from the CPEC, Islamabad will help China to eradicate those terrorists who, in collaboration with other Islamic Jihadis from Arabia and Central Asia, could threaten stability in China's western Xinjiang province.

This may, however, be something of a pipe dream. Eradication of the Uyghur terrorists may not be possible simply by building the CPEC. For instance, while a pool of Islamist extremists remain ensconced near the route of the CPEC in Pakistan, Xinjiang, Afghanistan and Uzbekistan, the demographic distribution of Uyghurs across the border in Kazakhstan makes the task harder. In addition, "the burbling problem of recruitment of Uyghurs into ISIS and other Islamist military outfits, and the fact that one of those outfits, the Pakistan Taliban, bears a deep and abiding hatred for the PRC for its role in the storming of the Lal Masjid Mosque in 2007" seriously complicates China's objective. (See "SCS for South China Sea aren't the scariest letters in the world ... they're CPEC," by Peter Lee, *Asia Times*, May 11.)

Moreover, implementation of the CPEC could itself bring to life a new breed of anti-China, anti-Islamabad insurgent within Pakistan. Gilgit-Baltistan, the entry point of the CPEC from China, has long been in turmoil. According to the Aug. 10 *Express Tribune*, at a session in Gilgit chaired by Senator Taj Haider, the Senator noted the people of Gilgit-Baltistan do not endorse the project since it would bring no benefit to them. Sectarianism has become rampant in Gilgit-Baltistan due to Islamabad's reported forcible promotion of Wahaabi-based and madrassa-transmitted Sunni Islam in an area where the Shi'as enjoy a majority. Provocations and the intermittent bloody pogroms have apparently become a fact of life in Gilgit-Baltistan, where Sunnis, Shi'as and Ismailis lived historically in communal harmony. Pushing the CPEC through against the prevailing groundswell of opposition could create a new set of problems in Gilgit-Baltistan.

Perhaps an even worse situation prevails in Balochistan, which has been unstable for decades. The latest round of insurgency began a decade ago “and is now the most violent and long-lasting of five rebellions that have broken out in Pakistan’s largest, most thinly populated and least developed province since the country’s independence from Britain in 1947,” wrote *The Economist*. “That makes Balochistan one of the most troubled areas of Pakistan, a surprising location for what officials hope will become one of the world’s great trade routes, linking the deepwater port of Gwadar with the city of Kashgar, a trading hub in the western Chinese region of Xinjiang.” (See “Pakistan and China: Dark corridor,” *The Economist*, June 6, 2015.)

These insurgents, seeking independence, have been involved in occasional kidnapping and killing of Chinese workers in Pakistan in recent years to scare the Chinese and put a stop to the CPEC. Their claim is that if Gwadar becomes a thriving port, its development will bring in outsiders who would change the province’s demographic balance even further against the Baloch.

Conclusion

Assuming that the CPEC will triumph over these myriad difficulties to become a reality, one wonders whether Pakistan would then become a vassal state of China. By definition, a vassal state is any state that is subordinate to another. It is certain that with a thriving CPEC built with China’s help, Pakistan will not be in a position to make any serious policy decision that could possibly undermine China’s national interest in any form or manner. At the same time, if the CPEC indeed ushers in economic prosperity and stabilizes Pakistan’s internal security situation, uprooting the terrorists who have been nesting there by the thousands, many other countries will show interest in investing in Pakistan. Iran has indicated its intent to join the CPEC and complete the Iran-Pakistan natural gas pipeline. Russia has already shown interest to have a new beginning with Pakistan and recently held a joint military exercise. It is also certain that Pakistan's allies, such as the Gulf States, Turkey and even the Western nations, will be keen to invest and benefit from the CPEC-led economic developments.

Moreover, the Eurasian region (that is home to Pakistan) is undergoing changes as a whole. With the gradual weakening of the West and the rise of the economic and military power of both China and India, the Eurasian nations' geopolitical influence, in conjunction with Russia, has risen. China and India, in particular, are the fastest-growing large economies, and both are expected to play a major role in the five-nation (Brazil-Russia-India-China-South Africa) BRICS group.

The BRICS group is keen to introduce a world order prioritizing transport infrastructure, energy and industrial development, along with education, health and cultural aspects, as the path to overcome the abysmal poverty in the countries once colonized and brutalized by the West. The China-led Asian Infrastructure Investment Bank (AIIB) was established to lend money to economically weak nations to help build up their infrastructure. Although the AIIB's capitalization is very small compared to today's needs, it is evident that strong growth among the BRICS, in which China and India are the most dynamic forces, could lead to accomplishing that objective in the future.

In addition, Pakistan has become a full member of the Shanghai Cooperation Organization, a group that includes China, Russia and India, among others. The successful implementation of the CPEC, and anticipated participation of regional and out of region investors, could enable Pakistan to break out of its present-day dependence on China and act more as a responsible South Asian nation.

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