

Original Paper

Obor: One Belt, One Road Initiative, China Pakistan Economic Corridor, Challenges, and Impediments

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Abstract

The One Belt, One Road initiative not only proposes significant potentials in multifaceted realms including economic, political, strategic, and geographical dimensions, it also presents many uncertainties and possible apprehensions for the associated countries. The initiative broadly includes five areas of regional connectivity: policy reformation, infrastructure development, trade regimes and investment. The trade and investment facilitation are one of the main areas where the developing countries like Pakistan need to focus upon. The OBOR initiative paves regional connectivity paths between Pakistan, China, Central Asian Republics. Pakistan-China friendship is an incomparable phenomenon. The two states have nothing in common in terms of history, language, ethnicity, culture, or ideology, yet their nexus is being considered as deeply rooted and time-tested which has developed into a comprehensive strategic partnership. Pakistan-China partnership sustained and remained unaffected during changes of leaders, political system in the realm of regional and international politics. Both states have developed an ideal state-to-state relationship based on complete trust. They have been steadfast friends who have supported each other throughout thick and thin. On one hand, this initiative fosters new opportunities, but on the other it also unveils challenges. With the Chinese over production, the Asian markets will thus be loaded with the Chinese products, suppressing the Pakistan markets. This paper through secondary data investigation, takes a closer look at the One Belt, One Road initiative and its impact on Pakistan

Keywords

One Belt, One Road, emerging markets, regional connectivity, trade and investments, integrative organizations

1. Introduction

The two countries established diplomatic relations in 1951. Bilateral relations between Pakistan and China are a history of friendship and understanding. It began with the historical Bandung conference in 1955. The Conference became a milestone in Pakistan-China relations. It provided a chance to Prime Minister of Pakistan Mohammad Ali Bogra and Chinese Premier Zhou Enlai to talk over the two sides relationship. Chinese Premier openly accepted Mohammad Ali Bogra's statement during discussion with him that the Pakistani nation and government has never been against China. Moreover, Pakistan never had felt that China would follow aggressive lines against Pakistan. Assuming if the US took aggressive steps under the South East Asia Treaty Organization (SEATO). Pakistan would not become aggressive towards China, adding up that via such clarifications we accomplished a shared understanding.

Mr. Bruno Olierhoek, the President of the Overseas Investors Chamber of Commerce and Industry (OICCI) cautioned that availability of energy and infrastructure upgrade wouldn't automatically attract foreign private investment. "CPEC is good news (for Pakistan) but the government should also work hard on dismantling other barriers that keep foreign investors at bay.

"Investments in special economic zones, railway, roads and ports will significantly cut export costs," CPEC is a loan and Pakistan is using it for infrastructure and its energy issues. This is something that is (also) misunderstood abroad, that China is somehow giving money to Pakistan.

A scholar openly announced in a one-day seminar held in a Karachi's local hotel that China- Pakistan economic corridor is in fact a loan which Pakistan has to pay back. This agreement between Pakistan and China is unique in the sense that it encompasses all directions and aspects of economic development. It covers the proposed development of infrastructure in Pakistan and extends and envelops energy issues, railways, construction of highways, improvement, and upgradation of Gwadar Port in Balochistan. The setting up of special economic zones and provision of foreign investment are counted as important features of this agreement.

It was reported in 2017 that within a decade China's annual trade with OBOR countries will exceed \$ 2.5 trillion. OBOR will cater for $\frac{2}{3}$ of the world population, $\frac{1}{3}$ of the world GDP and $\frac{1}{3}$ of the world services and goods. China Pakistan Economic Corridor (CPEC) is the main component of OBOR. The basic concept of CPEC is to join Gwadar (Arabian sea port in Pakistan) with Kashghar (Xinjian province of western China. (Tufail, President ,The Federation of Chambers of Commerce and Industry, Management Account (ICMA), March-April 2017, p. 10).

Economic relations between states, particularly in this age of globalization drive and controls all aspects of relationship of states. A private manufacturing CEO in Pakistan, Engineer M.A. Jabbar writing in ICMA Pakistan Management Accountant wrote, "The contemporary history of world politics indicates that the economic power leads the nations on all fronts including politics, education, culture, military and technology. In today's globalization regime the responsibility of the private sector has enhanced, and it requires revolutionary changes for acceleration (Management Accountant, March-April 2107, p. 12).

2. Research Method and Review of Literature

The qualitative research method is adopted to conduct this study. Content Analysis is always of greater value in the evaluation of phenomenon under consideration from multiple angles. Content analysis has been given prime importance because a significant theoretical portion of the research has been taken from books, online and printed journals, web resources and newspapers. Most of the current materials related to the present work are available in the esteemed journals of the same field. Content Analysis is important for authenticity and acceptability of qualitative research. Research work of others, news items and research articles have been properly cited. No interview has been conducted and no observation technique has been adopted. Sources are mostly secondary but authentic. A discussion on the theory of integrations and manifestations of the existing integrative institutions particularly in Europe in nature is original. This can be of immense importance to another research. In fact, European institutions provide us with the conceptual framework with which we can measure the nature and success of the CPEC.

3. Statement of the Purpose

The objective of this study is to investigate the nature and depth of the challenges and impediments of the CPEC. The purpose of the study can be enumerated as under: -

- 1) To enumerate and analyze the general nature of the challenges and impediments faced by the CPEC.
- 2) To discuss the challenges to the CPEC through external sources or by states opposed to the CPEC.
- 3) To unearth and analyze the dangers for the survival of CPEC within its territorial domain, i.e., internal difference of opinion and competition to snatch the major portion of the pie.
- 4) To count the benefits and advantages of the CPEC to Pakistan, if any.

The economists and political thinkers wonder whether any principle or theory of economic integration can be applied to this kind of bilateral economic agreement although hopes have been expressed and invitation though verbally have been extended to third parties to join this project. This article vividly explains what are the features of economic integration that do not apply to this agreement and what factors help it to become a significant international accord.

Despite signing the FTA in 2016 Pakistan still is not a major trading partner with China. Even under the CPEC it is not likely that Pakistan would become major trading partner 3 (Tufail, President, The Federation of Chambers of Commerce and Industry, Management Account (ICMA), March-April 2017, p. 10)

There is a huge gap between the amount of trade of the last partner with China among the top fifteen and the amount of trade with Pakistan.

4. Cpec Is Not A Customs Union

A Customs Union generally imposes a common external tariff on imports from non-member countries. The Union generally does not allow free movement of capital and labor among member countries which is a unique feature of Economic Union. It has never been the policy of either China or Pakistan to form or

establish any kind of economic integration between the two. A reading of the foreign policy objectives explains that both prefer multilateral approach for regional or global economic cooperation and for their territorial integrity and national security. (Ahmad, Syed Salahuddin, “What CPEC is and What CPEC is not” a conference paper presented at Greenwich University, October 2017)

5. Cpec Is Not a Common Market

CPEC does not have any avenue for free movement of goods or labor or capital. The Chinese labor who will work in CPEC projects will be employed by Chinese companies. Their number will be fixed, their salaries will be determined by the parent companies, and they will have no liberty to visit freely in Pakistan. likewise, no Pakistani labor if employed by Chinese company will be allowed to move freely anywhere in China. There is no free movement of capital. Capital from China will be a loan. Pakistan will have to pay back the Chinese capital with interest. (Ahmad, *ibid.*)

6. Cpec Is Not an Economic Union

The Economic Union has all the characteristics of the Common Market with complete harmonization of trade, fiscal and monetary policies among the members and with the third parties. Union members even try to harmonize their foreign policies among themselves with the countries outside their circles. Considering the above we can conclude that CPEC has no characteristics of regional economic integration.

7. No Mechanism for Settlement of Disputes

CPEC does not envisage or stipulate any mechanism for settlement of disputes, should they arise. Whenever and wherever, there is an effort for cooperation between the states, there is bound to occur differences of opinions, different proposal, criticism of each other ‘s policies. It may be relating to either policy decisions or policy execution like there is a European Court in the structure of European Union (Ahmad, *ibid.*)

The Government of Pakistan in the introduction of CPEC declares that it will be a win-win model. It is ambiguous. It is a wish only. It is a premature prediction. CPEC is still in the operational phase. It is not fully materialized. We have yet to eat the fruits of CPEC. (Ahmad, *ibid.*)

CPEC will be a bridge between China and Africa. Trade will boost between them particularly with Middle Eastern and east African countries. GWADAR port in Pakistan will serve as a trade gate between the trading partners. China has already got control of that sea port through lease agreement. Pakistan has pledged 12000 security staff to protect CPEC personnel. 8000 security staff will protect 8100 Chinese workers This will surely be a burden on Pakistani exchequer. External debt for Pakistan has already scaled up to \$ 72 billion. Through CPEC borrowing it will further increase to another colossal amount. Our 70% GDP will be pledged. Pakistan will have to bear these heavy expenses.

There are several other impediments that have to be encountered and overcome if success has to be

achieved. In Pakistan excessive reliance on imported fuel for electricity generation has led to the fuel crisis in the country. The current power generating capacity of Pakistan stands 24830 MW with 53% and 47% share of public and private companies respectively. The electricity demand is growing at an average of 6 to 7 % per annum. Since 2006 the demand and supply is persistently going up. This has negatively impacted on the national economy and energy production capacity. Industry is experiencing an acute shortage of power and gas to meet timely export demand.

Cultural penetration will be alarming for ordinary citizens of Pakistan. Performing art industry of China will definitely have disgusting negative impact on Pakistani society. Cultural entourage may be attractive, cosmetic and thrilling to the viewers and watchers, yet nakedness and lewdness is abjured and abhorred among the masses of Pakistan. Religious teachings and values pervades in the artery of common man in Pakistan. Either the conservative society of Pakistan will rebuff such culture or innocent people and youth will fall prey to this seemingly entertaining media. In the long run Chinese cultural penetration will be very harmful to ordinary person in Pakistan.

The President of the Overseas Chamber of commerce and industry has very succinctly expressed his opinion about CPEC when he said, “Empty containers returning to China don’t make sense. The whole objective of CPEC is to not just create a road from China, but to improve competitiveness of the country and connect it with more countries than it is doing business with today. It is because of this possibility that CPEC is a game changer. (Nasir Jamal, Dawn Karachi.19th March, 2018)

8. OBOR

Before we explore further what is (CPEC) China Pakistan Economic Corridor we must study the philosophy of OBOR.

In the 21st century the maritime Silk Road will be known as ONE BELT ONE ROAD CONNECTIVITY. It is a development strategy proposed by the Chinese government that focuses on connectivity. Once materialized, the OBOR running through the Pacific Ocean via Indian Ocean to Africa and then to Europe encircling India and the Arab Middle East will boost the economic status of HONG KONG. The city will become the center of East Asia, South Asia, Middle East and African economic activities.

OBOR would connect China to the rest of the world through roads, ports, railways, gas pipelines, transportation, and the development of infrastructure. Since OBOR connects the world except Americas, the basic ingredient for the success of OBOR is a peaceful world. Peace throughout the world is essential for openness, cooperation, mutual understanding, and prosperity.

The impact of OBOR is being seen on the world horizon. In addition to the states situated in the region, European countries have also shown their interest in this project. They are willing to join this gigantic Chinese initiative. One proposed trade route runs from China through Central Asian States to Europe. It is not a maritime belt. It runs through land, mountains, forests and agricultural fields into the cities of Europe

It is reported in Pakistani press that Chinese President XI JIN termed OBOR as significant in that it will

bring connectivity and cooperation among the countries. It will link the People's Republic of China with the rest of the world. Under the OBOR six corridors are planned.

- 1) China-Mongolia-Russia Corridor
- 2) New Eurasia land bridge
- 3) China-Central Asia-West Asia Corridor
- 4) China-Indochina Peninsula corridor
- 5) China-Myanmar-Bangladesh- India-Africa-Europe Corridor
- 6) China-Pakistan Economic Corridor

Land bridge links China, Kazakhstan-Poland-Russia. China-West Asia corridor links Turkmenistan, Uzbekistan, Iran and Turkey

When these routes become operative, China expects trade to boost more than \$ 2.5 trillion dollars. It has been argued that China was trying to rejuvenate something that used to exist in the past. Some people have however harbored the notion that it was part of Chinese grand plan. It was innovative because earlier the flow of goods was from West to the East. Now China was trying to reverse the direction of history.

CPEC has also been criticized by Chinese neighbors. Some Central Asian States are of the views that China has been trying to impose its hegemony not only in Asia but also in Africa. It took China about 35 years from 1978 as a developing nation till present day to become a developed nation.

Through OBOR strategy it wants to become the only superpower in the world. For China gone are days of Japanese economic superiority in the Eastern hemisphere. According to Chinese development strategy after another 35 years she must, and she will be the only economic superpower in the world.

Pakistan and the OBOR

If CPEC is a part of the OBOR which the Government of Pakistan, the press in Pakistan and the Pakistani intelligentsia believes it to be, then it is a test case. If CPEC succeeds by 2030 then all other corridors will bear fruit. It is reported in the Pakistani presses that work on CPEC projects are in progress. Chinese interests in the CPEC are unique. China is investing a huge amount about \$65 billion in CPEC projects because it is in her national interest. China may not invest such huge amount in each corridor.

Secondly, the CPEC project is likely to take ten to twenty years to be completely in running order while other OBOR projects may not even start until 2030 when the CPEC is expected to flourish.

Thirdly, CPEC in Pakistan has encountered political, logistic problems between the provinces. Therefore, complete success of CPEC in Pakistan has become doubtful.

Fourthly, what is needed in Pakistan is an honest and corruption free government. In addition to the Chinese investment, the Government of Pakistan should and has invited foreign countries and multinational corporations to invest in projects in the country.

Fifthly, to attract foreign investors and acquire benefits and advantages from them, government of Pakistan exhibiting a sense of good governance should make arrangements for one window operation and an industrial friendly environment. There should be no red tapes or bureaucratic hurdles

In Pakistan the province of KPK will enjoy the lion share of CPEC benefits. The KPK province is far away from seaports. It needs faster and quicker communication and transportation system to be able to export its goods. A proposed route from KPK through Afghanistan to Central Asia will usher prosperity not only in KPK province but to Pakistan as a whole. If this proposed trade route prospers, the province of Punjab will also benefit. People of Pakistan have still huge trust in the performance of CPEC, they are very hopeful of its success. In a survey conducted ICMA Pakistan, some 90% respondents posed high level of trust on CPEC and indicated that notwithstanding few threats, CPEC will open up vistas of opportunities not for our businessmen and industry in the region but also for professional community (ICMA, March-April 2017).

Dr. Mirza Ikhtiar Baig wrote in his column in the daily Jang (Urdu) Karachi,

“China through OBOR wants to connect 65 countries through roads, railways, airports, seaports, optic fiber. Besides improving infrastructure of the concerned countries, it imposed the establishment of “Special Economic Zones” (SEZ) for economic and industrial development. It is reported that through SEZ China has created 66 million employment opportunities out of which 30 million are in China only. She is prepared to establish 9 SEZ in Pakistan through CPEC.

In 2013 under OBOR China invested \$ 15 billion in Uzbekistan: \$37 billion in Kazakhstan and in Bangladesh 24 billion dollars in 2016. (Daily JANG (Urdu) 2nd April 2018.)

OBOR: IMPEDIMENTS

Elaborating the OBOR impediments, two of the many hypotheses are mentioned in ICMA publication (Pakistan Management Accountant, March-April, 2017, p. 16)

- 1) Inflow of Chinese investment and business enterprises will adversely impact the interests of the business community in Pakistan. It covers the signing of FTA with China and flooding of the Chinese products, the flow of Chinese investments and migration of Chinese labor to Pakistan.
- 2) Another contradictory view is that the project is not financially viable for Pakistan as the country has to pay higher cost of financing because of the unwise negotiations with the Chinese investors and over estimation of the project cost.

India has been skeptical about OBOR as India considers China’s expansion of its influence in South Asia against its national interest. It is the opinion of the Indian government that China wants to encircle India strategically by enhancing its economic and strategic relations with Pakistan and other African countries. China on the hand considers India as a threat to its interest in the region as both countries are trying to enhance their influence in the region. Any Chinese move for improved relations with the countries in the region like Bangladesh, Malaysia, Myanmar, Indonesia or Pakistan cannot be perceived by India without apprehension.

Economic cooperation and above all integration take place when the driving ingredients like technology, trade liberalization, free capital movement, advance communication, transportation and improved infrastructure play their respective roles. The OBOR stretching from Pacific Ocean to the Indian Ocean including Burma, Bangladesh, India, Malaysia, Indonesia, Sri Lanka and then to African ports lacks

confidence, sincerity, good will and willingness of the countries in the region. Hostile and antagonistic policies against each other are serious impediments for the success of this Chinese initiative.

The hypothesis of this study is that the only route to provide stability to the region would be the establishment of bilateral rapprochement and a regional security regime between Pakistan and China in view of the destabilization power contested by India, the U.S and to some extent Iran and Afghanistan. The reason for including Iran is that recently the Foreign Minister of Pakistan Shah Mahmood Qureshi has revealed that in the recent terrorists' attack on Balochistan soil, Irani nationals were involved.

If any conflict or problem between Pakistan and China arises about the survival of CPEC then environment of detent and negotiation should take place and applied in good faith. There is a general apprehension that if extremists and terrorists of Balochistan Liberation army in Balochistan could be the root cause of the strained relations between the two countries i.e., Pakistan and China, then really there is probably an insurmountable test to keep the all-weather tested relationship between the two countries alive and harmonious. A relationship which both sides claim higher than mountain and deeper than ocean.

9. Attack on Chinese Consul in Larachi

The hostile powers of Pakistan and China and opposed to CPEC are ever busy in hatching acts of animosity and terror in Pakistan. They are struggling hard to render the CPEC projects a failure and an exercise in vain by launching terror attacks. Consequently on 23 November 2018 three terrorists launched attack on Chinese consulate in Karachi. They were equipped with sophisticated weapons. First, they blew up the police posts, killed two policemen and resorted to indiscriminate firing. They also killed two visa applicants. They were overpowered by Pakistani commandos and all of them were killed. After a thorough investigation, it was revealed that the terrorist entered in Iran through Afghanistan, from Iran they came to Pakistan. Their master mind was in a hospital in Delhi under treatment. He was in constant contact with the terrorists. Through the media it was revealed that Balochistan Liberation Army (BLA) had accepted the responsibility.

If BLA and other terrorists continue their attacks such as they did in Karachi xii (for a detailed account of the terrorist attack on the Chinese Consulate in Karachi, see Ahmad, S. Salahuddin, "Foreign Policy of Pakistan: In the Context of Regional and International problems" (2019) Karachi; Islamic Research Centre) on the Chinese Consulate then China has three options. First, do nothing, which is unreasonable. The second option is to demand Pakistan Government to take stern and forceful action against the miscreants through the tough law and order regime. Wipe out and remove the BLA and other foreign agents (Pointing to Indians) from the political and geographical scenes in Pakistan. The third option is to use military operation and logistic support from armed forces for peace in the region and security and safety of the Chinese workers in the CPEC projects. As of today, the security regime about CPEC does not have an encouraging track record.

CPEC security is an important issue on which several other scholars have expatiated their views. Discussing about serious security issues and other threats particularly created by Indian RAW agency the

authors revealed the following: -

Pakistan has been facing terrorism and suicide bombing. CPEC needs more security. Pakistan has been trying hard to prove (herself) as a safe country. (But) the neighboring country India has been planting agents to spread terrorism. A recent example is (of) Kulbhushan Yadav (who) was arrested during counterintelligence operation in Balochistan on 3 March 2016. He confessed himself as an Indian agent of intelligence agency RAW and planted in Pakistan for terrorist activities and helping the separatists in Balochistan, xiii (Ali, Amina and Sultana Dr. Samar) *China-Pakistan Economic Corridor: Challenges and Opportunities for Pakistan*, *Pakistan Journal of International Affairs*, vol. 1 issue 2 July- December 2017).

Comparing the physical and fiscal capacities of Pakistan with China and pointing towards the challenges and safety conditions about CPEC Ali, Amina and Sultana, Samar observed, “CPEC—brings investment, develops infrastructure and raises GDP in Pakistan. The project is facing many difficulties.—There exists a fear of takeover by China—Pakistan has no comparison with China in any manner while (Chinese) engineers, workers and labors working on CPEC projects are well trained and qualified. Pakistan is no match with them (Ali, Samar, *ibid.*, p. 4).

According to authors lack of technology and reduction of poverty are some other challenges for CPEC.

10. Conclusion

Challenges and Impediments about CPEC are not without our faults and weaknesses. We should stop blaming regional or international factors or natural phenomenon. It is unfortunate that our nation lacks dedication and honesty. Corruption has detestably crept in every segment of our society. Unless corruption is routed out and wiped out we will not get the result which we expect. We have to keep our house in order. According to one highly acclaimed Pakistani Economist, Pakistan has to bear the major burden to make CPEC successful, if we want to achieve destiny (Ainul Haq, 2017).

If Pakistan wants to reap the benefit of CPEC then we must give due credit to China. No one can better understand the depth of China-Pakistan relations without meditating the political and economic environment of 1960s when the scale of relationship between the two countries was at its peak. Pakistan and China had signed the Border Treaty in 1963. Earlier at the time of Sino-Indian border war 1962 Pakistan had lent political and diplomatic support to China. In a *Memoirs of a Diplomat*, “Awakened China Shakes the world and is now Pakistan’s mainstay”, Ambassador Muhammad Yunus writes, “Due to Mao’s ideological imperatives,” never sell weapons to other countries in order to make money,” Pakistan was admitted to the list of recipients of military aid in 1965 and has received billions of dollars of aid (Yunus, M., 2015, p. 172).

CPEC is also called SILK ROAD. A common terminology which is in vogue is GAME CHANGER. Dr. DI Meglio who was then President of Asia Centre in France, delivered a lecture on the economic, strategic and the environmental consequences of the new silk road at the Area Study Centre for Europe, University of Karachi. He said, “CPEC was not an easy project but not the most difficult to achieve

either.—whosoever was going to benefit from it, it was a game changer for Pakistan. He argued that let's say Pakistan only benefiting 10 percent from the project, even then you have other benefits like influence and footprint. He said some Europeans did not realize that Pakistan had an important strategic position. (Dawn, 2016)

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