

The Politics of Interdependence: A Case of China-Pakistan Economic Corridor

Manzoor Khan Afridi

International Islamic University Islamabad, Pakistan.

Iram Khalid

University of the Punjab, Lahore, Pakistan.

ABSTRACT

China-Pakistan strategic partnership is evolving into the politics of interdependence by encompassing not only the defense dimension but also the trade, investment, energy and infrastructure development. The proposed China-Pakistan Economic Corridor (CPEC) is a mega project which will connect the north-western Sinkiang autonomous region's Kashgar city with the Pakistan's Gwadar Port. It is equally important both for China and Pakistan on the one hand and for the regional states of South Asia, Middle East, landlocked Central Asia and East Asia, on the other. It will provide China a shortest route of about 2500 kilometers to link with Middle East by the Pakistan's much needed road and railway network. A huge amount of 46 billion US dollars is allocated for the project to uplift Pakistan's development by meeting the energy needs, building industrial parks and economic zones. This paper will use the paradigm of interdependence to analyze the China-Pakistan Economic Corridor. Interdependence is a broad term which refers to such situations of reciprocal effects among the states or actors in different states. It is not only applicable to political-military interdependence but also to political-economic interdependence. Here in the case it has been observed that with the rise of China and its rapidly growing economy, a relatively peaceful environment and neighborhood is imperative. With the completion of CPEC, this interdependence seems to be transformed into Complex Interdependence by creating more peaceful environment and war; costly.

Key Words: Pakistan, China, CPEC, Politics of Interdependence, Energy

Introduction

Pakistan and China have been enjoying cordial relations since the early 1960s. Both the states have supported each other at almost all forums and their exemplary friendship is quoted as higher than the Himalayas, deeper than the ocean and sweeter than honey. Their bilateral relationship is ever increasing with mutual understanding and frequent high-level visits of government officials. Their defense ties are the strongest bond of the relationship. But now with the fast-moving economy, reaching out for more dynamic and active role in global politics and demand for energy, China has diversified its relationship with Pakistan. They are moving towards increasing bilateral trade, investment, infrastructure development, energy projects and people-to-people contact. In May 2013 during the visit of the Chinese Prime Minister Li Keqiang to Pakistan, the China-Pakistan Economic

South Asian Studies 31 (2)

Corridor agreement was signed along with the formal handing over of Gwadar Port for further development and operation to China. Various projects will be completed under the CPEC, with the worth of 46 billion dollars, until 2030.

“The CPEC is a holistic, comprehensive package of competitive economic initiatives from China, just the energy projects once initiated will kick-start an industrial boom in Pakistan.

\$15.5bn worth of coal, wind, solar and hydropower projects will come on-line by 2017 and add 10,400MW of electricity to Pakistan’s national grid, a \$44m fiber-optic cable will also be built” (The London Post, 2015).

CPEC is not only beneficial for China and Pakistan but for the entire region as well. China will get an access to Indian Ocean passing through Pakistan by linking Kashgar city of Xinjiang autonomous region with the Gwadar Port. CPEC will bring economic prosperity to the regions of South Asia, land-locked and energy-rich Central Asia and; the oil-rich Middle East.

The CPEC project is the result of the long cordial bilateral relations based on state-to-state mutually beneficial terms. If to see it from geo-political and geo-economic angle, one can say that it is an extension of the China’s growing economic network. CPEC project is a tiny addition to the China’s rise economically and it’s growing needs for regional connectivity. Under China’s policy of the renewing Old Silk Road, the One Belt One Road initiated in 2013, it is investing even bigger portion of it in Central Asia. This project will boost the economic relations of the two countries through opening up multiple channels of cooperation in the long run. China is investing in Pakistan and the route will connect China’s western parts to Gwadar port and in the long run this route will connect Central Asia and the region altogether.¹ CPEC has brought together China and Pakistan for a win-win situation by playing the ‘politics of interdependence’.

What drives China towards CPEC?

China is no longer a country looking into its inward directions but following a path of multidimensional diplomacy across the world for more engagement and connectivity. It is no more a revolutionary state of the Mao era. Beijing’s policy in initiating and pushing forward the China-Pakistan Economic Corridor is driven mainly by six objectives. First is to reduce the distance for supply of goods and trade. Currently China is dealing with most of the world through the Pacific as well as Indian Ocean. China is dependent on the Strait of Malacca for supply of oil and other energy and trade commodities and; also to deliver its own products in Middle Eastern, African, European markets; and beyond. From the coasts of Middle East to the Port of Shanghai, total distance is about 12000 km and further to include the north-western Sinkiang region of China, it makes about 16000 km. Logistically this is so long distance to be covered and even costly. By the

¹ Interview with Nabila Jaffer (8 April, 2016) through E-mail, a Research Analyst at Institute of Regional Studies, Islamabad Pakistan.

construction of road, railways and pipeline networks across Pakistan to connect Kashgar with Gwadar, it is only 2500 km. The successful completion of CPEC will not only save time for China but also make its supply more secure and quick. United States is also a factor in the current Chinese maritime route where the former possess a huge influence in the Pacific Ocean by supporting its allies and monitoring the region.

Chinese second objective is to develop its neglected and backward Sinkiang and other north-western regions. The Chinese motive here is also to create job opportunities and curb the separatist and terrorist tendencies. Bordering with Afghanistan and Pakistan, Sinkiang has been under the threat of separatist organization the 'East Turkistan Islamic Movement', responsible for unrest in the region. Beijing regime believes in the eradication of terrorism from region through the economic emancipation for bringing it into the mainstream politics.

Third objective is the security and expansion of energy and trade linkages. Pakistan provides a shortest route to China's linkage with Middle Eastern and African markets. Due to the rapid industrialization and becoming the world's second largest and fastest growing economy; since 2003, China is the second largest consumer of oil and other energy resources. This global hunt for energy has forced China to look for more supply of energy resources from Middle East and to use new markets of Africa, where it is the world's biggest investor.

Fourth is Chinese investment in Pakistan's mining and energy sectors where various projects of coal, copper and other minerals are underway with Chinese assistance in Pakistan. Fifth is the development of infrastructure and Gwadar Port. Regional stability as well as Pakistan's internal security is a pre-requisite for all other objectives. "China's most parochial motivation for the CPEC is to provide economic support to a flagging ally struggling with internal instability" (Ritzinger, 2015). A stable and economically prosperous Pakistan is in the interest of China to carry on its trade and economic projects with the world.

Last objective is to have access to Indian Ocean for monitoring the strategic developments in the region and to expand its presence in the Middle East. It will also help China for more connectivity with the energy-rich and land locked Afghanistan and Central Asian republics. To sum up in the words of Ayesha Siddiqi (2012); Currently, Chinese interest in Afghanistan and Pakistan seems to be more than just purely military. There seems to be an increased emphasis placed on energy and economic security as well as – domestically - on ensuring internal security in the Xinjiang autonomous province. One of China's major domestic security concerns is to ensure that Islamists do not penetrate the western autonomous region of Xinjiang. Bordering on Afghanistan, this area has experienced unrest in the past decade or more as a result of political influence from the region probably inspired by the increasing insurgencies in a number of Muslim countries. China, it is believed, has expressed its concern to Pakistan on several occasions, with Beijing's reaction varying from diplomatic protest to extreme annoyance expressed in the form of temporary closures of the border with Pakistan".

What Motivates Pakistan for CPEC?

Pakistan is equally interested to complete the China-Pakistan Economic Corridor. Various factors are responsible for Islamabad's efforts to make it a success story. First is the overcoming of the power shortfall where the country is lagging behind to facilitate its public and run industries. The country's short fall has been increased especially since 2007 resulted into the public continuous outrage and less productivity of the industrial sector. Various energy projects of hydropower generation, thermal plants, coal-run installations, wind and nuclear energy are included within the umbrella of CPEC. It is not only useful for creation of more job opportunities but equally significant to produce more commodities and improve the quality by industries. Pakistan's sinking economy will show a rapid growth by attracting more foreign investment and joint projects with the foreign governments to increase its exports. It will also minimize the current gap in China-Pakistan imbalanced bilateral trade volume, now more favorable to China.

Second is the development of infrastructure capability of the country, severely needs improvement particularly since the start of the War on Terror. A country's development is gauged by various factors where infrastructure is one of the most important elements. Pakistan's poor transportation and industrial network have created a hindrance in boosting the national economy. The scene is worse to see in the backdrop of the wave of terrorism and militancy in the region where a huge loss has been incurred to infrastructure. Various roads links, railway tracks, pipelines, industrial parks and economic zones will be established under the CPEC.

Third objective Pakistan wants to achieve through CPEC is the development of the deep water seaport at Gwadar. It is situated at a significantly geostrategic location, near the Strait of Hormuz on the Persian Gulf through which about 40 percent of the world oil channelizes on daily basis. The port has already been developed with the Chinese assistance and handed over to her for future operations. The long-remained backward and militancy-ridden area of Baluchistan will be come into mainstream by all the economic initiatives and employment opportunities. Gwadar Port is in competition with the Iran's Chabahar Port, Oman Port and Dubai Port.

Fourth factor is the regional connectivity. The CPEC project is passing through an area which joins together some geopolitically and geo-strategically important regions of South Asia, Middle East, and Central Asia; and further to Africa and Europe. Gwadar provides an easy access to Indian Ocean for Afghanistan and Central Asian republics, to import and export trade. Some Central Asian states and Afghanistan are also part of the China's 'One Belt, One Road' policy. Pakistan's trade and energy relations with these countries will be increased with a rapid pace.

Fifth motive is to eradicate terrorism and militancy from the country and the region through economic emancipation. Pakistan has suffered huge losses in the War on Terror. Afghanistan, China and Central Asian states also face the

challenges of militancy and separatism. The eradication of the menace of terrorism through the economic initiatives is a slow process but with durable impacts. Sixth objective of Pakistan is to explore new minerals and scientifically utilize the already discovered ones. Resource-rich Pakistan is attractive for China and future's foreign investors to play a win-win game. The jobless youth will be benefited with modern technological skills to raise the living standard high and make economy stronger.

China-Pakistan Economic Corridor: An Analysis

China's current foreign policy revolves around the concept of regionalism and economic growth. China; no doubt, is a regional power and trying for more active role in the world affairs. The Deng Xiaoping's policy prescription for China's "*keeping low profile*" in the 1990s era now seems to be transforming into a role of more dynamism. This concept was modified by Jiang Zemin for creating more space to China, for exercising its role more freely in global politics (Tsai and Littlefield, 2011: 9). This trend of Chinese foreign policy is reflected in CPEC project. China-Pakistan Economic Corridor is the extension of China's "*One Belt, One Road*" (OBOR) initiative. OBOR is connectivity project to transform the political and economic landscape of Europe and Africa going through the Asian continent, cementing about 66 countries through cooperation in infrastructure development, energy, telecommunications, logistics, and transportation sectors. "[Five major goals](#) sit within a broad framework of connectivity and cooperation: policy coordination; facilities connectivity; unimpeded trade; financial integration; and people to people bonds..... As Xi Jinping indicated [in his speech](#) to the Boao Forum for Asia Annual Conference in 2015, the Belt and Road will "promote inter-civilization exchanges to build bridges of friendship for our people, drive human development and safeguard peace of the world" (Winter, 2016).

CPEC idea is the result of a Memorandum of Understanding (MoU) signed between the Governments of Pakistan and China during the state visit of the Chinese Prime Minister Li Keqiang in the last week of May 2013, proposed for linking the Xinjiang's Kashgar city with Gwadar Port through the road, air and railways (Haider, 2013). CPEC initiative was further cemented during the Chinese President Xi Jinping's visit to Islamabad on 20-21 April 2015 which emphasized multifaceted cooperation between Pakistan and China in all fields of security, foreign policy, economic linkages, communication, infrastructure development, energy cooperation and technical assistance to ensure Pakistan's socio-economic development. It is beneficial for both China and Pakistan to connect them with the Middle East, Gulf States and Arabian Sea (Rizvi, 2015: 9).

51 Memoranda of Understanding were signed between the two governments, worth of 46 billion \$. In a special exhibition of projects, Qasim Coal Power Plant, Engro Thar Coal Power Project, Quaide-e-Azam Solar Power Project, "extension of Metro bus project in Lahore, establishment of Pak-China friendship radio channel FM 98 with help of Pakistan Broadcasting Corporation and Chinese

authorities and laying down of optical fiber between the countries among other projects” (Awan, 2015).

Infrastructure Development

Pakistan is in desperate need in infrastructure development to accelerate its progress in connectivity projects through roads, railways, bridges, pipelines, and fiber optic lines, and electric transmission lines, economic and industrial zones. Dozens of economic and industrial zones will be established along the all three routes of CPEC which will transform the fate of the region by providing job opportunities, training facilities, skill-learning and high level of industrialization. China can really assist Pakistan in this regard provided the former expertise in establishing the aforementioned zones. “On one hand, industrial zones can be a manufacturing hub producing a large amount of goods that directly caters to the ever accelerating urbanization process and rapidly burgeoning middle class. Having local production replace imports can help bring down price and increase affordability in areas where tariff or transport cost is high. Injection of more advanced technology will also help improve quality and reduce environmental impact in areas where Pakistan already has a reasonably developed capacity” (Tong, 2015: 178).

One of the reasons behind the stagnant Pakistan’s economy and less productivity in industrial goods and export is the lacking of the required standard of the industries. These industrial zones will not only enable Pakistan to raise its standard from providing raw materials and semi-manufactured goods into quality furnished goods to international market, but also will enhance its added value of exports. More and more foreign direct investment can be attracted to make itself a well-recognized competitor in international market. China and Pakistan have already produced and sold JF-17 thunder aircrafts to Myanmar under their joint venture. It “can be replicated in the non-military sector as well, with the help of industrial zones” (Tong, 2015: 179).

“The traditional exchange of goods between the two countries mainly consisted of transfer of Chinese military hardware to Pakistan. However, the bilateral trade is now much more diversified and commercially driven. The two countries concluded a Free Trade Agreement in 2006 which was further improved in 2009. China-Pakistan bilateral trade has now expanded from less than US\$1 billion in 2001 to US\$7 billion in 2007 and stood at US\$12.4 billion in 2012. Similarly, China has also made investments in many Pakistani infrastructure and commercial projects over the past decade. An important step taken by China in this regard is the development of the Haier–Ruba Economic Zone near Lahore in Pakistan’s Punjab province which is the first such Chinese overseas investment” (Siddiqi, 2014: 16).

A railway track will be laid from Kashgar to Gwadar for the supply of energy resources and smooth flow of trade. Under this scheme a new track is planned to be laid from Gwadar to Quetta and Jacobabad through Besima. Going through

Zhob and Dera Ismail Khan on Main Line-II, 560 KM of track will be laid from Bostan to Kotla, and 682 KM of railway track from Havelian to Khunjrab. Similarly, “upgradation of 1,872km of railway track from Karachi to Peshawar via Kotri, Multan, Lahore, and Rawalpindi (including Taxila-Havelian) – along with dualisation of track from Shahdara to Peshawar – will also be carried out. Some 1,254 kilometres of railway track from Kotri to Attock City via Dadu, Larkana, Jacobabad, DG Khan, Bhakkar, Kundian will also be upgraded” (DAWN, 2015).

Pakistan’s Federal Minister for Planning, Development and Reform Ahsan Iqbal (2016) argues that “\$35 billion would be utilized for energy, and the rest for developing the infrastructure. “Out of this, energy projects worth \$11.5 billion are for Sindh, \$7.1 billion for Balochistan, and the Punjab is the third with a share of \$6.9 billion. Potential of the Khyber-Pakhtunkhwa is hydel, and multiple investments are being made in the construction of dams, which takes longer to complete,” while maintaining that no provincial bias existed since commercial viability of each and every projects was to agree upon by both sides. China worked on three principles, that is, scientific planning, step-by-step development and choosing easy path first. ”The road network is being developed by prioritizing the commercial viability, since utility of investment is kept in mind prior to the initiating a project. Hence, the CPEC is only about the Chinese investment, but domestic as well while making efforts to tap international finances as well”. He mentioned that the Karachi-Peshawar motorway was an old project, and its feasibility had been developed as the principle of commercial viability”.

Gwadar Port under CPEC

Pakistan’s Gwadar Port is a significant development between Islamabad and Beijing. It is strategically located on Indian Ocean near the Persian Gulf and Strait of Hormuz and the oil rich Middle East. “Pakistan purchased the small town of Gwadar from Oman in 1958, but did not begin work on a port there until 2002. Pakistan lacks ports for shipping and maritime security — in successive conflicts, the Indian Navy quickly blockaded Karachi, severely limiting the Pakistan Navy’s manoeuvrability. Gwadar, a deep warm-water harbour 470 kilometres away from Karachi, seemed an ideal place for a new outlet to the Indian Ocean. At Pakistan’s request, China provided US\$198 million for the first phase of the port, which was completed in 2006, but was lukewarm about further development. The project consists of three phases, so Pakistan is still waiting for investment to complete the remaining two” (Ali, 2013).

Gwadar Port was assigned to a Singaporean company but later on handed over to China Overseas Ports in 2013 having the ownership with Pakistan while Chinese firm will operate the port. In November 2015, over 2,000 acres land adjacent to Gwadar was given to China for industrial development. It is believed that China will use the land for terminal operations, marine services, a free trade area and an international airport. The port is approaching fast to completion and

“will see traffic totaling to one million tons in 2017” (The Marine Executive, 2016).

In December 2015, a 32-member high level Chinese delegation visited Gwadar Port under the Joint Working Group on Gwadar to oversee various developmental activities. A number of projects are underway at Gwadar. “The projects include construction of Gwadar Port Eastbay Expressway with an estimated cost of Rs.14.804billion; construction of Pak-China vocational training institute with an estimated cost of Rs.984million; facilities of fresh water treatment, supply and distribution of water for Gwadar City costing Rs.13.22billion; 300-bed China-Pakistan friendship hospital with an estimated cost of Rs.9.96billion; construction of New Gwadar International Airport of Rs.26.70billion; construction of breakwaters for Gwadar Port with a cost of Rs.13.00billion; capital dredging for additional channels, turning basin alongside new terminal, costing Rs.2.80billion; 300MW coal-based power plant with an estimated cost of Rs.30.00billion in addition to infrastructure development for free zone, export processing zone and Gwadar industrial area” (Gwadar Port Authority, 2015).

Cooperation in Energy Sector

Both China and Pakistan are in search for various sources of energy for fulfilling their rising demands. China is in hunt of energy, mainly, due to its rapid industrialization and domestic demands for creating more jobs and to emerge as an active global power with maximum outreach. Pakistan wants to overcome its energy shortage and electricity shortfall, which is severe since 2007, to establish more industries and make jobs available. In such situation, Pakistan is vigorously seeking different alternatives to meet its energy requirements, ranging from the import of Liquefied Natural Gas (LNG) to Liquid Petroleum Gas (LPG) by utilizing the TAPI (Turkmenistan, Afghanistan, Pakistan, India) pipeline project and Iran-Pakistan (IP) pipeline project which may be extended to China as well in future. Pakistan wants to exploit its diverse energy resources of natural gas, coal and hydel. The Iran-Pakistan pipeline project will generate about 4000 megawatts (MW) of electricity. Country is currently facing a power shortfall in between of 5000 to 7000 megawatts. The IP pipeline project will contribute in overcoming the existing electricity situation (Munir et. al, 2013: 164).

“Based on Agreement on the CPEC Energy Projects Cooperation between the Government of the People’s Republic of China and the Government of the Islamic Republic of Pakistan, the total number of CPEC Energy Projects is 21, with a total capacity of 17,045MW, of which there are 14 prioritized projects and 7 actively promoted projects with the installed capacities of 10,400MW and 6,645MW respectively” (Haider, 2016).

According to Shannon Tiezzi (2016), China and Pakistan began to construct the Karot hydropower plant under CPEC. It is the first project of \$ 1.65 billion under the China’s Three Gorges Corporation, will be financed by China’s Silk

Road Fund. It will be completed in 2020 by providing 720 MW of energy from the Jhelum River.

Apart from the Karot hydropower project, Pakistan's Prime Minister Nawaz Sharif and Chinese President Xi Jinping have jointly done the ground breaking of Dawood 50 MW Wind-power project, Sachal 50 MW Wind-power project, Zonergy 900 MW Solar project and Jhampir 100 MW Wind-power project, in April 2015 via a video link (The Nation, 2015).

Companies, Firms and Banks under CPEC

China-Pakistan relationship is no longer based only on government to government partnership. Various companies, firms, business communities and banks are involved now in CPEC projects to perform their part. "The Asian Development Bank (ADB) and the Department for International Development (DFID) of the United Kingdom will co-finance the \$327 million cost of the 59km-long Hassanabdal-Havelian Expressway (E-35) project" (Rana, 2015), which is situated on the northern route of CPEC. China Development Bank (CDB) and Industrial and Commercial Bank of China (ICBC) who are one of big four state-owned commercial banks, will provide loans to Chinese companies for investment in Pakistan. Major Chinese companies who will invest in Pakistan's energy sector are China Power International Development Ltd. and China's Three Gorges Corp (Malik, 2014).

ICBC has branches in major cities of Pakistan; in Karachi, Lahore and Islamabad. Now Habib Bank Ltd. (HBL) from Pakistan has got a license from China to open its branch in Urumqi city. It will be the first South Asian bank to operate in China. The bank could capitalize over the investment and growing trade between the two countries, especially in CPEC projects, as it has already developed good reputation with Chinese trade and business community. First eight months of the current fiscal year indicates a growing Chinese investment in Pakistan worth of 523 million dollars, which was 204 million dollars last year (AFP, 2016). China Development Bank will provide 2.6 billion dollars to National Highway Authority of Pakistan for the construction of Karachi-Lahore Motorway and 920 million dollars to construct the Karakorum Highway Phase II, to be completed in 2017-18 (Kiani, 2015).

The Business communities are also ready to be benefited from CPEC and make it a success story. Current China-Pakistan economic relationship shows various hurdles for Pakistan. Fazal-ur-Rahman calculates (2010) that many factors are involved in hindering growth of Pakistan's economic relationship with China. These include the following:

1. Infrastructure deficit, particularly in energy 2. Poor innovation and technological infrastructure 3. Low labor productivity 4. Low levels of manufacturing value addition 5. Little Foreign Direct Investment (FDI) in manufacturing and exportable sectors 6. Anti-export bias in taxation 7. Increasing costs of exports as compared to imports 8. Lack of product and

geographical diversification in exports 9. Absence of economies of scale in the production processes, especially in the Small and Medium Enterprise (SME) sector, which accounts for a vast majority of the enterprises in the country.

Realizing the need therefore; more than 40 presidents of different chambers of commerce across Pakistan assured at the occasion of All Pakistan Chambers President Conference (APCPC); the backing of CPEC and cooperation with the government (Ahmad, 2016).

People to people contacts are considered a backbone of bilateral states' relations. China and Pakistan have made efforts to bring the two states' people close to one another but still there is a lot to do, as this dimension is not yet fully developed. It is believed that people to people contact between the two states will be increased manifold by the completion of the CPEC.

The Politics of Interdependence and CPEC

Rapid changes in international politics transformed the very nature of states' relations in the decade of 1970s. A collaborative environment between the United States and the Soviet Union, normalization of relations between Washington and Beijing; the OPEC states' strategies against the West and the worldwide economic engagements, mostly in Europe, paved the way for avoiding conflicts and power politics. The states' relations long remained inter-governmental throughout the diplomatic history but now extended to transnational, non-governmental and trans-governmental partnerships. Same is the case of China-Pakistan relationship under the China-Pakistan Economic Corridor by the explanation of the politics of interdependence. This theory was put forward by Robert O. Keohane and Joseph S. Nye in 1977 in their book "*Power and Interdependence: World Politics in Transition*".

"In common parlance, *dependence* means a state of being determined or significantly affected by external forces. *Interdependence*, most simply defined as, means *mutual* dependence. Interdependence in world politics refers to situations characterized by reciprocal effects among countries or among actors in different countries" (Keohane & Nye, 2012: 7). China and Pakistan, though, not totally dependent on one another but are engaged interdependently. This engagement under interdependence has provided both countries to contribute in various dimensions of their bilateral relationship. Though both China and Pakistan will gain from the projects under CPEC but not necessarily for the advantage will be balanced. Symmetric interdependence is possible but very rare. Asymmetries in interdependence provide chances of influence to actors in dealings with one another. In such a relationship the less dependent actor can use the asymmetric interdependence for power position in bargaining over an issue or bunch of issues. This asymmetric dimension further provides a political bargaining process to actors (Keohane & Nye, 2012: 9).

Looking into asymmetric interdependence, China has an upper hand in dealing with Pakistan within the CPEC. The 46 billion dollars will be provided by

China for various projects in Pakistan. Also, various Chinese companies are involved in extracting different minerals, maximizing energy cooperation and providing technical assistance to develop the Gwadar Port. The China-Pakistan bilateral trade is imbalanced; favoring China. But geographically Pakistan is more advantageous than China. Keohane and Nye (2012: 11) argue that “the vulnerability dimension of interdependence rests on the relative availability and costliness of the alternatives that various actors face”. Pakistan provides a shortest route to China to be connected with the Middle East, North Africa and beyond; for its trade and energy supply. Among the three corridors under the ‘*One Belt and One Road*’ initiative, it is the easiest extension and most economical route for China. Other alternatives of going through Russia or Tajikistan and Afghanistan reaching to Iran; require more time, finance and logistic support.

However the economic infrastructure among states is a challenge when it hinders the transaction. It brings costs to states on two levels. Normal interaction between two states involves an understood accepted cost. For instance, trade routes channelize the capacity to supply goods and services across the geographical and political boundaries. The economic infrastructure among states is complex, thus states willingly bear costs to achieve the advantages that motivate the trade relations. States make these costs to fully utilize the benefits of trade. However, further costs are possible in case of changing the relationship or the economic infrastructure among those states (Crescenzi, 2003: 811-812). The economic infrastructure within Pakistan and China are different from each other. If China has a vibrant economy with a rapid speed to grow, Pakistan’s economy is destabilized due to various factors of political instability, corruption and sufferings in War on Terror. Islamabad and Beijing have joined hands together by forming Joint Working Groups (JWGs) to foster the CPEC projects and bear all the political, economic and security costs to avoid any hindrance.

Commenting on CPEC, Hasan Askari Rizvi (2015) argues that “this is a new “ball-game” of interdependence in international and regional politics and positive connectivity with immediate neighbours. This will require changes in Pakistan’s foreign policy strategy that has, in the past, preferred closer economic ties, trade and security interaction with the far-away states in order to cope with the security threats from within the region of its geographic location. Now, Pakistan will be required to cultivate more active relations with the immediate neighbours for sharing energy and pursuing economic development and trade. This will give a major boost to Pakistan’s economy. The areas adjacent to the Corridor will experience a major economic uplift”.

Conclusion

China and Pakistan are determined to complete the CPEC project at all costs. It will bring economic prosperity and stability to both states as well as to the region. It would only be a quantitative expansion in the domain of economy. CPEC is likely to expand in due course to provide interconnectivity with Afghanistan, Iran,

the CARs and others. CPEC is indeed a long project. Geographically, China is more vulnerable² as it is dependent on Pakistan's geography having geo-strategic importance. It is for the first time in their bilateral relationship that a huge amount of investment is being provided by China for a number of projects with the help of different government and private companies, banks and business communities.

Private Pakistani companies have already started having some direct interactions with their Chinese counterparts. As far as societal level interactions are concerned, they might also start to have their presence felt, but it would take a long time. The main reason for that is strong language and cultural differences. Viewing the costs, Pakistan is more vulnerable³, as country has suffered negatively due to War on Terror and political instability. But it is hoped that CPEC will enhance the annual bilateral trade volume and make it less imbalanced in future. Last but not least is the fact that China and Pakistan have entered into their *interdependent relationship* which may evolve into *complex interdependence* in future.

References

- AFP. (18 April, 2016). HBL to open branch in China. *The Express Tribune*. Last accessed on 25 April, 2016 at <http://tribune.com.pk/story/1087196/hbl-to-open-branch-in-china/>
- Ahmad, Israr. (20 January, 2016). Business community reiterate backing for CPEC project. *The Nation*. Last accessed on 26 April, 2016 at <http://nation.com.pk/business/20-Jan-2016/business-community-reiterate-backing-for-cpec-project>
- Ali, Ghulam. (24 March, 2013). China's strategic interests in Pakistan's port at Gwadar. *East Asia Forum*. Last accessed on 22 April, 2016 at <http://www.eastasiaforum.org/2013/03/24/chinas-strategic-interests-in-pakistans-port-at-gwadar/>
- Awan, Sarwar. (April 21, 2015). Economic Corridor in focus as Pak, China sign 51 MoUs of \$46b. *Pakistan Observer*. Last accessed on 18 April, 2016 at <http://pakobserver.net/detailnews.asp?id=262448>
- Crescenzi, Mark. J. C. (Aug, 2003). Economic Exit, Interdependence, and Conflict. *The Journal of Politics*, 65 (3), 809-832
- DAWN. (December 20, 2015). New railway tracks planned under CPEC. Last accessed on 18 April, 2016 at <http://www.dawn.com/news/1227664>
- Gwadar Port Authority. (9 December, 2015). Chinese Investors show keen interest in development of Gwadar Port and city: High Level of Chinese team visits projects under China-Pakistan Economic Corridor in Gwadar. Last accessed on 21 April, 2016 at <http://www.gwadarport.gov.pk/news.html>
- Haider, Mehtab. (January 13, 2016). Under CPEC, 5,000 MW power to be added to national grid by 2018. *The News*. Last accessed on 20 April, 2016 at <http://www.thenews.com.pk/print/89995-Under-CPEC-5000-MW-power-to-be-added-to-national-grid-by-2018>
- Haider, Ziad (May 26, 2013). "Premier Li Goes to Islamabad," *Daily Times* (Lahore)
- Iqbal, Ahsan. (2016). *CPEC is long term broader investment framework*. Ministry of Planning, Development and Reform. Last accessed on 19 April, 2016 at <http://www.pc.gov.pk/?p=5513>

² Interview with Air Commodore (R) Khalid Iqbal (25 March 2016) through E-mail, a Consultant on Policy and Strategic Response at Islamabad Policy Research Institute Pakistan.

³ Interview with Aarish U. Khan (22 March, 2016) through E-mail, Editor of Regional Studies Journal and Expert on China-Pakistan Relations at Institute of Regional Studies, Islamabad Pakistan.

- Keohane, Robert & Nye, Joseph. (2012). *Power and Interdependence: World Politics in Transition*, 4th ed. (New York: Longman)
- Kiani, Khaleeq. (13 August, 2015). Chinese firms to get contracts for two CPEC projects. *DAWN*. Last accessed on 26 April, 2016 at <http://www.dawn.com/news/1200203>
- Malik, Mehreen. Zahra. (21 November, 2014). China commits \$ 45.6 billion for economic corridor with Pakistan. *Reuters*. Last accessed on 26 April 2016 at <http://www.reuters.com/article/us-pakistan-china-idUSKCN0J51C120141121>
- Munir, Muhammad. Ahsan, Muhammad. and Zulfqar, Saman. (2013). Iran-Pakistan Gas Pipeline: Cost-Benefit Analysis. *Journal of Political Studies*, 20 (2), 161-178
- Rahman, Fazal-ur-. (Autumn, 2010). Pakistan-China trade and investment relations. *Strategic Studies Journal*, Vol. XXX (3), pp. 1-10
- Rana, Shahbaz. (1 September, 2015). UK to partner in CPEC, provide \$ 121.6 million grant. *The Express Tribune*. Last accessed on 25 April, 2016 at <http://tribune.com.pk/story/948870/uk-to-partner-in-cpec-provide-121-6-million-grant/>
- Ritzinger, Louis. (2015). The China-Pakistan Economic Corridor: Regional Dynamics and China's Geopolitical Ambitions. *The National Bureau of Asian Research*, 5 August, 2015. Last accessed on 14 April, 2016 at <http://nbr.org/research/activity.aspx?id=589>
- Rizvi, Hasan Askari. (Spring, 2015). The China-Pakistan Economic Corridor: Regional Cooperation and Socio-Economic Development. *Strategic Studies Journal*, 35 (1), 1-17
- Siddiqi, Ayesha. (2012, January). *Expansion by Stealth: China's Interests, Infrastructure & Investments in Pakistan & Afghanistan*. Barcelona: Barcelona Centre for International Affairs
- Siddiqi, Rahid Ahmed. (Summer, 2014). China's Evolving Posture in South Asia: Some Reflections. *IPRI Journal*, XIV (2), 1-19
- The London Post. (13 September, 2015). China Pakistan Economic Corridor: Gwadar Port. Lat accessed on 21 April 2016 at <http://thelondonpost.net/2015/09/china-pakistan-economic-corridor-gwadar-port/>
- The Marine, Executive. (14 April, 2016). China's Gwadar Port Nears Completions. Last accessed on 21 April, 2016 at <http://www.maritime-executive.com/article/chinas-gwadar-port-nears-completion>
- The Nation. (21 April, 2015).
- Tiezzi, Shannon. (January 13, 2016). China Powers up Pakistan: The Energy Component of the CPEC. *The Diplomat*. Last accessed on 20 April, 2016 at <http://thediplomat.com/2016/01/china-powers-up-pakistan-the-energy-component-of-the-cpec/>
- Tong, Liang. (Spring, 2015). CPEC Industrial Zones and China-Pakistan Capacity Cooperation. *Strategic Studies Journal*, 35 (1), 174-184
- Tsai, Tung Chieh and Littlefield, Alexis. (Apr/May, 2011). China's foreign policy: Realpolitik or something new? *Journal of Contemporary Eastern Asia*, 10 (1), 1-13
- Winter, Tim. (2016). One Belt, One Road, One Heritage: Cultural Diplomacy and the Silk Road. *The Diplomat*, 29 March 2016. Last accessed on 13 April, 2016 at <http://thediplomat.com/2016/03/one-belt-one-road-one-heritage-cultural-diplomacy-and-the-silk-road/>

Biographical Note

Dr. Manzoor Khan Afridi is Assistant Professor and Head of Department of Politics and International Relations, International Islamic University Islamabad, Pakistan.

Dr. Iram Khalid is Professor at the Department of Political Science, Punjab University Lahore, Pakistan.