Emerging Political Economy of CPEC – Future Dynamics and Perspectives for Pakistan
Muhammad Zia-ur-Rehman* Asif Khan† Colonel Qaim Raza Jaffry‡

Abstract

The study focuses on China Pakistan Economic Corridor (CPEC) as a great regional, political and economic force, which would lead the region to a prosperous future. The route of CPEC is not only a connection between Gwader and Khunjrab but it is also “a motorway of political economy” which would become a track to development and sustainable prosperity. No doubt, the route leads to cooperation in the transition of resources and increase the bilateral trade partnership but there emerge various questions. The present study provides detailed analysis of how the route connects Asia to Europe and provides access the local markets. The study further recommends that Gwadar Port is one of the shortest ways for China rather than Strait of Malacca or any other international route. At the end, based on an in-depth critical evaluation, the study recommends the strategy of boosting its Political Economy on emergency basis.

Key Words: Political Economy, Silk Road, China Pakistan Economic Corridor, One Belt One Road.

Introduction

CPEC is the back bone of the Political economy of Pakistan which relates to production and trade, law, custom, and government, as well as with the distribution of national income and wealth. The China-Pakistan Economic Corridor (CPEC) is a part of strategic plan and development scheme. From decades, although Islamabad and Beijing having close relationship, the corridor is a breakthrough of expanded and intensified mutual collaboration. The rising of Chinese geopolitical expansion supports Pakistan’s development and security as well.

The Corridor is planned to enhance the interconnectivity across the region with the help of railway tracks, roads, lines of pipes, which leads to industrial, trading and other projects relating infrastructure to fulfill extreme energy shortage needed for economic development of Pakistan. Ultimately, the

*Assistant Professor, Department of LMS, National Defense University, Islamabad, Pakistan. Email: drziaemail@gmail.com.
†Independent Research Scholar, Islamabad, Pakistan
‡Director & Instructor at National Defense University Islamabad, Pakistan
Emerging Political Economy of CPEC – Future Dynamics and Perspectives for Pakistan

corridor also likes to increase the trading facilities which go to connecting china to the Indian Sea, which interlink Chinese city Kashgar to Pakistani port Gwadar. China and Pakistan delineate plans for the CPEC in April 2015, when they signed fifty-one agreements (Haider, 2015) and memoranda of understanding on Chinese investments, totaling $46 billion over the next ten to fifteen years (Shannon, 2014). Some projects are already ongoing, including energy projects and highways where completion is expected by the end of 2018.

Objectives of the Study

This study focuses on the basic fundamental goal to identify the economic development opportunities for Pakistan. It also intends to examine the existing challenges related to CPEC. Furthermore, the paper addresses the aspect of strategic aspects of CPEC, which is crucial for the both countries but more specifically for Pakistan as CPEC needs to be owned with the slogan “made in Pakistan”. The overall objective of this study is to analyze the strategy to be adopted in line with the current and future scenario.by government of Pakistan to establish a better political economy.

Emerging Research Questions

This research focuses on the investigation of; what are the existing and future strategic aspects of CPEC? What are direct as well as indirect economic benefits attached with the mega project of CPEC? How the political economy is emerging in international situation and what steps should be taken by Pakistan effectively?

Literature Review

Mega Projects like CPEC not only contribute towards the development of national economies of the world but also leave multifarious long lasting effects on the region. This is universally acknowledged that such projects can change the fate of the nation totally in very less time if managed and owned effectively. The political economy of the mega projects definitely overshadows the existing state of affairs in the countries like, Pakistan. China’s Belt and Road Concept is the initiation point of the vision, which sprung out in the region and stretched towards other regions as a ray of hope, prosperity, and development. Various studies have been conducted on CPEC by Pakistani as well as Chinese authors and researchers but the political economy aspect is still to be investigated and addressed in detail.
Belt and Road Concept

Initially started as “One Belt One Road (OBOR)”, consists of historical continental Eurasian “Silk Road Economic Belt,” (Ministry of Foreign Affairs of the People’s Republic of China, September 8, 2013) and a Southeast Asian “Maritime Silk Road,” Pakistan has the potential to serve as a connection for the two routes which is defined by China as a “flagship project.” Although Beijing is quick to lessen geostrategic motivations behind the CPEC, many analysts have noted that over the long run, an overland link across Pakistan to the Arabian Sea could help mitigate the “Malacca dilemma”. China’s susceptibility to the fact that roughly 85% of its oil imports travel through Strait of Malacca, the single chokepoint (Storey, April 12, 2006). Central Committee of Communist Party (CCP) proposed five years plan in three phases for the construction of One Belt One Road (OBOR), held in the 5th Plenary Meeting of the 18th congress in November 2015 at Beijing.

Figure 01: CPEC map showing routs and power projects
As regard political economy, history shows that Pakistan and China have created deep mutual collaboration and financial ties and participation throughout the years. China has step by step risen as Pakistan's real exchanging associate in both imports and export. In 1963, the commercial connection and mutual businesses were originated between these two countries as well as signed the initial bilateral trade for a long term. Under the Free Trade Agreement (FTA) between the two nations – marked on November 24, 2006 and executed from July 1, 2007, Pakistan gained access to market for many commodities of quick export intrigue. Afterwards, both nations marked the FTA on Trade in Services by February 21, 2009 which was functionalized by October, 10 that year.

Other than addressing China's needs in vitality and building up its far west area and updating Pakistan's economy, the CPEC is relied upon to profit the general population of nations in South Asia, contributing towards keeping up local security and financial combination.

With reference to prior, the CPEC is a complete national economic improvement package that involves the connecting of Gwadar Port to China's northwestern district of Xinjiang through roadways, railroads, oil and gas pipelines, and an optical fiber interface. Major physical framework to be assembled incorporates 2,700-kilometer parkway extending from Kashgar to Gwadar through Khunjrab, railroads joining for cargo prepares amongst Gwadar and Khunjrab connecting to China and having conceivable territorial network with Afghanistan, Iran and India, and the Karachi-Lahore motorway. The venture seems likewise attempting the restoration and expansion of the Karakorum Highway that connects Xinjiang with Pakistan's northern locale Gilgit–Baltistan and Khyber Pakhtunkhwa. Other than physical connections interfacing Pakistan and China, the venture likewise conceives building up a few monetary zones along the hallway. Additionally, an Energy Planning Working Group of the CPEC has been built up that is supposed to attempt quick track execution of energy undertakings, identified and associated with the CPEC. The undertakings of 21,690 MW control preparations are expected to be materialized with the help of China under the CPEC arrange.

Existing challenges and potential dangers encompass varied aspects that could influence the CPEC include; instability and brutality, inner political instability, monetary limitations, worldwide and provincial geostrategic hindrances that may that overrun Pakistan. The reason for existing situation is to be comprehended and assessed based on Pakistan's security, political and financial condition and territorial geostrategic elements which would further show the achievability prospects for Pakistan. Additionally, the likelihood of dangers may include radical militancy, patriot rebellion and criminal savagery which are examined with the primary concentration on ranges crosswise over Pakistan. Such and many other similar aspects are expected to be navigated by
the China-Pakistan Economic Corridor and cured through Political Economy of CPEC.

China Pakistan economic corridor is not only a road network but also it is one of the economic strategies as well. The bilateral trade between two countries seems to be enhanced through this mega project at multifarious angels. Likewise, CPEC may be bringing economical, technological, and regional stability to the region. Additionally, from China point of view, CPEC is the shortest way to access central Asia, Europe, and Middle East.

Pakistan seems to be benefiting through economical, energy, evaluating security and regional geostrategic dynamics. About $45 billion by assistance of China where $34 billion has been allocated for Electricity/Energy generation and the rest is likely be spent on transport and infrastructure. As per initial planning, and by JCC meetings, his mega project is estimated to be completed till 2030.

Political Economy

Political Economy of a mega project is used for consideration of production and trade as well as their backgrounds with custom, law, government, distribution of wealth and national income. While studying of the economies of state or polities in 18th century, the term political economy is developed. There is more resemblance between political economy and domestic economy. Political economy behaves as the state, while domestic economy is like the family (Mill, 1824). Political economy is the interaction of the powerful actors and markets (Gilpin, 2001).

International Political economy is the relationship between wealth “means of wants Satisfaction” and the politics. Global political economy is the occurrence of the substantive range viewed by financial aspects generation and trade of attractive methods for need fulfillment with the procedure by which influence is practiced that is vital to governmental issues. Furthermore, International political economy is the corresponding and the dynamic collaboration of the quest for influence and the quest for wealth is valuable from a distinct point View (Keoltane, 1984).
Different explanation and definition has been set forth during last two centuries. According to Adam Smith in the Wealth of Nation (1776) political economy was a “branch of the science of a statesman or legislator”. The last major classical economist, John Stuart Mill, expressed that political economy is the science through which the nation became rich.

**An account of the Political Economy**

Political economy is said to be the study of the condition in which production or consumption in the state is well ordered. In that way the political economy has some of the prehistoric roots. Political economy is meant to explain the law of production of wealth at the nation level. In the history of the political economy, the Antonio Genovesi has been considered as the first ever researcher and as one culls out the literature, there are numerous exponents of political economy like;
Adam Smith, John Stuart Mill, David Ricardo, Henry George, Karl Marx and French Physiocrats.

The ultimate objective could be of establishing National policy on Political Economy for generating wealth and power, whereas wealth may be an essential mean whether it’s for aggression or state security. Keoltane suggests that the complementarity of wealth is essential because it creates bondage between the 17th century and even of today’s established world.

**Political Economy in the Globe**

Global Political Economy also called International Political Economy (IPE) is said to be the way in which the political forces i.e. individual actors, States, and institutions, present the system where economic interactions are defined and in against the economic interchange (comprising the power of jointly markets and individuals performing both outside and inside) having outcomes and political structures. There are three perspectives and ideologies regarding the functioning and nature of the global economy that is Marxism, Liberalism and nationalism (Gilpin, 2001). The Global economy also enters in sociopolitical system, although not so embed as national economy but the global economy implanted in an global system of regimes, private and public organizations and the Nation States, the most important of all.

Andrew Walter and Gautam Sen argued that international Political Economy is that type of concept where political and economic factors interact at the global level (Walter & Sen, 2009). In the Global Political Economy, economists think it is about the national interest with respect to global positions. Nation States are more interested in securing their positions in the international market as well as the political supremacy. Robert Gilpin, who is one of the pioneers in the same field, expressed about Global Political Economy in the following words; “the reciprocal and dynamic interaction in international relations of the pursuit of wealth and the pursuit of power.”

**Emergence of Political Economy in South Asia**

Political relation is driven by the quest for maintaining power and the economy of the state deals more with issues as the creation and redistribution of wealth. Therefore, political economy invites us to discuss about the economy in terms of social relations based on power. The regional trade in South Asia is desperately low as 4 % with comparison of the Northern American Free trade Agreement (NAFTA) at 62 %, the regional trade of the European Union at 67 %, the common market for eastern and Southern at 22 %, the association of southeast Asian Nation (ASEAN) at 26%, Latin America and the Caribbean at 22%, and Gulf Cooperation council at 8% (Amin, 2006).
By the consideration of the world trade agreements between worlds succeeding countries, South Asia also integrated through SAARC. The proposal for SAARC was initially made by Bangladesh President Zia Ur Rehman in May 1980, which was indorsed by Bhutan, Sri Lanka, Nepal and the Maldives. Kher argues that among the Seven SAARC countries, the regional trade in 2002 was US$ 5 Billion out of which Pakistan share was 8% (US$ 0.4Billion) and India’s share was 76 % (US$ 3.8 Billion) (Kher, 2012).

**Existing and Emerging Future need for CPEC for Pakistan**

China Pakistan Economic Corridor CPEC is one of the mega trade and energy program. From decade, China and Pakistan developed strong bilateral trades and economics ties and cooperation. China and Pakistan became the major trading partners in both export and import. In Jan 1963, both the countries established commercial links and bilateral trade, (Ministry of Finance, 2014). Both the countries signed Free trade Agreement (FTA) at November 24, 2006 and was then implemented from July 2007 (Ministry of Development and Reforms, 2007).

To connect the border and enhance the benefits from each other, Karakorum Highway constructed in 1982, linking Pakistan Islamabad to China Kashgar through Khunjerab Pass. Later on the route was stretched and opened.
for all type of traffic and trade. Karakorum Highway connects Gwadar of Pakistan through network of roads and at the south of the country, Karachi port merge (Ali, 2015). From China Pakistan Economic Corridor CPEC, total 17000 megawatt electricity seems to be generated at a cost of around $34 Billion. After that from the remaining balance it likes to spend on transport infrastructure, upgrading the railway line between northwest of the Peshawar and the large city of Karachi (Shah, 2008).

The project of CPEC is not just a small one; the total funds allocated for such project are equal to the 5th annual GDP of Pakistan and also accede more than received foreign direct investment from 2008 (The News, May 24, 2008). The employment ratio seems to be increasing due to the CPEC project. It seems that total 70% of labor force engaged from Pakistan and 30% from China.

**Pakistani Position & Political Economy Development through CPEC**

China Pakistan Economic Corridor CPEC seems to be the cause of prosperity, economically strengthening, communication and trade. The statistics provided by the Pakistan Economic Survey in 2013-14, the total volume of trade increased between Pakistan and China from $4.1 Billion in the year 2016-17 to $9.2 billion in 2013 which represent 124% increased. At the same time China exports also increased to 1% and Pakistan exports increased by 400% from around $600 million in 2006-7 to $2.6 billion in 2013-14 (Pakistan Economic Survey, 2014). The Premier of China Li Keqiang endorsed the construction of the CPEC during his May, 2013 visit to Pakistan (Shannon, 2014).

![Conceptual Framework of Political Economy](image)

**Figure 04: Conceptual Framework of Political Economy**
Propositions and Perspectives

CPEC is nearly associated with the Maritime Silk Road of 21st Century and the Silk Road Economic Belt, which in currently considered as the flagship project of the “One Belt and One Road” (OBOR) initiative. And CPEC lies at the straits where Road and Belt joins together and also performs irreplaceable major roles in the construction of One Belt & One Road slogan. Due to having a very strategic position in the OBOR initiative, CPEC became a salient model for inter-regional conjunctions and also showing the uprising goals. CPEC initiative helps to perform a major role in the connectivity of the centuries old trade route where business convoy access this region easily. Apparently, the OBOR initiative and CPEC are bound to each other regarding to expression and continuation. Therefore, there is a great attachment regarding roles and positions of the CPEC in completion of OBOR and the construction of CPEC show the whole development of the OBOR initiative in reality.

Figure 05: Showing three CPEC routes of CPEC, National Highway Authority, Pakistan, 2016
Pakistan is the first country of South Asia which considers as signing such a mega project agreement in 2014. Pakistan seems to be the 2\textsuperscript{nd} largest trade partner of China and China is the biggest investor in different fields as telecommunications, energy sectors, Ports, infrastructure bilateral education and people to people contacts. The recent CPEC initiatives between Pakistan and China make Pakistan the earliest transit point\textsuperscript{hub} for the 2\textsuperscript{nd} largest economy of the world among the countries of South Asia (Memoona et al. 2014). Due to this Corridor, Pakistan seems to be increasing in direct contacts with neighbors on east and west. India and Iran enable each other’s to incorporate their trades through such Corridor.

**Dynamics and Challenges for Pakistan**

China Pakistan Economic Corridor looks to be the progressive vision 2025 key pillars, that is improved governance and institutional reforms, water and food security, insurance of energy, development of human and social capital, modernization of infrastructure & regional initiatives and private sector-led growth protection alongside the competitive knowledge economy development. In this way, due to the new beginning of the Silk Road connection, there would be an increase of people to people interaction and thus tourism industry will also get rise. And it is obvious that Energy sector is the first step for the completion under the Memorandum of Understandings MoUs between China and Pakistan as major portion, i.e., US $32 Billion of the fund allocated for CPEC to fulfilling of national Energy deficiency. CPEC is said to be bringing prosperity in the region. The household appliances industry, automobile industry, steel industry, mineral exploration, cements industry and textile industry seem to gain high margin profit with mutual cooperation. For enhancing the connectivity between two countries, 100 flights in a day and 25 million jobs are likely to be created between China and Pakistan.

CPEC has been divided into four phases; the first phase is the completion of Gwadar port, after the initial phase, there are plans to establish and construct Special Economic Zones SEZs in route of Corridor where Chinese companies are going to locate major factories.

**Political Economy – A Critical View**

CPEC has some reservation according to their initiation plan as Mr Josue Diaz argued that CPEC funding is not a Foreign Direct investment FDI but it is a loan that Pakistan has taken from China and that loan will recover from the proceeds of the CPEC (Daiz, 2016). Money will be taken from old investors to pay off new ones; CPEC will remain a pipe dream (Careerride, 2015). It seems a more awful that china is setting up a small naval base in Pakistan to control militarily
this part of the world. Indigenous industries also seem to be a threat from CPEC industrial zones. From China, the floodgates of products and services towards Pakistan have been opened due to CPEC and it’s just a matter of time before Chinese trade do the Walmart-effect on Pakistani industry, which may destroy what is left of it, as India gave master strategic technology slogan “Make in India”. Pakistan needs to focus on ‘made in Pakistan’ for the success of CPEC. IMF also preserves the CPEC issue as there are also worries that the flow of money out of Pakistan over the long run may create an issue (Fintext stock, 2016). Economist, (4th June, 2015) has given name as “Dark Corridor” due to the Baluchistan turmoil that lead to be good reason to doubt for China investment.

Prospects for Pakistan – An Analytical Review

The CPEC venture is of key criticalness, so are the contest. Accordingly, the gravity of the circumstances warrants sound statecraft as it is basic to embrace a purposeful approach utilizing each of the possibilities and components of national power for an extensive reaction to these contend. In such circumstances, there is a need that both the perspectives, diplomatic and interior, might be enacted to connect the current crevices and counter the outside intrigues and purposeful publicity and to launch crusades of the antagonistic forces with resilience and long-term proactive orientation.

In this period of globalization, in the light of national and international interests, a great degree of impact is seen in changing the worldwide emerging circumstances. The venture has the possibilities to associate the encompassing areas, resulting stage by stage. Subsequently, the CPEC would be valuable for China and Pakistan as well as other Asian nations too. This part of the venture must be disclosed to universal group and provincial adversaries. In reality, when there are numerous territorial and worldwide opponents of the CPEC, Pakistan ought to receive a standardized approach in tending to outside challenges for foiling the promulgation against the venture by local and additional local rivals.

Central Asian Republics, which are bound by the shutdown economy of the recent USSR and restricted by their topographical area, are currently being given chance to assume their foreordained parts on the international economy through Chinese economics establishment. Customarily, it was visualized that media had contracted the world to a worldwide town now it is the Silk Road idea, which is bringing countries, races, landmasses and individuals nearer in a tight-weave group by sharing their assets of generation, administrations, vitality, data and comprehension. This paper is gone for giving knowledge into the different measurements of the economic position in CPEC projects and in addition quickly looking at the territorial and worldwide situation relating to political economy. CPEC seems allocating the lack of energy issues in Pakistan and in addition may meet China's developing requests for non-renewable energy resources. To draw
most of the advantages from CPEC, Pakistan should inter-communicate the political contrasts and coordinate the pace of Chinese advancement of objectives.

**Discussion**

The world is dealing with political economy for the consideration of world order, as countries are struggling to maintain a superior position in international political system. Political economy leads a nation toward prosperous future in the world system. After conceptual analysis, it has been noted that international political economy emerges when there is a game for supremacy through political economic gains. In South Asia, Global political economy seems to maintain its position as it is also trying to assure political economy for gaining huge return in response of CPEC initiative. In reality, international economy is the game between the gaining of high returns in the world order. Every state in the global system is going to achieve their prior position in the world economic system. Political Economy in South Asia in comparison to other regions lies in lower grading. In South Asia, there is a regional conflict that intoxicates the trade and peaceful environment in the circumstances. On behalf of prehistorically international Silk Road route and the friendly relation between Pakistan and China let the two countries join through China Pakistan Economic Corridor. This initiative seems to bring a game changed position in the less economical developed region. CPEC initiative of China to Pakistan is the first ever huge Foreign Direct Investment in the history of Pakistan.

**Conclusion**

CPEC is considering as a game changer in the political economy in the region. This corridor leads to promote the regional economic hubs, energy producer and also to diversify the infrastructure in the area. The CPEC has huge points of interest for both China and Pakistan. Other than shortening the separation for transportation from Shanghai to Europe and oil from the Gulf to terrain China, it will empower China to assume the part of a noteworthy export-imports supporter on the globe. It will expand the volume of exchange amongst Pakistan and China and further fortify their monetary ties. As the Chinese president Xi Jinping present two visionary statements behind CPEC initiatives: the Silk Road Economic Belt in the North and the 21st Century Maritime Silk Road in the South.
Through CPEC, it is considered that political economy will be enlarging the trade and better interaction among the stakeholders of the region to grow together towards a prosperous and better tomorrow.

**Recommendations**

Keeping in view the above mentioned conclusion, it postulates various other aspects which can be debatable. China Pakistan Economic Corridor can be given expansion in Central Asia, Afghanistan as well as to India. There is a need to empower Think Tanks and Universities, which should be potentiating in developmental thinking and dynamic participation may further promote between Chinese and Pakistani universities like PKU and NUST, and their related research organizations. Trust must be guaranteed for smooth working and equivalent appropriation of advantages. This inter-university cooperation is fundamental for creating the blue-print for feasible China-Pakistan participation over the long haul. Economical & trade zone and center advancement, new urban
focus creation, and foundation of Science Parks under CPEC ought to be founded on a right evaluation of Pakistan's development needs. The most critical viewpoint, all partners must have great comprehension of Chinese needs, as China is speculator of the venture. For a mega CPEC project, Public Private Partnership (PPP) model, in light of neighborhood social comprehension seems more viable to be adapted. Pak-China Relations ought to be dynamically differentiated to start and incorporate serious collaboration in all strolls of life on professional grounds. China-Pakistan Community of Common Destiny (CPCCD) needs urgent consideration and a comprehensive strategic attention to incorporate Russia, Iran, and India for the better, long lasting and effective development of the region, in all aspects especially; security, harmony and economic development based on political economy.
References


