
II. The New Paradigm

China-Pakistan Economic Corridor: Major Asian Connectivity in Progress

by Ramtanu Maitra

Feb. 19—The China-Pakistan Economic Corridor (CPEC) is a proposed road-based transport system that will link China's western province of Xinjiang to Pakistan and will then extend southwestward through Pakistan to reach the Arabian Sea. That is its basic form. It will not be a single highway, but a network. It begins as a single road at the border with China, and then branches out into a number of routes

traversing the length of Pakistan while covering the country from west to east (see map). But it is also more than a network of roads—it includes two dozen projects for the construction of power plants and power transmission lines.

Of equal importance is CPEC's objective to reach the Arabian Sea, near the Gulf of Oman, thereby connecting the land route to the other arm of China's One Belt, One Road project for connectivity and trade, the Maritime Silk Road.

To achieve that end, China has put special emphasis on developing a sleepy fishing village, Gwadar, located on the Makran coast of Balochistan province, into a major Pakistani port. This village and its surrounding region, which Pakistan bought in 1950 from the Sultanate of Oman, remained a traditional fishing village until China took over its development in 2007, years before the agreement for the CPEC was signed. After its first-stage development, Pakistan leased Gwadar to China until 2059, and China has reportedly invested about



CC/Kumail Ali Naqvi

The border crossing in the Khunjerab (or Khunjrab) Pass on the northern border of Pakistan. You are now entering China.

\$1.6 billion so far to make it operational as a deep-water port.

The CPEC project took off in July 2013, when China and Pakistan signed a landmark agreement enabling China to construct an economic corridor linking Kashgar in Xinjiang to Gwadar on the Arabian Sea. In the north, the economic corridor will enter Pakistan from China through Gilgit-Baltistan—the part of the disputed

state of Jammu and Kashmir that is under Pakistani administration—and will wind its multiple ways through all four Pakistani provinces to reach the Arabian Sea in the south. CPEC, in its proposed form, is expected to be wholly functional around 2028. Of the many constituent projects that make up the CPEC, a few are already finished and numerous others are now under construction. In November 2016, the CPEC's potential was signaled when Chinese cargo travelled by road to Gwadar Port for maritime transshipment to Africa and West Asia.

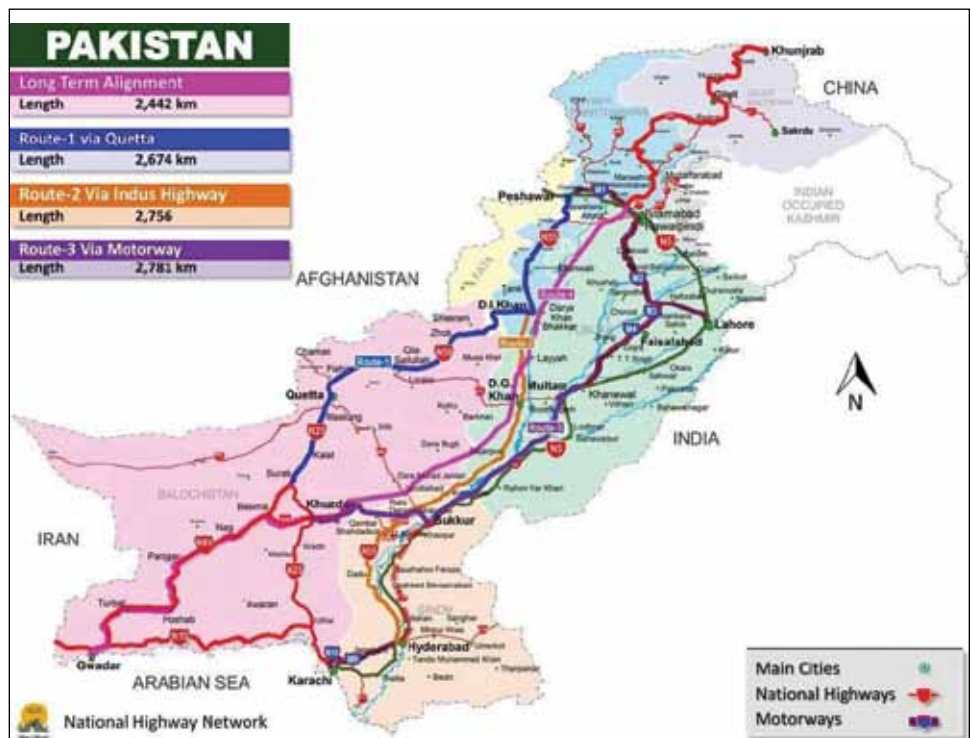
The estimated cost to develop this highway system—and the associated infrastructure and energy projects necessary to make the CPEC a success—was put at \$46 billion in 2014, although cost overruns are generally expected. China's state-owned banks are financing Chinese companies to build, maintain, and operate the highways and associated infrastructure and energy projects in Pakistan over the next few years. Of that amount, \$33.8 billion will be invested in energy

projects and \$11.8 billion in building the highways and associated infrastructure, such as upgrading railroads and even setting up a desalination plant. But the \$46 billion investment figure is not an amount etched on granite.

Since 2014, China has come up with projects worth another \$ 8.5 billion. Pakistan's Planning Minister, Ahsan Iqbal, in an interview with Reuters in November 2016, said "some \$4.5 billion of the additional investment will be spent on upgrading tracks and signaling on the railway line from Karachi to Peshawar [about 1340 km or 833 miles] and increase the speed on the line to 160 km per hour [100 mph] from the current 60-80 kph." Another \$4 billion will go toward a liquefied natural gas (LNG) terminal and transmission line, he added. "This has now all been approved, so this is an additional \$8.5 billion to the \$46 billion we had already, so we are now close to \$55 billion," Ahsan said.

A Win-Win Project

In 2013, when China's President Xi Jinping proposed the CPEC, it became evident that this economic corridor would be significantly different from the China-Central Asia corridor or the China-Russia-Europe corridor, both based on railroads. Broadly speaking, the CPEC project has two major elements. First, Gwadar Port is important in China's future plans. Gwadar will enable China to bring oil and gas overland from the Persian Gulf to develop its western regions and avoid further crowding of the already crowded Malacca Strait that connects the Indian Ocean to the South China Sea. Gwadar is just 400 km from the Strait of Hormuz, a major



The China-Pakistan Economic Corridor comprises multiple routes from the border with China to the deep-water port at Gwadar.

world oil supply line, and is 1,500 km from Kashgar, China. Pipeline construction from Gwadar to Kashgar is to begin this year.

When the CPEC becomes fully operational, a significant part of China's oil imports from the Persian Gulf—which amount to about 60 percent of China's overall oil imports today—will come in through this route. The distance from the Strait of Hormuz to Kashgar via the CPEC is 2,000 km, as opposed to the 12,000 km of maritime distance from the Strait of Hormuz to



Gwadar Port Authority

Gwadar opened as an international port, Nov. 13, 2016.



The Nation, Lahore, Pakistan

A textile mill in Punjab.

the eastern Chinese port of Shanghai via the Strait of Malacca. Oil or LNG landed at *any* port in China, if its destination is China's west, must then be carried westward overland for additional thousands of kilometers. The CPEC cuts both distance and time. Gwadar Port will also enable China to carry out two-way trade more efficiently with the nations along Africa's eastern coast, as well with the Persian Gulf countries west of Pakistan.

The second element of the CPEC is that it will improve Pakistan's stability by helping it to strengthen, and in some cases build, its physical and industrial infrastructure. Pakistan, in many ways, is at a different developmental level than the Central Asian states, although it is not as rich in natural resources as the "stan" countries. Some factors behind this difference are these:

- Pakistan has a population close to 185 million (the Central Asian nations and Afghanistan together have less than 100 million) and a significant section of Pakistan's manpower is skilled and is fully qualified to adapt to today's technologies.

- Before the founding of Pakistan in 1947, part of the land area that is now Pakistan was one of the main grain-producing centers of the Indian subcontinent under the British Raj,

producing especially wheat.

- Pakistan is the fourth-largest cotton producing nation in the world, behind China, India, and the United States; in 1947 it already had state-of-the-art textile mills and nearly a dozen textile mill equipment manufacturers.

- Unlike the Central Asian nations, it has a major seaport, Karachi, and a long coastline. Through the Arabian Sea, the Persian Gulf, and the Indian Ocean, Pakistan has access to Africa, Southwest and Southeast Asia, and East Asia.

However, over decades, as a result of Pakistan's insufficient and unfocused leadership, the country was

exploited by western nations as a bulwark against the Soviet Union in the Cold war era and later recruited as an "ally" to "fight" the terrorism of Islamic extremists. Islamic extremists and drug traffickers infiltrated the state at almost every level. As a result, Pakistan's economy has stagnated and its social structure has been weakened. China, like many other countries, noticed this development and became concerned.

Pakistan's security problems and its consequent instability also pose a serious threat to China's thinly-populated Xinjiang province, where some Uighur Muslims—not many—have taken up arms against the Chinese authorities under the banner of the Turkistan



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Karachi, Pakistan's largest city, a port and commercial center on the Arabian Sea.



nativepakistan

Fertile fields in Punjab.

Islamic Party or East Turkistan Islamic Movement, seeking a separate nation for the Uighurs. The Uighur jihadis were trained, armed, and sheltered by al-Qaeda, ISIS, and Afghani/Pakistani Taliban, some analysts say. [According to Nodirbek Soliev](#), a specialist in terrorism in China, Russia, and Central Asia, these jihadis—

have shown their efforts and intentions to strike at China's overseas interests. To meet its growing demand for critical energy and mineral resources, China through its state-owned enterprises has been investing or promised to invest heavily in a number of conflict-affected countries such as Afghanistan, Pakistan, and Iraq.

China also noted that Pakistan's geographical location is a valid reason to engage with the country to achieve success in its One Belt, One Road projects to its west and southwest. It noted that Pakistan has the crucial manpower, an industrial base, food security, and geographical links to China, India, Iran, Afghanistan, and most importantly, is endowed with a long coastline on the Arabian Sea.

China recognized at the outset that just running a transport corridor and building a port would not be sufficient to establish a stable Pakistan. What was required, it envisioned, was to revitalize its decrepit industrial base by building power plants and electricity transmission infrastructure, upgrading its even more decrepit



CPEC highway through a barren region of Balochistan.

railroad, and linking its western and southern provinces to the densely populated major production centers of the eastern province of Punjab (see map) with a grid of roads and rails.

Culture Conflict, Topography, Disunity

The vital importance of such a grid can easily be seen when Pakistan's ethnic divides—corresponding to geographic and topographical differences to a great extent—are considered. Although Pakistan is almost 100 percent Muslim, it suffers from hostility across ethnic and sectarian divides. The sectarian differences include subdivisions within the Sunni (77%) and Shi'a (20%) populations. The ethnic differences correspond to the four major languages—Punjabi, Sindhi, Baloch, and Pashto—which correspond in turn to the four major provinces: Punjab, Sindh, Balochistan, and Khyber-Pakhtunkhwa (KPK), where the people, more often than not, identify themselves by their ethnic and provincial background.

Punjab is agrarian—gifted with rivers and fertile land—and is somewhat similar in its east to the adjacent topography across the border in India.

Sindh, bounded on its south by the Arabian Sea, is desert-like and very short of fresh water.

The two western states, Balochistan and Khyber-Pakhtunkhwa, abut Afghanistan and Iran, and are dominated by two major mountain ranges.

Balochistan is dominated by the Sulaiman Moun-

tains and resembles Zabul province of Afghanistan more than any other part of Pakistan. (It is the bordering region between the Iranian Plateau and the Indian subcontinent, and lies between Iran's Dasht-e-Lut—Lut Desert—and the Indus River that is prominent on the map.) To the north of the Sulaiman Range are the arid highlands of the Hindu Kush, where more than half of the land is above 6,500 feet elevation. The Sulaiman Range, and the high plateau to the west and southwest of it, help to form a natural barrier against moisture-bearing winds that blow in from the Indian Ocean across the Arabian Sea. As a result of this topographical feature, much of Balochistan looks somewhat like the surface of the Moon.

Khyber-Pakhtunkhwa (KPK), north of Balochistan, also borders Afghanistan on the west. The northern areas of KPK are largely mountainous. The Hindu Kush Range to the north begins in Gilgit-Baltistan, moves west into the Chitral District of KPK, and continues into Afghanistan. Immediately south of the Hindu Kush lie three subparallel ranges—Kohistan, Swat, and Dir—which all run north to south and are separated by rivers. Below the mountainous areas of KPK lie the Trans-Indus plains and several minor hill ranges.

The Federally Administered Tribal Areas (FATA)—one of the least accessible regions of Pakistan—lie to the west of Punjab and KPK (see map) in which the Safed Koh Range and the Waziristan Hills form a barrier between Pakistan and Afghanistan.

It is easy to see that in addition to the cultural identities and languages that separate the peoples of the different provinces, the country's topography has so far prevented the integration of the country.

Power and Transportation

Pakistan is a power-starved nation. With a population close to 185 million, Pakistan's installed electrical power generating capacity is only 21 gigawatts (GW). That is about half of the electric power consumed in



Neelum Jhelum hydro power project while under construction in Neelum Valley, Azad Kashmir.

Thailand, with a population of about 70 million people. Pakistan's power generation is also highly erratic. During the period of extreme heat in summer, media reports indicate that actual power generation goes down to about 15 GW.

It was evident to China that with such a low power-generation base, developing an economic corridor to stabilize Pakistan would require a large infusion of power production capacity. CPEC has allocated a major part of its funds to power generation and transmission. As of now, projects that would add 10.4 GW of electric power capacity have been started, or are being negotiated. Feasibility studies and negotiations are also on for another 7 GW of power production as part of the CPEC.

The numerous power plants under construction, in negotiation, and being studied for feasibility, include coal-fired, hydro, wind, and solar projects. There is no nuclear component, even though Pakistan has produced nuclear weapons for decades. The CPEC Portal, <http://www.cpecinfo.com/>, organizes information on these projects and tracks their progress. They are distributed across the four provinces and Pakistan-occupied Kashmir.

The power projects were designed and located to enhance Pakistan's industrial and commercial sectors.

Although some are not on any of the CPEC routes, they are not altogether isolated from them. But the transportation projects were primarily designed to tie in to the CPEC routes or to other roads leading to Gwadar Port.

Among the transport corridor development projects at an advanced stage of completion are these:

- Karakoram Highway Phase II (Havelian-Thakot Section), 120 km
- Karachi-Lahore Motorway (Sukkur-Multan Section), 392 km
- Upgrade of Main Line 1 Railroad (Multan-Lahore Section, 339 km; Hyderabad-Multan Section, 749 km; Kemari-Hyderabad Section, 182 km).

A few other road projects are now under negotiation, including these:

- Khuzdar-Basima Highway (N-30), 110 km
- Karakoram Highway Phase III (Raikot-Thakot Section), 280 km
- D.I. Khan-Quetta Highway (N-50), 533 km.

The CPEC is also developing the area around Gwadar Port. The CPEC Portal notes:

As part of the China-Pakistan Economic Corridor, and by extension, that of the Silk Route Initiative, Gwadar holds pivotal importance. The port city of Gwadar is a hub of connectivity for the Corridor and an indispensable interchange for the Silk Route... The China-Pakistan Economic Corridor, however, plans not to limit Gwadar to a connecting port only, but enriches it as an economic hub that will cater to the local population by improving their livelihoods. Projects planned for the Gwadar Port City aim at capacitating Balochistan to its full economic, social, technical, and energy potential, and closely integrating it within the economic framework of Pakistan and China.

Among the major projects around the port that have been completed or are under construction—or are about to be launched—the following are of significance:

- Gwadar Eastbay Expressway, 19 km, connecting Gwadar Port to Mehran Coastal Highway
- Gwadar Eastbay Expressway II, 19 km, connecting Eastbay Expressway I to New Gwadar International Airport
- Gwadar New International Airport

- Gwadar Free Zone
- Gwadar Smart Port City Master Plan.

Enthusiasts and Saboteurs

The successful implementation of the CPEC, and making it secure, could mean a sea-change in the troubled region that includes Afghanistan, Pakistan, and the Indian-administered part of Jammu and Kashmir. A network of economic, trade, and transport connectivity that runs through Pakistan into Afghanistan, Iran, and Central Asia, and is bolstered by China and India, could turn the whole area into a major economic hub. This is recognized by most of the countries that can participate in this network when complete.

Iran has already shown a great deal of interest. Iranian President Hassan Rouhani, in a meeting with Pakistan's Prime Minister, Nawaz Sharif, on the sidelines of the UN General Assembly in September 2016 in New York City, expressed a desire to be part of the CPEC, lauding Prime Minister Sharif's vision that is translating the CPEC into reality. Connectivity projects were recognized by both countries' leaders on that occasion as vital to the progress of the region.

Russia and Afghanistan have also expressed their desire to become a part of the CPEC. The Afghan ambassador to Pakistan, Dr. Omar Zakhilwal, during an interview with Radio Pakistan, said "CPEC is a great project that is equally relevant to Afghanistan, like Pakistan," Pakistan's *Express Tribune* reported, Oct. 15, 2016.

Russia's ambassador to Pakistan, Alexey Y. Dedov, was quoted by India's Times News Network, Dec. 19, 2016, as saying that Russia and Pakistan have held discussions to merge Moscow's Eurasian Economic Union project with the CPEC. Dedov said Russia "strongly" supported CPEC, as it was important for Pakistan's economy and regional connectivity. Some Central Asian countries, such as Tajikistan and Kazakhstan, have made similar endorsements.

The CPEC faces resistance in Balochistan. The corridor's western route, which leads directly to Gwadar Port from Dera Ismail Khan (D.I. Khan on the map), runs through a vast area where insecurity prevails. There are hostile forces, largely based in Balochistan, that openly oppose the construction of the CPEC and are involved in sabotaging efforts to bring in foreign investments and to integrate Balochistan with the rest of the country. Balochistan has been volatile since Pakistan was founded, and some Balochis remain commit-

ted to secession. Many years of instability in Afghanistan, which borders Balochistan, and the associated increase of terrorism in the area, have added to the insecurity.

During the construction phase, this insecurity poses a threat to those working on CPEC component projects, especially Chinese workers and technicians. Islamabad is aware of these problems and has assured China that it will provide protection for them. It has also asked Beijing to put in place procedures to maximize the effectiveness of security arrangements by ensuring that Pakistani security officials have prior knowledge of the movement of Chinese personnel in any insecure construction area. Pakistan has established a Special Security Division (SSD) of nine composite infantry battalions (9,000 personnel) and six civilian armed forces wings (6,000 personnel), headed by Major General Abid Rafiq, to provide security for the CPEC throughout the country.

The security issue raised its head again this month. A series of terrorist attacks, although not targeted against the CPEC directly, have rattled Islamabad. ISIS has claimed responsibility for attacks that have killed more than a hundred Pakistanis. It is evident that the ef-

forts of ISIS-backed Wahhabi terrorists are designed to create a situation akin to civil war within Pakistan by targeting the minority Shi'a, the Sufis, and other Islamic sects.

Protect Domestic Manufactures

In addition to security concerns, Pakistan's small and medium-size industries have expressed fears that they may come under pressure because of cheaper and plentiful imports from China further facilitated by the fully operational CPEC. In November 2016, Pakistan's news daily, the *Express Tribune*, quoted Atif Iqbal, Executive Director of the Organization for Advancement and Safeguard of Industrial Sector, who pointed out that the Free Trade Agreement with China has not been favorable to Pakistan. "It is imperative for the government of Pakistan to keep in mind all these factors while negotiating the second phase of the FTA with China," he said. He is of the view that in talks with China, some leverage should be provided for Pakistan's products, to enable local industry to compete.

An earlier report on the CPEC by Ramtanu Maitra, titled, "China-Pakistan Economic Corridor: The Challenges," was published in EIR on April 15, 2016.

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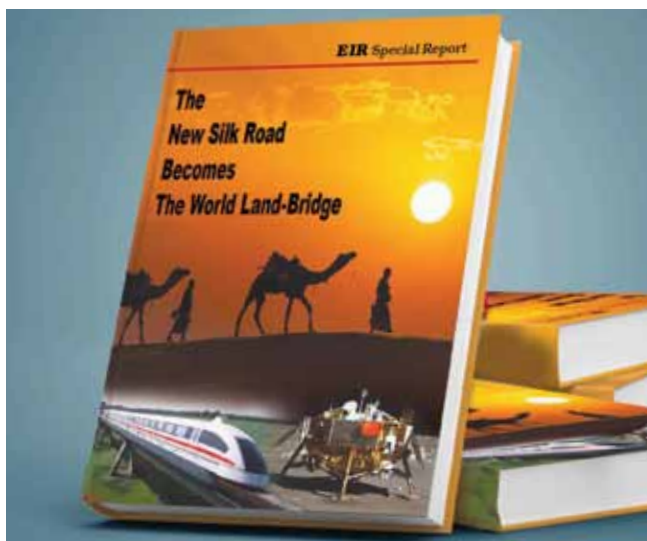
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