

One Belt One Road: China-Pakistan Economic Corridor A Great Game Changer Initiative of the Current Century

Muhammad Saeed Meo^a, Sardar Aftab^b, Zafar Iqbal^c, Faiz ur Rehman^d,
Muhammad Saleem Irshad^e

Abstract:

The prime objective of the current study is to discuss possible benefits and challenges of OBOR and CPEC and the role of CPEC in the prosperity of Pakistan's economy. The study at hand reviewed the maximum possible available literature on OBOR and CPEC, to find possible advantages and challenges. The OBOR (one belt and one road) launched by president Xi Jinping in 2013 is known as the game changer creativity of the century, which connects 65 economies from three continents to China. The purpose of this game changer initiative is to connect 4.4 billion peoples of these regions through infrastructure development, enhancing financial and trade ties for the economies which are besides the one belt one road while the regional economy will boost up to US\$2.5 trillion. No doubt there are lots of opportunities for the Chinese enterprise, but political, security, environmental and economic risk also exists. China-Pakistan economic corridor, a \$46 billion initiative, which is expected to bring peace and prosperity and economic development. CPEC project will promote the tourism industry, energy sector, and eradication of poverty, peace and prosperity and economic development of Pakistan.

Keywords: OBOR, China-Pakistan, CPEC, Opportunities, Pakistan

1. Introduction

The One Belt One Road (OBOR), is known as one of the world's game changer initiatives of the century. This mega project is having multiple big and small projects. The OBOR connects Asia, Africa, and Europe continents. OBOR can be enormous, the plan will be 40% of the global GDP (Hofman, 2016). One belt one road initiative consists of 65 countries, 4.4 billion people will be affected directly with OBOR initiative (BDO, 2015). China is supporting the design with huge resources, putting up a New Silk Road Fund \$40 billion. The NSRF is supported via China's foreign exchange reserve, government investment and loaning arms. Furthermore, the AIIB is expected to back plan with a huge share of \$ 100 billion of loaning, CDB also insured about the investment in 60 countries' 900 projects to support the game changer initiative with \$ 900bn. The Economist magazine stated that \$1 billion in government money will be spent on one belt one road initiative (Hofman, 2016). The One Belt One Road (OBOR) is a mega initiative. Therefore,

^a Lecturer, The Superior College Lahore. Email: saeedk8khan@gmail.com

^b HOD Department of Business Administration, University of Poonch Rawalakot A.K

^c Mirpur University of Science & Technology, Mirpur

^d University of Azad Jammu & Kashmir

^e UMT Quaid-e-Azam Campus, Lahore, Pakistan

One Belt One Road: China-Pakistan Economic Corridor, A Great Game Changer Initiative of the Current Century

there will be various benefits of OBOR and challenges as well. The prime of objective of the study is to discuss detailed advantages and challenges of OBOR and CPEC and its role in the prosperity of Pakistan.

2008 is the most crucial time in business history due to the global financial crisis, since the great depression of the 1930s. At the end of 2008, major economies of the world were only struggling for survival. The United States lost approximately 2 million jobs in 2008's last four months. However, in 2009, a Chinese Marshall plan proposal was submitted to the ministry of commerce by a former deputy director of China's State Administration of Taxation Xu Shanda, to boost the global economy. In 2009 a major discussion of the world was how to "Create demand." The theme behind Marshall plan was to use China's huge foreign reserve and provide loans to developing economies, for the development of infrastructure and construction, and in this response developing economies will contract with Chinese companies for the infrastructure and development (Zhou et al., 2015).

However, this vision, expands in the administration of Xi Jinping, OBOR, a game changer creativity of the century, refers to the Silk Road economic belt and 21st century maritime Silk Road, launched by Chinese President Xi Jinping in 2013 to connect 65 economies from three continents to China. OBOR will be a chain of different projects where various corridors will be built. The purpose of this game changer initiative is to connect 4.4 billion peoples of these regions through infrastructure development, enhancing financial and trade ties for the economies which are beside the one belt one road while the regional economy will boost till US\$2.5 trillion.



1.1 What is driving China's OBOR initiative?

Overcapacity is not a new issue for the Chinese economy, from 2006 Chinese various major sectors were facing overcapacity problem. The major motive behind the china "Go Globally" was to explore new markets in its neighboring countries and inject overcapacity into these markets. Furthermore, Chinese less advanced border areas will be developed. China also means to investigate new venture choices that safeguard and increment the value of the capital accumulated in the most recent couple of decades (Zhang, 2016). Nowadays, in China, major issue is the collapsing of demand for steel and its products along with iron, cement, glass coal shipbuilding solar panels and other industrial products which cause overcapacity in China. OBOR term is commonly used to discuss this problem and its solution. He Yafei who is the current vice minister for foreign affairs openly represented his view to use this industrial product in China for building the infrastructure (Hallding et al., 2015).

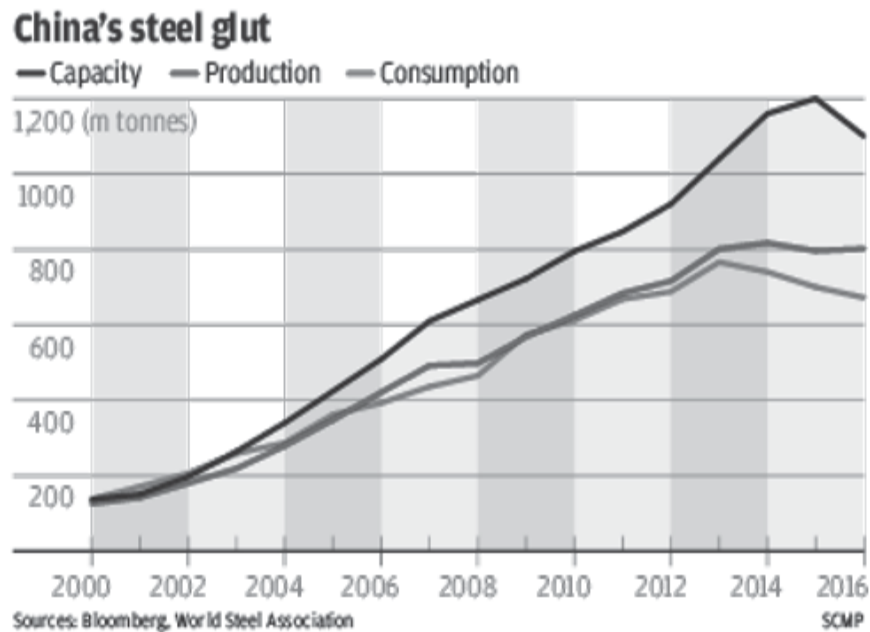


Figure 1 Overcapacity

1.2 Countries of OBOR

List of Countries along One Belt One Road



Figure 2 OBOR countries

2. How does OBOR work?

2.1 Trade and Investment Facilitation Measures

The game changer plan known as one belt one road will bring improvement in the eradication of barrier to trade and investment, it is expected that all the countries along the OBOR will explore new areas of growth and improve the structure of trade¹. The project will be helpful to boost investment in neighboring economies, and trade will be encouraged with the help of tax relaxing policies.

2.2 Financial Integration

One belt one road will enhance financial integration among the associated economies of OBOR. There are various plans which will be implemented to make a system which will protect currency stability, to secure credit information, and protect investment and financial network in Asia. Furthermore, there will also be other financial initiatives through the strict financial framework will be secured. Financial institutions, such as AIIB and BRICS New Development Bank are established to ensure the multilateral corporation (BDO, 2015).

¹ Vision and actions on jointly building Silk Road Economic Belt and 21st-Century Maritime Silk Road. National Development and Reform Commission. 28 Mar 2015”.

2.3 Infrastructure Development

As OBOR is a link of land and sea routes, which will connect Sub-regions in Asia, Europe, and Africa, therefore countries besides OBOR will improve their infrastructure and construction initiatives, by keeping in the safety and sovereignty of all economies. In addition, infrastructure will be developed which will facilitate international transport of various regions; Railways and highways; Seaports, Aviation, Energy, Oil and gas pipelines, power supply and, Communications-Optical networks (Abid & Ashfaq, 2015).

2.4 Promotion of People-to-People Relation

Pakistan, a developing country with its major problem of unemployment, will get better employment chances as well as opportunities for development. Both countries will develop their friendly relations with economic support and both cultures will understand their needs by initiating beneficial cooperative activities along this trade belt.

3. The Potential Risk of OBOR

3.1 Environmental Protection

In the current era, peoples from around the globe, are facing environmental problems, Therefore, environmental protection is mainly focused worldwide, and there are many institutes and laws are made to protect the surroundings. Much current research showed that those companies or countries which follow pollution protection policies attract more customers and investors (McGuire, Sundgren et al. 1988). Therefore, environmental protection could be a source of failures for investment. Therefore, Chinese administration, first of all, should evaluate environmental protection risks associated with the projects and environmental protection requirement of the host economy to avoid investment failures due to destination country environmental laws (Li, 2015).

3.2 Political Risks

Political risk is a major risk for the one belt one road initiative, particularly from developing nations. Let's talk about Myanmar's Myitsone dam, a project about \$3.6, Chinese investment decreases up to 90% from \$407 billion to just \$46 billion for the fiscal year of 2012 and 2013. Another example of Chinese investment loss due to the host country unstable political situation, in 2005 a Chinese oil company acquired an

oil project in Ecuador costing \$1.42 billion. The Chinese acquired project's 99% extra income due to a presidential order in 2007 that nationalized it and the company had to bear a huge loss (Li, 2015). However, in the OBOR central Asian economies, potential also exists. For instance, China's hydropower project situated on the Amu Darya River in Tajikistan is strongly opposed by Uzbekistan. This investment would negatively affect Uzbekistan's entry to water, a limited source in Central Asia (Lu, 2016). Furthermore, Ranjan (2015) stated that the Indian government clearly denied CPEC, the reason is that the corridor passes from some territories which are still part of the dispute. Therefore, before investing in a mega project, OBOR management must evaluate the political risk associated with the investment.

3.3 Security Risks

The security risk is additionally one of the significant dangers of one belt one road. The Chinese interest in nations occupied with one belt one road design might be presented to provincial turmoil and clashes, fear mongering and religious clashes, and so on. It is noteworthy that Chinese ventures contributing abroad still can't seem to devise a total security method for overseeing such dangers. Chinese ventures are depending on Chinese consulate and conciliatory security, which is poor shield for the significant hazard, such as psychological warfare, religious viciousness, and so forth (Lu, 2016).

3.4 Economic Risk

The Chinese companies, investing in one belt one road, face economic risk as well. The one belt one road economies, particularly central Asia, globally exist in poorest countries, with corrupt governance. One of the prominent risks of these economies is defaulting on foreign lending and investment projects. This absence of reliability makes them poor wagers for investment with respect to China's administration and Chinese monetary institutes and business (Lu, 2016).

4. One Belt One Road and Economic Corridors

In 2013, the China started one belt one road plan for the trading along with different regions. The Chinese central government connected 65 nations including Europe, Africa and Asia with the help of roads and sea network. The aims behind one belt and one road are that it will boost infrastructure and trade, it will improve policy and finance and it will promote people to people relationship among various

*Muhammad Saeed Meo, Sardar Aftab, Zafar Iqbal, Faiz ur Rehman, Muhammad Saleem
Irshad*

regions (Hill-Choi, 2016). In addition, a current business report proposed that the initiative will make six economic corridors, to be specific, “the China- Mongolia-Russia Economic Corridor, the New Eurasian Land Bridge, the China-Central Asia-Western Asia Corridor, the China-Indochina Peninsula, the China-Pakistan Economic Corridor and the Bangladesh-China-India-Myanmar Corridor” (Hill-Choi 2016; Jinchen, 2016).

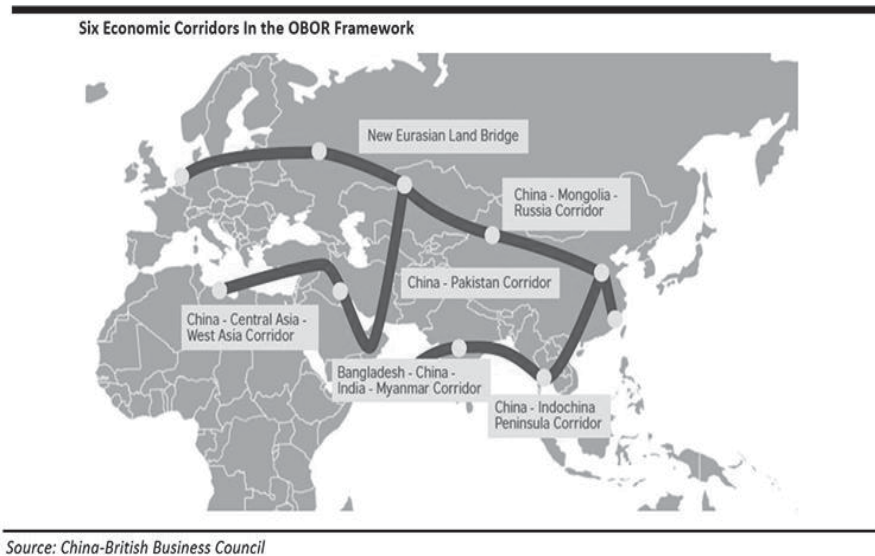


Figure 3 Economic Corridors in the OBOR framework

- 1) The New Eurasia Land Bridge Economic Corridor
- 2) The China-Mongolia-Russia Economic Corridor
- 3) China-Central Asia-West Asia Economic Corridor
- 4) China-Indochina Peninsula Economic Corridor
- 5) China-Pakistan Economic Corridor
- 6) Bangladesh-Chin-India-Myanmar Economic Corridor

5. Pak-China Social and Emotional Relationship

No doubt China-Pakistan relationship has a long history and President Pervez Musharraf explains China-Pak relationship in a poetically way on February 2006, as “deeper than the ocean and higher than the mountains”(Kumar, 2006). Pak-China friendship is a role model for the world; both of the economies have strong political, social and economic association. Pak-China friendship is based on sincerity; loyalty

and trust that's why both countries give great importance to their relationships in their foreign policy. There are many issues where Pakistan took a stand and support China like the one-China policy, Tibet and Taiwan issues. However, China is always ready to assist Pakistan in a matter of defense and economic assistance. There is a massive Chinese investment in Pakistan, which is currently engaged in energy, infrastructure and communication sector, etc. In addition, China is also working for the reduction of terrorism from Pakistan as well (Arif, 1984; Afridi & Bajoria, 2010; Kataria & Naveed, 2014).

5.1 Pak-China Economic relationship

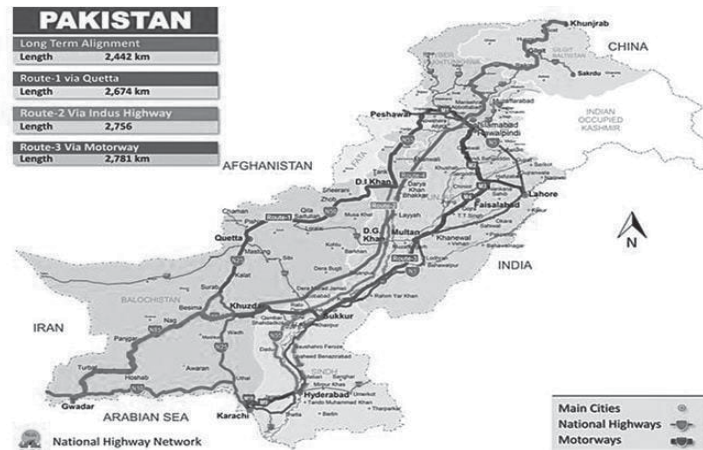
Pak-China trade value increased by 18.2% for the financial year 2014-2015, it showed the benefits of different contracts between both of the economies, even global economic slowdown (Dawn, 2016). Moreover, China is ranked 2 for Pakistan among those economies which are Pakistan trading partners, while in South Asia Pakistan is a country where China has the largest investment, where the bilateral trade reach at US\$18 billion. Furthermore, both countries shared various MOUs and as a result of major improvements in trade volume for the time 2000 to 2015 from \$5.7bn to \$100.11bn, it is also considered that the amount of contracts for the same time period went from \$1.8bn to \$150.8bn. However, the mega-project, known as CPEC is also progressing and covering different major projects of infrastructure, energy, economic and communication related (PT, 2016).

6. CPEC

CPEC is an economic corridor, including a set of activities of development with \$51 billion cost (Kiani, 2016). CPEC expects to encourage trade along with an overland route that interfaces Kashgar and Gwadar, through the development of a system of highways, railroads, and pipelines (Daniel & James, 2016). This corridor will incorporate 2,000-kilometer transport link between Kashgar in northwestern China to Pakistan's Gwadar port on the Arabian Sea near the border with Iran via roads, railways, and pipelines. The corridor is planned in imitation of quickly prolong or overhaul Pakistani infrastructure, then advance and widen economic connections between Pakistan and the People's Republic of China. It is thought to remain an enhancement of China's yearning One Belt, One Road initiative. Pakistani authorities anticipate that the danger choices deliver as regards the making of upwards 700,000 direct employments some place around 2015-2030 or assemble 2 in

Muhammad Saeed Meo, Sardar Aftab, Zafar Iqbal, Faiz ur Rehman, Muhammad Saleem Irshad

imitation of 2.5 share factors in imitation of the nation’s yearly financial development (Shah, 2016). CPEC is a 3,218-kilometer long route, after staying labored upstairs next pretty a while, compromising regarding highways, railroads then pipelines. The properly evaluated charge about the undertaking is required according to stay US\$75 billion, oversee about which US\$45 billion, then more will warranty as the hall receives in accordance with lie distinctly operational through 2020.



Source: Planning Commission of Pakistan

Figure 4 Official Map of the CPEC

Table 1. Segregation of the Cost of Projects Agreed Under the China-Pakistan Economic Corridor in Energy, Transport and Infrastructure

CPEC Projects Portfolio	Cost in US \$ Million	Percentage
Investment in energy projects	33,793	76%
Investment on Transport and Infrastructure		
Cost of CPEC Roads	6,100	
Cost of CPEC Rail Network	3,690	24%
Cost of CPEC Gwadar Port	786	
Others	44	
Total	44,413	100%

Source: Planning Commission of Pakistan

6.1 Current status of CPEC

CPEC is a mega project that covers different sectors like energy, infrastructure, and communication, etc. is progressing well and the first trade took place through China Pakistan economic corridor on 13 November 2016. Cargo from China via the corridor to Gwadar port and was sent to markets in West Asia and Africa

One Belt One Road: China-Pakistan Economic Corridor, A Great Game Changer Initiative of the Current Century

(Ramachandran, 2016). However, China also proclaimed in November 2016, of an additional investment of \$8.5bn in Pakistan for the improvement of Karachi to Peshawar railway line (Strohecker, 2016).

7. Opportunities for Pakistan concerning CPEC

7.1 Tourism Industry

CPEC will bring revolution in Pakistan infrastructure, energy sector, peace and prosperity and economic growth. Therefore, Chinese investors are willing to invest in the tourism sector of Pakistan (Shaikh, 2016). A Gilgit-Baltistan Parliamentary Speaker Fida Muhammad Nashad claimed that (CPEC) will increase tourism in the 73,000 sq km area (CPEC, 2016) now 700-km lengthy coastal Chinese tourists can visit along the Arabian Sea over Kashgar-Gwadar road (Shaikh, 2016). Tourism can be a great source of income for Pakistan as Pakistan is enriched with the great beauty of nature, but unfortunately concerned authorities did not pay attention to the tourism industry for the economic growth in past. But the CPEC is a mega project and is expected that this initiative will improve tourism in Pakistan and will be a huge source of income. This great project will link road and rail through Karakorum and Himalayas in northern Pakistan. It is expected that these roads and railways will not only increase the economic condition of the Pakistan but tourism industry as well as in Gilgit-Baltistan, Khyber Pakhtunkhwa and coastal areas of Baluchistan (Rana, 2016).

7.2 Energy Industry

To promote relationship and collect Pakistan's economy with the countries that surround her geographical boundaries, the need for CPEC is paramount because it will ease Pakistan's energy crises. Currently, in the Belt and Road projects, the country is missing in establishing a link is India (Qasim, 2016; Rafi, 2016). Following the visit of the president of China, a 51 memorandum of understanding was signed by member states with the objective of attaining economic development through the execution of projects that worth 46 billion dollars Including energy, infrastructure, and security. Infact, \$34 and \$12 billion investment was budgeted for energy and infrastructure respectively. Similarly, \$15.5 billion is budgeted for coal, wind, solar and hydroelectric projects, (With à capacity close to 10,000mw which to be completed by 2018) (Zaidi, 2016).

7.3 Removal of poverty and misery

CPEC is a mega project, and it is expected that it will eradicate poverty from Pakistan. The current China-Pakistan economic corridor estimated budget is \$54bn which will be allocated to different projects like energy projects, infrastructure development, communication sector, etc. therefore, lots of opportunities of employment will be available for Pakistan as well as china peoples. The China-Pakistan economic corridor is also known as CPEC will help out in the building of vocational training institutes, fully equipped health care institutes, pure water, and distribution in those areas which are under developed.

7.4 Peace and prosperity in Provinces

CPEC is a game changer project of the current century, and CPEC is not only consisting of road, railways, and port, it will bring peace and prosperity to Pakistan's provinces. China also expressed concerned about the security issues of Pakistan and China expressed a desire to strengthen security ties (Stevens, 2015; Sen, 2016). In an interview, the chairman of the Gwadar port expressed that the China-Pakistan economic corridor is not only fruitful for Baluchistan but the rest of the provinces of Pakistan as well. Ishaq Dar, the then minister of Finance of Pakistan, also proclaimed that wars could be avoided with the help of improvement in economic development (Kiani, 2016).

7.5 Economic Development and infrastructure

CPEC is a huge investment plan, which will make the Pakistan economy strong, though different channels, for example, to overcome energy crisis, to improve infrastructure, to improve the communication system and many more.

8. Conclusion and Recommendation

CPEC is a huge initiative, all the political parties should take interest in the execution of the plan, all the provinces should work jointly so that CPEC will be helpful for all provinces equally, government should utilize all the investment for the prosperity of the country, government of Pakistan should provide all kinds of support to the foreign workers working on CPEC particularly regarding security and all the work should be completed on time to avoid from any kind violence from terrorist. In 2013, president Xi Jinping launched (OBOR). The OBOR will be a chain of different projects where various corridors will be built. The purpose of this game changer

One Belt One Road: China-Pakistan Economic Corridor, A Great Game Changer Initiative of the Current Century

initiative is to connect 4.4 billion peoples of these regions through infrastructure development, enhancing financial and trade ties for the economies which are besides the one belt one road, while the regional economy will be boosted till US\$2.5 trillion. No doubt there are lots of opportunities for the Chinese enterprise, but political, security, environmental and economic risk also exists. China, Pakistan economic corridor a \$46 billion initiative, which is a game changer project, is expected to bring peace and prosperity and economic development. China, Pakistan economic corridor also known CPEC, consists of energy and infrastructure projects, while \$35 billion will be spent on energy sector \$11 billion on infrastructure development. CPEC project will promote the tourism industry, energy sector, and removal of poverty, peace and prosperity and economic development of Pakistan.

References

- Abid, M., & Ashfaq, A. (2015). CPEC: Challenges and opportunities for Pakistan. *Journal of Pakistan Vision*, 16(2), 142-169.
- Afridi, J. and J. Bajoria (2010). *China-Pakistan Relations*. Council on Foreign Relations 6.
- Arif, K. (1984). *China Pakistan Relations, 1947-1980*, Vanguard Books.
- BDO (2015). One belt one road. from <http://www.bdo.com.sg/en-gb/insights/advisory/one-belt-one-road-report-2015>.
- CPEC (2016). CPEC will boost living standards, increase tourism in GB. from <http://www.cpecinfo.com/cpec-news-detail?id=MjI0>.
- Daniel, S., & James,(2016). *The Stakes in the China-Pakistan Economic Corridor* Council on Foreign Relations. Retrieved March 21, 2019, from <https://www.cfr.org/expert-brief/behind-chinas-gambit-pakistan>
- Dawn (2016).Pak-China trade increases by 18.2pc to \$4.4 billion. from <http://www.dawn.com/news/1254586>.
- Hill-choi, L. (2016). One belt, one road initiative creates fresh opportunities for Asians investing in Africa. from <http://www.scmp.com/specialreports/business/topics/one-belt-one-road/article/2041874/one-belt-one-road-initiative>.
- Hofman, B. (2016). *China’s One Belt One Road Initiative: What we know thus far*. from <http://blogs.worldbank.org/eastasiapacific/china-one-belt-one-road-initiative-what-we-know-thus-far>.

- Jinchen, T. (2016). One Belt and One Road: Connecting China and the world. Global Infrastructure Initiative website.
- Junhua Zhang, S. J. (2016). What's driving China's One Belt, One Road initiative?. from <http://www.eastasiaforum.org/2016/09/02/whats-driving-chinas-one-belt-one-road-initiative/>.
- Kataria, J. R. and A. Naveed (2014). Pakistan-China Social and Economic Relations. *South Asian Studies*, 29(2), 395-401.
- Kiani, K. (2016). With a new Chinese loan, CPEC is now worth \$51.5bn, DAWN.
- Kumar, A. (2006). China-Pakistan economic relations." Institute of Peace and Conflict Studies, special report 30.
- Li, S. (2015). One Belt, One Road, Many Risks. from <http://www.legalbusinessonline.com/features/one-belt-one-road-many-risks/71290>.
- Lu, M. (2016). One Belt, One Road: Risks and Countermeasures for Chinese Companies. from <http://www.brinknews.com/one-belt-one-road-risks-and-countermeasures-for-chinese-companies/>.
- Pong, L. K. (2015). One Belt One Road – Implications for the European Union." from <http://euap.hkbu.edu.hk/main/one-belt-one-road-implications-for-the-european-union/>.
- PT (2016). Pakistan and China relations: 65 years of friendship to strategic partnership. from <http://www.pakistantoday.com.pk/2016/05/15/pakistan-and-china-relations-65-years-of-friendship-to-strategic-partnership/>.
- Qasim, M. (2016). How Chinese money will transform Pakistan. from <https://www.thethirdpole.net/2016/10/06/how-chinese-money-will-transform-pakistan/>.
- Rafi, A. E. (2016). Completion of CPEC: Impact on Pakistan's Strategic Position and Economy. from <http://www.ipripak.org/completion-of-cpec-impact-on-pakistans-strategic-position-and-economy/>.
- Ramachandran, S. (2016). CPEC takes a step forward as violence surges in Balochistan. from <http://www.atimes.com/cpec-takes-step-forward-violence-surges-balochistan/?platform=hootsuite>.
- Rana, A. u. R. (2016). Special Supplement on China Pakistan Economic Corridor. from <http://rtepakistan.org/wp-content/uploads/2016/04/The-Diplomatic->

One Belt One Road: China-Pakistan Economic Corridor, A Great Game Changer Initiative of the Current Century

Insight-Special-Supplement-on-China-Pakistan-Economic-Corridor-Feb-2015.pdf.

- Ranjan, A. (2015). The China–Pakistan Economic Corridor: Options before India. In ICS. Delhi: Institute of Chinese Studies.
- Sen, S. R. (2016). Chinese Troops Will Be Positioned In Pakistan, Security Agencies Tell Government." from <http://www.ndtv.com/india-news/chinese-troops-will-be-positioned-in-pakistan-security-agencies-to-government-1286550>.
- Shaikh, N. A. (2016). China Keen To Invest In Tourism Sector. from <http://pakchinanews.pk/china-keen-to-invest-in-tourism-sector/>.
- Stevens, A. (2015). Pakistan lands \$46 billion investment from China. from <http://money.cnn.com/2015/04/20/news/economy/pakistan-china-aid-infrastructure/>.
- Strohecker, K. (2016). Pakistan says China to make extra \$8.5 billion investments in rail, energy. from <http://uk.reuters.com/article/uk-pakistan-economy-cpec-idUKKBN1311Y2?il=0>.
- Zaidi, S. A. (2016). The new game changer in Pakistan. from <http://www.thehindu.com/opinion/lead/The-new-game-changer-in-Pakistan/article14342869.ece>.
- Zhou, J., Hallding, K., & Han, G. (2015). The Trouble with China's „One Belt, One Road“Strategy. *The Diplomat*, 26.
- Zhou, J., K. Hallding, et al. (2015). "The Trouble with China's „One Belt, One Road“Strategy." *The Diplomat*: 2016-2004.
- ZiroMwatela, R. and Z. Changfeng (2016). "Africa in China's„One Belt, One Road“Initiative: A Critical Analysis." *IOSR Journal Of Humanities And Social Science* 21(12): 10-12.