

China Pakistan Economic Corridor – A geo-economic masterstroke of China

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ABSTRACT

Development of China Pakistan Economic Corridor (CPEC), with all its associated projects, favorably influences the geo-strategic and geo-economic prospects of China. Geo-strategic location of Gwadar further facilitates China to capture transit trade with Central Asia, Afghanistan and the Middle East and influence this regional accessibility with a viable and secured corridor for further expansion of regional economic cooperation. Since the emergence of China as an energy importer in late 90s, it has adopted a 'go out' strategy to secure energy assets through procurement and long term energy investment in the energy rich countries, mostly in the Persian Gulf states and convert historical routes into a modern grid of energy pipelines, roads and railways for its energy supplies. The strategy aims at using financial means such as building new seaports, infrastructure development and military and hydrocarbon cooperation between regional countries to establish an artery for ensuring uninterrupted crude oil supply to its territory. This Chinese approach has been referred by many intellects around the globe as the revitalization of the Silk Road Strategy to link China with surrounding regions to generate immense economic dividends.

Key Words: China, CPEC, Regional Connectivity, Economic Prospects

Introduction

With the end of bi-polarity with the demise of former Soviet Union, the process of globalization got impetus and geo-economic considerations were given preference over geo-strategic priorities. New bilateral, regional and global economic integration models started coming up and regionalism within the domain of economic globalization assumed immense significance for regional economic development (Rahman, 2011). This regional framework of cooperation has made the entire world interdependent at bilateral, regional and continental level to achieve sustainable economic growth. Pakistan and China were not indifferent to this geo-economic trend and both countries fully realized to institutionalize their bilateral trade.

Since 1960s, Sino-Pakistan political and military relations have substantively strengthened. However, cooperation on the economic and trade front remained sluggish until 1991. China has recently signed numerous agreements with Pakistan to reinforce diversified cooperation for the enhancement of bilateral trade that saw expansion in the bilateral trade over US \$ 12 billion in 2012 (Cockayne, March 01, 2014). The initiatives include construction of a new airport; expansion and extension of the Karakoram Highway, establishment of oil refinery at Gwadar port,

overland energy pipelines, constructions of roads and railway lines are the mega projects which demonstrate Beijing's long term commitment to the existing China-Pakistan Economic Corridor. These economic initiatives come in conjunction with Beijing's substantial investment in Gwadar Deep Sea Port and will benefit an already well established relationship between the two countries in sustaining their economic growth (Cockayne, March 01, 2014).

China's Long Term Fundamental Interests from the Corridor

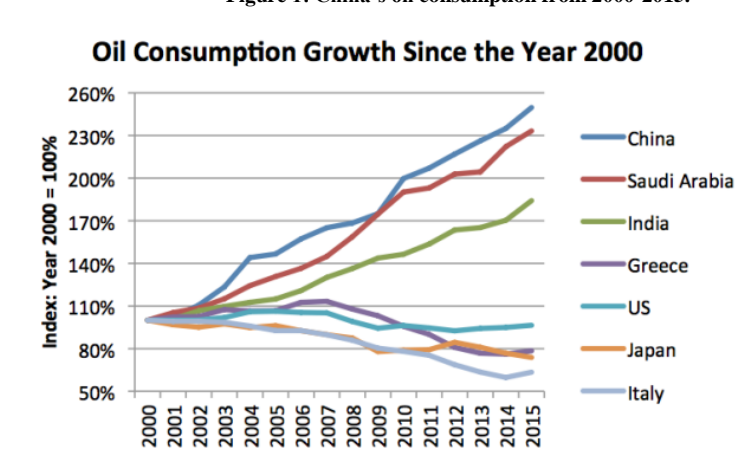
Since the emergence of China as an energy importer in late 90s, it has adopted a 'go out' strategy to secure energy assets through procurement and long term energy investment in the energy rich countries, mostly in the Persian Gulf states and convert historical routes into a modern grid of energy pipelines, roads and railways for its energy supplies (Lin, 2011). Initially, the strategy was motivated by the fear of US blockade of its maritime supplies over Taiwan issue but later growing Chinese energy requirement and industrial expansion were the driving force behind China's strategy of energy security. The oil-based economic growth of China has made it fully realized that oil could be used against it as a weapon to paralyze its economic growth. That's why, China prefers not to rely on unfettered international markets for its energy supply and energy security by controlling main oil supply routes has become high priority in China (Ibid). The strategy has mainly centered on using financial means such as building new seaports, infrastructure development and military and hydrocarbon cooperation between regional countries to establish an artery for ensuring uninterrupted crude oil supply to its territory.

Over the period, the strategy has been referred by many intellects around the globe as the revitalization of the Silk Road Strategy. Today, China's strategy revolves around establishing its footholds with military or geopolitical influence by financing mega projects in the Indian Ocean and the Persian Gulf littoral states to secure sea routes. Day by day China's energy requirement is growing to surpass production at home and oil imports have now reached record high in from 2013 to 2016. To ensure sufficient oil supply to its industries and secure its energy supply from geopolitical uncertainties, China's long term energy strategy is to diversify its sources for crude oil imports and secure its existing energy supply lines (EIA, 2014). According to EIA (US Energy Information Administration) estimates, China will import over 66 % of its total crude oil by 2020 and 72 % by 2040 as energy demand in China is expected to increase faster than domestic crude production (2014, p.11).

In order to secure more reliable oil and gas supplies, China has expanded its purchases of international oil and gas assets through financial loans in exchange for oil and gas (LNG) imports on control rates. China investment in exchange for oil deals have been done with Kazakhstan, Venezuela, Brazil, Ecuador, Bolivia, Angola, Ghana and Iran (EIA, 2014, p. 10). Over the period, China has become a fast-growing economy and has emerged extremely influential in world energy

market due to its rapidly increasing demand for liquid fuels and will surpass the US as the world's largest importer of energy (BP Energy Outlook 2035, 2014, p. 351). China's crude oil demand has surpassed from the US and now it is recognized the world largest oil consuming country. Figure 7.1 below reflects China energy consumption and production over the years. Until 1990s, China was considered as a net oil exporter and became the world's second largest net oil importer in 2009. The EIA also reveals that China's rising oil consumption has reached to almost one-third of the world's oil consumption in 2013. According to the Oil and Gas Journal (OGJ), China has 24.4 billion barrels of proven liquid fuels reserves which is highest in the Asia-Pacific region. China, with its total oil and liquid production, stands fourth largest in the world energy production market, yet these huge energy reserves can hardly meet its domestic market (EIA, 2012). China's increasing energy demand hinges on various factors, such as domestic economic growth and trade, industrial development, power generation, transportation and refining capabilities (EIA, 2012, p. 4).

Figure 1: China's oil consumption from 2000-2015.



Source: Figure showing oil consumption growth since 2000 for selected countries, based on data from BP Statistical Review of World Energy 2016.

Following are some valid reasons for China to cooperate with Pakistan in the construction of CPEC:

China's Energy-Driven Economy

China is heavily dependent on oil imports to maintain its 9.5 % exceptional annual economic growth rate achieved over the past few decades (Kim, 2011, p. 27). China's ability to further expand its industrial-driven economy will directly epitomize its successes in securing access to energy supply (Blazevic, 2009, p. 62). Security of energy resources implies security of ports and pipelines and the areas where China's energy transported. That is why, China has one of largest merchant

marine fleets in the world to defend its maritime interests and the number of five star red flag ships is likely to grow in time as China is already working on an accelerated civil and naval shipbuilding programme (Goldstein, 2007, p. 26). Shipbuilding and ocean defence strategy of China has always been high priority as the country's almost 2 billion barrels of oil per annum is transported through tanker ships via different oceans (King, 2008, p. A1). In the modern times, ships are reliable and cost-effective means of transportation for oil and its refueling, shelter and repairs at seaports. China's construction of new ports and upgrading of existing ports is directed to achieve following objectives:

- a) To shorten and safeguard shipping routes;
- b) To reduce ship docking times;
- c) To maintain control of ports so that shipping lanes remain open and free; and
- d) To link newly constructed port with mainland Chinese ports to form a conduit that can ultimately lead back to China.

To secure its area of critical transportation hubs and supply lines, China has embarked upon a maritime strategy to establish a link between the newly port of Gwadar port with its mainland ports to maintain self-sustaining and vertically integrated network of economic enteritis (Ellis, July 09, 2010). As a result, China has been successful in expanding its crude oil imports by maintain stronghold in Middle Eastern Countries (Rania & Florence, October 28, 2016).

China's Quest for Energy

China is counted the most populous country in the world and has a fast-growing economy that has increased the country's overall energy demand. During the leadership of the fourth generations, China's economic development has remarkably grown and now it has become a potential global actor. High growth and development of all sectors of economy has equally raised the demand for energy in China. As revealed by the Paris-based International Energy Agency, China's energy consumption has surpassed the USA and has emerged as the largest energy consumer country in the world (Lin, 2011). Over the period, China has achieved a double digit economic growth by fueling energy to heavy industry.

China, over period of time, has substantially progressed in the industrial development and has emerged as one of the fastest growing global economies. According to available statistics, Chinese energy requirement is expected to grow by 150 % by 2020 if the country's economy keeps growing at the rate of 8 to 10 % per annum. To maintain its economic growth for coming years, China needs to increase its energy (oil and gas) imports and at the same time has to secure its current oil import supply (Amir, 2004, p. 122). In late 70s and early 80s, China was registered as oil exporting country but shortly after the post-cold war, its industrial expansion and rapid economic growth has converted it as an oil dependent country

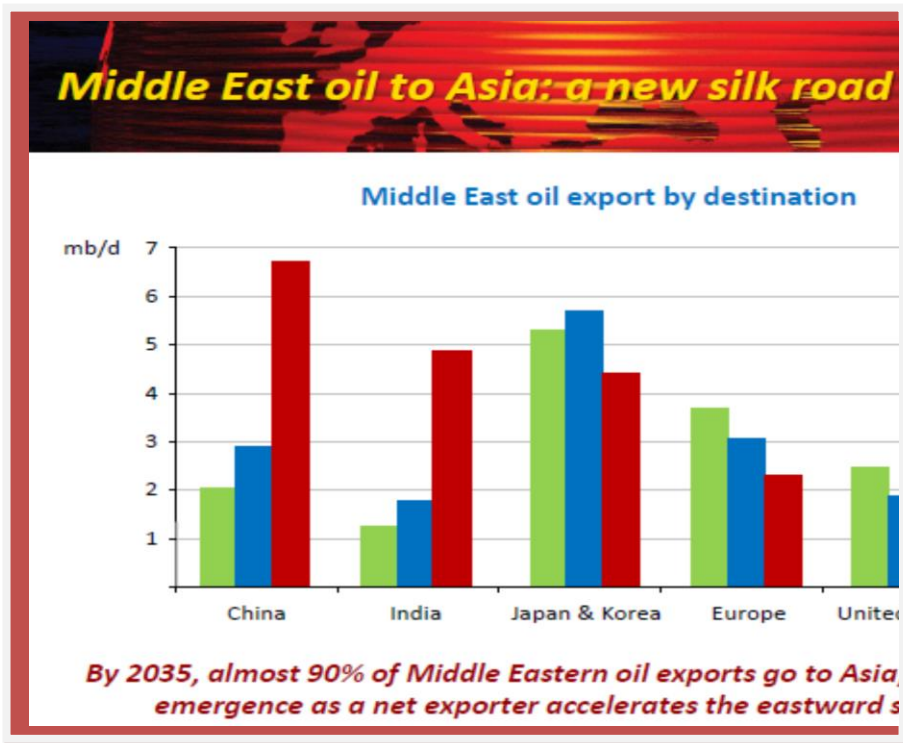
to meet its energy requirement though oil imports, mainly from Persian Gulf region. Beijing's concerted efforts to increase trade and investment, specifically in the energy sector are motivated to secure ongoing access to Middle East. As a consequent, China has heavily invested in the energy fields across world. Middle East's abundant energy reserves and low cost of its exploitation has made it more lucrative than others (Mottaghi, Nouri & Nasiri, 2013).

China's rapid industrial development and economic growth has resulted in its pursuit for energy security. China's domestic production of oil remains insufficient to meet the industrial energy requirement. As a result, China's crude oil demand is rapidly soaring and Chinese heavy dependence on crude oil has led the country to extend its petro diplomacy to all oil exporters in the world by signing favorable financial deals and investment with countries like Saudi Arabia, Iran, Libya, Angola, Venezuela and Central Asian States (Saeed, 2011).

Security of Persian Gulf Energy Resources for China

Persian Gulf, with its 62 % of world oil and 40 % of the gas reserves, is considered one of the strategic regions in the world (Richard, Murphy, Gause, 1997). The region's vast energy reserves have attracted the world powers attention, especially China in the present millennium. China's global strategy is based on its peaceful coexistence to support peace, stability and economic development across the world. The close bonds between China and the Middle East traced back to 500 B.C., when there were only two prosperous dynasties: Arabian Empire and Tang Dynasty which traded through the famous Silk Road (Saeed, 2012). By the end of the Cold War, China had already established strong diplomatic relations with all countries of Gulf Cooperation Council (GCC) and Middle East. Bilateral trade between China and the Middle Eastern countries has expanded from US \$67 billion in 2005 to US \$118 billion in 2009 (Ibid). For China, Middle East is not only a key source of energy but also a huge business potential market. Figure 2 reflects growing dependency trend of China on Middle East for import of crude oil.

Figure 2: China's growing dependence on Middle East for import of Crude Oil



Source: (World Energy Outlook, 2012, p.6).

Saudi Arabia: Pillar of China's Oil Diplomacy

Since the third millennium, China has prioritized two main objectives in its foreign policy: energy and security. To ensure energy supply to its industries, China has heavily invested in the exploration and extraction of many oil fields in various parts of the world. Persian Gulf remains predominant exporter of oil to China, despite its efforts to diversify the oil resources. In the Persian Gulf, China has concentrated mainly on the two energy rich countries namely Saudi Arabia and Iran. China has, therefore, developed extensive commercial relations with these two resource rich countries in the region.

Over the years, China has become Saudi Kingdom's fourth largest importer of its oil. According to the Chinese Ministry of Commerce, mutual trade between Saudi Arabia and China has increased from 440,000 b/d in 2004 to 500,000 b/d in 2005, reaching by 41 % growth. Bilateral trade between the Kingdom of Saudi Arabia and China has expanded from US \$ 14.5 billion in 2005 to US \$41.8 billion in 2008 (Backgrounder, 2009). In 2011, Chinese oil imports from Saudi Arabia increased to 1.1 million b/d as a result of an agreement signed between Saudi Arabia oil firm Aramco and Chinese oil firm Sinopec (Jones, January 21, 2013). Saudi Aramco owns refineries in Qingdao and Fujian provinces of China whereas

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Chinese energy firms are contributing in Saudi infrastructure and industry sectors. Meanwhile Saudi Arabia is also considered one of largest trading partners for China in the Middle East (Lin, 2011).

Iran: A Reliable and Cost Effective Energy Source

Iran is the second pillar of China's oil diplomacy in the region. Iran is the third largest exporter of oil to China and contributes about 11 % of China's imported oil supply. China's trade relations with Iran also traced back to the fifteen century when trade between these two countries routed through the Silk Road (Saeed, 2012, p. 233). China has equally invested in Iran in different projects including exploration of crude oil, production of petroleum, petrochemical, natural gas extraction etc. In the recent past, China's oil imports from Iran have considerably reduced on account of US sanctions. Currently China is importing 402,000 b/d from 555,000 b/d in 2011 (Verma & Cho, May 21, 2013).

Geo-Economic Imperatives of the Corridor for China

Before the construction of Gwadar port, China always found its security interests compromised due to its incapability to monitor the Persian Gulf and Indian Ocean region (Sering, 2012, p. 32). Security before Chinese does not imply to territorial but it is more related with energy and maritime security (Mottaghi, Nouri & Nasiri, 2013). Chinese are fully aware of the fact that Pakistan can only provide shortest and viable entrance to the Persian Gulf. Security in the Persian Gulf before China is a high priority as the country's oil imports has reached to nearly 55 % from the region (Schenker, April 26, 2013). Importance of energy for Chinese economy has pushed Beijing to construct Gwadar port in order to safeguard its oil supply from the Persian Gulf and also maintain presence in the Indian Ocean to monitor naval activities of US and India. China will accrue following potential gains from the corridor.

China's main interests in the Gwadar port and CPEC development are to consolidate its relationship with Pakistan through such large-scale collaborative economic development projects in order to safeguard its oil supply routes and diversify its oil import from the CPEC and Gwadar port which is geo-strategically located at the entrance of Persian Gulf (Haider, 2005, p. 98). China gets about half of its oil requirement from the Gulf (Sering, 2012, p. 28) and another 30 % from Africa (Hurst, 2006). Africa is China's second largest trade partner with volumes reaching US \$ 107 billion in 2008 (Macharia, February 12, 2009). In 2011, China received 2.9 million barrels per day import of crude oil from Middle East which accounts for about 60 % of China's total oil imports (Downs, July 06, 2013).

The Kingdom of Saudi Arabia and Angola are the main sources of China's oil imports which account for over 33 % of its total oil supply. Figure 3 shows China's crude oil imports by source. According to estimates, China's hydrocarbon

consumption has more than doubled over two decades and would continue to increase in the next decade. About 85 % of Chinese energy supply passes through the Indian Ocean to China's Pacific Ocean ports (Denmark & Patel, 2009). While explaining Chinese vulnerability in the Malacca, the Chinese President Hu Jintao refers it China's "Malacca Dilemma" which means that the Chinese reliance on the supply of energy resources through narrow transport sea lines is a weak point that could be exploited by adversaries (Ji, 2007). The blockage of the Malacca leads to severe loss to the Chinese economy. Heavy dependence on crude oil from Middle East and Africa for sustainable economic development, energy security has become a top most priority of China's foreign policy. Following are the risks and threat perceived by China to its energy imports and security:

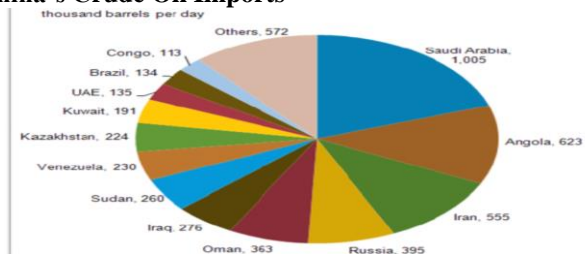
Political Risk

Oil is a political instrument and a strategic tool to exert pressure on importers for certain goals or purposes. 1973 oil embargo was first ever international event made by Arab states during Arab-Israel war to influence world leaders against Israel. Having gone through such experience, China has heavily invested in the littoral states of Indian Ocean, especially Pakistan's Gwadar port, to secure its energy supply and seek a shortest alternate route to its main land.

Transportation Risk

China's around 60 % crude oil imports shipped through the straits of Malacca every year and thousands of ships follow this route with full capacity (Zhang, 2008). In the presence of the United States in the Yellow Sea region, China would always seek an alternate course for its energy supply to avoid any US blockade. Moreover, piracy activities close to the Strait of Malacca is another security concern for China's oil transportation. Over the years, a number of piracy activities happened near the Somalia Coast. In this context, Sino-Pak economic, strategic and political interests are interlinked. Gwadar port's overland connection with China's western area presents a foolproof security to China. The port provides a shortest and viable alternate route for Chinese trade and energy supply in case of Malacca Strait is blocked by US (Malik, 2012, p. 58).

Figure 3: China's Crude Oil Imports



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Source: (EIA, 2014, p. 12).

Over the years 30 years especially after cold war, China has emerged as a leading global economy with ten % growth in its annual GDP growth rates (Hartley, 2010). Therefore, security of its energy and trade flow routes of metals, minerals, markets for its manufactured goods has been the top most priority of its foreign policy. In this regard, the completion of Gwadar-Karakoram-Kashgar corridor, China will stand to benefit from the corridor to import its energy and raw material from the Persian Gulf while avoiding the Strait of Malacca and the Suez Canal, the most sensitive chokepoints of the world, which are mostly targeted by Pirates. On the following grounds, the geo-economic and geo-strategic significance of the Gwadar deep sea port for China becomes indispensable for its energy imports:

- i. In the prevailing deteriorating political situation in the Persian Gulf, Gwadar deep sea port provides a stable and contiguous point of access to the Gulf ports. The economic and strategic significance of the Gwadar deep sea port is multiple.
- ii. Close proximity of the port with Strait of Hormuz, one of the main oil supplies sea routes in the world, Gwadar port will serve as a shipping point in the region.
- iii. The port will facilitate the landlocked Central Asian States and Western China's Xinjiang province with a shortest sea access.

Having assessed the length of the sea route and narrowness of the Malacca Strait through which 80 % of Chinese oil transported to China remains a security challenge. The CPEC corridor will be an alternate route for China's oil import if the Malacca Strait is blocked. The corridor will facilitate China to offload its crude oil imports from the Persian Gulf at the Gwadar port and transport or pump it overland to Kashgar. The Gwadar-Karakoram-Kashgar corridor will, therefore, decrease Chinese vulnerability to disruption and closure of Malacca Strait and South China Sea (Sering, 2012). Moreover, the corridor also offers a logistical benefit by significantly reducing the distance of 16,000 km to only 2500 km between China's industrial mainland and Persian Gulf (Ibid). China's oil imports from the Persian Gulf through old maritime routes is about 12,900 km which is also threatened by the Somalian Pirates (Siddiqui, 2014, p. 9). Whereas, China's oil imports from the Persian Gulf to its Kashgar economic zone via Gwadar presents a viable and secure maritime route which is almost 2,000 miles. Likewise, China's Kashgar is 3,500 km away from the Chinese east coast while its distance is less than 2,000 miles from Gwadar port. In addition, a 1,100 km long rail-link worth costing US \$10.237 billion would reduce the distance between Pakistan's capital and China's Kashgar, a trade and economic zone, to a mere seventeen hours.

Gwadar-Karakoram Energy Pipeline

Natural gas consumption in China has equally risen in the same period in discussion. China is planning to meet its natural gas demand via gas pipeline and imports of Liquefied Natural Gas (LNG). Rapid growth in natural gas demand has driven China to become the third largest LNG importer in the world. This has equally led China to speed up development pipeline infrastructure for LNG imports. China's natural gas demand has equally risen in the recent past. China is planning to increase domestic natural gas production in order to replace hydrocarbons with natural gas in the country's energy portfolio. Natural gas consumption in China stems from Industrial usage (almost 48 % by 2011), power generation, residential and also in transport sectors have risen (PFC Energy). To meet this demand, China will continue importing gas through gas pipelines and LNG form (EIA, 2014, p. 17). China's investment in gas pipeline infrastructure is too high to link its production areas in the western and northern regions with demand centers along the coast and borders to facilitate greater imports from Central Asia and Iran. That is why, China has promoted the construction of the West-to-East Gas Pipeline in 2002 to mitigate energy requirement in the demanding areas. Moreover, these domestic pipelines would also be linked with international pipelines of Central Asia and Iran via Pakistan (Ibid). Another mega project of oil and gas pipelines (OGP) will run across the corridor while connecting western part of China with IP and TAPI via Gwadar port (China interested in Trans Himalayan, 2006, p. A1). Vice President of Federation of Pakistan Chambers of Commerce and Industry (FPCCI), Gwadar-Xinjiang link would help Pakistan overcome the gas shortage besides strengthening country's economy (Gwadar port, 2013, p. A1). Moreover, China would be able to take advantage of TAPI and IP gas pipelines through this corridor. Railway link is also under consideration to connect Central Asia, Afghanistan and Pakistan which could also be extended to China through the existing railways lines. The corridor will continue supplying energy to China as an additional supply line.

CPEC: A step towards Xinjiang Development

Economically, China has been divided into eastern, central and western parts. After economic reforms, the government's more focus remained on the development of its eastern region which is also known as the coastal region (Saeed, 2011). In late 90s, China made a long term strategic planning to develop its western part which is underdeveloped as compare to the central and coastal parts of the country. According to Ramtanu Maitra, China's east-coast infrastructure is not supportive to the development of its southern and western regions and other inlet points are required to feed these regions (April 12, 2005). Chinese 'Go West' strategy can also be viewed to uplift economic development of its western province (Malik, 2012, p. 62). China's investment in Gwadar port and the KKH is aimed at establishing shortest and viable energy and trade corridor from its Western province of Xinjiang to world markets via Gwadar. Gwadar port has bright prospects to develop Xinjiang province as all trade and oil supply to China would be routed through a shortest and

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viable trade and energy corridor linking these two provinces with Central Asia, Persian Gulf, Africa and India. To expand traffic flow and fuel consumption, China has planned to invest US \$730 billion in the transport sector in the west China and US \$88 billion in Xinjiang (By 2050, China plans, 2009). According to some analysts, China's huge investment in the Gwadar port and its related projects was actually based on the fact that its underdeveloped western region would be connected with the port to put off emerging strife in the region.

According to Zaid Haider, Chinese officials have publicly stated that China wants to turn Gwadar port into a transit terminal for supply of its crude oil from Iran, Middle East and Africa to Xinjiang region, facilitating China to secure its oil shipments along the existing routes (2005, p. 98). The CPEC corridor will help China develop its relatively backward western regions, particularly Xinjiang which borders with Pakistan. The port location would facilitate China to transport its goods via its western region to the port which would generate a variety of economic opportunities for the local people in the region. China's plan of establishing oil and gas pipeline with an oil refinery at Gwadar port would also facilitate China's energy supply from Persian Gulf and Africa to Western China.

In addition, China lacks hot waters ports which can be operational throughout the year. The Shanghai port is almost 16,000 km far from the industrial zone of China and trade through sea takes months and costs heavily in terms of taxes and duties. Gwadar port on the other hand is not only a hot waters port and can be used whole year but also closer to China just at a distance of 2,500 km and 1,500 km from Kashgar economic zone from Chinese border.

China's Trade Expansion

Gwadar-Karakoram-Kashgar corridor linking Pakistan's port with China's western region, especially Kashgar economic zone, is a viable supply chain route to facilitate bilateral and regional trade among the states encompassing Pakistan, China, Central Asian States, Afghanistan and Iran. After completion of the ongoing projects across the borders, China and Pakistan will largely be benefited from the corridor to expand their economic, strategic and commerce relationship (Khan, 2013, p. 87).

Simultaneously, overland access to Afghanistan and Iran through Pakistan will considerably diminish threat perceptions emanating from the Indian and American presence in the Indian Ocean. The existing Karakoram Highway other infrastructure between Pakistan and China would help China expand its trade with Iran, Middle East, Central Asia and Africa as the corridor will decrease the sea distance up to almost 10,000 km (Khalid, 2009, p. 8). Chinese economy is rapidly growing at the rate of about 9 % per annum with its trade expansion volume of US \$1.76 trillion and GNP growth up to 7.3 % (Malik, 2012). China has estimated US \$600 billion of foreign exchange reserves. China's international trade items include micro wave ovens, photo copiers, Shoes, toys and CD players.

Geo-Strategic Imperatives of the Corridor

Development of CPEC would help Pakistan strengthen its military bases near LoC and also facilitate its troops and heavy military vehicles to penetrate swiftly and even deeply into Ladakh and the Kashmir Valley. Likewise, the road connection along Qala Panja, Mintaka and Wakhjir Passes would facilitate Pakistan with a direct link with Afghanistan and Tajikistan (Serling, 2012, p. 12). The strategic dividends of the Karakoram corridor are equal for China. The corridor would allow Chinese to use Pakistan as a low-cost but high-efficiency deterrent against Indian growing political ambitions (Afridi & Bajoria, 2010). According to available resources, the corridor has facilitated China to secretly assist Pakistan militarily. On the other hand, Pakistan has used the corridor to provide high-tech arsenal and unexploded American missiles, received during Afghan war from America, to China for reverse engineering (Serling, 2012, p. 18). Recently, Pakistan gave access to Chinese engineers to the American Blackhawk chopper that worn-out during the commando raid that killed Osama bin Laden. Overall, the corridor would be a great assistance for Pakistan to strengthen its military presence along the Indian border and enable its army to station in PoK for close watch on the enemy activities (Serling, 2012, p. 18).

Case Study: The Impact of Trade Corridor on Lao Peoples' Republic

Another similar trade corridor known as 'The East-West Economic Corridor (EWEC)' connecting Lao Peoples' Democratic Republic is a glaring example of regional economic integration and development. The corridor has considerably reduced travel times and proved to be economical in terms of cost-effectiveness.

Source: (Luanglatbandith, 2007).

Conclusion

In Pakistan's foreign policy, sustainable economic growth and security are its primary priorities. To achieve these two objects, China's investment in the construction of the corridor will be a great assistance for Pakistan on these fronts. Moreover, China's close association with Middle East and Africa and the proximity of Pakistan's Gwadar port to the energy hubs, the CPEC emerges as a future primary oil supply route to China (Blank, March 09, 2010). The usefulness of Karakoram corridor for China is linked with its ability to transport the required quantity of crude oil from Gwadar port to Xinjiang. The corridor will act as an alternate supply line which will help China stockpile oil reserves to counterbalance future shortage. In this context, Pakistan's Gwadar port and CPEC emerge indispensable for both China and Pakistan for their economic development. The conduit would provide a variety of world class transport services such as modern

dry-port infrastructure, freight management, trucking, border terminals, customs clearance and an efficient logistical chain which would help expand regional trade. The corridor is expected to expand economic activities between the two neighbors with an advantage to advance their strategic interests in the Persian Gulf.

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