

The Development of China Pakistan Economic Corridor in Post-pandemic Era

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ABSTRACT

As a model project of the Belt and Road initiative, the China Pakistan Economic Corridor (CEPC) has made remarkable achievements in economic cooperation, energy cooperation, infrastructure construction, culture and education since 2015. At the same time, the construction of CEPC also faces risks and problems such as poor domestic investment environment, political instability, geopolitical instability, terrorist threat within Pakistan and insufficient depth and breadth of cultural exchanges between China and Pakistan. In the future construction of the CEPC, attention should be paid to expanding Pakistan's exports, strengthening exchanges among world's great powers, strengthening risk control and promoting deep-level cultural exchanges to face the risks and challenges together.

Keywords: *China Pakistan Economic Corridor, Belt and Road Initiative, People-to-people bond*

1. INTRODUCTION

The China Pakistan economic corridor (CEPC) was first proposed in 2013 and officially launched in 2015. At that time, the key cooperation areas of the CEPC only included Gwadar Port, energy, transportation infrastructure and industrial park cooperation. The subsequent "Long-term Plan of China Pakistan Economic Corridor (2017-2030)" added further cooperation in agricultural development, poverty alleviation, tourism cooperation and people's livelihood cooperation, people-to-people exchanges and financial cooperation.

After years of construction, the CEPC has played an important role in promoting economic and cultural cooperation between the two countries and provided an important demonstration for promoting regional economic and cultural cooperation. Facing the complex international and regional situation after the epidemic, how to better resolve the possible risks and the challenges of CEPC and making the CEPC as the higher quality model project of the Belt and Road initiative are urgently needed to be discussed and solved.

2. DEVELOPMENT STATUS OF THE CEPC

The construction of CEPC has improved Pakistan's domestic infrastructure and provided more possibilities for the development of neighboring countries. The lag in infrastructure construction has always been an obstacle to

the economic development of the region, so the Belt and Road initiative regards interconnection as an important content. In the construction of the CEPC the China-Pakistan cross-border fiber optic cable connects Pakistan with the fiber optic cable in China through 820 kilometers of cross-border fiber optic cable which realizes the direct access of the China-Pakistan fiber optic cable for the first time. It also facilitates the sharing of digital information between China and Pakistan and promoting the connectivity of strategic land communications between the two countries. In terms of highway construction, 2019, the Karakoram Highway upgrade project has been officially completed; 2020, the PKM Expressway (Sukul-Multan section) project is officially opened. In terms of railway construction, Pakistan's Main Line 1 was signed in 2015 and was officially opened in 2020, when the project was completed, Pakistan's passenger trains would be able to operate at speeds of 165 kilometers from the current 65 to 110 kilometers, and the operational capacity would be increased from 34 one-way trains per day to 171 trains. In terms of aviation construction, Air China launched a direct China-Islamabad route in 2015. In terms of port construction, as a key hub connecting the North and South Silk Roads, Gwadar Port has been successfully completed, which realized a new extension of the Asian continent to the sea and opening up new trade routes between China and Pakistan.

The CPEC promotes Pakistan's domestic economic development and strengthens economic and trade ties. In

the end of 2018, major projects such as the Sahwar coal-fired power station was completed, pushing the CPEC into the early harvest phase and providing about 38,000 jobs in Pakistan, easing the local energy crisis and unemployment. By December 2020, a number of projects, including the Sahiwal coal-fired power station, the Qassim coal-fired power station and the Karlot hydroelectric power station, have been fully move into production with a total investment of more than \$13.5 billion, while nearly 3.9 million kilowatts of power projects have been successfully put into operation, which not only means that Pakistan's electricity needs could be basically met, the local energy structure could be optimized, and help achieve the goal of carbon neutral, but also means that the local people's employment is guaranteed, income will be improved, and their life will be improved. In terms of economy and trade, China has been Pakistan's largest trading partner since 2015, China has also been Pakistan's largest source of imports and second largest export destination, and the bilateral trade deficit has declined for three consecutive years. Even during the pandemic, China-Pakistan bilateral cooperation has maintained a sound development. In 2020, China and Pakistan signed a free trade agreement to achieve zero tariff on 75% of products, which far exceeding the previous 35%. Financial cooperation has provided financial guarantee for CPEC construction, such as the \$3.5 billion project financing agreement signed between China Development Bank and Pakistan in 2015, and in May 2018, the People's Bank of China and the National Bank of Pakistan renewed the three-year China-Pakistan bilateral local currency swap agreement to strengthen bilateral financial cooperation and promote bilateral trade and investment and economic development of the two countries. After six years of exploration and practice, the financing for the construction of CEPC has achieved more than expected results, and a new mechanism and model of investment and financing cooperation driven by major projects have been constructed. Moreover, the continuous improvement of Pakistan's infrastructure has also facilitated personnel exchanges between China and Pakistan and brought about the growth of trade in services such as tourism. In November, 27, 2021, the 6th Academic Forum on China-Pakistan Scientific, Technical and Economic Cooperation under the Belt and Road Initiative was held, Cheng Xizhong, visiting Professor at Southwest University of Political Science and Law, Special Commentator of China Economic Net and former Chinese Defense Attach in South Asian countries pointed out that with the CPEC construction entering a high-quality development stage and the acceleration of Pakistan's industrialization, urbanization and digitization, China's investment in Pakistan will also usher in new opportunities.

The friendship between the Chinese and Pakistani peoples have been further deepened by the construction of the CPEC which also reflects the fine tradition to

watch and help each other. In the face of difficulties, the friendship between China and Pakistan has been vividly demonstrated. In 2018, China and Pakistan signed a \$4 million agreement to help families in Pakistan struggling with natural disasters; during outbreak of COVID-19, the Chinese government and all sectors of society provided Pakistan with a number of urgently needed anti-epidemic supplies, and more than 90% of Pakistan's COVID-19 vaccines came from China. China also helped Pakistan localized the vaccine production. In terms of culture, in 2005, China and Pakistan jointly built Pakistan's first Confucius Institute to meet the rising interests, even a mandarin fever, in Chinese and Chinese culture in Pakistan with the launch of the Belt and Road initiative and the construction of the CEPC. The Belt and Road initiative and the CEPC provide more and more opportunities for the youth to develop their ambitions, to realize their ideals and to have a brighter future. With the learning Chinese and Chinese culture, the youth may catch the opportunities with CEPC or in China. The two countries signed the "Implementation Plan of the Cultural Cooperation between People's Republic of China and the Government of the Islamic Republic of Pakistan from 2018 to 2022", 1965, China and Pakistan signed an annual cultural plan for the first time, this 2018-2022 cultural cooperation agreement can better promote the cultural friendship between the two countries, at the same time, it can also promote the cultural exchanges and contacts among the peoples, especially among the young people [1]. This cooperation plan also plans for exchanges between the two countries on film, tourism and cultural heritage. The consensus reached between the two countries on cultural industries can enhance people-to-people exchanges while can better serve the construction of the CEPC. In terms of education, the CEPC Consortium University was established in 2017 to provide policy and resources support to promote cooperation between educational institutions of the two countries. During the past four years, the direct cooperation between universities and research institutions of China and Pakistan has provided important intellectual support for the development of the CEPC and has become the flagship project of people-to-people exchanges in the CEPC.

3. RISKS AND CHALLENGES OF THE CEPC

(1) Economic risk

Pakistan has a high inflation, 7.34% in 2018 and 14.6% in 2020 which reached a 14-year high. It also has a high fiscal deficit, with an average fiscal deficit of 6.2% in 2010-2017 and 8.1% of GDP in the 2019-2020 fiscal year. It also has high policy uncertainty, Pakistan's state power is related to military power, religion and many other factors, different political parties represent different family interests, which leads to the randomness and lack

of long-term coherence of economic policy [2]. In addition, there is a separatism local force in Pakistan, the relationship between local governments and the central government is strained, and the central government has less control over the local government. These factors led to poor economic growth and low per capita income levels in Pakistan, which in turn has exacerbated economic and social instability and worsened the investment environment.

Policy uncertainty in Pakistan also influences the construction of the CEPC which especially reflects in time-consuming and inefficient. For example, Pakistan's current consumption capacity is not fully considered in the construction process of the CEPC, and Pakistan hopes to replace the coal power projects in the construction projects with natural gas. The original intention of the Pakistani government that to solve the power shortage problem as soon as possible is good, but the policy coherence is very important for long-term construction projects and can also avoid the politicization of economic problems.

(2) Geopolitical risk

Pakistan is located in South Asia, adjacent to the Arabian Sea in the south, and adjacent to India, China, Afghanistan and Iran in the East, North and West. With the further development of CPEC, the regional scope involved is also gradually expanding, which may produce geopolitical contradictions, which are mainly reflected in the relations between Pakistan and neighboring countries such as India, Afghanistan and the Middle East.

First, India has always been skeptical of the CEPC. Although the relationship between Pakistan and India has eased in recent years, small-scale conflicts between the two countries still occur frequently. India, which is also continuing to strengthen its position as a major power in the region in the hope of gaining a voice in South Asia, has spoken public for several times that it opposed the construction of the CPEC. India sees CPEC as a tool for China to intervene in the India-Pakistan dispute, and Pakistan's economic state and national strength will be enhanced through the continued development of the CPEC, which would threaten India's status in South Asia. Second, the construction of the CEPC also faces the threat of large countries outside the region, especially from the United States. With the continuous development of the construction of the CEPC, the United States is increasingly worried about it, especially do not want to see China's interconnection initiative dominate the land commodities in Eurasia and weaken the United States' geo-economic status in the region, therefore, it has adopted the policy of interference and containment of the CEPC. South Asia lies at the heart of the world, attracting the attention of countries within and outside the region. Last, the construction of the CEPC, especially the port of Gwadar, will have an impact on the existing international

transport routes such as Dubai Port, Abbas Port and other ports, and in a certain extent pose a certain threat [3].

(3) Terrorist threat

According to a recent Pakistan Security Report for 2020 published by the Pakistan Institution of Peace Studies (PIPS), there were 146 terrorist attacks in Pakistan in 2020, which resulted in 220 deaths, and by November 2021, there have already been three terrorist attacks against China in Pakistan, especially in May 2021, Pakistan erupted parade against the construction of CPEC, which finally proof was supported by terrorist groups.

88.9% of the projects of the CPEC are located in Punjab, Sindh, Cape and Balochistan provinces of Pakistan, and the probability of terrorist attacks in these four provinces is also among the top four in Pakistan. Although Pakistan's military has set up a corresponding security force to ensure the smooth running of the CPEC, the attacks including terrorist attacks, security incidents and attacks against Chinese enterprises and people still happen frequently. These security issues will have an impact on the continuous promotion of the CEPC project, so Pakistan's security issue is an important challenge.

(4) The depth and breadth of cultural exchanges need to be improved

The original purpose of the Belt and Road initiative as well as the CEPC is to promote the economic development. So, at the beginning stage, the two countries do not attach enough importance to cultural dissemination and cooperation, and cultural cooperation lags far behind the economic, political, military and other relations. At the same time, there are great differences in language, race, culture and even ideology between China and Pakistan, and the models of economic they follow obviously different. Therefore, with the development of CEPC, more attention should be paid to the cultural communication. Because of the influence of Islamic culture and European culture, the way of thinking of Pakistanis has certain characteristics of westernization. Therefore, during the construction of CEPC, some Pakistani people on the one hand are eager for the development opportunities brought about by the construction of the CEPC, but on the other hand, they are worried about the negative effects that the corridor may have.

As the construction of CEPC is getting better, both the China and Pakistan started to pay attention to the qualified personnel. At present, there are fewer transportation routes between China and Pakistan which leads to travel inconvenience and hinders the personnel exchanges between the two countries. At the same time, the cultural exchanges between the two countries mainly rely on government propaganda, less people really come to the country, the people's enthusiasm for participation needs to be improved. Although the construction of the CEPC has effectively improved the living conditions of

the Pakistani people, the local people still do not know enough about the CEPC and the Belt and Road initiative. Similarly, although Chinese people affectionately call the Pakistani people "Pakistan Buddies", they are speechless when referring to the Pakistan's culture [4]. All these showed that, there is a lack of common cultural understanding between China and Pakistan. Now the two governments begin to attach great importance to the exchange of qualified people between the two countries, for it's a good way to solve the lack of common cultural understanding, but the outbreak of the COVID-19, limited the exchange of the international students, and the promotion of projects also has a huge impact, many offline meetings and projects have been hampered.

4. SUGGESTION OF THE CEPC CONSTRUCTION

(1) Expand Pakistan's export

China now is striving to promote a higher level of opening up to the outside world, and holding related events such as the China International Import Expo and the China International Fair for Trade in Services. Pakistan, as a country along the Belt and Road initiative, is an important country for China to better open up to the outside world. China has been increasing its economic assistance to Pakistan in recent years, but this could lead to "aid dependency" on Pakistan, so helping Pakistan accelerate its development is important [5]. Pakistan is a large agricultural country, and its commodities exported to China are mainly natural resources. Although its economic structure has been improved in recent years, the trade structure has not changed significantly and is still in a deficit.

Funds are crucial to a country's economic development, and when they are invested in infrastructure such as transportation and electricity, they will get twofold results with half the effort. According to the data of Pakistan's Ministry of Finance, the total number of kilometers of highways in Pakistan is 268,900, far lower than other countries in South Asia. Convenient transportation is vital to the development of domestic economy and international trade. It is also a facility that directly affects the living condition of residents. The improvement of Pakistan road through the construction of the CEPC will play an important role in promoting Pakistan's economy. And during the construction of CEPC we should facing the whole of Pakistan, benefiting all of Pakistan, and consolidating the social foundation of cooperation. The CPEC is geared towards the whole of Pakistan and is not just limited to a specific region. In the future, we should vigorously explore communication channels with more provinces and promote contacts and cooperation in the field of humanities. Deepen economic and trade cooperation between China and Pakistan and effectively alleviate the problem of Pakistan's trade deficit.

With the improvement of transportation facilities, in the future process of industrial restricting in China, it's possible that more and more enterprises may put their products in Pakistan. For example, the CPEC passes through Xinjiang, which is the main cotton producing area in China with a relatively complete cotton processing industrial chain. At the same time, cotton is also a major cash crop in Pakistan's agriculture, which promotes the production of Pakistan's textile products. If Pakistan can better intervene in China's cotton processing and production, it will not only directly increase employment, but also obtain the cotton processing technology to alleviate the single trade structure caused by a single form of export commodities.

(2) Strengthen communication between major countries

"We have long said that 'Belt and Road' is not a solo, but a big chorus, a symphony, and Pakistan is the first chapter in this great symphony. It's good for us to have a third country to join in." said Lu Shulin, the former Chinese ambassador to Pakistan. Both China and Pakistan should be open and inclusive, actively engage in communication with neighboring countries, strengthen the integration of information and better carry out multilateral cooperation. The main purpose of the construction of the CPEC is to promote economic development, so if economic development benefits the surrounding region, and strive for India's accession or at least no objection, the South Asia environment of the CPEC will be more favorable. Dealing with the United States can ease its intervention in the CPEC by finding common interests of both sides. For example, the United States also faces the threat of terrorism in its cooperation with Pakistan, and China can alleviate the difficulties in construction through dialogue and exchanges with the United States, and through joint cooperation as active roles.

(3) Strengthen risk prevention and control

China should objectively analysis the security threats in Pakistan, not underestimate the potential risks and not amplify the risks which have already emerged. We should clearly realize that these security threats will exist for a long time and the situation is relatively complex, we need to make adequate emergency plans according to the situation.

Strengthen counter-terrorism cooperation with the government and military of Pakistan, and strengthen cooperation and contacts with related stakeholders, so as to achieve regional security and stability and improve the corridor construction environment. At the same time, we should notice that social backwardness and economic poverty are important causes of terrorist attacks and those problems will be better solved by promoting economic development

(4) Promote deep cultural exchanges

As the COVID-19 epidemic spread around the world, China and Pakistan were in the same boat, shared a common destiny, and with epidemic situation in China is continuous getting better, the economic and cultural exchanges in China also start to recover, and cooperation between China and Pakistan also ushered in new opportunities. Strengthen the educational exchanges between China and Pakistan, cultivate modern technical qualified personnel for the construction of the CEPC and provide long-term intellectual support for its development. At the same time, we should also pay attention to the form of the cultural exchanges between China and Pakistan. It's necessary to realize the transformation, from the top-down government promotion to the bottom-up people domination. Only in this way, can the culture play a better role of link the two countries to develop better. Especially in the post epidemic era, personnel mobility restrictions have become the norm. Strengthening scientific and technological innovation will not only provide impetus for the further construction of the CEPC, but also provide a platform for cultural exchanges and communication between the two countries.

At the same time, during the process of cultural exchanges, it is necessary for us to seek common ground while respecting local religious beliefs, customs and lifestyle differences, on the basis of absorbing the essence of heterogeneous culture, we should find the common culture between China and Pakistan. Learning about Pakistani culture and enhance the relevance of CPEC projects. People-to-people communication is the premise for promoting the construction of the "Belt and Road" initiative. We should also realize the skeptical attitude of some Pakistani people about the construction of the CEPC and increase the transparency of the construction of the corridor. It's also important to promote educational and cultural exchanges and cooperation between China and Pakistan. On the one hand, we should take the Confucius Institute as the starting point, strengthen Chinese education in Pakistan, vigorously carry out the China-Pakistan personnel exchanges program, improve the influence of Chinese culture, and attract more talents to actively participate in China-Pakistan education cooperation and exchange; on the other hand, we should also actively introduce excellent educational resources from Pakistan, strengthen educational cooperation between China and Pakistan, and further deepen cultural understanding and cultural identity between China and Pakistan.

On the basis of better promoting the connectivity about people-to-people exchanges, and to enhance people's recognition of the concept about the construction of the CPEC and the construction of the Belt and Road initiative.

5. CONCLUSION

As a model project of the Belt and Road Initiative, the China-Pakistan Economic Corridor (CPEC) is a large-scale and promoting project, and its completion will bring tangible benefits to both the two countries and their peoples. For China, the construction of the CEPC will help China enhance its international competitiveness, expand its influence and better build the Belt and Road Initiative. For Pakistan, CEPC is a rare opportunity for it will bring numerous opportunities and it can deepen the friendship between China and Pakistan. However, we should also notice the poor investment environment, domestic political instability, geopolitical instability, terrorist threat in Pakistan and lack of depth and breadth of cultural exchanges between the two countries still remain in the construction of CPEC.

Based on the current risks and problems, we should realize that CPEC is a long-term and complex project. In the "post-epidemic" period, China and Pakistan should seize opportunities and strengthen cooperation, especially to promote cultural cooperation, and pay attention to risk prevention and control, jointly face the possible problems and challenges in the construction, and strive for the early completion of the CPEC.

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