



# **Changing Security Situation in South Asia and Development of CPEC**



Islamabad Policy Research Institute (IPRI)



Hanns Seidel Foundation (HSF)

# Changing Security Situation in South Asia and Development of CPEC

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Islamabad Policy Research Institute (IPRI)



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## Acronyms

<b>ADB</b>	Asian Development Bank
<b>AIIB</b>	Asian Infrastructure Investment Bank
<b>ASEAN</b>	Association of South East Asian Nations
<b>BCIM-EC</b>	Bangladesh–China–India–Myanmar Economic Corridor
<b>BOP</b>	Balance of Payment
<b>BRI</b>	Belt and Road Initiative
<b>BRICS</b>	Brazil, Russia, India, China and South Africa
<b>CAREC</b>	Central Asia Regional Economic Cooperation
<b>CARs</b>	Central Asian Republics
<b>CPC</b>	Communist Party of China
<b>CPEC</b>	China Pakistan Economic Corridor
<b>CTF</b>	Combined Task Force
<b>DTMB</b>	Digital Terrestrial Multimedia Broadcast
<b>ECO</b>	Economic Cooperation Organization
<b>EEZ</b>	Exclusive Economic Zone
<b>EM</b>	Emerging Market
<b>EPZs</b>	Export Processing Zones
<b>EU</b>	European Union
<b>FATA</b>	Federally Administered Tribal Areas
<b>FTA</b>	Free Trade Agreement
<b>GB</b>	Gilgit-Baltistan
<b>GCC</b>	Gulf Cooperation Council
<b>GDP</b>	Gross Domestic Product
<b>HADR</b>	Humanitarian Assistance and Disaster Relief
<b>HEC</b>	Higher Education Commission
<b>HEIs</b>	Higher Education Institutes
<b>HRD</b>	Human Resource Development
<b>IMF</b>	International Monetary Fund

<b>IONS</b>	Indian Ocean Naval Symposium
<b>IOR</b>	Indian Ocean Region
<b>IPGL</b>	India Ports Global Limited
<b>IPI</b>	Iran–Pakistan–India Pipeline
<b>ISIS</b>	Islamic State of Iraq and Syria
<b>IT</b>	Information Technology
<b>IWT</b>	Indus Waters Treaty
<b>KKH</b>	Karakoram Highway
<b>KPK</b>	Khyber Pakhtunkhwa
<b>LEAs</b>	Law Enforcement Agencies
<b>MDA</b>	Maritime Domain Awareness
<b>ME</b>	Middle East
<b>MoUs</b>	Memorandums of Understanding
<b>MSCI</b>	Morgan Stanley Capital International
<b>NAP</b>	National Action Plan
<b>NATO</b>	North Atlantic Treaty Organization
<b>NDA</b>	Nepal Defense Army
<b>NTSTs</b>	Non-Traditional Security Threats
<b>OBOR</b>	One Belt One Road
<b>OCOR</b>	One Culture One Region
<b>PLA</b>	People’s Liberation Army
<b>PMSA</b>	Pakistan Maritime Security Agency
<b>PN</b>	Pakistan Navy
<b>PRC</b>	People’s Republic of China
<b>QTTA</b>	Quadrilateral Transit Trade Agreement
<b>RAW</b>	Research and Analysis Wing
<b>RS</b>	Ranabir Sena
<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>SAPTA</b>	South Asia Preferential Trade Arrangements
<b>SCO</b>	Shanghai Cooperation Organization

<b>SEZs</b>	Special Economic Zones
<b>SLOC</b>	Sea Lanes of Communication
<b>SSD</b>	Special Security Division
<b>TAPI</b>	Turkmenistan–Afghanistan–Pakistan–India Pipeline
<b>TTP</b>	Tehreek-e-Taliban Pakistan
<b>TUTAP-PTP</b>	Turkmenistan-Uzbekistan-Tajikistan Afghanistan-Pakistan Power Transmission Project
<b>UAVs</b>	Unmanned Aerial Vehicles
<b>UK</b>	United Kingdom
<b>UPKC</b>	US-Pakistan Knowledge Corridor
<b>US</b>	United States
<b>WPF</b>	World Peace Forum
<b>WPNS</b>	Western Pacific Naval Symposium

## Introduction

**Ambassador (R) Abdul Basit,  
Khalid Hussain Chandio and Khurram Abbas**

South Asia is marred by traditional and non-traditional security threats including poverty, environmental degradation, water and food security, a low level of literacy, poor health facilities, and lack of infrastructure in general. Furthermore, poor economic integration and unresolved interstate political issues between members of the South Asian Association for Regional Cooperation (SAARC) have often hindered the progress and development of the region, making it one of the most vulnerable in the world even in the present era of geoeconomics.

The increasing aspirations of the economic giant, China, are likely to have lasting impact on the regional security and economic development of the South Asian states. Coupled with the Chinese approach of ‘non-intervention in internal matters’, the idea of inclusive development under the Chinese Belt and Road Initiative (BRI), has laid the foundation for infrastructural and human development in the region. The China Pakistan Economic Corridor (CPEC) is one of the flagship projects of the BRI, under which China is making large investments in Pakistan. China and Pakistan have often reiterated that CPEC is an economic corridor, and a major stabilising factor in the volatile and uncertain regional security paradigm of South Asia. With both China and Pakistan aspiring to have friendly relations with their neighbours, CPEC, once operational, might well provide long-term economic benefits to the whole region and beyond.

Such developments are seconded by recent political developments. Russia-Pakistan relations are rejuvenating with frequent high-level bilateral visits, and improved defence

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cooperation as well as support for CPEC. Central Asian Republics (CARs) have welcomed this bilateral project, whereas Iran has officially requested to join, and Afghanistan too has expressed its desire to become a part of the same. Two major European countries, i.e., the United Kingdom (UK) and France, have consented to be part of CPEC. Turkey has supported the initiative and expressed her desire to invest in CPEC-related projects. This international acceptance might convert into an economic association of trade and development not only for the region, but also for the international community.

The security situation in South Asia, however, has been in a constant flux due to the simmering and volatile situation in Afghanistan coupled with the presence of terrorism and extremism. The region also remains inundated with unresolved territorial disputes, particularly the Jammu and Kashmir issue. The recent Indian aspirations, to revise and disrupt an already settled Indus Waters Treaty (IWT), have further complicated relations between the two major countries of South Asia - i.e., Pakistan and India.

While Pakistan has been making consistent efforts and immense sacrifices to improve the security situation in the country as well as work towards peace with all its neighbours, the role of some state and non-state actors remain major hurdles. In this context, the worsening security situation in Afghanistan, opposition of CPEC by India, issues of maritime security, and the lack of support to the project by a few extra-regional powers are serious constraints for Pakistan's sustainable development, especially through CPEC.

In this prevailing security scenario and to find answers to some pertinent questions of how the current regional and international security situation is likely to impact the security of Pakistan and what CPEC can offer in terms of stabilising regional security and vice versa, this volume of working papers, thought pieces and essays has been put together. It is an amalgamation of discussions carried out during a two-day

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National Conference on *Changing Security Situation in South Asia and Development of CPEC* organised by the Islamabad Policy Research Institute (IPRI) in collaboration with the Hanns Seidel Foundation (HSF), Germany (Pakistan office) in September 2017. Eminent Pakistani scholars shared their research and debated policy prescriptions on issues such as geopolitics and development of CPEC; its impact on national and regional security as well as its win-win potential for Pakistan, South Asia and beyond.

**Ambassador (R) Abdul Basit**, President IPRI, in his welcome address hoped that the Conference deliberations on different aspects of the subject would enhance understanding of the challenges and opportunities in South Asia in the right perspective. While dwelling on the theme of the Conference, he

*Pakistan's Neighbours' First Policy is driven by the national desire to move from conflict management to conflict resolution. It is hoped that India, as the biggest country in South Asia, will revisit its approach because disengagement and confrontation are self-defeating. There is a need to lay the solid foundations for bilateral trust and regional cooperation. History tells us that a sustainable and balanced regional cooperative framework cannot be built on unpredictable and tenuous bilateral relations.*

said that peace and development are inter-linked, and added that expecting sustained economic growth in a regional environment driven by deep mistrust, disputes and conflicts is an unrealistic hope.

Unfortunately, South Asia, which is home to more than 1/6<sup>th</sup> of the world's population, continues to be mired in disputes. He despaired that there are serious impediments to realising the economic potential as

well as the development aspirations of the people of South Asia. It is no coincidence that this region continues to be the least

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integrated in the world. For instance, the intra-regional trade in South Asia accounts for 5 per cent, as compared to 40 per cent of South East Asia, and 60 per cent of the European Union (EU). He urged that the situation in Afghanistan needs to be dealt with in a holistic approach, whereas Pakistan and India also need to settle their long-standing disputes, especially the Jammu and Kashmir dispute, which is the root cause of all problems. Pakistan has always strived and is working for the normalisation of its relations with all its neighbours.

**Mr Omer Ali**, National Programme Coordinator at the Hanns Seidel Foundation (HSF) spoke on behalf of the Resident Representative Mr Kristof Duwaerts. He said that the China Pakistan Economic Corridor as a buzzword has elicited a high number of conferences, seminars and activities in the two years since the signing of the ground-breaking Memorandum of Understanding by the Chinese President Xi Jinping in April 2015 during his visit to Pakistan. Ever since, the cordial relationship, which China and Pakistan have been enjoying almost throughout their history, and which has led to qualifications such as the ‘all-weather friendship’ being as ‘high as the Himalayas’, has reached its zenith by the advent of yet another ‘Game Changer’ further deepening that relationship with a number of accompanying initiatives by the Chinese government. He added that both China and Pakistan have their own stakes and perks for welcoming an ever-deeper cooperation which is quite unique in recent *Weltpolitik*. While China, among many reasons, has finally succeeded in obtaining direct access to the Arabian Sea, thereby circumventing the bottleneck of the Malacca Straits, which might well change the complete strategic set-up in the Far East, Pakistan primarily benefits economically from revenue generated by increased trade and investment

*The China Pakistan Economic Corridor provides the opportunity for raising many secluded layers of society from abject poverty.*

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opportunities. He pointed out that this, in turn, leaves Pakistan in a much stronger negotiating position globally and prone to increase the direly needed cooperation with all other neighbouring countries. He added that the aim of the Conference was to evaluate the strategic implications and opportunities academically, which the development of CPEC holds. Such analysis, in turn, will provide the grounds for policymakers and planners to take informed decisions and help implement CPEC to obtain a desirable outcome.

**H. E. Mr Sun Weidong**, then-Ambassador of the People's Republic of China (PRC) to Pakistan, while acknowledging Pakistan's contributions in the promotion of China-Pakistan friendship and cooperation said that this collaboration is across

*In order to well understand CPEC, the Corridor must be analysed from the larger perspective of China's foreign cooperation ambitions. This ambition is based on three key words- Partnership, Win-Win Benefit, and Regional Cooperation.*

the board consensus of the people of the two countries. He said that in 2014, during his visit to some South Asian countries, President Xi Jinping pointed that China would like to take the Belt and Road Initiative (BRI) as the two wings towards

economic take-off and prosperity of the South Asian countries. He highlighted that a peaceful, stable, developing and prosperous South Asia is not only in line with the interests of the countries and people in this region, but also in line with the interests of China. He shared that China is pushing CPEC and other initiatives like the Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC) with Nepal, Bangladesh, Sri Lanka and Maldives. Ambassador Weidong opined that China and South Asia together will form a huge market of three billion people in total, and become the fastest growing region and largest emerging market in the world. He highlighted that

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under CPEC 19 projects worth USD 18.5 billion are growing like bamboo shoots for Pakistan. As the flagship project of BRI, CPEC has accumulated valuable experience for China and Pakistan, and even regional countries to push forward in-depth development of the initiative. He said that the two sides have agreed to the principles of equality and mutual benefit, as they are achieving shared growth through friendly discussion and close collaboration, adhering to the ideals of openness, inclusiveness and transparency.

**Mr Ahsan Iqbal**, Federal Minister for Interior and Narcotics Control, Government of Pakistan graced the occasion as Chief Guest in the Inaugural Session. He said that the initiation of CPEC has drawn a lot of attention as its potential remains widely analysed, discussed and debated across the world. He was of the view that at the moment, a new world order is evolving which is chaotic. Amidst this turmoil, the world has witnessed acute issues of people's mistrust, the occurrence of Brexit and election of Donald Trump as the US

*The Twenty-first Century has presented to us a new economic order and new reality, with its foundations based on Four I's - i.e., Individual, Industry, Investment and Information becoming global entities. This century is about Economics, Empowerment of the individual, Global Networking and Innovation & Technology.*

President are two examples to quote. According to him, while the first half of the Twentieth Century was consumed in decolonization - states struggling to liberate themselves from foreign occupation - the other half was consumed in the formation of political and ideological blocs and Cold War politics.

In the similar context, he said that CPEC is a tremendous opportunity that has come to Pakistan specifically, and South Asia, in general. He underscored that today states have to provide a better standard of living to their people through right

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economic vision alongside provision of peace and development.

*Internal instability, fast urbanisation process, lack of proper education, employment and entrepreneurship, and lack of regional collaboration among member states are the four structural problems of South Asia, impeding interaction and cooperation.*

The Belt and Road Initiative (BRI) is based on pragmatic thinking to ensure sustainable global development when the world is facing an economic slowdown. Mr Iqbal stressed that traditional security concerns in the region emerge from issues of the unfinished agenda of Partition and rise of fundamentalism. He suggested that South Asian states should continue to seek solutions towards peace and prosperity

as South and Central Asia, along with China, are the three engines of future economic growth.

**Dr Farhan Hanif Siddiqi** from the Quaid-i-Azam University opined that presently one can witness a cult of the offensive in South Asia. Global and regional powers are becoming increasingly aggressive. This is where CPEC presents a radical break. The project breaks the zero-sum geopolitics in the region by presenting a model of geoeconomics which is positive-sum for all countries. Contrary to popular belief, he explained that Pak-India relations have oscillated between periods of antagonism and periods of cooperation. The relationship has not always been marred with hostility. In his opinion, South Asian states are looking at economic ventures through geopolitical lens. India's absence in the One Belt One Road (OBOR) Summit in China is a glaring example. He explained that Pakistan's economic model has always been foreign-aid dependent. In this regard, CPEC provides an alternative with a focus on foreign investment. The fundamental model of the project is good. In the end, he reiterated that South Asian states need to revise

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their hostile geopolitics and work towards reconciliatory geoeconomics.

***Dr Syed Rifaat Hussain*** from the National University of Sciences and Technology (NUST) said that South Asia is no longer a 'sub-ordinate system' as believed by Western scholars. Its economic, nuclearisation and technology trends show the region's rapid progress. Despite this autonomy, he argued that South Asia is the least economically integrated region of the world. He said that India has maritime and land borders with all South Asian countries which gives it power and influence vis-à-vis other countries, except Pakistan, which has resisted Indian hegemony. He argued that Pakistan sees CPEC as a game changer because the relocation of excess Chinese industries to Pakistan will create thousands of jobs leading to a more inclusive and peaceful South Asia in general and Pakistan in particular.

*CPEC would frustrate India's aspirations for regional hegemony as the project would further provide impetus to China's USD 11 trillion economy having a growth rate of 8 per cent.*

***Dr Fazal-ur-Rahman*** from the National Defence University (NDU), Islamabad and Non-Resident Consultant, IPRI explained that peripheral security is the top priority for Chinese policymakers after reforms in China in 1978-79. This is also reflected in China's neighbourhood policy as it tries to disengage its neighbours from any kind of conflict. Thus, it plays a very proactive role in diffusing conflicts. Peace through development is the current policy of China in South Asia. China is trying to uplift the economic system in the region to create peace through development. Dr Rahman pointed out that in the larger scheme of things, OBOR is a mechanism through which China is influencing the global economic system, and while the peculiar geographic dynamics make South Asia more conflict-prone, China suggests a model for Pak-India relations whereby both

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countries should put their territorial issues on the back burner and concentrate on economic cooperation.

**Vice Admiral (R) Asaf Humayun, HI (M)** from the National Centre for Maritime Policy Research at the Bahria University, Karachi, in his presentation on *Pakistan's Vision of Maritime Security and CPEC* said that the stabilising factors for maritime security are commercial interests, countering Somali piracy by a global coalition of maritime forces, containment of regional

*Development of CPEC and the use of the Gwadar Port will increase Pakistan's maritime security responsibilities and challenges, especially those related to sea-based nuclear weapons; the rise of India as a maritime power; non-traditional security threats like climate change, smuggling, cyber warfare and piracy; ISIS presence in littoral states; and threats of subversion.*

conflicts on land and nuclear weapons in the Indian Ocean. However, the issues surrounding the protection and use of oceans are trans-boundary in nature, and require strong cooperation. Admiral Humayun said that India is overtly hostile to CPEC and launching covert

operations in areas of Pakistan's responsibility. He recommended that to counter these challenges, Pakistan needs to use CPEC as an inclusive forum to alleviate poverty in the country; pursue maritime security cooperation; be prepared to meet enemy designs; and establish a naval harbour at Gwadar Port or in its vicinity so that maritime security can be augmented for CPEC.

**Dr Muhammad Masoom Yasinzai**, Rector International Islamic University speaking on *CPEC: An Engine for Human Resource Development in Pakistan* said that CPEC has the potential of making Pakistan one of the most strategically important countries in the region. However, Pakistan has a weak labour market, and lacks quality vocational training centres since the

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Higher Education Commission has not succeeded in building bridges between academia and industry.

He stressed developing Human Resources for collaborative linkages and intellectual connectivity, which symbolise the spirit of CPEC. He also recommended that Pakistan's institutions of higher learning need to become more relevant and update their syllabi and faculty capacities to bridge the human capacity gaps in areas like civil engineering, especially rail-ways and tunnels, electrical and instrumentation engineering, architectural planning, supply chain management, business incubation, transportation and logistics, industrial electronics, and energy.

*Along with building the CPEC-University Alliance, further focus is required to develop the capacity of Pakistan's existing HEIs in Balochistan, Gilgit-Baltistan, and coastal areas, to strengthen the labour market and offer quality vocational training.*

**Dr A. Z. Hilali** from the University of Peshawar discussing interests of regional states said that CPEC is the recognition of Pakistan's strategic location and will act as a double-edged sword - an opportunity as well as a threat to its internal and external enemies. He explained that the majority of relevant stakeholders in Afghanistan are supporting CPEC, but historical communist elements and pro-Indian lobby is pressurising Kabul to oppose it. Torkham-Jalalabad road and Peshawar-Torkham road are some of the projects that will improve connectivity between the two countries. Iran has also formally expressed its desire to join the multi-billion dollar project of CPEC. However, Iran's close association with India has raised apprehensions about their involvement in the project. Central Asian states have also expressed interest in joining CPEC as the project would be a key facilitator to bridge the regions of South and Central Asia in four main areas - energy, transportation, trade policy and trade facilitation. He said that India has boycotted CPEC, mainly due to self-imagined concerns

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that it runs through Pakistan-administered Kashmir (Gilgit-Baltistan) and India views this as a violation of its sovereignty.

**Dr Moonis Ahmar** from the University of Karachi discussed development of CPEC and how it could end extremism by explaining that engaging Pakistan's youth in projects covered under CPEC, particularly roads, railways, solar and thermal

*Large-scale development projects under CPEC with proper planning and by taking local stakeholders on board can be a great leap forward in reducing the level of unemployment, particularly, in the backward regions of Balochistan and Khyber Pakhtunkhwa; and thus, act as a bulwark against elements of extremism in these vulnerable regions.*

power production, will not only enhance their talent and skills, it will also utilise their energies in a positive manner which may help dilute the level of frustration, thus, mitigating the threat of extremism in the country. He said that in view of China's age-old friendship with Pakistan, one can expect that Beijing will also invest in programmes to deradicalise the youth of Pakistan because if the younger strata of society

is frustrated and is vulnerable to violence and terrorism, CPEC's drive to act as a 'game changer' and a 'milestone' for social and economic development may be a non-starter.

**Dr Khuram Iqbal** from the National Defence University presented his paper on *CPEC: A Corridor for Minimising Political Fault lines in South Asia* and argued that the Indian response to CPEC has barred the potential of this mega development initiative to address regional political fault lines. It has transformed ideological terrorism into Cold War era *proxyism*. While explaining the political fault lines in the region, he warned that any bilateral or multilateral issue, if left unresolved, could threaten regional security and impede regionalism in South Asia. To this end, he argued that

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interstate disputes, including Jammu and Kashmir dispute, are the main political fault lines in the region. He opined that India misperceives Pakistan as a residue to Central Asian invaders, and is paranoid that Pakistan may convert its newly acquired wealth into military muscle and impede India's rise. Increased Chinese economic stakes could also internationalise the Kashmir dispute. In response, India has tried to start many initiatives, but those have not materialised because of being more rhetorical with less substance. These include pitching Chabahar against Gwadar, Project Mausam and Spice Route, amongst others.

***Professor Dr Muhammad Alam Khan*** from the University of Balochistan, Quetta said that the envisaged framework of CPEC would link China to the resource-rich Middle East and African continent via Gwadar and Karakoram Highway, providing the Republic the shortest route to the Middle East. It is important to note that China consumes over 11 million barrels of oil per day, which is projected to exceed beyond 13 million barrels per day in 2020 whereas, China imports 60 per cent of its oil needs from the Middle East. Since 2014, China has emerged as the main trading partner of the Middle Eastern region. He said that Pakistan and Iran share a long border and enjoy a cordial relationship. With no active conflict, both countries have various areas of convergences. However, given their security priorities both have a specific policy for India and Saudi Arabia, of which the latter has remained an important factor in Pak-Iran bilateral relations. He added that with the initiation of CPEC, India desires access to resource-rich Central Asia via Iran as it has openly rejected the project. In this regard, Chabahar Port serves as an opening for India to enhance its meagre trade with the Central Asian Republics (CARs). Meanwhile, Iran also wants to engage Afghanistan to use the facility as an alternate to Pakistan's Karachi Port. Given these developments, India through Iran and Afghanistan, is trying to establish a strategic triangle against Pakistan in the region. India's increasing influence and activities in Pakistan's immediate neighbourhood

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has raised serious concerns. Besides India, he said that, China is also engaging Iran, mostly on the economic front. During the visit of the Chinese President to Iran in January 2017, the two sides pledged to achieve a trade target of around USD 600 billion over the next decade, in addition to signing 17 agreements.

***Dr Muhammad Mujeeb Afzal*** from Quaid-i-Azam University discussed how the end of the Cold War and the victory of capitalism have helped both India and China to rise economically. China, especially, with this new found wealth wishes to restructure the colonial, feudalistic trade dependency on the West due to which the East is interacting directly with

*India believes that initiatives like CPEC would strengthen Pakistan to further challenge its regional hegemony and reduce its defence burden. Besides, India also thinks that such circumstances would make its policy of trying to isolate Pakistan irrelevant.*

the West, not with each other. China certainly aims to break this pattern and revive the old routes for mutual trade and interaction of inter-and intra-regions of the all the three continents including Asia, Africa and Europe. Similarly, the BRI project proposes integration at both levels - i.e., through the land and sea routes of the new BRI and Maritime Silk Road, respectively. He pointed out

that with the completion of BRI, China is expected to be the largest economy in the world worth USD 58.5 trillion. Pakistan's economy will increase by 15 per cent till 2030, and may emerge as a USD 4.2 trillion economy by 2050. He underscored that this will be a phenomenal change that would impact the regional and international balance of power. He shared that India has rejected the economic explanation of BRI and its projects because New Delhi thinks that it is essentially a process through which China wishes to create its own sphere of

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influence and encircle India, strategically. To counter that, India is establishing its alternative processes.

He explained that India's strategic partnership with the US cannot be seen as a complete counterweight to the rise of China. Also, there exists a perception that both Pakistan and China and Pakistan and India are being dealt by different commands of the US' military. In its efforts to establish partnership with the US, Japan and Australia, India desires to have access to their sophisticated and indigenous technology and expertise. Similarly, India is also trying to establish alternative routes to CPEC such as through Chabahar Port of Iran, Zaranj-Dilaram Highway, link between India-Iran-Russia through International North-South Transit Corridor, Ashkhabad Agreement to link India-Oman-Iran-Central Asia and establishment of ports in the Nicobar and Andaman Islands and Sri Lanka, respectively. Whether it is possible for India to counter China, Dr Afzal tendered that in the short and medium term, it seems less impossible. China's economy is five times bigger than India. He added that the region may face a new era of competition and conflict, and questioned if the other countries of the region will stop and wait for India and Pakistan to resolve their issues. He recommended that it is time that China and Pakistan both think of ways to reduce tensions through the resolution of issues with India.

*Beijing has USD 70-80 billion trade with Delhi; and in the long run, China (being Pakistan's closest ally) may demand opening of a trade route to India.*

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**Dr Ashfaque Hasan Khan** from the National University of Sciences and Technology (NUST) informed the audience that Pakistan's economy is currently passing through difficult times. CPEC, once implemented fully has the potential to transform Pakistan's economy from low growth (3-4 per cent) to a higher (7-8 per cent) mode by removing key infrastructural bottlenecks; promoting balanced regional growth and development; shaping new industry clusters; improving living standards; social mobility; and promoting regional connectivity.

*It is important to build the capacity of Pakistan's bureaucracy to handle multidimensional projects; and set up a CPEC Development Authority comprising civil and military officers for better coordination, smooth and timely execution and completion of projects.*

In his view, CPEC-Central Asia Regional Economic Cooperation (CAREC) can be a game changer for 2 billion people in the region. However, he also stressed that Pakistan's leadership needs to be serious in implementing projects, and to focus on human capital development, particularly Institutions of Higher Learning. He suggested that a pool of skilled manpower

in the country, and Balochistan in particular needs to be generated. He said that a crash programme needs to be launched to provide requisite skills to the people of Gwadar and Balochistan as a whole for promoting social stability in the country. Dr Khan opined that while India can scuttle the benefits of CPEC cooperation through Afghanistan, it can be neutralised by reinvigorating the Quadrilateral Transit Agreement signed in 1995 by China, Pakistan, Kazakhstan and the Kyrgyz Republic.

## *Introduction*

While addressing the Concluding Session, Chief Guest ***Engineer Khurram Dastgir Khan***, Federal Minister for Defence, Government of Pakistan said that in the South Asia security matrix, there was no room for self-proclaimed, artificially boosted states. He said that the recently announced US policy on South Asia underscored a greater role for India in Afghanistan and the region, while not acknowledging the exponential contribution, counterterrorism success, and sacrifices of Pakistan for peace and regional stability. He added that there are strategic contradictions in the US approach, and most key regional and global players have not supported this declared US policy since it envisages India to be a Net Security Provider in the region. Mr Dastgir opined that regional security can only be ensured through relationships and collaborations based on mutual trust and equality. He said that South Asia was undergoing an unprecedented transformation due to globalised economic trends and rising interdependencies, wherein the prosperity and stability of one nation is becoming indivisible from others. It is also home to countries that share much with each other culturally and geographically, but ironically, progressing independently rather than in conjunction.

*The possible reasons for limited integration and lack of cooperation in South Asia lie in deep-rooted historic, political differences due to colonial legacies and territorial disputes, which have not allowed the environment of trust to prevail, and is being exploited by extra-regional states for their geopolitical interests.*

He said amidst these complex security threats, CPEC as part of the Belt and Road Initiative is a significant flagship project which has gained global attention, and has the potential to bring a paradigm shift in the destiny of this entire region, 'but

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here, the caveat is that peace amongst the regional countries is a prerequisite for success of this initiative.’

*The success of CPEC hinges on the ability to deal with intricate national security issues, forging national consensus and preventing negative geopolitical influences in the region.*

He clarified that cooperation between Pakistan and China is focused on economic development through connectivity, and is not against any other

country. It seeks to establish and sustain long-lasting, mutually beneficial relationships with global and regional players. ■

# Part I

- Welcome Address
- Opening Remarks
- Keynote Address
- Inaugural Address
- Concluding Address
- Policy Recommendations



## Welcome Address

Ambassador (R) Abdul Basit  
*President, IPRI*

It is my great honour to welcome you all on behalf of the Islamabad Policy Research Institute. We are particularly grateful to the honourable Minister and keenly looking forward to his keynote address. It is also wonderful to have a galaxy of eminent scholars at this very important Conference, and I am confident that their presentations over the next two days on different aspects of the subject would enhance our understanding of the challenges and opportunities in South Asia.

It goes without saying that stability and prosperity go hand-in-hand. We cannot realistically expect sustained economic growth in a regional environment driven by deep mistrust, disputes, and conflicts. You will agree with me that peace is *sine qua non* for sustainable development. Unfortunately, South Asia, home to more than 1/6<sup>th</sup> of the world population, continues to be mired in disputes. These are serious impediments to realising the economic potential of this region as well as development aspirations of the people of South Asia.

It is no coincidence that South Asia continues to be the least integrated region in the world. For example, intra-regional trade in South Asia is around 5 per cent as compared to intra-regional trade in South East Asia, which is 40 per cent, and in the European Union (EU) it is over 60 per cent. The reasons for this are well known. Whereas, the secession in Afghanistan needs to be dealt with holistically and permanently; Pakistan and India also need to settle their long-standing disputes, especially the Jammu and Kashmir dispute which is a root cause of all their problems.

Pakistan, as you all know, has always strived and is working for normalising its relations with all its neighbours. Our 'First Neighbour Policy' is driven by our national desire to

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move from conflict management to conflict resolution. We hope that India, being the biggest country in South Asia, will revisit its approach, because, disengagement and confrontation are self-defeating. We need to lay solid foundations for bilateral trust and regional cooperation. History tells us that we cannot build a sustainable and balanced regional cooperative framework on unpredictable and tenuous bilateral relations.

It is very encouraging to see that our government is conscious of the fact that while we cannot be oblivious to our geopolitical requirements, at the same time we cannot be complacent about the compulsions of geoeconomics. It is good to see that the development of the China Pakistan Economic Corridor (CPEC) is being dovetailed with our national development requirements. So, in the years to come we must see that CPEC helps us to expand and build up our infrastructure, overcome our energy problems, extend our industrial base, and eventually diversify and increase our exports. Pakistan should rise to adapt to Twenty-first Century challenges. I am really encouraged to see that governments of both Pakistan and China have joined hands to make this mega project a great success. Chinese military thinker Sun Tzu once said that ‘Opportunities multiply as they are seized.’ Pakistan has a great future.

I am sure that our deliberations over the next two days will help us understand the issues and their right perspectives. Let me conclude by once again thanking you all for joining us at this important Conference, and we are looking forward to animated discussions as well during the Question-Answer sessions.

Thank you very much once again and I wish you a happy day. ■

## Opening Remarks

Mr Omer Ali

*National Programme Coordinator,  
Hanns Seidel Foundation Pakistan*

On behalf of the German Hanns Seidel Foundation, I would like to warmly welcome you to this Two-Day National Conference in cooperation with our esteemed partner, the Islamabad Policy Research Institute, entitled the *Changing Security Situation in South Asia and the Development of CPEC*.

The China Pakistan Economic Corridor (CPEC) as a buzzword has elicited a high number of conferences, seminars and activities in the two years since the signing of the groundbreaking Memorandum of Understanding by Chinese President Xi Jinping in April 2015 during his visit to Pakistan. Ever since, the cordial relationship, which China and Pakistan have been enjoying almost throughout their complete history, and which has led to qualifications such as the ‘all-weather friendship’ being as ‘high as the Himalayas’, has reached its zenith by the advent of yet another ‘Game Changer’ further deepening that relationship with a number of accompanying initiatives by the Chinese Government. This development has, apart from the positive vicissitudes in a wide range of realms, led to a mushrooming of so-called experts on China in Pakistan, while the actual expertise has largely remained weak until very recently. Many of the seminars arranged so far have, thus, remained relatively shallow, with academic and knowledgeable analysis hardly being produced to a larger extent.

The good news is that the number of actual experts is steadily rising, with roughly 22,000 Pakistani citizens currently pursuing higher studies in China. Another means for increasing and solidifying the number of experts within Pakistan to make positive contributions towards a sustainable development of all kinds of economic as well as strategic initiatives is conferences

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like the ones which are consistently being organised by the Islamabad Policy Research Institute since quite some time now. Under the able leadership of its President, Ambassador Abdul Basit, who has recently joined the ranks after a very distinguished career in the Foreign Service of Pakistan, I am certain, that the results brought forward in this Conference will continue benefitting a high number of stakeholders in Pakistan.

Both China and Pakistan have their own stakes in welcoming an ever-deeper cooperation which is quite unique in recent *Weltpolitik*. While China among many reasons has finally succeeded in obtaining direct access to the Arabian Sea, thereby circumventing the bottleneck of the Malacca Straits, which might well change the complete strategic setup in the Far East, Pakistan primarily benefits economically from revenue generated by increased trading and investment opportunities. This, in turn, leaves the country in a much stronger negotiating position globally, and more motivated to increase the direly needed cooperation with other neighbouring countries. At the same time, CPEC provides the opportunity for raising many secluded layers of society from abject poverty.

The aim of this Conference will be to academically evaluate the strategic implications and opportunities which the development of the new Silk Road holds, and go beyond mere statements and reiterations of what we have largely been hearing over the past two years. Such analysis will provide the grounds for policymakers and policy-planners to take informed decisions and help implement the project to obtain a desirable outcome.

The Hanns Seidel Foundation is a parliament-mandated non-profitable non-partisan organisation from Germany working on issues of political education and political dialogue all over the world. We pride ourselves in having organised a high number of conferences with the incredibly capable team at IPRI on ground-breaking issues, providing academicians and policymakers with valuable input and expertise.

### *Opening Remarks*

I would like to thank all the presenters and panel discussants for having taken time out of their busy schedules to join us for this important event from many parts of Pakistan. Likewise, I would like to thank the Organising Committee of IPRI for their efforts in making this event happen.

Thank you for your attention.■

## Keynote Address

H.E. Mr Sun Weidong

*China's Ambassador to Pakistan (2013-17)*

It is my pleasure to attend this Conference organised by the Islamabad Policy Research Institute. First of all, let me take this opportunity to thank H.E. Mr Ahsan Iqbal for his participation today and for his important contribution to the promotion of China-Pakistan friendship and cooperation, especially for China Pakistan Economic Corridor (CPEC). CPEC could not come to be fully materialised in a short span of four years without the personal commitment and efforts of Minister Iqbal. China-Pakistan cooperation is across the board consensus of the peoples of the two countries. I would also like to take this opportunity to extend my gratitude to H.E. Ambassador Basit and all of you for your support and contribution to China-Pakistan relationship and CPEC.

Recently, there have been numerous discussions on CPEC. In my opinion, to well understand CPEC, while we focus on its prospects for development and its positive role on our bilateral cooperation, we can also see it from a larger perspective about China's foreign cooperation since it is the flagship project of the Belt and Road Initiative (BRI).

Here, I want to give some food for thought and point out three key words. The first key word is *Partnership*. China adheres to the road of peaceful development. We are fostering a new type of international relations featuring win-win cooperation and forging partnerships of dialogue with no confrontation and of friendship rather than alliances. The Chinese Foreign Minister Wang Yi summarised this concept with 'Four Yes and Four Nos'— say Yes to peace and No to

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conflict; say Yes to cooperation and No to opposition; say Yes to justice and No to hegemony; say Yes to win-win and No to zero-sum. Our foreign cooperation rejects the thinking of zero-sum game and the Cold War ideology, it is not aimed at any third party. China is the first country that takes the establishing of partnership as the guiding principle of state-to-state relations. We have already set up different forms of partnerships with more than 90 countries and regional organisations around the world, among which China-Pakistan all weather relationship is the unique one which represents our time-tested friendship. Only on the basis of partnership, it is possible to build a community of shared future for mankind, and find the best way to cope with a multipolar, economically globalised, digitised and culturally diversified world.

The second key word is ***Win-Win Benefit***. The BRI is the grand vision and action plan of the openness and cooperation among the countries along the Belt and Road. The Initiative has no background of the COLD WAR and group confrontation. It is neither the relationship between donors and recipients, nor the geopolitical tool of any country. China is willing to develop friendly cooperation with all participating countries on the basis of the Five Principles of Peaceful Coexistence. In pursuing the Belt and Road Initiative, we will not resort to outdated geopolitical maneuvering. What we hope to achieve is a new model of win-win cooperation. We have no intention to form a small group detrimental to stability, and what we hope to create is a big family of harmonious co-existence. The principle of BRI is achieving shared growth through joint discussion and collaboration which embodies all the participant beneficiaries. We are making a big pie together and allocating the pie fairly and reasonably with win-win benefits as the ultimate goal.

The third key word is ***Regional Cooperation***. We actively promote policy synergies between the BRI and national

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development strategies of regional countries. We work together with neighbouring countries in establishing the Asian Infrastructure Investment Bank (AIIB). We actively promote various initiatives for regional and sub-regional cooperation.

South Asia is at the convergence of China's Belt and Road initiatives. In 2014, during President Xi Jinping's visit to South Asian countries, he pointed out that China would like to take the Belt and the Road as the two wings towards economic take-off and prosperity with South Asian countries. A peaceful, stable and prosperous South Asia is not only in line with the interests of the countries and peoples in this region, but also in line with the interests of China. Currently, we are accelerating cooperation on important projects, the construction of overseas economic cooperation zones as the major platforms in materialising the Belt and Road Initiatives, pushing forward CPEC, the Bangladesh-China-India-Myanmar Economic Corridor, and other projects for connectivity with Nepal, Bangladesh, Sri Lanka and Maldives.

In the coming five years, China is expected to import USD 8 trillion of goods, attract USD 600 billion foreign investment, and make USD 750 billion outbound investment around the world. Chinese tourists will make 700 million overseas visits. This is a significant opportunity that China is going to bring to the world. China and South Asia combined together will form a huge market with 3 billion population in total. It is the fastest growing region and the largest emerging market in the world. Economic and trade cooperation between China and South Asia have great potentials. We are willing to work together with the South Asian countries to take advantage of these favourable conditions. We are willing to promote effective synergies of the Belt and Road Initiative with all other development strategies. We are willing to turn this blueprint into a reality, so that these initiatives can benefit the people of South Asia.

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Under BRI, CPEC can be generated as one of the earliest, fastest and most effective projects. It has now entered the stage of Early Harvest. As a flagship project, CPEC has accumulated valuable experience for China and Pakistan, and even the regional countries to push forward in-depth development of BRI.

The two sides adhere to the principle of self-willingness, equality and mutual benefit; the principle of achieving shared growth through discussion and collaboration; the principle of openness, inclusiveness and transparency; and the principle of construction of various projects in a balanced manner which benefit all the people.

With the steady progress of CPEC, the geographical and economic advantages of Pakistan will be fully untapped. Its radiation effects on South Asia, Central Asia, the Middle East and even Eurasia will be released. For example, some early harvest projects on infrastructure such as the Peshawar-Karachi Expressway and the Karakoram Highway upgradation, once completed, will not only greatly improve Pakistan's domestic traffic situation, but also promote the economic development along their routes. These projects will promote the overall flow of personnel, materials and services. All regional countries, including China and Pakistan, will benefit from it. The opportunities brought by CPEC will go far beyond the bilateral scope.

The smooth progress of CPEC requires a stable internal and external environment, coherent policies, and sound supply of water, electricity, roads, communications and other infrastructure. It also needs a favourable environment for investment, security and public opinions. What we are doing now is to lay the firm foundation of CPEC. Only on this basis can we build a skyscraper in the future.

On 18 October 2017, the 19th National Congress of the Communist Party of China (CPC) will be held in Beijing. Under

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the leadership of the CPC with General Secretary Xi Jinping as the core, the Chinese people will make more progress on the road to achieve its 'Two Centenary Goals', the Chinese dream of rejuvenating the nation. Along this road, China will provide more public goods to the whole world and contribute more to world peace and development.

China and Pakistan are good neighbours, friends, partners, and brothers. Our friendship is based on mutual understanding, mutual trust and mutual support. Let us work hand-in-hand to promote our all-weather strategic cooperative partnership and make more contribution to the peace, and security, openness and prosperity of the region.

I wish the Conference full success.

Thank you.■

## Inaugural Address

**Mr Ahsan Iqbal**

*Federal Minister for Interior and Narcotics Control,  
Government of Pakistan*

First of all, I would like to compliment Islamabad Policy Research Institute (IPRI) and Hanns Seidel Foundation (HSF) for hosting a very important conference on a very important subject. The China Pakistan Economic Corridor (CPEC) is a collaborative project between two of the most reliable partners in the world. The initiation of CPEC has drawn a lot of attention as its potential remains widely analysed, discussed and debated across the world. At the moment, a new world order is evolving which is chaotic. Amidst this turmoil, the world is witnessing acute issues of peoples' mistrust about existing systems, the occurrence of Brexit and election of Donald Trump as the United States President are two examples to quote. The first half of the Twentieth Century was consumed in decolonisation i.e., states struggling to liberate themselves from foreign occupation, while the other half was consumed in the formation of political and ideological blocs and Cold War politics. Given the meagre socioeconomic stature of Asian states at the time, they had to take sides. The Twenty-first Century presented us a new economic order and new reality, with its foundations based on four I's, i.e., individual, industry, investment and information becoming global entities. This century is about economics, empowerment of the individual, global networking and innovation and technology. Groups like G7 and G20 stand out as the blocs of this century where membership does not depend on political systems, rather on the size of the economy.

In a similar context, CPEC is a tremendous opportunity that has come to Pakistan specifically, and South Asia in general. Today, states have to provide a better standard of living

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to their people through the right economic vision alongside provision of peace and development. The Belt and Road Initiative (BRI) is based on pragmatic thinking to ensure sustainable global development by opening new markets through connectivity, and thus, spurring new demands, at a time when the world is facing an economic slowdown. South Asia, being a highly dense and militarised zone, remains the least integrated region. The traditional security concerns here emerge from the issues of the unfinished agenda of Partition and rise of fundamentalism.

CPEC, a portfolio of over USD 46 billion, is making tremendous progress with the completion of infrastructure and energy projects and the time is ripe to reap benefits from this major initiative. The Chinese investment, technology and Pakistan's location with low production cost together make a winning combination. Through various energy projects, power shortages in Pakistan would be overcome, which is a first prerequisite of industrial development. The present Government has ensured generation of 10,000 Megawatt (MW) electricity as compared to 16,000 MW generated during the past 66 years. CPEC projects form the core of this generation. Energy security would ensure economic security for the country. In the past, the country was facing 20-hour long electricity shortages. Now electricity is available 20 hours a day.

Development and improved standard of living is not possible without peace, stability and harmony. The world has entered the information age and countries are competing for economic ascendancy. If there is conflict, the development process gets stalled.

The requirement of industrial development is strong infrastructure, and in the coming years, the Gwadar Port would also have further improved infrastructure through robust road networks and a modern international airport. As for peace and security, a requirement for industrial investment and development, the Government has taken solid steps to improve the security situation in the country. Pakistan is committed to

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peace in the region and would not allow anybody to use its soil for terrorism. The Government is working in coordination with other governments to promote regional peace. Pakistan has defeated terrorism and now its economy, sports activities and tourism are being revived. We are on the path of recovery, contrary to 2013, when the security situation was not well, but now, there is renewed optimism and energy.

Now, Pakistan needs to harness its human and natural resources. It needs to make speedy progress by enhancing cooperation. The future belongs to those who blended science with economy and focused on innovation and creativity for achieving development.

With a large middle income population, Pakistan is an attractive choice for investment. There is immense potential for Chinese businessmen to invest in various industries here. Chinese businessmen should start joint ventures with Pakistani businessmen to create win-win platforms and collaborations. The joint ventures between Chinese and Pakistani businessmen will maintain and develop goodwill through mutual and partnership-based relationship.

CPEC should not be made controversial for political purposes as it would bring about sustainable prosperity in Pakistan as well as the region. There cannot be sustained economic growth and development in an environment driven by deep mistrust and long-standing disputes and conflicts. South Asia needs to follow the Chinese ambitions of mutual development and common interests in order to give impetus to the vision of shared destinies, if the region wants to become peaceful and prosperous. Through CPEC, South Asia would cease to be a region of conflict, and become a region of cooperation. But for this we need to continue engagement at all levels and remain firmly resolute in our commitment to peace. CPEC is a collaborative project between the two most reliable partners in the world – Pakistan and China – especially given their time-tested friendship. Think-tanks, academics, business leaders around the globe are engaged in discussing CPEC which

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reflects its true potential and importance. South Asians need to come together and create an enabling environment to embrace security and well-being which CPEC is offering.

Under the Vision 2025, the Government of Pakistan has envisaged the country as a hub of trade, commerce and connectivity. Critics may argue that the Government is just building roads, but in reality everything whether it is health services, education, or business needs better connectivity without which nothing is possible. In the past, it took two days to travel from Gwadar to Quetta, Balochistan's own provincial headquarter, and now with the expressway, it takes eight hours. Pakistan must learn from China which gives zero space to internal political conflicts and focuses on political and economic stability.

Internal political instability, fast urbanisation, lack of proper education and unemployment are four structural problems impeding interaction and cooperation among South Asian Association for Regional Cooperation (SAARC) members. South Asian states should continue to seek solutions of key issues and conflicts. South and Central Asia, along with China, are considered the three engines of future economic growth. Through initiatives of connectivity such as CPEC, Pakistan can become a hub of trade and commerce, which is also envisaged in the Vision 2025 of Pakistan. CPEC envisages an inclusive development in Pakistan, opening gateways for trade up till Europe via Central and West Asia. ■

## Concluding Address

**Engr Khurram Dastgir Khan**  
*Federal Minister for Defence,*  
*Government of Pakistan*

I am grateful to Ambassador Abdul Basit and the Islamabad Policy Research Institute for your kind invitation, and for bringing together prominent experts and scholars at this forum.

South Asia is undergoing an unprecedented transformation due to globalised economic trends and rising interdependencies, wherein the prosperity and stability of one nation will be indivisible from others. With one-fourth of the world's population and more than two-fifth of the world's poor, it is one of the fastest growing regions albeit with little regional economic cooperation. It is home to countries that share a great deal with each other culturally and geographically but ironically progressing independently rather than in conjunction.

The possible reasons for limited cooperation between the regional countries lies in deep-rooted historic political differences due to colonial legacies and territorial disputes which have not allowed the environment of trust to prevail and is being exploited by the extra-regional states for their geopolitical interests. Consequently, political issues and conflicts have not allowed the strategic and economic interests of the region to take precedence. Today, this region is facing multidimensional traditional and non-traditional security challenges. Non-Traditional Security Threats (NTSTs) along the lines of terrorism have emerged as significant threats to this region which has also allowed the extra-regional states to gain greater influence. Amidst these complex security threats, the China Pakistan Economic Corridor (CPEC) as part of the Belt and Road Initiative (BRI) is a significant flagship project which has gained global attention and has the potential to bring a paradigm shift in the destiny of this entire region. CPEC is a framework of regional connectivity that will not only benefit

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Pakistan and China, but will bring regional countries together. Geographical linkages with improved connectivity, understanding each other through academic, cultural and regional knowledge, higher volume of intra-regional trade and businesses will result in an integrated region of shared destiny, harmony and development. But here I would like to put a caveat that peace amongst the regional countries is a prerequisite for the success of this initiative.

In the regional context, Pakistan and India are the two major countries of this region, and unfortunately, relations between the two have remained marred by historical animosities. While Pakistan has demonstrated its keen and sincere endeavours to resolve the issue of Jammu and Kashmir through dialogue in line with the UN Security Council Resolutions, India has always been shying away from the talks, on one pretext or the other.

The explicit importance of this region emerged during the Cold War and post-9/11 period when security dynamics changed drastically. The global War on Terror provided an alibi to leading powers to establish their permanent footprints in this region. India, too, taking the opportunity, initiated the rhetoric of declaring the peaceful freedom struggle of innocent Kashmiris as terrorism, and since then has been calibrating to blame Pakistan for its internal disorder. Furthermore, greater leaning of the United States (US) towards India poses a peculiar challenge for Pakistan. The recently announced US policy on South Asia underscores a greater role for India in Afghanistan, and the region while not acknowledging the exponential contribution, counterterrorism success, and sacrifices of Pakistan for peace and regional stability. There are strategic contradictions in the US approach. Most of the key regional and global players have not supported this declared US policy since it envisages India to be a 'Net Security Provider' in the region. In South Asia's security matrix, there is no room for self-proclaimed and artificially boosted states. Regional security in the Twenty-first Century can only be ensured through

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relationships and collaborations based on mutual trust and equality.

Amidst the complex security milieu in South Asia, CPEC is a corridor of peace and prosperity that has the potential to unleash economic transformation through enhanced connectivity and trade cooperation. The challenges to this important project are immense having various geopolitical dimensions exploitable through domestic, regional and international interests. In the regional context, India's vocal opposition to CPEC is no secret which is being manifested through fomenting unrest in Balochistan, and propagating concerns on the alignment of routes in Azad Kashmir. Capture of an Indian RAW agent in Balochistan is a manifestation of Indian designs to derail this mega project.

In the international context, a few extra-regional countries are also not inclined to see this project succeeding as they consider Chinese presence in this region and on warm waters a threat to their geopolitical aspirations. They are alarmed that this Corridor would not only strengthen Pakistan, but would also enhance China's geopolitical and economic influence here. On the internal front, through a series of operations, Pakistan is now on a path to peace, stability and progress. The biggest challenge to CPEC is security. Here I must acknowledge the efforts of the government, the Armed Forces, and Law Enforcement Agencies (LEAs) who have formulated a well-integrated security mechanism for the security of CPEC. The Pakistan Army is providing hinterland security through deployment of Special Security Division (SSD) for protection of CPEC, whereas Pakistan Navy through its Coastal Security and Harbour Defence Force is safeguarding the maritime component which is in addition to the raising of Special Protection Units by LEAs for security of CPEC projects.

Development of CPEC will open fresh avenues for cooperation amongst regional actors. Along with these prospects, there are also challenges, as CPEC has also increased the likelihood of a clash between the interests of various regional actors, being manifested through growing role of India

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in South Asia, particularly in Afghanistan. Pakistan supports a peaceful and stable Afghanistan, only possible through the participation and efforts of regional stakeholders. Promoting regionalism is beneficial for both Pakistan and India as external actors always have their own geopolitical aspirations, whereas real solutions to regional issues can be found in dialogue through inclusive leadership engagement.

The success of CPEC hinges on our ability to deal with intricate national security issues, forging national consensus and preventing negative geopolitical influences in the region. Cooperation between Pakistan and China are focused on economic development through connectivity. The project is not against any other country and seeks to establish and sustain long-lasting and mutually beneficial relationships with global and regional players.■

## Policy Recommendations

This book outlines that China remains Pakistan's steadfast partner and this relationship is unlikely to change given Beijing's support to the latter at the international level. China's push to block anti-Pakistan statements in the Declaration at the September 2017 BRICS Summit is one example of that. The China Pakistan Economic Corridor (CPEC), in particular, offers a development counter-narrative to Balochistan's grievances, and the Government of Pakistan should involve the local people and engage the country's young men and women in CPEC projects. Some of the important *Policy Takeaways*, this book offers include:

### International

The wary United States need to be taken into confidence that the China Pakistan Economic Corridor (CPEC) is an economic venture and will open trade for Afghanistan and Central Asia. The perception that the Gwadar Port will be used for military purposes should be rebuffed since the Pakistan military personnel there are protecting the Port from external malefactors.

### Regional

#### *From Conflict Zone to Corridor of Cooperation*

South Asia cannot afford to continue on its path of confrontation and hostility if it wants to become a powerful economic bloc. In this respect, CPEC has the potential to transform the region from a conflict zone to a Corridor of Cooperation. To accrue maximum benefits, the regional players, in particular, India and Pakistan need to set aside differences by resolving their disputes on priority basis, and opt for the path of geoeconomics.

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***Tackling and Negotiating Indian Hostilities***

1. Indian opposition to CPEC is reflective of its hegemonic instincts. Its argument that CPEC will pass through a disputed territory is baseless. The KKH passes through Gilgit-Baltistan, and CPEC will be an extension of the already developed trade route. Besides, no law prevents development in a disputed territory. This narrative needs appropriate promotion at regional as well as international quarters. Pakistan and China need to jointly counter the covert tactics being employed to derail the corridor development. The arrest of Kulbhushan Jadhav from Balochistan and the support to Baloch and Sindhi nationalists from regional quarters are reflective of this threat.
2. There is also a need to recognise the evolving nature of threats in the context of regional animosity. India, other than abetting extremist groups, may provoke proxies: the Iran-Afghanistan-India strategic triangle can also be a challenge. The hidden aim is to sabotage the Gwadar Port, hence, Pakistan and China need to jointly counter the sabotage tactics directed at CPEC.
3. Mechanisms to jointly address terrorism also need to be formulated. There should be a joint Sino-Pak stance on issues related to the use of proxy groups by India, and greater Chinese support for a multilateral approach to Jammu and Kashmir dispute is needed.

***Building and Rallying Alliances***

1. To ensure the smooth functioning of CPEC followed by regional integration, an enabling environment is a must. The prime stakeholders – Pakistan and China need to remain steadfast in this endeavour and pursue the goals of regional integration/harmony. Convincing and offering all the regional countries to come forward and benefit from the advantages of the Corridor, will help in

## *Policy Recommendations*

removing many irritants and obstructions. In this context Pakistan and China need to build up trust with regional actors – Iran, Afghanistan and India.

2. Iran should be invited to join CPEC. Iran's Ambassador to Pakistan Mehdi Honardoost expressing Iran's desire to join the CPEC while addressing the Oxbridge Lecture in Islamabad in early 2017 must be taken seriously so that bilateral trade may be increased to a considerable level. The perception of Gwadar-Chahbahar competition should be effectively countered, and it should be promoted that both the ports will operate together in regional cooperation.
3. It also needs to be projected that the China's economic growth is a stabilising factor for the region. China's geographic proximity to South Asia, coupled with the East Asian power's economic growth is an opportunity for the smaller SAARC states. It is in the interest of South Asian Association for Regional Cooperation (SAARC) to offer full membership to China to boost the process of regional cooperation and create a strategic balance in South Asia. It will help to positively shape the present and future of the region.
4. Institutional building under SAARC and Economic Cooperation Organisation (ECO) to strengthen communication linkages in South Asia, Central Asia and West Asia with CPEC playing a leading role can go a long way in promoting regional cooperation and dealing with the issues of extremism and violence.

## **National**

### ***Image Building***

CPEC provides China with an alternate trade route, lessening its dependence on the Malacca Strait. With Gwadar's operationalisation, China's access to the Arabian Sea, South Asia and Central Asia will be enhanced. This will further raise

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Pakistan's importance in China's calculus (and the region at large). Pakistan needs to exploit this to its advantage and try to further strengthen its partnership with China. There is a need to project to the outside world that Pakistan is not an isolated state, rather, as part of CPEC, it is pivotal to China's Belt and Road Initiative.

### *Institutional Civil-Military Alliance*

There is also a need to set up a CPEC Development Authority comprising of civil and military officers for better coordination, smooth and timely execution and completion of projects. The Authority should include senior officials from Balochistan and Gilgit-Baltistan (GB). The Authority should also set up its offices in all the four provincial capitals and in GB.

### *Appeasing Local Apprehensions and Awareness Raising*

1. The apprehensions that Chinese workers might take the lead in jobs can create doubts in the minds of the locals who may feel insecure and oppose the development projects. In such a situation, the Government needs to give confidence to the locals. It should be pointed out that Chinese engineers/companies will facilitate educational links and technology transfer, which, in turn will be useful in uplifting of Balochistan. In this regard, in addition to government efforts, universities/academia, media and the think-tanks should also play a positive role.
2. The narrative that enhanced interaction under CPEC will increase Chinese influence in Pakistan or that China's economic prowess will sabotage local products and threaten the country's culture should be negated through seminars and media programmes.

## *Policy Recommendations*

### ***Planning for Effective Human Resource Development***

1. To ensure the participation of locals in development work under CPEC, the Pakistan's workforce needs to be prepared. There is a need to focus on Human Resource Development and quality vocational training so that technical gaps can be bridged. Rigorous efforts are needed to link on the ground requirements with academic programmes. The initiative undertaken by the military to train 200 students from Balochistan and admitting them in National University of Sciences and Technology (NUST) is a positive move. Similar initiatives should be undertaken, and the Government needs to play the lead role in this regard.
2. There is no doubt that Pakistan has a weak labour market and lacks quality vocational training centres. The Higher Education Commission has not succeeded in building bridges between academia and industry. Pakistan's institutions of higher learning need to become more relevant and update their syllabi and even faculty capacities to bridge the human capacity gaps in areas like civil engineering, especially railways and tunnels, electrical & instrumentation engineering, architectural planning, supply chain management & business incubation, transportation & logistics, industrial electronics, and energy.

### ***Honouring Project Commitments***

Mutual trust and confidence in Sino-Pak relations will go a long way in strengthening the CPEC process. The timeline mentioned for the completion of projects under CPEC must be strictly followed by Pakistan. This will raise Pakistan's credibility and enhance trust between the two countries. Further, Pakistan should not expect Chinese support on issues that go beyond Pakistan-China relations and should remain mindful that geoeconomic projects are likely to have geopolitical consequences.

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### ***Enhancing Maritime Security***

The development of CPEC and the use of Gwadar port will increase Pakistan's maritime security responsibilities and challenges, especially those related to sea-based nuclear weapons, the rise of India as a maritime power, nontraditional security threats, ISIS presence in littoral states, and threats of subversion. In order to counter these challenges, Pakistan needs to use CPEC as an inclusive forum to alleviate poverty in the country; pursue maritime security cooperation, but be also prepared to meet enemy designs by establishing a naval harbour at Gwadar port or in its vicinity, so that maritime security can be augmented for CPEC.

### ***Ensuring Fiscal Accountability and Transparency***

The Government should clarify what types of investment China is making, for example, how much is aid, grant, loan, or investment. If most of it is invested, how much of it will be done through Chinese companies, and what portion will be available to local entrepreneurs through Chinese banks and at what rates? What is the rate and timeframe of paybacks that the Chinese companies are planning on? And if expected profits do not come through, who is the undertaker or guarantor? These are important questions which need to be answered since enhancing regulations for financial integration and cooperation; building currency stability and credit information systems; redefining and expanding the scope and scale of bilateral currency swap arrangements, while ensuring transparency and checking corruption are crucial. ■

## Part II

### Geopolitics and Development of CPEC

- **CPEC and Geo-Politico-Economic Trends of the Region: An Appraisal**  
*Dr Farhan Hanif Siddiqi*
- **South Asian Security and CPEC: A Pakistani Perspective**  
*Professor Dr Syed Rifaat Hussain*



# CPEC and Geo-Politico-Economic Trends of the Region: An Appraisal

## *Working Paper*

Dr Farhan Hanif Siddiqi\*

### **Abstract**

A 'cult of the offensive' (Van Evera 1984) seems to be in the offing in contemporary international politics. States and societies are moving towards more aggressive foreign policies as evidenced in the actions of major powers, including Russia and the United States as well as regional powers such as North Korea. A similar cult seems to be pervading through the South Asian region where both the actions and language of Pakistan, India and Afghanistan are aggressive involving accusations and counter-accusations. In all, foreign relations between Pakistan, on the one hand and India and Afghanistan, on the other, are intensifying. Between Pakistan and India, strategic dynamics and aggrandisement of military offenses are at play as domestic troubles in Kashmir intensify, while cross-border terrorism manifests itself most acutely between Pakistan, India and Afghanistan. Amid seemingly intensifying geopolitics, the China Pakistan Economic Corridor (CPEC) presents a radical break and opportunity to steer South Asia in the direction of cooperation through economic interlinkages. While geopolitics and its reading centres on borders, territories and frontiers and their presumed defence from foreign enemies and invasions, the logic of geoeconomics is de-territorialised where borders and frontiers are

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largely meaningless. The paper seeks to address geopolitical and geoeconomic imperatives in South Asia as they present themselves today. What are the major challenges in both domains? And most importantly, can South Asia afford to continue on the path of confrontation and hostility?

### **Geopolitics: Traditional and Critical**

**T**he modern literature on geopolitics owes its existence to works that appeared at the end of the Nineteenth Century by Swedish geographer, Rudolf Kjellén, who coined the term 'geopolitics.' The term, as used by Kjellén defined geopolitics as:

...the science, which conceives of the state as a geographical organism or as a phenomenon in space (Dodds 2005:28).

Kjellén's approach conceived of the state as the natural embodiment and expression of the unity between a land and its people with the people seeking freedom through the state while the state seeking spiritual content in the people (Tunander 2001).

In empowering and naturalising the state as an expression of people's freedom and their spiritual development, Kjellén personified the rising phenomenon of the powerful state in an age characterised by aggressive nationalism, imperial expansion and competition for colonies between the European powers. The post-Vienna Congress of the European order, dominated by an aristocratic consensus (Morgenthau 1948), between European states to preserve the balance of power was now giving way to the rise of new states, most importantly, Germany, bent on revising this order. Moreover, the rise of nation-states was also now combined with the relative decline of imperial powers,

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including the Austro-Hungarian and the Ottoman Empires, thus, sparking an intense competition for geopolitical influence.

In such an age where competition over colonies combined with aggressive nationalism held sway, geopolitics emerged as a fashionable academic and applied pursuit. In the first half of the Twentieth Century, Mackinder, Mahan, Haushofer, Spykman all geopolitical strategists provided intellectual input to their respective state machineries as strategic competition between the European powers intensified. Mackinder laid emphasis on the Euro-Asian landmass (which he called the Heartland in the early Twentieth Century), and argued that land power would be the definite basis of geopolitical competition between European states and in the process actively contributed to British imperialism (Blouet 2004: 327). Mahan, a captain in the United States Navy, asserted naval power and expansionist foreign policy of the United States with his writings garnering much influence amongst the American government policy elite (LaFeber 1962: 674). He noted:

When a question arises of control over distant regions, politically weak....it must ultimately be decided by naval power (Ibid.: 684).

Spykman, an American Professor at Yale, echoing Mackinder spoke of a Rimland and defined geopolitics to indicate:

...the close relationship between the geographic, economic and political factors as conditioning elements of state behaviour in the international environment (Furniss Jr. 1952: 387).

His policy advice to the American government reiterated that global dominance was predicated on the question of who 'controls the area between Elbe and the Atlantic; for this Rimland area itself contains one of the world's great

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concentrations of productive capacity' (Fox 1948: 433). Finally, Haushofer, the German military officer through his close ties with the Nazi war and state machinery, was pivotal in shaping Nazi foreign policy in an organic-biological conception of territorial expansion involving the use of the pressure of the population of a growing nation, in other words, *Lebensraum* (Kruszewski 1940: 967).

After the Second World War, geopolitics, despite the onset of the Cold War, remained largely confined and elusive owing to its expansionist and imperialist manifestation. The primary orientation, in a Cold War dominated world, was fixed in the language of realism, containment, arms control and deterrence, while geopolitical considerations (aimed at geographical expansion) did not sync in with post-War movements such as anti-colonialism. In short, it made little sense to speak of geopolitics, Heartlands, Rimlands and territorial expansionism in the context of post-colonialism. While geography remained pivotal to strategic considerations, its colonial appendage was lost forever. It is in this context that political geographers almost a century after Kjellén's use of the term embarked upon critical geopolitics combining constructivist and post-modern approaches.

Critical geopolitics allows us to comprehend that geographies do not determine foreign policy but are merely discursive in nature. Geographies do not have an independent, objective existence but are produced through the meanings that human beings impute to them. When one thinks of geopolitics this way, conceptions of Heartland and Rimland become mere tools of expression of European power across the globe. In the words of the progenitors of critical geopolitics with their Foucauldian premise that geography as a discourse is a form of power/knowledge, geopolitics:

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...should be radically reconceptualised as a discursive practice by which intellectuals of statecraft 'spatialise' international politics in such a way as to present a 'world' characterised by particular types of places, peoples and dramas.....geopolitics is the study of the spatialisation of international politics by core powers and hegemonic states (O Tuathail and Agnew 1992: 192).

Conceptualising geopolitics as a form of discourse and its essential connections with power/knowledge allows for an emancipatory framework of meaning and action that goes beyond the fixed and regressive logic of traditional geopolitics consummated with rivalries and aggression. According to O Tuathail (1996: 51) critical geopolitics 'should strive to address the problematic of *geopolitics*, the general problematic of the scripting of global space by state-society intellectuals and institutions.' In other words, he asserts that alternative interpretations of geographical facts are possible because geography is an exercise of human scripting and it is in this sense that the subject-object distinction does not exist. Moreover, since alternative interpretations are also possible, and perhaps desirable, critical geopolitics allows for going beyond hostility and aggression. The fact that the European Union (EU) materialised primarily between France and Germany is a classic example of how geopolitics of aggression and expansion was transformed into an economics of material co-existence.

How are the categories of traditional and critical geopolitics relevant in South Asia and how far do they advance our understanding of India-Pakistan rivalry? Is it true, as Robert Kaplan argues that 'geopolitics and competition for "space" is eternal' (Cohen 2015: 16, quoting Kaplan 2012). Viewed from a traditional geopolitical lens, India and Pakistan are seen and produced as eternal enemies with two different identities and interests bent on competing with each other. The

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logic of competition is reinforced through wars and crises that have marred relations between the two since 1947. However, to view India-Pakistan relations, through a tightly squeezed traditional geopolitical lens, is erroneous and displays only a one-sided view of their relations. It is pertinent to note that India-Pakistan relations cannot be understood either through an essential adversarial or cooperative paradigm. In fact, they have both been enemies and orderly neighbours, if not friends, when conditions and necessities have dictated. In this sense, they have behaved rather abruptly at one moment as adversaries, the next as orderly neighbors seeking economic, social, and cultural ties with each other.

One need not go back further than the 2000 when former President of Pakistan Musharraf pursued peaceful diplomacy with India and vice versa. That Pakistan was not merely pursuing peace with India for strategic purposes was evident from his language at the time where he asserted that bilateral relations with India were better than ever before and that the 'time for conflict management has passed and the time for conflict resolution has come' (Musharraf 2006: 302). The Musharraf-Manmohan Singh consensus was the high point of Indo-Pak rapprochement which also included Musharraf's Four-Point Formula for a resolution of the Kashmir issue. It called for:

1. Identifying the regions of Kashmir that need resolution, including Northern Areas and Azad Kashmir in Pakistan and Jammu, Srinagar and Ladakh in India.
2. Demilitarising the identified region or regions and curbing all militant aspects of the struggle for freedom.
3. Introducing self-governance or self-rule in the identified region or regions.
4. A joint management mechanism with a membership consisting of Pakistanis, Indians and Kashmiris overseeing self-governance and dealing with residual subjects common to all identified regions and those

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subjects that are beyond the scope of self-governance (Ibid.: 303).

This interesting phase of Indo-Pak relations led by Musharraf and Manmohan Singh saw sustained engagement and came at a time when Pakistan was pursuing a war with Afghanistan. This pursuit of peace has been explained, by some voices from the Indian side, as a strategic instrumentality based on Pakistan's engagement at its Western border starting 2001 which required of necessity that the Eastern border be kept quiet and peaceful (Sareen 2013). It may be argued, on the contrary, that had Pakistan's policy towards India in this phase only been a strategic calculation, why was there a need then to address the core issue of Kashmir through a working proposal, provided ironically by the Pakistan side? In other words, a working dialogue should have been enough to regulate relations, however, the fact that Musharraf laid out the above-mentioned proposals indicates that there was more to India-Pakistan relations than mere instrumental logic of pursuing peace for strategic gains.

The post-Musharraf phase saw a return to hostility starting 2008, after the Mumbai terrorist attack which resulted in the death of 170 civilians and the arrest of Ajmal Kasab whose descent was traced to a village in Punjab (Dawn 2009). Pakistan immediately condemned the terror attack with President Zardari stressing 'the need for taking strict measures to eradicate terrorism and extremism from the region' (The Telegraph 2008). A relative thaw which saw India's stance against Pakistan as a terrorist sponsoring state again increased international attention, as the United States also found its problems with Pakistan, was surprisingly cut short after the arrival of Nawaz Sharif's Pakistan Muslim League-Nawaz (PML-N) government. The latter came with an agenda of pursuing regional peace (The Guardian 2013) which was again surprisingly corroborated by the Bharatiya Janata Party (BJP)-led Modi government, which came to power with the slogan of

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breathing economic life into India's polity (BBC News 2015). The result, in December 2015, was a historic visit to Lahore where Modi attended Nawaz Sharif's granddaughter's wedding (The Indian Express 2015). In this meeting, Modi and Sharif agreed to enhance people-to-people contacts and confidence building measures (CBMs) between the two countries (Haider 2015). After Modi went back to India, he framed his visit as his initiative for a future South Asian regional order where he would have 'breakfast in Kabul, tea in Lahore, dinner in Delhi' (Hindustan Times 2015).

No sooner had this transpired that the ghost of conflict came to sting these relations yet again. In January 2016, terrorists attacked the Pathankot air force base intended to hurt the momentum of peace between the two states. Pakistan condemned the attack with the Ministry of Foreign Affairs (MOFA) spokesman asserting that:

Pakistan remains committed to partner with India as well as other countries in the region to completely eradicate the menace of terrorism (Gupta and Nair 2016).

Since the context leading to Pathankot was reasonably conducive, the attack resulted in a rather short-lived, yet important, India-Pakistan cooperation on the terror investigation (Haider 2016). This was remarkable considering the usual accusations that mar relations whenever strategic tensions erupt between the two states. The short-lived cooperation, however, ended in a state of mutual distrust and accusations leading to a turbulent 2016.

Besides Pathankot, the uprising in the Kashmir Valley with the assassination of Burhan Wani laid bare India's failure to satisfy Kashmiris through measures bordering on political reconciliation and its continued use of the stick in dealing with the people of Kashmir. In the latest episode, Burhan Wani, a noted social media activist glorifying the imperative of militant

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struggle against the Indian government, was murdered sparking violent riots. The continued use of repressive measures and human rights violations since the assassination has only highlighted India's failure to deal with Kashmir and in the process contributed to the production of a new generation of militants ready to give up their lives for the Kashmir cause (Ahuja 2017).

The Burhan Wani episode was followed almost immediately by the terror attack at Uri where an Indian military post was attacked allegedly by militants resulting in the deaths of 17 Indian soldiers (Ahmad, Phillips and Berlinger 2016). What followed was a battle of doing and denials between India and Pakistan with the latter denying its involvement in the attack, and the former laying claim to surgical airstrikes inside Pakistan aimed at terrorist training camps, subsequently denied by Islamabad (Khan 2016). Since Uri, border tensions between the two states have only intensified.

On the other hand, relations between Pakistan and Afghanistan have also hit rock bottom with both states accusing each other of cross-border terrorism. Terrorist attacks in Pakistan, including the one in Sehwan (The Nation 2017) was claimed by the Islamic State of Iraq and Syria (ISIS) which infiltrated the Pak-Afghan border, with Pakistan asserting that Tehreek-e-Taliban Pakistan (TTP) has sanctuaries in Afghanistan from where they mount attacks in Pakistan (ToI 2017). Similarly, Afghanistan accuses Pakistan of harbouring the Afghan Taliban and blames their sustenance in the country to support from across the border (Al Jazeera 2017). These tensions led Pakistan to fence its border with Afghanistan (The Express Tribune 2017), which begs the question of which path the dynamics of geopolitics are leading India, Pakistan and Afghanistan. In all, it can be summed up in the statement that at present cross-border terrorism perhaps generates far greater attention and the imagination of all three states with India and Afghanistan on one side and Pakistan on the other. The most pertinent question to ask in South Asia today is how the

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geopolitical currents impact economic developments that are taking shape primarily in the form of the China Pakistan Economic Corridor (CPEC).

### **Geoeconomics and South Asia: A Rising Trend**

As geopolitical tensions intensify, geoeconomic trends are also manifesting themselves in contemporary South Asia. While geopolitical considerations lay emphasis on territorial considerations, the logic of economics call for a de-territorial world where borders and frontiers become meaningless. This vibrant tension between territorial and de-territorial politics defines the present constitutive order of South Asian regional politics. The key question is whether geoeconomic trends possess the potential to cool down geopolitical intensities in South Asia? The question is based on the simple economic principle that investments follow political stability. In such a scenario where geopolitics is intensifying, what are the consequences for long-term economic growth and development? Before answering these questions, it is pertinent to attend to theory.

The term 'geoeconomics' was coined by Edward Luttwak (1990:19), who in 1990, defined the term as an 'admixture of the logic of conflict with the methods of commerce.' As the Cold War drew to an end, Luttwak's analysis was based on the fact that states are essentially spatial entities that safeguard their borders and frontiers, wherein economics also serves to enhance their power. In his argument, the world would see economic conflicts increasing as a consequence of the decline of geopolitical confrontation. In sum then, Luttwak did not lay the ground for how economics would lead to lesser conflicts, rather based his analysis on a more realistic notion of how conflicts between states would be based on 'economic' as opposed to 'geopolitical' considerations. Understood this way, CPEC could well mean the projection of Chinese economic power onto Pakistan and other states in Asia and Africa that are ill-

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equipped to cope with the former's dominant economy. This consideration is also tied in with dependency theorists who argue that interdependence between two states of unequal economic strength will consequently result in material advantages for the larger economy as resources flow from the periphery to the core (Wallerstein 1974: 2). Similarly, according to Blackwill and Harris (2016: 24):

Goeconomics is a parallel account of how a state builds and exercises power by reference to economic factors rather than geographic ones.

However, the authors also assert that while logic of geopolitics is traditionally zero-sum, the logic of goeconomics is traditionally positive-sum (Ibid.: 24). While economics has a fundamental capacity to cater to bridging ties, the global phenomenon seems to be moving towards isolationism, mercantilism and with states looking inwards as evidenced by the policies of US President Donald Trump and United Kingdom's Brexit decision. What these developments indicate is that the Global Recession has made globalisation a less attractive option for even the most developed states of the world. If this is the case, what are the prospects of increased economic interdependence, growth and development for South Asia?

In South Asia, on the contrary, despite the pessimistic global economic trends, there is a wave of economic ventures. For example, besides CPEC, we also have the Iran-Pakistan-India (IPI) gas pipeline project and the Turkmenistan-Afghanistan-Pakistan-India (TAPI) project – even if these have yet to come to fruition. The classical interplay of goeconomics seems to be at play in South Asia as economic activities are interpreted through geopolitical lenses. For example, India did not attend the One Belt, One Road (OBOR) Summit in May 2017 citing sovereignty, procedural and leadership issues (Kondapalli 2017). India believes that CPEC and its passage through Gilgit-Baltistan (GB) compromises its traditional stance

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on the GB region as a disputed territory linked with the Kashmir issue. CPEC, according to India, provides the dire prospect of integrating the region with Pakistan, a demand that has been made by the Chinese (Dawn 2016). Chinese insistence that Pakistan should integrate the GB region within its territory also goes against its ambivalent position on the region whether it is indeed a disputed region tied with the Kashmir dispute (Bouzas 2012). Pakistan's stance flows from the fact that if a referendum were to take place, the inclusion of GB, would naturally inflate the number of people demanding that Kashmir should be made part of Pakistan.

However, geoeconomics - understood as a form of competition between states - is equally relevant and recent developments suggest a move towards this trend. For example, India and Afghanistan have come closer to each other and an air trade corridor agreement was signed between the two states bypassing Pakistan (Pasricha 2017). This came as a consequence of Pakistan and Afghanistan failing to agree on export of goods and items to India. Afghanistan insisted that its exports to India should be carried on trucks from Wagah, with Pakistan not agreeing to the request. The resultant disagreement sparked conflict when Afghanistan threatened to close Pakistan's land route to Central Asia (Khan 2016). In response, Pakistan has sought alternative routes to Central Asia through Tajikistan bypassing Afghanistan (Bhutta 2017). Throughout these developments, Pakistan's trade with Afghanistan has declined by half in 2016-17 as opposed to previous years where the balance of trade was heavily weighted in favour of Pakistan (Khan 2017). Not only regional politics but global political dynamics have also impacted regional economic ventures. For example, the US is opposed to IPI, and even threatened Pakistan with sanctions (Rana 2011) as it involves Iran and is more supportive of TAPI (Pakistan Today 2013).

While Pakistan, India and Afghanistan engage competitively with each other, the logic and language of CPEC suggests otherwise. In fact, the Corridor provides grounds for

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minimising conflicts in South Asia on the basis of sustained regional connectivity. While it has been seen primarily from a bilateral perspective, that is, China and Pakistan, the project envisages a regional linkage having a positive impact on Iran, Afghanistan, India, Central Asian Republics and the region (CPEC n.d.). Within Pakistan, CPEC lays out a number of different energy projects, infrastructure building mainly road and rail links, Gwadar and the creation of Special Economic Zones (SEZs). It is interesting to note here that China is tied not only to Pakistan but also India with which its trade ballooned from a mere USD 3 billion in 2000 to USD 52 billion in 2008 (Gupta and Wang 2009). Though recent border tensions between China and India brought the prospects of war clouds in the region, both exercised restraint and exhibited mature diplomacy in attending to the crisis (Thakur 2017).

In recent times, China has urged restraint between India and Pakistan as in Pathankot and Uri. In fact, after the Uri attacks, China denied that it had assured support for Pakistan in case of foreign aggression and reiterated its stance that Kashmir is a bilateral issue between India and Pakistan that should be resolved through dialogue and consultation (The Hindu 2016). Moreover, the recent Brazil, Russia, India, China and South Africa (BRICS) statement suggests China's strong inclination in combating terrorism as well as overseeing that regional tensions in South Asia are reduced (The Nation 2017a). The logic is simple enough – if conflict and regional tensions persist in South Asia, the materialisation of economic gains through CPEC becomes a more distinct possibility with time. It is in this sense that China could well be a critical player in lessening geopolitical tensions here. Whether this remains the case will be borne out by future developments, but, for now China's economic engagement with both India and Pakistan is a good thing. It is up to India, Pakistan and Afghanistan to re-orient their imaginations towards more peaceful pursuits where conflicts are minimised and economic gains multiplied.

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## **Conclusion**

Geopolitics and geoeconomics in the South Asian region are equally intensifying. This is a paradox since both cannot co-exist and are mutually exclusive. If geopolitical trends such as territorial conflicts, terrorism and its cross-border manifestations, and arms races intensify, the consequences for economic engagements are bound to suffer. In essence then, geopolitical conflicts are a cause of minimal economic exchanges between states and consequentially, minimal economic exchanges mean that geopolitics continues to assume importance.

In terms of this region, the presence of China provides an opportunity to lessen geopolitical dynamics of hostility through the economic corridor project. However, lately, geopolitics has assumed more importance leading India and Pakistan to move away from each other with accusatory language. As hostilities in Kashmir intensify and as Pakistan and Afghanistan fail to come together for peace and stability in the region, geopolitics might well trump geoeconomic gains in the future. This is a pivotal question for not only Pakistan, but also India and Afghanistan since their development and sustenance as states is dependent on sound economic footing. While all three states look towards perceived economic benefits through both bilateral and multilateral linkages these cannot materialise unless they revise their geopolitics through a more critical undertaking. In short, hostile geopolitics cannot co-exist with conciliatory economic linkages.

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# South Asian Security and CPEC: A Pakistani Perspective

## *Essay*

Professor Dr Syed Rifaat Hussain\*

### South Asian Security: Emerging Trends

South Asia is no longer a 'sub-ordinate' system as defined by Brecher (1963). Because of its nuclearisation, demographic weight, diffusion of modern technology, and high economic growth, South Asia has become more assertive and autonomous, and therefore, does not fit Brecher's characterisation as a 'sub-ordinate system.' Additionally, the international politics of South Asia has undergone a fundamental change with the demise of the bipolar configuration of power and its displacement by multipolarity marked by the rise of China and India. Notwithstanding its growing strategic weight, however, the region is also the least economically integrated. One has only to travel in the region to realise this reality. The percentage of South Asian trade within the region is less than 7 per cent of its total trade with the outside world. The main cause of this lack of economic integration of South Asia is the dominant position of India in the South Asian power structure. India has maritime and land borders with all the SAARC countries, while they lack these connections amongst themselves.

This domination by India gives New Delhi extraordinary degree of power and influence vis-à-vis other states except Pakistan, which because of its size and nuclear weapons capability has refused to submit to Indian hegemony and Indian coercive pressures. India and Pakistan have fought four wars with each other and tensions remain high even today as underscored by growing incidents of firing along the Line of Control in the disputed territory of Kashmir. India's rise to

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power has been facilitated by the United States, which has encouraged New Delhi to play the role of a balancer to China. Successive US administrations since the March 2000 Clinton visit to India, have described India as a 'net provider of security' in the Asia-Pacific region.<sup>1</sup> This is a throwback to the Brzezinski-Carter notion of 'regional influentials.'

The most significant aspect of this emerging Indo-US axis is the India-US civilian nuclear deal. Through this deal, India stands to gain access to US civilian nuclear technology in return for laying out 65 per cent of its nuclear power production under international supervision and separating its nuclear facilities into civilian and military. While energy experts in India say that the deal would result in satisfying only 7 per cent of the country's energy requirements when operational, its symbolism in the geopolitical arena was unrivalled (Hogg 2007).

China's peaceful rise has been viewed with great alarm by the US. To contain China, the US is trying to build India up as its regional ally. It is not a coincidence that India and the US are the only two countries that have publicly opposed the China Pakistan Economic Corridor (CPEC). China presents India with a twofold problem: material and ideational. With a GDP of approximately 11 trillion dollars which is growing at about 8 percent per year, the Chinese economy is bigger and expanding more rapidly than India's 3 trillion dollar economy. The Indians fear that as a result of its superior and sustained economic growth China 'would amass an overwhelming preponderance of power' that would frustrate India's long-standing desire to play the role of a regional hegemon in South Asia.

At the ideational level, China's stupendous economic growth as a result of which over '600 million Chinese people have been lifted out of poverty,' presents a challenge to India where 56 per cent of its population remains mired in abject poverty. The biggest challenge to India's economic growth and

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<sup>1</sup> See several statements by former US Secretary of Defense Robert Gates at the Shangri-La Dialogue in Singapore.

dominance remains the reality of the 'other' India: according to the World Bank data, over 300 million Indians still live in abject poverty, and another 300 million hover precariously above the poverty line. To promote their overlapping interests in containing China, India and the US have joined hands in the form of Indo-US axis. The military dimension of the relationship, reflected in a far-reaching agreement called the 'New Framework for the U.S.–India Defense Relationship' signed by the defence ministers of both countries on 28 June 2005, commits both countries to collaborative 'multinational operations' and to strengthening their military capabilities 'to promote security' and 'combat proliferation' of weapons of mass destruction (WMDs). The two countries have also committed to a 'defence strategy' dialogue and intelligence exchanges, pledging to 'assist in building worldwide capacity to conduct successful peacekeeping operations, with a focus on enabling other countries to field trained/capable forces for these.'

### **Pakistan's Perceptions of CPEC**

Pakistan looks at CPEC as a game changer for its economy, its standing in the international community, and as a vehicle for promoting regional peace and development. There is a virtual consensus amongst the civilian and military leadership and the people that CPEC, as a flagship project of the OBOR, is in Pakistan's vital interest and economic survival depends on its early and uninterrupted completion.

### ***Investment and Growth Opportunities***

There is no doubt that the CPEC investment will stimulate GDP growth and lead to employment generation in Pakistan. Once CPEC succeeds, it is very likely that it would signal Pakistan as a viable and attractive investment destination and could help attract further investments from other countries. The transferring/relocation of China's excess industrial capacity towards Pakistan through CPEC will create thousands of jobs in Pakistan to keep its youth employed.

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The bulk of Chinese investment in the energy sector will add thousands of megawatts to Pakistan's national energy grid, thereby resolving acute energy shortages faced by the country. In recent years, power shortages have cost Pakistan up to four per cent of GDP, forcing hundreds of factories to close and damaging Pakistan's credit worthiness. Currently, the energy sector is stuck in a circular flow of widespread inefficiencies, energy theft and debt. This, in turn, negatively affects Pakistan's private sector and threatens its precarious security situation: the country's demographic youth bulge needs the private sector for employment opportunities.

In the long-run, CPEC's benefits would include a more balanced, inclusive and peaceful South Asia, which is open to 'mutual learning and harmonious co-existence among different civilisations' and free of great power rivalry and intrusion. As Vice Premier Liu Yandong said at the fifth World Peace Forum (WPF) in 2016:

China will continue work with various countries on the Belt and Road initiative, building a silk road that is green, healthy, high-tech and peaceful and promoting common development on the Eurasian continent.

### **Impact on India-Pakistan Conflict Dynamics**

India has voiced its public opposition not only to OBOR but has objected to CPEC on the grounds that it passes through Gilgit-Baltistan which, India falsely claims, is part of the disputed state of Jammu & Kashmir. Using this as an excuse, India has refused to become part of the CPEC project. Media reports indicate that India has dedicated USD 300 million to subvert CPEC. The arrest of Kulbhushan Jadhav, a serving Indian naval officer, couple of years ago from the Pakistan-Iran border area and his confessions of masterminding destabilising activities in Pakistan clearly indicates a determined effort to

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sabotage CPEC. In this effort, the US has put its strategic weight behind India.

Ever since Modi's rise to power in 2014, relations between India and Pakistan have experienced new turbulence. This is clearly reflected in the following table highlighting the marked escalation in violations of Cease Fire Agreement agreed to by India and Pakistan in November 2013:

**Table-1**  
**Indian Ceasefire Violations and Casualties**

**Table 1. Ceasefire Violations and Related Casualties**

Year	Indian Official Data		Pakistani Official Data		Project Database	
	CFVs	Casualties	CFVs	Casualties	India	Pakistan
2001	4,134	–	–	–	–	–
2002	5,767	–	–	–	0	96
2003	2,841	–	11	–	1	30
2004	4	–	6	–	0	0
2005	6	–	9	–	1	1
2006	3	–	9	1	0	2
2007	21	3 (A)	18	–	1	3
2008	86	6	30	–	8	2
2009	35	6	46	–	7	5
2010	70	5	113	–	13	16
2011	62	3	104	2	14	6
2012	114	4	252	2	20	5
2013	347	5	464	5	25	46
2014	583	3	315	3	30	51
2015	405	10	248	16	40	55
2016	449	13	382	38	57	55
2017	36	1	157	2	–	–

Source: Author's tabulation based on official statistics from India and Pakistan.

Source: *Jacob 2017*.

In addition, official India-Pakistan peace dialogue has remained suspended and India's military leadership has warned of fighting conventional war on two fronts against both China and Pakistan. By virtue of being a signatory to the 1963 Boundary Agreement between China and Pakistan, Beijing has been a direct stakeholder in India-Pakistan peace process especially the future settlement of the Kashmir since the early 1960s. The 1963 Boundary Agreement provided for the

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appointment of a Boundary Commission, setting up of boundary pillars and drawing up of protocols. Article 6 of the agreement states:

The two parties have agreed that after the settlement of the Kashmir dispute between Pakistan and India, the sovereign authority concerned will reopen negotiations with the Government of the People's Republic of China (PRC) on the boundary, as described in article two of the present agreement, so as to sign a formal boundary treaty to replace the present agreement, provided that in the event of that sovereign authority being Pakistan, the provisions of the present agreement and of the aforesaid protocol shall be maintained in the formal boundary treaty to be signed between the People's Republic of China and Pakistan.

The agreement further envisaged that, 'sovereign authority' competent to sign a boundary agreement will emerge only after the settlement of the Kashmir dispute. But that authority, if it were to be India, could do no more than 'reopen negotiations' with China 'so as to sign a formal Boundary Treaty to replace the present Agreement.'

### **Hu Jintao's Overseas Interests**

In 2004, then President Hu Jintao delivered a pivotal speech in which he highlighted China's 'overseas interests' - a term which encompasses:

1. the safety of overseas nationals,
2. institutions, companies and investments,
3. strategic sea lanes and communication channels, and
4. overseas energy and resources.

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The term primarily centres on China's economic interests abroad, although these do overlap with overseas political and military interests as well. As *China's 2013 Defense White Paper* stated, these have become an 'integral component of China's national interests.' In *China's Military Strategy 2015*, 'safeguard[ing] the security of China's overseas interests' had been upgraded to one of the strategic tasks of the People's Liberation Army (PLA).

### **Sino-Pak Ties as a 'Strategic Hedge'**

The China-Pakistan friendship functions as a strategic hedge against a rather rapidly developing India, which had 6.7 per cent average annual GDP growth in 2011-15 and the world's seventh largest economy in total GDP in 2015. It also hedges against growing US-Japanese military cooperation with India, seen in part as aimed at containing China and Russia's security expansion in the region. Russia has endorsed the BRI and has also shown willingness to be part of CPEC. As such, it was granted provisional export access to Gwadar in November 2016.

### **Conclusion**

On completion, CPEC will form an estimated additional 3000 kilometer-long network of roads, railways and gas pipelines, and multiple power plants:

China anticipates CPEC to electrify and boost Pakistan's economy, to connect it more closely with the massive Chinese economy, and to enable Pakistan to become a major extra-regional trade hub. According to some Chinese and Pakistani experts, the aim is also to gradually promote a 'scientific' Pakistani Government mindset to economic development rather than the current India- and military-centric one. Construction of CPEC infrastructure is likely to have a domino effect: with functional infrastructure in place, transaction costs will be minimised, probably

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leading to higher production, employment and profits (Ghiasy and Zhou 2017).

It is evident that CPEC is not aimed against any country or a group of countries and its basic rationale is to help Pakistan overcome its structural difficulties by investing in infrastructure and connecting Western regions of China with Southern province of Balochistan. CPEC offers Pakistan a way out of its current economic difficulties.■

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## **Impact of CPEC on the National Security of Pakistan**

- **Pakistan's Vision of Maritime Security and CPEC**  
*Vice Adm (R) Asaf Humayun, HI(M)*
- **CPEC - An Engine for Human Resource Development in Pakistan**  
*Professor Dr Muhammad Masoom Yasinzai*
- **Development of CPEC: Impact of Regional Cooperation to End Extremism in Pakistan**  
*Professor Dr Moonis Ahmar*



# Pakistan's Vision of Maritime Security and CPEC

## *Thought Piece*

Vice Admiral (R) Asaf Humayun HI(M)\*

### What is Maritime Security?

**T**hese days, the scope of Maritime Security entails a comprehensive framework covering the entire maritime interests of a nation state. According to the draft Maritime Doctrine of Pakistan:

...maritime security is about being safe against all forms of sea-based threats, including threats from non-state actors and the conventional state based forces. The concept, as interpreted currently, is not only vast and diverse but multidimensional as well. It spans conventional maritime security issues, like state sovereignty concerns, territorial disputes, to more non-traditional maritime security problems, such as piracy, terrorism, narcotics and human trafficking. It also encompasses environmental and nature (sustainability) related crimes, such as pollution, illegal fishing etc.

### Maritime Security Scenario in the Indian Ocean

The Arabian Sea, indeed the Indian Ocean Region (IOR) enjoys relative stability because of three factors.

1. Important maritime trade routes pass through the Indian Ocean and carry approximately 50 per cent of the global trade. Commercial interests of the leading economic powers necessitate maintenance of peace and stability. Rivalry among them remains on the back

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burner. Thus, in 2011, when Somali piracy raised its head, an unprecedented coalition of the world's maritime forces came together and secured the international sea routes.

2. The simmering conflicts in Yemen, Somalia, Afghanistan and the Middle East have not been allowed to disrupt the overall maritime security in the Indian Ocean.
3. The Indian Ocean remains arguably the most nuclearised of all oceans. Besides the two regional nuclear rivals, India and Pakistan, China, France, Russia, the United Kingdom (UK), the United States of America (USA) and even Israel deploy nuclear powered platforms and nuclear weapons in the region. Therefore, there is little room for error of judgement.

### **Traditional Threats to Stability**

The US treats the Indo-Pacific as a unified security space. Increasing tensions and gunboat diplomacy in the Western Pacific over the South China Sea, disputed islands and indeed the bellicosity of North Korea can have a spill over impact in the Indian Ocean.

Within the IOR, India is building a well-armed navy, which poses maritime threat to Pakistan as well as any power that may threaten India's interests in the Indian Ocean. The Indian Maritime Security Strategy states, 'The likely sources of traditional threat would be from states with a history of aggression against India, and those with continuing disputes ...' pointing to both China and Pakistan. The USA is also encouraging India to play an assertive role as a maritime power in the India Ocean and even in the South China Sea.

### **Non-Traditional Security Threats (NTSTs)**

The manifestation of non-traditional maritime threats, such as piracy, terrorism, arms smuggling, fifth-column activities,

narcotics and human trafficking, the so-called Islamic State (IS) pose multiple security challenges in the region. States such as Somalia, Yemen, and the deteriorated security in Afghanistan and Iraq can provide fertile nurseries for the IS. The present-day ports, shipping, safe navigation at sea and related activities rely on computer networks. The lurking menace of cyber-attacks can derail their normal operations. Climate change is now also considered a more potent security threat than terrorism. Balochistan coast is vulnerable to natural calamities, such as cyclones, tsunami, and climate change extreme weather events. The endemic poverty in the Indian Ocean littorals is a root cause of many NTSTs. 35.4 per cent of the world's population lives here, but its share is only 10 per cent of the world's Gross Domestic Product (GDP). More economic opportunities can reduce this poverty and numerous non-traditional security threats. In this mix of traditional and non-traditional threats in the Indian Ocean, we see a preference for Engagement over Containment and for Coalition over Confrontation so far.

### **The Belt and Road Initiative and Maritime Security**

In 2013, President Xi Jinping initiated the joint building of the Silk Road Economic Belt and the 21st Century Maritime Silk Road. The Belt and Road Initiative (BRI) would encompass 60 nations that collectively have more than 4.4 billion people. Economically, they represent about 40 per cent of the global GDP. The stated vision of these initiatives in the maritime domain is:

- Common Maritime Security for mutual benefit,
- Cooperation on maritime navigation security,
- Conducting joint maritime search and rescue missions,
- Strengthening cooperation in maritime law enforcement, and
- Alleviating poverty in developing countries and fostering a community of shared interest.

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China wishes to use the BRI in the spirit of mutual development and progress. China has signed intergovernmental agreements, MOUs and joint statements for ocean cooperation with countries such as Thailand, Malaysia, Cambodia, India, Pakistan, the Maldives and South Africa. In light of this vision, the People's Liberation Army (Navy) now routinely deploys in the Indian Ocean participating in the cooperative arrangements to counter Somali pirates, making friendly port calls and participating in Humanitarian Assistance and Disaster Relief (HADR) missions. China has also established a military outpost in Djibouti in the vicinity of bases of the US, France and Japan. China has shown no interest in establishing any military presence along the CPEC route or at Gwadar Port.

The USA, India and Japan see the BRI as an attempt to increase China's influence in the Indian Ocean at their cost. They are trying to counter the Chinese initiative economically and by building military coalitions. The US Maritime Strategy states, 'A lack of transparency in China's military intentions, contributes to tension and instability, potentially leading to miscalculation or even escalation' (US Navy 2015: 4). India, Japan and the US have been holding Malabar series of joint naval exercises regularly since 2007 in the Western Pacific and the Indian Ocean.

India is investing in Chabahar to compete with the Gwadar Port. India and Japan are establishing the maritime Asia-Africa Growth Corridor as an answer to the Maritime Silk Road. This was an important part of the agenda during Prime Minister Shinzo Abe's visit to India in September 2017. Thus, the Maritime Silk Road Initiative is facing increasing antagonism from India, Japan and USA.

India is particularly opposed to CPEC as it views the passage through Gilgit-Baltistan as a Chinese intrusion in the disputed territory of Kashmir. Similarly, India is alarmed at the development of Gwadar Port so close to its strategic Gulf-India sea lanes of communication (SLOC). It is no secret that India is subverting CPEC through proxies. The Indian RAW

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agent, Commander Kulbhushan Jadhav was on a mission, especially, to sabotage maritime security.

### **Pakistan's Vision of Maritime Security**

The challenges to Pakistan's, and indeed CPEC's maritime security, can be summarised as follows:

- Uncertainty about a stable environment in the Indian Ocean and the Arabian Sea,
- Sea-based nuclear weapons,
- Rise of India as a maritime power,
- NTSTs, especially through uncertain law and order situation in Balochistan,
- IS presence in the littoral states,
- Threat of cyber-warfare against port operations and safety of navigation,
- Environmental degradation and climate change, and
- Open opposition to CPEC and threat of subversion.

The spectrum of threat spans from nuclear and conventional disparity at one end to sub-conventional and hybrid warfare challenges at the other. Hybrid warfare involves simultaneous application of both conventional and irregular or unconventional forms of conflict within the same battle space. The adversary employs a fused mix of conventional weapons, irregular tactics, terrorism, cyber-terrorism and criminal behaviour to obtain desired political objectives.

Unless Pakistan maintains maritime security, Gwadar Port and CPEC itself will not be able to achieve their full potential. The plans to provide a sea link to the Belt and Road Corridors passing through the Central Asian Region, to harvest economic gains of CPEC investments within Pakistan and to make Balochistan hub of economic activity will all fail. In this scenario, Pakistan's vision is to deal with these challenges by:

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### ***Maintaining a Stable Security Environment***

Pakistan has been able to maintain her maritime zones secure and incident-free through Maritime Security Operations in its exclusive economic zone (EEZ) and along the coast. The law and order situation of the whole country, particularly in maritime zones is vital for the Gwadar Port to perform as a flourishing enterprise and pivotal point for CPEC. The economic pay offs will bring maximum prosperity to Balochistan as well as stability.

### ***Maritime Domain Awareness (MDA)***

Strong surveillance, reconnaissance and intelligence networking is essential to counter any security threat from the sea. The Pakistan Navy is maintaining round-the-clock Maritime Domain Awareness (MDA) with Unmanned Aerial Vehicles (UAVs), aircrafts and surveillance radars all along the coast. However, satellite-based integrated surveillance is required.

### ***Favourable and Collaborative Maritime Security Arrangements***

Pakistan participates in all multilateral and joint efforts to shape a positive maritime environment e.g., the biennial naval exercise *Aman*, and has membership of the Western Pacific Naval Symposium (WPNS) and Indian Ocean Naval Symposium (IONS). The Pakistan Navy is part of the Combined Task Force (CTF) 150 and 151 for conducting maritime security operations and anti-piracy patrols. Pakistan has also played a formative role in the maritime military capabilities in nearly all Gulf Cooperation Council (GCC) countries.

### ***Multidimensional Naval Capabilities and Infrastructure***

Pakistan visualises provision of maritime security through a multidimensional force. The recent inductions and planned

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infrastructure ashore of the Pakistan Navy as well as the Pakistan Maritime Security Agency (PMSA) all support maritime security operations. Pakistan has also created Task Force 88 specifically for maritime security of Gwadar and CPEC. The operations of Pakistan's naval units through a well-supported naval base at Gwadar or its vicinity would give it ascendancy and flexibility to fulfil maritime security requirements.

### ***Increased Interaction with PLA (Navy)***

Pakistan also envisions increased maritime cooperation with China. The Pakistan Navy has inducted many Chinese built platforms, which participate in international task forces as well as provide security to maritime zones of Pakistan.

### ***Improving the Life of Coastal Communities***

The communities in Pakistan's coastal areas are impoverished. As a matter of policy, the Pakistan Navy has tried to improve education, sanitation and public health wherever it has established its footprints. This, of course, results in improved maritime security.

## **Conclusion and Recommendations**

The issues surrounding the protection and use of the ocean are transboundary in nature, and require strong cooperation among national, regional and extra-regional actors. The development of CPEC and use of Gwadar Port will increase Pakistan's maritime security responsibilities and challenges. Both traditional and non-traditional threats and challenges to CPEC and Gwadar, especially from a hostile India, require a bigger role for the Pakistan Navy and the PMSA. It is, therefore, critical to:

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- Use CPEC to alleviate poverty in the country, and make it an inclusive platform for other nations.
- Continue to follow the vision of maritime security cooperation and collaboration, while being prepared to foil any enemy designs.
- Establish a naval harbour at Gwadar or in its vicinity so that maritime security can be augmented for CPEC.

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# CPEC – An Engine for Human Resource Development in Pakistan

## *Essay*

Prof. Dr Muhammad Masoom Yasinzai\*

### Introduction

**H**uman resource is the fulcrum behind any productivity and development at all levels. Indeed, no product or service can be produced without direct or indirect human involvement. The common perception that, in the era of industrial development and technological advancement, the role of human beings has been minimised is fallacious. The fact is that it is human beings who have brought this revolution in the fields of Information Technology (IT) and industrial development. Even the latest technology needs to be operated and/or monitored by human beings. In this era of globalisation, each organisation desires to take the lead from its competitors, and thus, have competent and highly skilled human resources.

In order to have highly skilled human resources, there is a need to educate the young generation at least at the primary level. Without a basic skill set, it is unimaginable to run and operate modern IT and equipment. Owing to multiple constraints, this has been a relatively neglected area in Pakistan. In order to be aligned with rest of the world, there is a need to have holistic human resource development and management in the country, first through development of skills, and subsequently their optimum utilisation as a skilled workforce.

The world's new economic game demands fundamental changes in the social and economic behaviour of society. The

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seats of higher learning need to adopt a new mindset for a knowledge revolution and framework for development and growth. Over 60 per cent of Pakistan's population constitutes the youth of this country (PBS 2017; The Nation 2017). This is a real treasure, and if put on the right track will not only change the fate of this country, but also the entire region. The current scenario where Pakistan is ranked at 147<sup>th</sup> out of 187 countries in the Human Development Index (UNDP 2017) needs serious contemplation and attention of policymakers. On the one hand, while the Government needs to enhance expenditure on higher education, it has allocated only 2.5 per cent in the National Budget (2017-18) compared to 2.3 per cent in 2016-17 (Tahir 2017). On their part, Higher Education Institutions (HEIs) will have to improve their quality and produce skilled and innovative workforce.

In developing economies like Pakistan, the target should be building bridges between the academia and industry so that research done in the HEIs is readily translated, and leads to socioeconomic uplift of the country. HEIs also need to become more relevant by targeting those areas which are directly linked to the contemporary needs of the country and its people. Just doing research for the sake of academic research is a luxury which Pakistan cannot afford.

### **Significance of CPEC**

As commonly perceived, CPEC is a project of immense significance, providing better prospects for strengthening Pakistan's current weak economic base, and promoting its status at the regional and global level. Besides, CPEC would enable Pakistan to work in a closer harmony with China, a rising global power, which the US views as its peer competitor. The Chinese philosophy of development is people-centric (China.org n.d.), and this can be a great learning experience for the Government and people of Pakistan. Following such a strategy (Li 2013) would enable the country to create a

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moderately prosperous society, where peoples' well-being and their right to equal participation and development will be guaranteed.

### **Optimum Utilisation of Human Resource under CPEC**

Under CPEC, there is understanding that China will shift its labour intensive industry to Pakistan (China Pakistan Economic Corridor website 2017). Under such circumstances, the major challenge Pakistan will face is to provide well-trained and skilled manpower in diverse areas to meet the needs of growing industries in the Special Economic Zones (SEZs) and other projects all along CPEC. We need a strong connection between market needs and graduate skills. Pakistan currently faces acute shortage of Institutes of Technology, and the vocational training institutes. According to the National Vocational and Technical Training Commission (NAVTTTC):

Youth was being provided in 38 China Pakistan Economic Corridor (CPEC)-specific trades in 197 institutes across the country, which also includes Chinese language centres (Pakistan Observer 2018).

Those which exist currently need overhauling both in terms of the infrastructure and delivery to produce quality labour and skilled vocational trainees.

### ***How?***

In Pakistan, Technical Vocational Education and Training (TVET) is only 6 per cent as compared with world standards which are 15-16 per cent (NAVTTTC n.d.). There are 1,647 public and private TVET institutes in Pakistan (Ibid.). Chinese counterparts are ready to help in this regard, and some of the institutions have already taken the initiative of joining hands with them for upgradation, and drastically improve delivery. In July 2017, Tianjin University of Technical Education (TUTE),

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and the Technical Education and Vocational Training Authority (TEVTA) signed an agreement to establish a University of Technical and Vocational Education (Pakistan Today 2017) in Lahore. The HRD perspective should be the most important outcome of this mega project. Since there are many reservations at the provincial level about the employment of manpower for CPEC, therefore, Pakistan must work out a plan, focusing its energies towards the HRD ensuring long-term sustenance of the project through Pakistani labour and technical human resource.

Since this is the first gigantic project of its kind for the country, it is desirable that with its each developmental phase, there should be gradual induction of Pakistani workforce in the form of contractors, engineers, skilled labour class, project managers and technicians. They must learn managerial skills and technological know-how from Chinese partners, since ultimately they have to run this entire project in years to come. To make it a success, there is a need that the workforce be employed in their respective areas of specialisation, while maintaining an equitable share of all provinces. The Gwadar Port must have the maximum number of employed personnel from Balochistan province.

### **Expectations from HEIs**

Human resource is the backbone of any project's sustainability. For collaborative linkages and intellectual connectivity, which symbolise the spirit of CPEC, the HEIs should focus on following areas:

- a. **Commitment to teaching quality and increase in access:**  
This means that the quality of teaching should be of high and in line with international standards; where HEIs are relevant, and recognised worldwide to attract foreign students' intake from developed countries. Quality teaching is the use of pedagogical techniques to produce learning outcomes for students (Hénard and Roseveare

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2012). Increase in access would enable Pakistani teachers and students to reach international institutions of high quality for learning, teaching and research. This is a two-way process - increasing access for Pakistani scholars to international academic institutions of high repute; while simultaneously attracting international students and faculty members to HEIs of Pakistan. Quality of teaching has many dimensions, which includes ensuring effective design of curriculum and course content; variety in learning contexts such as project-based and collaborative learning; experimentation; soliciting and using feedback; and effective assessment of learning outcomes (Ibid.).

- b. **Excellence in research quality:** HEIs are primarily research institutes, where there is creation of new knowledge based on research and innovation. Research means:

Creative and systematic work undertaken to increase the stock of knowledge, including knowledge of humans, culture and society, and the use of this stock of knowledge to devise new applications (OECD 2015).

- c. **Relevance and bridging the gap between source and end-user:** In this globalised world, whether it is teaching or research, it has to be relevant to its surrounding environment and the overall academic world. Universities and HEIs are source of trained human resource for society which includes the government, bureaucracy, military and other areas in a country. If the source is well-trained and efficient, the end-user, state and society will benefit and the current gap which exists, owing to multiple constraints, will be bridged efficiently.

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- d. **Encouraging meritorious students irrespective of their financial status:** Owing to many social and financial constraints, every year a huge number of meritorious students from across the country have to abandon their education, especially higher education. CPEC, as a communication network through its economic benefits, would enable such students to complete their education and play their role towards betterment of the country. In this regard, Pakistan's Higher Education Commission (HEC) has scholarship schemes as well.
  
- e. **More employable graduates – real product of a university:** Teaching and research are two basic aspects, which students undertake in a university, since the institution provides them a base. However, the real worth of an academic institution is known once their student gets employment in various fields at the national and international level. This helps gauge the real value of the 'product' of a university or HEI. The higher the number of competitive students who qualify for jobs (employment) from a particular institution, the higher is its ranking.
  
- f. **An international outlook:** HEIs in Pakistan need to be at par with international institutions. This is only possible if quality teaching and original research is undertaken. Once cutting-edge work is being produced, HEIs will automatically develop an international outlook with which they can attract foreign students and faculty.
  
- g. **Commercialisation and community services:** In this era of business and commercialisation, HEIs play an essential role. The faculty and students during the course of research undertake projects essential for their degree programmes. The process of commercialisation aims at providing assistance and advice besides, establishing

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connections with investors, experienced entrepreneurs, corporate research and development, officials and other specialists, so that these university projects do not remain confined within the walls of the institute and find practical applications in society, and in policy corridors.

In fact, universities and HEIs need to have a close liaison with the state apparatus, policymakers as well as the business community. Universities and HEIs are the providers of trained and educated manpower. The state, its departments and society at large are the end-users. This is a cyclical process. In order to be a true beneficiary, it is important to learn from the experiences of others. The ability to attract the best international and national students, a world-class faculty and linkages with the local industry played a key role in the Knowledge Economy of Singapore.

While ensuring law and order, and political stability are, of course, the prerequisites for the whole project, good governance, planning, timely and fair implementation of policies will only guarantee success if there is strong HRD.

***Major Areas of HRD***

No doubt, the development of infrastructure is crucial, but long-term growth and economic prosperity can only be achieved if Pakistan's youth are well-educated, well-trained and ready to take up the challenge. There is no doubt that the country has not received such mega investment before, which can have both negative and positive direct impact on the labour market, but it is still not too late to act. Some of the major HRD target areas include:

- a. Civil Engineering.
- b. Electrical and Instrumentation Engineering.
- c. Architectural Planning.

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- d. Supply Chain Management and Business Incubation Experts.
- e. Transportation and Logistics.
- f. Industrial Electronics.
- g. Energy.
- h. Language and Translation.
- i. Vocational Training and Community Participation.
- j. Ship-making.

In these target areas, the major responsibility needs to be shouldered by universities. Pakistan's universities not only need to add new programmes, but also improve the quality of existing ones. A strong linkage with Chinese universities will be instrumental in this regard. The initiatives taken by universities must also match the requirements of the CPEC projects.

The impact of population settlement and development of new towns as a follow-up to the corridor activities would need a stream of trained manpower in town planning, supply of clean water, sewerage, large teams of structural engineers and architects. The dual way Karachi-Peshawar railway track and its extension to the north need specialised railway engineers, but unfortunately, no university in the country is offering this degree programme. The Chinese industry is relocating to the CPEC routes which need rigorous supply chain management. A grand magnitude of tunnels will be excavated throughout the CPEC route making it necessary to have specialised and skilled labour and civil engineers for the job. The road network, construction and IT connectivity alongside the projects' terrain should be Pakistan- and Chinese-human resource centric. For this, work-on-ground needs to be linked with academic pursuit in the country. Electric cars will be the only carriers in China from 2025 (Bradsher oct 2017). The country is diversifying its automobiles industry by looking at alternative modes of transportation, electric being the most important. How is Pakistan going to cope with this changing scenario in terms of

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trained human resource to address this vital need and work shoulder to shoulder with its counterpart?

Some of the steps already taken are very encouraging. HEC is developing a CPEC University alliance and CPEC Consortium of Business Schools with ten participating universities on each side (Daily Times 2017; and HEC website n.d.). This is likely to grow further in the future for areas such as vocational training, Engineering, Basic and Applied Sciences and Social Sciences with more universities added from both sides.

### **Involvement of Youth from Balochistan**

The roots and the heart of CPEC lie in Balochistan. Gwadar, which is the starting point, will soon turn into a new international port and industrial city. The Government has to ensure that this develops not amid reservations of the people of Balochistan, rather with their support and direct participation. In this regard, it is important to physically engage with the local populace of Gwadar in particular and the entire province in general.

China has placed a demand for 38,000 skilled workers by 2030 for the Gwadar Free Zone alone (Kiani 2018). The first 5000 workers are currently undergoing training at the CPEC Technical and Vocational Institute, Gwadar and will graduate by mid-2018. 400 companies have already applied for permission to set up medium to large businesses (Ibid.). This all requires the development of human resources on war footing.

The western route in Balochistan touches almost all universities of the province - the University of Turbat, Bela, Khuzdar, Quetta and Loralai, besides the nascent FATA University. The reservations of the people of Balochistan need to be addressed. The Federal Government and the Balochistan Provincial Government can take concrete steps whereby the younger generation can be engaged to give them an assurance that in this entire project the local population of Gwadar, and its

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adjoining areas in particular, and Balochistan in general, will be able to secure dignified positions. As a first step, the GoP should sign an agreement with China to send in the first batch of 100 students from these seven universities to Chinese universities in different fields and technologies for doctoral studies. These graduates on their return will not only be well-trained for the various jobs on offer, but would have understood the Chinese philosophy of development. Having relative knowledge of the Chinese language, these graduates will also prove to be the ambassadors of that country in Pakistan.

### **Conclusion**

CPEC has a lot of potential to absorb the skilled manpower and educated youth within Pakistan. Accruing benefits of this massive project is only possible once the masses are geared and ready through collective wisdom and unity. At the government level, there is a dire need to train the human resource as per their optimum utilisation in all fields of CPEC-related projects. In this regard, the mid-career academic institutions, technical institutions, and above all, the HEIs need to play a predominant role in the academic and mental growth of Pakistan's young generation. Indeed, youth of any nation acts as an engine in its economic development and socio-political harmony.

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# Development of CPEC: Impact of Regional Cooperation to End Extremism in Pakistan

## *Working Paper*

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### Abstract

This paper will examine the challenge of extremism in Pakistan in the context of the China Pakistan Economic Corridor (CPEC) by responding to the following questions:

1. How can economic and social development provide an *impetus* to the deradicalisation of society and help mitigate extremism?
2. What are the major steps which can be taken under CPEC to *augment* economic growth and regional connectivity, and what are the impediments in this regard?

### Introduction

Social and human development is essential and vital for dealing with the threats of intolerance, radicalisation and extremism. When unemployment, illiteracy and poor quality of life permeates at the societal level, the outcome is the deepening of anger, antagonism, intolerance, extremism, militancy, radicalisation, violence and terrorism, particularly among the youth. Extremism is a phenomenon which is as old as the history of mankind and cannot be eliminated, but it can certainly be limited in its scope and intensity.

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The China Pakistan Economic Corridor (CPEC), now a 57 billion dollar mega project<sup>1</sup> linking Pakistan's port city of Gwadar with the Chinese town of Kashgar, has been called a 'game changer' and a 'milestone' (Ahmar 2015) because of two main reasons. First, CPEC will give impetus to the process of development, particularly in the backward areas of Pakistan, namely in the provinces of Balochistan and Khyber Pakhtunkhwa (KPK). Second, it will help focus on professional training in infrastructure building of the country, thus, engaging the country's young people. Engaging youth in projects covered under CPEC, particularly roads, railways, solar and thermal power production, will not only enhance their talent and skills, but will also utilise their energies in a positive manner. Given the growing 'youth bulge' in Pakistan, its involvement in CPEC-related projects may help dilute the level of frustration, thus, mitigating extremism in the country. Furthermore, CPEC is not only aimed at dealing with the issue of social and economic backwardness in Pakistan, Beijing aims to utilise that mega project to strengthen the process of modernisation and the eradication of extremism and radicalisation in its own restive province of Xinjiang as well.

The post-9/11 developments triggered anti-Americanism in many countries, including Pakistan. The influx of so-called *Jihadi* groups, including foreigners sneaking into KPK, the Federally Administered Tribal Areas (FATA) and Balochistan, triggered fresh cycles of violence and terrorism in many cities and towns of Pakistan. From 2001 to date, this country has borne the brunt of United States/Western military involvement in Afghanistan, particularly in terms of suicide attacks and other terrorist acts by the Tehreek-e-Taliban Pakistan (TTP) and other terrorist organisations. More than 80,000 people have lost their lives, and thousands have been injured since 2001 in

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<sup>1</sup> On 20 April 2015, when Pakistan and China signed 51 agreements and Memorandums of Understanding (MoU) during the visit of Chinese President XI Jinping to Islamabad, Chinese investments under CPEC totaled USD 46 billion.

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various terrorist incidents. Military operations in Swat, North and South Waziristan and the National Action Plan (NAP) unveiled after the deadly terrorist attack at the Army Public School in Peshawar on 16 December 2014 helped neutralise terrorist infrastructure, but the threat of terrorism remains.

It was in the aftermath of NAP and counterterrorism measures that Pakistan and China came up with the plan of CPEC. Formally launched in May 2015, CPEC provided opportunities for vibrant economic development in an environment marred with gloom and pessimism (Khan 2015). But, the real challenge which emanates from CPEC-related projects is an attempt made by groups hostile to it in Balochistan where, since 2005 till now, low intensity conflict tends to incite Baloch youth through what is propagated as internal colonisation of the resources of the province. Negative propaganda against CPEC, specially targeting the youth population and augmenting a sense of insecurity in their minds are issues which need to be analytically examined.

Addressing a programme on 'One Belt One Road and its Positive Connotations for Pakistan and its Adjoining Region as well as Security Issues pertaining to China Pakistan Economic Corridor' organised by the Karachi Council on Foreign Relations on 15 December 2016, the then-Advisor to the Prime Minister on Foreign Affairs, Sartaj Aziz said that:

China Pakistan Economic Corridor could act as a bulwark against the forces of extremism and terrorism by engaging the local youth in meaningful employment and presenting them with new economic opportunities. CPEC is a recipe for alleviating poverty for millions of people by providing alternative livelihoods.

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He further said that:

CPEC was also a catalyst for regional economic integration. It would foster regional harmony and forge closer relations among China, Pakistan and our neighbours. A successful CPEC sets example for China's similar projects with other countries and benefit the grand plan of One Road and One Belt (Daily Times 2016).

According to an editorial published in a Pakistani newspaper:

The CPEC would mostly pass through remote, backward and economically deprived regions of Pakistan and therefore, would have tremendous impact on socio-economic conditions there. This transformation in the lives of the people would surely help address the challenge of extremism and terrorism on sustainable basis (Pakistan Observer 2017).

Whether CPEC can alleviate poverty and provide meaningful employment to the youth needs to be examined in some detail. Optimism is certainly a hallmark of any country's future planning, and in case of Pakistan, CPEC certainly provides a valuable opportunity to transform the country in the right direction.

### **CPEC and Regional Cooperation**

Although CPEC is China-Pakistan centric, yet its scope in Central, South and West Asia is enormous. Iran and Afghanistan have expressed their interest to join the Corridor which is a fundamental component of China's One Belt, One Road (OBOR) initiative (Hyder and Khan 2017). As far as India is concerned, its scope of joining CPEC is limited, but certainly as China's largest trading partner, New Delhi cannot

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undermine the importance of CPEC. India, however, has left no opportunity to express its reservations against CPEC, particularly the projects located in Gilgit-Baltistan, calling it a disputed territory under Jammu & Kashmir. The Chinese side has ruled out India's reservations, and termed CPEC as an initiative to deepen communication linkages, particularly under OBOR, with no political designs.

Regional cooperation is primarily a post-Second World War phenomenon because of three main reasons. First, the process of European integration received impetus after the Treaty of Rome was signed in 1957 which focused on meaningful economic, political and security cooperation in the war-devastated continent. Second, the emergence of new states in Asia and Africa, and their being inspired by the process of regional cooperation in Europe resulted into the formation of the Association of South East Asian Nations (ASEAN) in 1967, the Gulf Cooperation Council (GCC) in 1981, and the South Asian Association of Regional Cooperation in 1985. Third, the regional cooperation moved from the sole domain of governmental structures and processes to non-governmental ones because of the emergence of new issues namely climate change, global warming, water and energy conflicts. Hence, the goal of regional cooperation assumed multidimensional facets with a focus on trade, commercial, environmental and security cooperation among the countries of various regions.

Paradoxically, China is not a member of any regional organisation because in North-East Asia and East Asia there are no regional arrangements for integrating countries of the two regions under one regional organisation. China is not a member of ASEAN, but it is a member of the Shanghai Cooperation Organization (SCO) along with Russia, Central Asian states, India and Pakistan. But the SCO is not a full-fledged regional organisation as its focus is on security and counterterrorism measures. Therefore, two regional organisations where China can consider applying for membership are: SAARC and the Economic Cooperation

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Organization (ECO). As far as SAARC is concerned, which is the only regional organisation representing South Asia, China has borders with five of the eight countries of that region namely Afghanistan, Bhutan, India, Nepal and Pakistan. Whereas, in case of the ECO, it has borders with its Central Asian members like Kazakhstan and Kyrgyzstan. More particularly, if China is included in SAARC, it will make a qualitative difference in terms of Beijing's positive and productive role for augmenting the process of regional cooperation in South Asia, and help to revitalise SAARC as a functional regional organisation. Likewise, if China joins ECO as a full member, it will have positive implications on Central, West and South Asia because of China's location in the neighborhood and its vision to promote trade and commercial ties with the three regions through CPEC and OBOR.

Since quite some time, debate about China's inclusion in SAARC as a full member has been ongoing with reservations from India which is the region's biggest country. Whereas, Nepal, Pakistan and Sri Lanka have a positive approach as far as China's membership is concerned. India and Bhutan are the two countries vehemently opposing this idea because of obvious reasons. China's membership will neutralise India's dominating position in this regional organization, and also address the issue of asymmetry. Ultimately though, it is in the interest of SAARC to offer full membership to China because of two main reasons:

1. China has economic, commercial, trade and security links with the majority of SAARC countries, and if it becomes a full member, it will certainly provide a boost to the process of regional cooperation. China is the world's second largest economy, and is in a position to provide its skills and expertise to other SAARC countries under the framework of regional cooperation.
2. As a full member, China will be a matching power as India will not be able to sustain its dominant position. Most importantly, its membership will create a strategic

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balance in South Asia, thus, positively shaping the present and future of South Asia.

But, a major impediment in this direction is India since according to the SAARC Charter, all major issues, including membership, need to be settled through consensus. If India and Pakistan can become full members of SCO, then why can't China be offered that status in SAARC? It is essential that India drop its opposition so that China can join SAARC as a full member, and become a source of stability and a catalyst for meaningful regional cooperation.

### **Socioeconomic Development and the Challenge of Deradicalisation**

For many post-colonial states, a major predicament is how to ameliorate their economic and social status, and excel in the areas of human development. Pakistan's predicament, as far as the challenge of radicalisation, is concerned centres around poor governance and lack of the rule of law which encourage criminal and anti-social elements who take advantage of the situation, and create law and order problems. Sadly, NAP, which was meant to eradicate extremism and terrorism from society, still has a long way to go. While the networks of militant and terrorist groups have been weakened, they have not been totally eliminated. NAP had recommended disarming armed groups so that only state forces are responsible for dealing with law and order. In that case, putting sustained pressure on violent groups is the need of the hour so that the process of economic and social development is not impeded. The Punjab Chief Minister, Shahbaz Sharif hoped that, 'CPEC will also play an important role in the elimination of terrorism and extremism from the region' (Pakistan Today 2016).

Only holistic implementation of CPEC-related projects can help deal with the menace of extremism in Pakistan, especially since Chinese nationals working under the project are being

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targeted by extremists. In Balochistan, which is critical for the success of CPEC, Chinese nationals are targeted by those elements who view the project as an attempt to colonise the province. Therefore:

A special security division, including 9,000 army soldiers and 6,000 paramilitary forces personnel, has been assigned the task of providing security for Chinese nationals and projects. In addition, various types of CPEC security forces are in making at provincial levels (Rehman 2017).

How can the youth of Pakistan be deradicalised, and what are the obstacles in this regard? How can the processes of economic and social development transform society from frustration and extremism to normalcy and peaceful? It is not true that only through CPEC a qualitative change in the socioeconomic status of people can be assured, particularly in terms of youth empowerment. However, three factors must be taken into account while examining prospects of youth deradicalisation. First, in a country where there exists a significant youth bulge, the role of society in promoting the values of tolerance and peace are significant. Ironically, Pakistan is still a feudal and tribal society where a conservative and orthodox way of life is deep-rooted. In such a scenario, the young people of this country must be properly guided and provided with quality educational and employment opportunities. When a society is stagnant, and under the shadow of pessimism, it is the young generation, which becomes its first victim. Therefore, it is a societal responsibility to make sure that it's most productive and promising demographic, i.e. youth are not misled, misguided or exploited by vested interest groups. Second, it is also the responsibility of the state to focus on social and economic development so that along with the material resources which are essential for development, human resources are also utilised. Unfortunately, the state's neglect of

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education is quite stark as 25 million children are out of school, and this is exploited by extremist and militant groups.

In view of China's age-old friendship with Pakistan, one can expect that Beijing will also invest on deradicalisation programmes because if the younger strata of society is frustrated and vulnerable to violence and terrorism, CPEC's drive to act as a 'game changer' and a 'milestone' for social and economic development may be a non-starter. Henceforth, along with China, Pakistan must also take plausible steps to deal with issues which cause extremism, intolerance, militancy, radicalisation, violence and terrorism. Former Prime Minister of Pakistan, Nawaz Sharif, while addressing the groundbreaking ceremony of the 820 km long fibre optic link between Khunjerab and Rawalpindi in Gilgit said that:

The China Pakistan Economic Corridor will bring prosperity to the region and help end extremism and terrorism (The Express Tribune 2016).

Likewise, while speaking at the plenary session of the Belt and Road Forum for International Cooperation in Beijing on 14 May 2017, he said that:

Chinese initiative of One Belt and One Road would take human kind to a higher level of prosperity, peace and stability through connectivity and close contact. One Belt and One Road unfolds across continents, we see it fostering inclusion, creating tolerance, and promoting acceptance of cultural diversity. Pakistan sees it as a powerful tool for overcoming terrorism and extremism (Samaa News 2017).

Third, training and education given to thousands of Pakistani students, teachers and officials in various Chinese universities and organisations will go a long way in creating a critical mass for the promotion of science and technology, social and human development, and adhering to proper work ethics.

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China may not have a democratic system *per se*, but religion is not used to keep people backward and exploited socially. The problem with Pakistan is serious because modernisation is equated by extremist religious groups with Westernisation. The Chinese leadership, since the time of Mao Zedong to date, has focused on the social and economic uplift of their marginalised segments of society. Millions of people were lifted out of poverty in Communist China, and provided opportunities to improve their socioeconomic status. After Deng Xiaoping's Open Door policy launched in the late 1970s, foreign investment, and the huge trade surplus earned by China led to socioeconomic development, thus, engaging vast majority of people in numerous business and commercial activities. For Pakistan, the way out of extremism and poverty, particularly among youth, is to promote massive economic activities and developmental projects so that those who are unemployed or idle are engaged.

CPEC-related projects in energy, infrastructure, at the Gwadar Port, the cross-border optical fibre cable, and the pilot project of Digital Terrestrial Multimedia Broadcast (DTMB) can create hundreds of jobs which will provide enormous opportunities to the skilled and unskilled labour, technicians, engineers and Information Technology (IT) experts. These employment opportunities will have a positive impact on the economy of Pakistan (Adnan and Fatima 2016). In its essence, if Pakistan utilises CPEC-related projects in a best possible manner, within one decade one can expect a qualitative change in the socioeconomic condition of its people.

Extremism and radicalisation are a universal phenomenon, and are a major threat to social and human development. Yet, in case of China, relative homogeneity of race, culture and language seem to have reduced the level of intolerance which emanate on ethnic and religious grounds. But, Pakistan is a different case because unlike China, it is culturally and ethnically a heterogeneous country including tribal, feudal and sectarian characteristics. China has been able to deal with

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the threats of extremism and radicalisation because of strict policy on the part of state to ensure the rule of law. Interestingly, for the first ten years of its revolution, China was dependent on the Soviet Union for its industrial growth, but after disengaging with Moscow in the late 1950s, Chinese leadership decided to adopt a policy of self-reliance. Pakistan's predicament since its inception as a new state in August 1947 till today is its dependence on external sources for development, instead of following a policy of self-reliance. As a result, the country has plunged itself into a vicious trap of primarily Western lending agencies, resulting in the creation of massive debt amounting to more than 40 per cent of its national income.

### **CPEC and Augmenting Economic Growth**

Augmenting economic growth depends on indigenous efforts to accelerate the process of development along with viable trade and foreign investments. The right kind of environment for economic growth is also essential with four major requirements:

1. An investment friendly environment with minimum bureaucratic controls.
2. Proper infrastructure facilities, which includes better communication systems.
3. Strong law and order, along with basic security so that foreign investors and traders feel at ease. In its essence, good governance is the key to luring foreign investments.
4. Eradication of corruption and nepotism so that the credibility of the state at the international level is ensured.

Alongwith these four requirements, constant monitoring of those organisations which are supposed to ensure better investment and trade climate in Pakistan is also required. In an article published in *China Daily*, it is argued that:

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Experts consider that Belt and Road project integrates with Pakistan's future development plan-2025, which seeks to transform Pakistan into a hub of trade and commerce, harnessing its geostrategic location into a geoeconomic advantage. Pakistan is also trying to expand the CPEC to include countries like Iran so that it helps to integrate South Asia, China and Central Asia for greater economic opportunities. Pakistan and the Six Gulf Countries are located in the west intersection zone of the Belt and Road, which makes them important partners of China (Qamar 2017).<sup>2</sup>

As discussed earlier, China's will to help Pakistan augment its development and progress depends on the ability and capacity of the latter to effectively deal with issues which are termed as a major impediment for the smooth sailing of the CPEC process. Since CPEC projects have a timeline, and the process may take several years, stakeholders in Pakistan must realise the importance of meeting deadlines (Husain 2017).

CPEC, if taken to its logical conclusion, can certainly augment Pakistan's economic growth (Rizvi 2015), but the OBOR which also covers CPEC has regional implications. Firmly believing in soft power and geoeconomics as tools to transform China as a major global power, Beijing is interested in expanding the scope of CPEC to the 'three Asias', i.e. Central, West and South. Can economic growth of these regions expand

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<sup>2</sup> The author further argues that, 'People from all walks of life believe that Pakistan is main partner of the Belt and Road, instead of a connecting link. OBOR should be cherished, because it would bring tangible benefits to the whole world by creating many opportunities for development, which is expected to benefit tens of millions of people and is helpful to primarily eliminate religious extremism and societal violence from the entire region. Pakistan is poised to reap the benefits of the Belt and Road initiative in the short span of two years. Other countries can also follow.'

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as a result of Chinese-sponsored communication linkages? What are the concerns of China's growing role in these areas?

China shares its borders with the majority of Central and South Asian countries. As far as West Asia is concerned, the Republic has strong relations with Iran and Turkey in terms of trade, commerce and investments. Two decades ago, China's economic growth was more than ten per cent which has currently reduced to around seven per cent. Even then, China's economy has taken a great leap forward with around USD 3 trillion in foreign exchange reserves, and is a major stakeholder in the Asian Infrastructure Investment Bank (AIIB). Except India, which has strong reservations vis-à-vis CPEC, and China's growing influence in the three Asias, other regional countries hold a positive view of Beijing and its commitment to help the process of development. India, too, must alter its perceptions about China so that the two Asian giants can together play a pivotal role in unleashing the process of meaningful regional cooperation. The US' reservations and concerns about CPEC and OBOR are understandable because it considers China as its major competitor. Economic growth of the 'three Asias' is possible with Chinese investment, provided external and regional powers do not create impediments.

Beijing's policy of reaching out to other countries and to establish influence through trade, investment, diplomacy and aid cannot be overlooked. Therefore, the use of soft power is a fundamental reality as China over the last four decades seems to have understood that a policy based on coercion, gunboat diplomacy and military intervention will not work. That in order to be successful in assuming power at the global and regional level, a country must have normal relations with its neighbours. China's last military intervention was in Vietnam in January 1979. Since then, it has not pursued an aggressive and interventionist policy, regardless of its unsettled issues with some neighbours, primarily India. As a result of pursuing a prudent policy, it has been able to emerge as an economic superpower along with a sizeable military capable of protecting

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its interests in the neighbourhood. Through its 'corridor diplomacy', China wants to dispel any suspicion or mistrust about having aggressive designs as both OBOR and CPEC come under the framework of regional cooperation. Will the countries of Central, West and South Asia take advantage of Chinese initiatives to build bridges of cooperation by establishing communication linkages and trade routes? Pakistan can certainly expect to benefit from this new policy approach of China as it will be a win-win situation connecting Pakistan's port of Gwadar located on the Arabian Sea with the Chinese city of Kashgar. It will benefit not only China by shortening its trade distance to Africa, the Middle East and Europe, it will also provide a valuable opportunity to Pakistan to improve its infrastructure and enhance its economic growth.

China's policy of good neighbourly relations should be a lesson for those countries whose ties with neighbours are tense and conflict-ridden. India, as the biggest and largest country of South Asia, holds special responsibility in mending fences with its neighbours, particularly Pakistan and its ambitions to emerge as a regional and Asian power may not materialise if it is seen as an interventionist and expansionist country by its only western neighbour. Regardless of their territorial conflicts, India and China are able to manage their unresolved issues, and maintain their vibrant trade relations. Instead of getting suspicious and insecure, India needs to make use of OBOR, and reciprocate the Chinese offer to join the economic corridor with Pakistan. By pursuing an approach based on prudence and vision, India can greatly help improve the regional security environment, and strengthen the process of social and economic development under the auspices of SAARC. Unfortunately, the situation on the ground is quite pessimistic as far as SAARC is concerned because of Indian-led boycott of the 19<sup>th</sup> SAARC Summit which was scheduled to be held in Islamabad in November 2016. As a result, the status of SAARC is in limbo as the indefinite postponement of the Summit has cast serious doubt about the sustenance and viability of this regional

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organisation. SAARC's failure to promote inter- and intra-regional trade reflects its predicament to emerge as a successful regional organisation. Otherwise, had SAARC succeeded in giving practical shape to the South Asian Preferential Trade Arrangements (SAPTA), it would have promoted economic and social development in the region. Better trade relations can also go a long way in building linkages amongst the people of a particular region, thus, neutralising the forces of hate and hostility.

### **Future Prospects**

Mutual trust and confidence in Sino-Pak relations will go a long way in strengthening the CPEC process. CPEC is linked to other Chinese initiatives of connectivity and communication as well, hence, Beijing has made it clear that the timelines mentioned for the completion of CPEC projects must be strictly followed by its Pakistani counterpart. Failure to adhere to deadlines, and completing the tasks assigned will certainly raise credibility issues for Pakistan.<sup>3</sup> Therefore, the future impact of CPEC projects depends on Pakistan.

Transparency and quality control are the two major requirements which must be maintained not only by China, but also by Pakistan so that post-CPEC opportunities to secure more investments for the country's economic development are guaranteed.

Large-scale development projects with proper planning and by taking local stakeholders on board can be a 'great leap forward' in reducing the level of unemployment, particularly in the backward regions of Balochistan and KPK. As far as Balochistan and CPEC are concerned, Pakistan's President Mamnoon Hussain while speaking at the annual convocation of Balochistan University stated that:

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<sup>3</sup> For Chinese concerns about meeting deadlines under CPEC projects see, Husain (2017).

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The entire world is looking at Balochistan in the context of the economic corridor. The future of Balochistan is very bright as the government has launched several development projects under CPEC to develop the province and remove the sense of deprivation prevalent among the people (Daily Dawn 2017).

As a result, if real development takes place under CPEC one can expect mitigation of extremism, particularly amongst the youth, and their involvement in the project will go a long way in alleviating their grievances. This depends on how the government involves local people in development projects, whether related to communication linkages or infrastructure.

If CPEC-related projects succeed, other countries of the region can also come on board so that regional cooperation, which is a distant dream in Central, South and West Asia is transformed into a reality. As pointed out earlier, Iran and Afghanistan have expressed their interest to join CPEC as the two consider this mega-project to be in consonance with their economic interests.

Institutional-building under SAARC and ECO to strengthen communication linkages in the three Asias with CPEC playing a leading role can go a long way in promoting regional cooperation, and dealing with the issues of extremism and violence. A joint summit of SAARC and ECO with Chinese presence under special invitation will provide a useful opportunity in examining CPEC under a broader framework and short/long-term plans for regional connectivity. CPEC is an opportunity, along with OBOR, to turn things around in the three Asias, but China alone cannot transform its vision of connectivity into a reality unless countries of the three regions are also on board so that the challenges of social and human development, good governance and rule of law, the threat of

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extremism, violence and terrorism which are so common in South, Central and West Asia are effectively addressed.

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## Regional Security and CPEC

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*Dr Khuram Iqbal*
- **Pak-Iran Security and Trade Relations: Role of CPEC**  
*Professor Dr Muhammad Alam Khan*



# CPEC: A Corridor for Minimising Political Fault lines in South Asia

## *Working Paper*

Dr Khuram Iqbal\*

### Abstract

The Jammu and Kashmir dispute and violent extremism are often highlighted as two major geopolitical fault lines in South Asia. The China Pakistan Economic Corridor (CPEC) could potentially contribute in addressing both issues by increasing connectivity and economic interdependence. But an antagonistic response from New Delhi has barred the potential of this mega developmental initiative to address these regional political fault lines. In her efforts to respond to CPEC, India, advertently or inadvertently, is accentuating the already troubled geopolitics of South Asia. Low-cost, high-impact interventions such as international lobbying and support for non-state actors to jeopardise CPEC appear more appealing and practical to the Indian strategic community. Resultantly, the proposal to move from high politics to low politics for the resolution of the Jammu and Kashmir dispute has suffered a major setback. India's policy of supporting non-state actors in Balochistan and the Federally Administered Tribal Areas (FATA) has also transformed the post-9/11 wave of ideological terrorism in Pakistan into Cold War era 'proxyism' which would prove detrimental for any meaningful dialogue on Kashmir and violent extremism.

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## **Introduction**

A political fault line is defined as any bilateral or multilateral issue, which if left unresolved, could threaten regional security and impede regionalism. In the South Asian context, political pundits often highlight the Jammu and Kashmir dispute and violent extremism as two major political fault lines hindering prospects of regionalism in South Asia. Both issues have contributed significantly in reducing the South Asian Association for Regional Cooperation (SAARC) to merely a ‘magnificent paper tiger’ (Ahmed, Kelegama and Ghani: 404) promoting extra-regionalism with India looking and subsequently acting East; and Pakistan gradually giving up on SAARC and prioritising economic and political engagement with Central Asian Republics (CARs) in the form of a rejuvenated Economic Cooperation Organization (ECO).

The Jammu and Kashmir dispute and violent extremism have also caused wars between the two major South Asian countries and brought them to eyeball-to-eyeball standoffs on two occasions (Indian Parliament Attack 2002 and Uri Attack 2016). In the aftermath of the Uri attack, India even claimed conducting ‘surgical strikes’ deep inside Pakistan’s territory, a claim rubbished by Islamabad. Pakistan also perceives that Indian policymakers are using terrorism to their strategic advantage, to malign the country internationally, to deflect attention from the widespread human rights abuse in Indian-held Kashmir, and to justify their aggressive military doctrine such as the Cold Start. In South Asia, instrumentalisation of terror for geostrategic advantages has, no doubt, hindered every meaningful bilateral or multilateral move aimed at countering transnational terrorism.

The China Pakistan Economic Corridor (CPEC), one of six land corridors envisioned under the Belt and Road Initiative (BRI) came as an historic opportunity that could potentially bridge these political fault lines by increasing connectivity and

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economic interdependence between the major South Asian nations of India and Pakistan. The initiative could have also paved the way for resolution of protracted conflicts such as Kashmir by encouraging them to set aside, temporarily, high politics in favour of low politics. Guided by this win-win strategy, both China and Pakistan, on different occasions, invited India to share the dividends of BRI (Naqvi 2017) and CPEC (Express Tribune 2016), but New Delhi's antagonistic response to this mega developmental project, outrightly rejecting it as 'unacceptable' (Zee News 2015), has barred CPEC's potential to promote regional cooperation, facilitate conflict resolution and shun away zero-sum approaches to regional issues. Besides lobbying Washington against CPEC, New Delhi has also resorted to sponsoring anti-CPEC sub-state and non-state actors, which has transformed ideological terrorism into Cold War era 'proxyism'.

This chapter seeks to outline the evolving geopolitics of South Asia in the aftermath of CPEC. The first section provides a detailed discussion on international and regional responses to Chinese global and regional economic expansion in the form of BRI, followed by an overview of Indian efforts to counter CPEC. The third section comprehensively analyses the impact of CPEC on the two regional fault lines and the policy options available to Beijing and Islamabad to engage New Delhi on the project.

### **International and Regional Responses to BRI and CPEC**

If the pyramid of 'Power Transition Theory' is to be used to gauge international responses to the BRI, the hegemon has decided to apparently ignore the initiative (Luft 2017), but in reality the United States (US) considers it a threat to the US-led world order. This was evident from America's reluctance to send a high-level delegation to the Belt and Road Forum (2017) unless China announced measures to increase imports from the US (Reuters 2017a). The major players in the Western Europe and Asia Pacific, who benefitted immensely from the post-Cold

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War unipolarity, cautiously toed this line on the BRI. But the electoral victory of Donald Trump forced them to reconsider their options in a world marked by increasingly eroding American influence in global affairs. President Trump has become a prisoner of a cross-Western wave of protectionism and ultra-nationalism, which actually helped him to secure victory in the presidential election of 2016. This led to a leadership vacuum that the Chinese President Xi Jinping sought to fill when he portrayed his nation as the new champion of globalisation in his speech at Davos in January 2017, and labeled the BRI a 'new platform for global trade and connectivity' (South China Morning Post 2017). With the US retreating from global leadership, Beijing and the European Union have teamed up to back globalisation and free trade. In doing so, the major players seek to secure their prestige and interests in an evolving new world order. The absolute or relatively dissatisfied countries grouped under 'middle' and 'small' category in the Power Transition Pyramid have enthusiastically welcomed the rise of China on the world stage. This group perceives the BRI as an opportunity to enjoy the dividends of globalisation, which were earlier limited to a select few under the unchallenged US hegemony.

Regarding CPEC, the US response was very difficult to read until Defense Secretary James Mattis made it clear at the Senate Armed Services Committee in October 2017 that the US 'too' believes the CPEC passes through a disputed territory — originally an Indian claim aimed at thwarting the development plan (Iqbal 2017). The statement by Mattis marked a clear departure from earlier US approach towards CPEC under the Obama administration, which sought to compliment the Corridor through the US-Pakistan Knowledge Corridor (UPKC). The UPKC initiative was aimed at producing skilled and highly educated manpower for successful completion of CPEC by providing ten thousand scholarships for Pakistani students in US universities. Daniel S. Markey, one of the top US experts on South Asia and author of 'No Exit from Pakistan: America's

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Tortured Relationship with Islamabad' remarked during a conference at the National Defense University in Islamabad in February 2016 that a majority of policymakers in Washington supported Chinese efforts to stabilise Pakistan through economic rejuvenation. The Trump administration, however, tilted in favour of India, giving rise to fears in Islamabad that there is no such thing as a liberal world order, and that the US will never give up on her security-centric approach towards Pakistan. The Trump administration's opposition to CPEC was seen as a repetition of events after the anti-Soviet Afghan *Jihad* in which Pakistan supported the US with men and material but Washington, instead of acknowledging this role in defeating the Soviet Union, punished Pakistan through the Pressler Amendment. Pakistan termed US concerns over CPEC unfounded and urged that it should not be looked at from an Indian perspective rather as an economic plan to bring peace and stability to South Asia (The Nation 2017).

Pakistan feels greatly encouraged by a resurgent Russia's support for CPEC. Since the seas surrounding Russia remain ice-locked for most parts of the year, it has for centuries desired to reach the warm waters of the Indian Ocean. During the Cold War, the Soviet Union could not match the military prowess of the US mainly because of the strategic advantage which the latter has had because of its geography. The Atlantic and Pacific Oceans not only provide a natural defence to the US, but also the luxury of uninterrupted navigation either for trade or military purposes. To have this advantage of uninterrupted navigation throughout the year, access to warm waters of Persia and South Asia has always been extremely important for the economic and military strength of Russia (Khan 2017). Moscow tried a different strategy to reach the Arabian Sea, including full-fledge military invasion of Afghanistan that according to a number of Pakistani analysts was aimed at accessing warm waters through Pakistan. But such adventures failed courtesy the US-led international *Jihad* against the Soviets in

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Afghanistan during 1980s. Pakistan's effort to reach out Moscow proved unsuccessful mainly because of the latter's warm relations with New Delhi. While almost every Pakistani president or premier has visited Moscow since Z.A Bhutto, none were reciprocated by Russia at the same level. Structural changes, however, seem to be forcing Russia to recalibrate her foreign policy options in South Asia. As India inched closer to the US during the first decade of Twenty-first Century, Russia responded by warming up to Islamabad. In November 2016, at a conference in Ashgabat, Turkmenistan, the then Prime Minister Nawaz Sharif not only offered its land route to landlocked Central Asian states but also extended the olive branch to Russia. Global Times, China's premier English language news outlet linked to the Communist Party of China, applauded the possibility of Russia's joining of CPEC as 'an opportunity for China, Russia and Pakistan to enhance cooperation' (Xing 2017):

Russia's presence in the CPEC would help prevent the international community, including India, from paying excessive attention to China and remove the unnecessary worries over the so-called China threat (Ibid.).

CPEC would also offer Russia an opportunity to extend the pipeline network which may eventually culminate in Russian oil being shipped to the east and the west from the Gwadar Port.

China's economic expansion has generated a sense of optimism throughout South Asia. It is a region beset with armed conflicts, impoverishment and massive unemployment. The BRI, originally known as One Belt One Road, opens new vistas for Afghanistan to maximise her economic potential as a transit state connecting South and Central Asia. The country, however, seems to be reluctant in providing Beijing ample space that could antagonise Washington and New Delhi. In October 2016, the Afghan Ambassador to Pakistan sounded very enthusiastic about CPEC stating that Kabul absolutely supports CPEC, and

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wants to become a part of the project (Khattak 2016). According to Dr Omer Zakhilwal:

By becoming a part of the project, Afghanistan can recover the damages it suffered during the decades long war (Ibid.).

Kabul's enthusiasm for CPEC, however, waned away when the Afghan President Ashraf Ghani visited India in October 2017. Ghani refused to join CPEC if Islamabad blocked connectivity between India and Afghanistan (Express Tribune 2017). The Afghan President had perhaps deliberately overlooked the fact that Pakistan had already extended an invitation to India to join CPEC, to which the latter responded negatively.

Bangladesh welcomes the shift in the global centre of economic gravity from the west towards the east, and sees the BRI as an opportunity to restore her historic connectivity with China.<sup>1</sup> Too many contenders for developing Bangladesh's maritime infrastructure, however, have put Dhaka in a precarious geopolitical situation struggling to balance contending influence of China, India, the US and Japan. The most pragmatic option, from Bangladesh's perspective, was to play on all sides. Hence, Dhaka kept the largest port of Chittagong, which handles 92 per cent of the total cargo volume, to itself, offered Sonadia to the Chinese, Matarbari to the Japanese and Payra to a consortium of ten countries with significant Indian contribution. According to some unconfirmed reports in the Indian media, Bangladesh scraped the China-proposed deep seaport at Sonadia in February 2016 (Zee News 2016). Dhaka officials denied these reports and insisted that the idea was put on hold not scraped. During his visit to Bangladesh in October 2016, Chinese President Xi Jinping signed off on

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<sup>1</sup> Historically, China was connected with the Indian subcontinent through three Silk Roads and the southern route linked the Middle Kingdom with East Bengal (now areas comprising modern-day Bangladesh).

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loans worth over USD 24 billion far exceeding the USD 2 billion credit line offered by India. With its strong economic muscle, Beijing will soon be able to woo Bangladesh to build a deep-sea port at Sonadia.

The Sri Lankan polity initially divided over the role of China, has come to recognise that BRI fits well with Colombo's goals of rebuilding a war-torn economy through enhanced connectivity that facilitates increased trade (Chowdhury 2016). After the election of Ranil Wickremesinghe in January 2015, the Island nation adopted a cherry-picking approach to China. It welcomed massive Chinese investments and loans, but politely refused to give any military role to the country in the Indian Ocean to allay Indian fears of Chinese expansion. This was evident from Colombo's refusal to allow China to dock one of its submarines in Colombo in May 2017 (Reuters 2017b). A 1987 Accord between India and Sri Lanka provides that their territories not be used for activities deemed prejudicial to each other's unity, integrity and security (NDTV 2017).

Landlocked Nepal is also prepared to develop cross-border road and railway connectivity with China with an aim to reduce its sole dependence on India (Khan 2013). Relations between Kathmandu and New Delhi deteriorated following the mass protests of April 2006 which resulted in reinstatement of Parliament and removal of centuries old monarchy. Nepal's transition from the world's only Hindu monarchy into a democracy came as a shock for Hindu fundamentalists of neighbouring India, for whom the Hindu King of Nepal was seen as an incarnation of Lord Vishnu, the god of protection. Saffron fundamentalist groups of India, which later came to assume power after the General Elections of 2014, resorted to support Ranabir Sena (RS) and Nepal Defense Army (NDA), the two terrorist organisations for the restoration of the King; and to reinstate Hinduism as the state religion of Nepal. Abhinav Bharat, a Hindutva terrorist group led by a serving Indian Army officer and responsible for the Samjhota train bombings that killed more than 60 Pakistanis in Indian territory, also

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disclosed that they had close ties with the ousted Nepal monarchy (Ibid.). According to the charge-sheet filed by the Anti-Terrorism Squad of Indian state Maharashtra, Abhinave Bharat and the Nepalese monarchy embarked on an ambitious mission to radicalise, recruit and train serving officers and soldiers of the Indian Army and members of Hindutva terrorists in India for the revival of a Hindu kingdom in Nepal (Ibid.). Although timely and effective action by the new republican forces prevented RS and NDA from rising as a formidable force, bilateral relations between Kathmandu and New Delhi were damaged beyond repair. The breaking point came in September 2015 when on pretext of ethnic tensions in Nepalese territory bordering India, the Modi government imposed a complete blockade of Nepal. Since the landlocked Himalayan state is heavily dependent on India (for almost 70 per cent of its total trade, particularly energy supply), the unofficial blockade tremendously disrupted the daily life of Nepalese people almost leading to social dysfunction (Gang 2016). To ease the crisis, China provided fuel to Nepal. But given the long distance, terrible road conditions and post-earthquake cut-off, Beijing was unable to provide large-scale assistance. Since then, China has sought to re-energise the trans-Himalayan road and train infrastructure under BRI, a move warmly welcomed by Nepal, a country with increasing widespread anti-Indian sentiments, and led by pro-Beijing Communist Party of Nepal.

Maldives' relations with the US and her allies strained after Abdulla Yameen was sworn in as the President in April 2013. He has gradually steered his country away from the US as the latter condemned his heavy-handed approach towards democratic institutions and pro-India opposition. In his Republic Day speech on 11 November 2017, he vocally criticised the US and her allies in the region for interfering in internal matters and waging 'intellectual warfare' against the Indian Ocean archipelago (Moorthy 2017). Against this backdrop, Male perceives China as a counterweight to the 'Western colonial

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powers' bent upon altering the Islamic identity of the small island nation (Maldives Independent 2015). In November 2017, the Maldivian President endorsed China's Maritime Silk Road and signed a Free Trade Agreement (FTA) with Beijing despite the strong reservations of India.

For Pakistan, CPEC is seen as Beijing's version of the Marshall Plan for her all-weather iron friend. The Marshall Plan witnessed the US intervene in continental Europe to deliver prosperity from the ruins of the World Wars, while China today attempts to provide Pakistan with a similar opportunity to shed the debilitating scars of war, establish sustainable peace within the fractured self, and extend it beyond to temper regional perspectives. Since the Marshall Plan was accompanied by the formation of NATO's Transatlantic Security Pact, it is often seen as a tool of American imperialism; therefore, Chinese policymakers avoid referring to CPEC as such. From Pakistan's perspective, however, loans and investment under CPEC cannot be seen as China offering 'imperialistic aid' to one of her allies, but the potential of this initiative to help recover Pakistan from the scars of decades-long War on Terror makes it equivalent to the Marshall Plan. Any other parallels between the CPEC and Marshall Plan would be misleading.

CPEC has raised Pakistan's global profile. From 'the world's most dangerous country' in 2007 (Blair 2007; Moreau 2007), Pakistan came to be seen in 2015 as the next economic success story (Runde 2015). Economic and financial indicators published by *The Economist* in January 2017 highlighted Pakistan as the world's fastest-growing Muslim economy in 2017 ahead of Indonesia, Malaysia, Turkey and Egypt (Zahid 2017). This forecast was not alone in its predictions about Pakistan's economic outlook. A Bloomberg article by Tyler Cowan picked Pakistan as the most underrated economy of the world for the year 2017. These and other predictions are based on hard facts: the poverty rate has fallen by half since 2002 — a staggering fall — according to the World Bank; the middle class

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has swollen to 38 per cent, while a further 4 per cent is upper class — roughly equivalent to the entire populations of Germany or Turkey; the Karachi stock market rose 46 per cent in 2016 and continues to soar on the back of MSCI's<sup>2</sup> decision to upgrade Pakistan to Emerging Market (EM) status; and the Gross Domestic Product (GDP) growth is reaching 5 per cent, enough to put the economy on the right path. On the macro side, inflation is not a problem, the country has staved off a foreign exchange crisis, and it is rebuilding its reserves. The debt-to-GDP ratio is high at more than 60 per cent, but the country has graduated from its adjustment programme with the International Monetary Fund (IMF) and appears to be in a stable fiscal state. This data reinforced a study by the Harvard University which predicted that Pakistan's economy will grow by more than 5 per cent in the next decade (Hausmann 2014).

### **India: The Vocal Opponent**

New Delhi is opposed to CPEC (Geo News 2015) because it fears that Pakistan may convert her newly acquired wealth into military muscle and obstruct India's rise as a global power. In opposition, India has invoked the disputed nature of the Gilgit-Baltistan region from where Pakistan's section of CPEC commences lobbying that the Corridor is detrimental to its security interests. It fears that increased Chinese economic stakes in the area has the potential to internationalise the Kashmir dispute. As the regional environment becomes ever more conducive for Chinese economic activity, the Indian strategic community is growing apprehensive that the CPEC initiative may challenge New Delhi's role as a net security provider to island states of the Indian Ocean.

India has responded to CPEC through a set of policy interventions, declared and un-declared. The declared policy interventions are heavy on rhetoric, but light on substance.

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<sup>2</sup> Morgan Stanley Capital International.

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Take, for example, India's investment in the Chabahar Port in Iran. Using her soft power platforms, including large English print, electronic and social media outlets, New Delhi projected Chabahar as the centrepiece of her Southern Silk Road primarily conceived, financed and built by India. Iranian sources, however, contradict Indian discourse on the port. According to Escobar (2017), a leading expert on the Middle East:

There's fierce discussion about exactly how much the state-owned India Ports Global Limited (IPGL) invested in the development of Chabahar – the port as well as associated roads and railways. That ranges from USD 500 million (the Indian version) to only USD 85 million, according to an Iranian firm, Aria Banader, which states to have invested as much as USD 403 million.

Besides the financial aspect, Tehran has also contested the idea of pitching Chabahar against Gwadar insisting both are sister ports complimenting each other. Iran and Pakistan have signed a Memorandum of Understanding (MoU) of Sister Ports for further convergence of the Chabahar and Gwadar ports, and officials of the two countries have visited the two ports a number of times (Honardoost 2017). Same is the case with other proposals such as Project Mausam, Spice Route, Freedom Corridor and Asia-Africa Growth Corridor. Through these offers, India seeks to revive its ancient economic and cultural links with countries in the IOR with a new strategic focus. In case of Nepal, Indian strategists advise Narendra Modi to counter One Belt, One Road (OBOR) through 'One Culture One Region' (OCOR). They hope to curtail China's increasing influence on Nepal through the cultural and religious affiliations of India and Nepal (Shubin 2017). But the problem with OCOR or any such proposal, well-acknowledged among the Indian

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policymakers as well, is the lack of follow-through in the promises made to IOR countries.

A critical factor hindering India's geostrategic ambitions vis-à-vis the BRI is genuine financial constraints, coupled with an aversion to spend generously, a trait ingrained in the country's strategic culture. Although, through skillful manipulation of statistical methods and other economic indicators (Sinha 2017), the Modi government has managed to create a delusion of an economy at par with China, India would need to have an average annual GDP growth of 29 per cent for next ten years to catch up with China. Based on the exchange rate, China's GDP in 2016 was USD 11.2 trillion, 4.87 times more than India's USD 2.3 trillion. In terms of per capita GDP, China's figures in 2016 was USD8,113, while India's was USD 1,723. In other words, to catch up with China, India still has a long way to go (Guoyou 2017).

With limited financial capacity coupled with unwillingness to spend generously, New Delhi has increasingly resorted to low-cost, high-impact interventions to jeopardise CPEC. Indian lobbyists in different policymaking circles and global media outlets have embarked on a mission to portray CPEC as an instrument of Chinese imperialism with India serving as a bulwark against 'nefarious Chinese expansion.' Moreover, the threat of rising China has also motivated the US to promote India as a counter-weight and find convergences on the issue of CPEC. The statement by James Mattis and American disregard for Islamabad's concerns over Indian involvement in terrorism in Pakistan clearly reflect that the US is willing to diplomatically support and tolerate India's overt and covert actions to counter CPEC with an eye to contain rising China, perceived as a threat in the first National Security Strategy presented by Trump Administration in December 2017.

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### **CPEC and the Kashmir Dispute**

The Chinese model of conflict resolution considers low politics as the most effective way towards cooperation. Sustained engagement in areas such as people-to-people contacts, trade, food, environmental security etc. leads to an environment conducive for holding meaningful dialogue about high politics issued with a positive-sum approach. This has been evident in Chinese dealings with the claimants in South China Sea and other neighbouring states having territorial disputes with it. Take, for example, the bilateral relations between India and China. Despite the Doklam standoff bringing the two Asian powers to the brink of war, economic interaction between the two countries remained unaffected and their interactions at a number of multilateral forums remained non-confrontational and non-threatening.

CPEC was also envisioned to guide the discourse on Kashmir from high politics areas of sovereignty, survival and territory to low politics areas of economics and social affairs. Not only Pakistan, but also the majority of mainstream and pro-freedom Kashmiri leadership welcomed the idea. Mehbooba Mufti, who became the Chief Minister of Indian-held Jammu and Kashmir after forging an unusual alliance with Modi's Bharatya Janata Party, proposed building a corridor between South and Central Asia with Kashmir as its fulcrum. Similarly, prominent pro-freedom leader Mirwaiz Umar Farooq also endorsed CPEC with Kashmir serving as the gateway to Central Asia (Shah 2017):

If India decides to join the CPEC or even find a way to connect the occupied valley with the economic corridor, the politics of the region would take a new turn. This would lead to increasing engagement between the two sides and help connect people through economic interests, paving the way for an amicable solution of decades-old dispute (Ibid.).

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**CPEC and Violent Extremism**

The biggest concern for the Chinese is the menace of terrorism inside Pakistan, her most trusted ally (Small 2015). Such perspectives are often viewed in Pakistan as a ‘conspiracy’ to discourage China from investing in the country. However, the ground situation supports the arguments that highlight the threat posed by terrorism. A day prior to the Belt and Road Forum for International Cooperation held in Beijing in May 2017, two major terrorist attacks struck Balochistan, one claimed by the Islamic State (IS), and the second ascribed to Baloch nationalist militants. Many in Pakistan see the twin attacks as a well-orchestrated plan by the Indian intelligence agency to malign Pakistan at the Forum (Pakistan Today 2017). Ideological terrorism driven by misinterpretation of Islam and ethno-nationalism in Pakistan is undoubtedly a reality. CPEC, however, transformed the threat landscape of the country, and added proxyism to a complex set of driving factors behind terrorism.

Islamabad has repeatedly accused India and other opponents of CPEC of fomenting attacks with an ulterior goal in mind. During the Iranian President Hassan Rouhani’s state visit to Pakistan on 25 March 2016, Pakistan’s law enforcement agencies disclosed the arrest of Kulbhushan Jadhav, a serving officer of the Research and Analysis Wing (RAW), the premier intelligence agency of India. Pakistani authorities allege that he entered Pakistan from Iran. The Indian government admitted that he was a former naval officer, but categorically denied any involvement with the captured man, whereas Pakistan’s government maintains that he is an ‘Indian spy’ assigned to sabotage the CPEC-related activities in Balochistan, especially around the Gwadar Port. Pakistan asserts that India is bent on sabotaging CPEC by funding and training anti-state elements in Balochistan. The claim is supported by India’s official concern over the project, and a potential Chinese naval base in Gwadar to ensure its maritime presence in the Indian Ocean. The

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comments made by Prime Minister Modi, during India's Independence Day celebrations, added fuel to the fire (Modi 2016). In his address to the nation, he endorsed separatists in Balochistan and accused Pakistan of human rights violations in the province (Shahid 2016). Pakistan has subsequently termed these remarks as proof of Indian involvement in her internal affairs and territory. The cold-shouldered response of India to Pakistan's offer to join CPEC (The Express Tribune 2016) and her absence from the Belt and Road Forum reinforced the concerns in both Islamabad and Beijing that New Delhi would go to any extent to sabotage it.

Another danger in Balochistan was growing footprints of the IS. Although the outfit succeeded in acquiring the support of hundreds of domestic militants, its overall strategic objective for Pakistan was marred due to two major reasons: first, the swift and efficient response (Dawn 2016)<sup>3</sup> by Pakistan's law enforcement agencies, resulting in country-wide raids and the arrest of approximately 118 of its supporters; and second, internal differences between the IS militants of Afghan and Pakistani origin, with each accusing the other of being American or Pakistani agents. The IS ideology failed to unite individuals belonging to different nationalities and ethnicities, and this could prove detrimental in the future.

### **Conclusion**

For decades, South Asian politics has remained realist-oriented with little or no room for liberal ideals such as regionalism. Security-centric approach towards domestic and regional affairs has no doubt curtailed South Asia's potential, turning it into the 'sick man of rising Asia.' But the mega developmental projects

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<sup>3</sup> From December 2014 till June 2016, the Pakistan Army and civilian law enforcement agencies carried out approximately 19,347 intelligence-based operations in different parts of the country, which killed 213 terrorists and led to the arrests of thousands of sleeper cells of terrorist organisations, including the Islamic State.

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such as the BRI could herald a new era of liberalism in the region through promoting economic interdependence and connectivity. China is still willing to accommodate Indian concerns with a hope that in the future New Delhi may reconsider its position. Should that happen, the continuing low politics areas of cooperation will increase in level and scope, and spill over into the high politics areas, paving the way for amicable resolution of long-standing disputes such as Jammu and Kashmir and transnational terrorism.

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# Pak-Iran Security and Trade Relations: Role of CPEC

## *Thought Piece*

Professor Dr Muhammad Alam Khan\*

### Introduction

The China Pakistan Economic Corridor (CPEC) is the jewel in the crown of the New Silk Route which is a 3000 km long regional trade route that vertically passes throughout Pakistan's four provinces, including the administrative region of Gilgit-Baltistan. The CPEC project which is around 20 per cent of Pakistan's GDP will generate some 700,000 jobs over the next ten years, and add around 2.5 per cent to Pakistan's GDP growth rate by 2030. Simultaneously, it is estimated that it will add 25000 mega watt of electricity to Pakistan's national grid.

China's One Belt, One Road (OBOR) project plan indicates linking China with Central Asia, Russia, Europe, and more importantly the warm waters of the Indian Ocean. CPEC, being the star project under OBOR is expected to restructure the geopolitical scenario of South Asia. Its most important achievements have been the 51 Memorandums of Understanding (MoUs) signed during the Chinese President's visit in 2015 to Islamabad. CPEC links China with the resource-rich Middle East (ME) and African continent via Gwadar Port and Karakoram Highway, providing China the shortest route to the Middle East. Moreover, CPEC represents a new model of Pakistan and China cooperation which will serve as the backdrop of complex and changing regional and international situations. China is a major trade partner of Pakistan in terms of import-export. Commercial

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links between both countries were established in 1963 when the first long-term bilateral agreement was signed.

### **One Belt, One Road (OBOR)**

OBOR has international strategic importance and this project covers countries and regions with a total population of 4.4 billion, and total economic volume of USD 21 trillion, 63 per cent and 29 per cent of the world, respectively (Liping 2015). Moreover, the plan involves laying the foundation for regional cooperation which will improve economic growth, offer trade diversification, investments in transportation, mining and energy sector and also create political flexibility. It is a vision of the world that could unite Asia, Europe, Africa and Middle East more closely through political diplomacy, new infrastructure and free trade zones (Catanza et al. 2015).

China consumes over 10.4 million barrels of oil per day which is projected to exceed 13 million barrel per day by 2020, and imports 60 per cent of its oil from the Middle East. Although China holds Asia's largest oil reservoirs, domestic output cannot satisfy high demand. As a result, import of oil jumped from 2 million from 2002 to 6.2 million, reaching 7.5 million barrels per day by mid-2015. The country's total exports to the Middle East and North Africa increased to USD 140 billion in 2015 from USD 122 billion in 2013. Since 2014, China has emerged as the dominating trading partner of the Middle Eastern region.

### **Impact on Pak-Iran Security and Trade**

Pakistan and Iran share a 900km long border, and have a history of cordial relationship since there is no border dispute, unlike with India and Afghanistan. Iran was the first country to recognise Pakistan, and reciprocally, the latter was first to recognise the post-Revolution regime of Iran (Vatanka 2015).

However, both have their own security priorities in South Asia and the Middle East. Pakistan has a specific security policy for India, whereas, Iran's apparent security threat is Israel, and

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the United States (US). Moreover, Saudi Arabia has remained a very important factor in Pak-Iran bilateral relations since the 1979 Revolution (Qaisar and Khan 2017). Pak-Iran relations have, therefore, been shaped by many factors, including religious affinity, cultural and geographic harmony. After the Revolution, the relationship became complicated due to the bitter US-Iran hostility. Moreover, the interests of the two countries diverged in post-Soviet Afghanistan where Iran wanted to play an active role. Thus, security issues started emerging in the 1990s which have increased with the passage of time (Ibid.).

Before Iran was hit by international sanctions, the annual bilateral trade with Pakistan was around USD 1.6 billion, while at the same time, Indo-Iranian bilateral trade was around USD 14 billion. But after the crippling sanctions, Pak-Iran bilateral trade reduced drastically. The security threats plus regional politics with regard to Pak-Saudi strategic ties have also marginalised trade relations despite being immediate neighbours.

Through Iran, India wants to access the resource-rich Central Asia. The Chabahar Port facility would increase India's currently meagre trade with the Central Asian Republics (CARs). At the same time, Iran is also attracting Afghanistan to use Chabahar as an alternative to the Gwadar and Karachi Ports. Afghan cargo containers towards the Iranian port increased to 80,000 by 2015 from 30,000 in 2009. Through Iran and Afghanistan, India is trying to set up a strategic triangle against Pakistan in the region. The increasing influence of India, especially in Chabahar, has raised serious concerns in Pakistan.

Pak-Iran relations will have strong impact on the prospects of their bilateral gas pipeline and other energy issues which were earlier halted because of US sanctions. Moreover, Afghanistan will present its own challenges as Iran might have more in common with India in terms of access to Central Asia through the Chabahar Port, thus balancing the Gwadar Port or the China Pakistan Economic Corridor (CPEC). An assertive Iran (after the deal) might see a worried and anxious Saudi Arabia and the Gulf

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Cooperation Council (GCC) present Pakistan with power balance challenges in the Persian Gulf (Pande 2016).

The Indian intelligence activities in Iran have been increasing since the arrest of a RAW agent Kulbhushan Jadhav proving Indian involvement in subversive activities in Karachi and Balochistan. Besides India, China is also engaging Iran, mostly on the economic front. Chinese companies are investing in the Iranian oil sector since bilateral trade between the two anti-US countries hit the target of USD 53 billion in 2013 from USD 4 billion in 2003. During the visit of the Chinese President in January 2017, the two sides pledged to achieve a trade target of around USD 600 billion over the next decade, in addition to signing 17 agreements worth billions for a 25-year strategic relationship. Surprisingly, Iran also had the privilege to receive the maiden train to revive the New Silk Route from China in January 2016, that was associated with 32 cargo containers, zigzagging through the Central Asian heartland Kazakhstan and Turkmenistan prior to ending its historic 14-day 10,399km long journey in Tehran (Ramachandran 2016), whereas in comparison ferrying cargo via sea from Shanghai Port to Strait of Hormuz-Bandar Abbas Port takes 45 days.

### **Conclusion and Recommendations**

The afore-mentioned developments increase the chances of more trade between Pakistan and Iran. The visit of Iranian President to Pakistan in 2017 and his desire to focus on Gwadar-Chabahar is an early sign of a positive-sum game. Pakistan should invite Iran to join CPEC to minimise the influence of India in the region, in addition to providing a direct link between China and Iran. Iran's Ambassador to Pakistan Mehdi Honardoost expressing Iran's desire to join while addressing the Oxbridge lecture in Islamabad in early 2017 must be taken seriously so that bilateral trade may be increased to a considerable level.

The cumulative contribution of Balochistan in CPEC is 60 per cent, but it gets only 5 per cent of the total benefits. The benefits from CPEC must be distributed according to an agreed criteria based on people-centric approach to satisfy all stakeholders

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of the country. The economic free zone may be set up along with the 909km long Pak-Iran border to maximise the Corridor's economic activities.

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# **Annexures**



# Speakers and Authors' Bios



## Speakers and Authors' Bios

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