

# **CPEC: Investments other than China**

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## **Abstract**

*This case study explores and engages the strategic importance of china Pakistan economic corridor having based on \$46 billion investment. The project is expected to bring about flood of opportunities not only for the two main players but other nations which are found to be interested in making investment. The benefits seem to be game changer and expected to raise exports of Pakistan by 10% and \$16 billion between china and Pakistan.in addition to this Pakistan's major industries are expected to flourish and gain an edge like that of developed nations.*

## **GEOGRAPHIC BACKGROUND**

The proposal on China Pakistan Economic Corridor (CPEC) was first time given by Chinese president Xi Jinping in 2013, the main objective was to revisit the conventional and older trade routes among China, Africa, Asia and the western world. The project is extremely important for both China and Pakistan in several perspectives. Amongst all, strategic geographical location is the most convincing aspect of the project that made the decision easier and both China and Pakistan went into the deal. The project is going to be a game changer for Pakistan as well.

The corridor will reduce a travel of approximately 35 days (45 days will become 10 days) between China and the Persian Gulf. That will result remarkable increase in the export and import with huge reduction in fuel and logistic as well as shipping costs. Moreover, this game changer route will also reduce potential competition at Strait of Malacca in Southeast Asia. As both end of Strait of Malacca are controlled by American and Indian Navy, and right now 80% of the Chinese trade and energy (oil) travel through this route. CPEC will not only reduce this aforementioned risk for China but also help entering in the gulf region. This 3000 kilometer and a five year project will also help China to develop its western region such as Xinjian, Tibet, Qinghai etc. China and Pakistan will be connected through this route at the border "Khunjerab pass", this border is considered at world's highest paved border which is passing through Karakorum Mountains.

## **ECONOMIC BACKGROUND**

The china Pakistan Economic Corridor (CPEC) is a project of strategic importance for Pakistan and china with an investment of us\$46 billion. This project connects Gwadar port in

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south western with China's northwestern region of Xinjiang mainly on infrastructure (mostly roads, pipelines and railways). This project is the extension of China's proposed 21<sup>st</sup> century "Silk Road initiative and the one bed & belt initiative". The development of CPEC will bring a flood of opportunities not only for Pakistan but for all regional partners. The economic survey of Pakistan stated that CPEC will bring about trade volume of trade \$16 billion between the two nations boosting the Pakistani export by 10% (Ibrahim, 2016).

## **INVESTMENT OPPORTUNITIES**

The contribution of foreign investment portion to Pakistan in 2016 is 316 million, which is very low in comparison to preceding years. The analysis of last 10 years data starting from 2007 to date suggested that it is approximately 5276 million including investment from china which was 13.7million. It can be easily noted that investment of china in 2016 is 146million which is almost 46% of total FDI in 2016, whereas United States has a contribution of 63 million. In last decade there were many sectors which received FDI and 2007 was the ideal year among these years where in some sectors had received its major portions such as oil and gas ,financial business and telecommunication.

CPEC majorly records its significance because of having longest route for investment connecting Gwadar to Kashgar, having distance of almost 2700 km. The corridor will also help in connectivity with central Asian, African and middle eastern region and attracting investment opportunities for the home grounds.

Accessibility to warm waters: Iran and Turkemania have been given access to use warm water at Gwadar which will naturally increase inflow of FDI. Recently Russia has been allowed for the same.

There are chances of diversified investment opportunities in the following sector vis-à-vis CPEC.

- 1 Industrial Cooperation
- 2 Financial Cooperation
- 3 Agricultural Cooperation
- 4 Tourism
- 5 Educational linkage
- 6 Human resource development
- 7 Health Care
- 8 People to people contact
- 9 Increase in livelihood opportunities
- 10 Enhance Security and stability of the region

At present three main sectors have been highlighted for the investment which are

Energy, transport infrastructure and Gwadar. Major investment has been proposed in the energy sector. (Pakistan investment board). These sectors will definitely attract foreign investment from Eastren countries.

## **ALLIES OF PAKISTAN**

### *Iran Perspective*

While troubling for a couple of, numerous nations are looking at the multi-billion dollar passageway with premium. As of late, president of Pakistan Miam Mamnoon Hussain appreciated the of Central Asian states desire to join CPEC (“Pakistan to welcome Iran’s participation in CPEC: Min,” 201AD). With the attraction of these new states towards this project, the likelihood of CPEC turns out to be more substantial and flexible. Be that as it may, Iran’s consideration in the arrangement will increment and duplicate the corridor’s points of interest for Pakistan. Consequently, Islamabad extended a welcome to Tehran, which Iran has consented to consider (Nazar, 2015).

Iran’s monetary development has been hindered by worldwide endorses over its atomic program. Be that as it may, Iran’s notable atomic manage the P5+1, when actualized, will open up new potential outcomes.

With 10% of the world’s demonstrated oil storage, Iran’s passageway into the business world has become Pakistani exchange and monetary agents to scramble to Tehran with the expectation of win Iranian business intrigue. With billions of dollars’ worth of Iranian assets entering the worldwide economy, countries are tuning their monetary arrangements to oblige this surge of earning. The oil rich country’s permission into the worldwide market will definitely modify the worldwide oil advertises also (Abbas, 2016).

Enter vitality hungry China, which is searching for option courses to import oil. With Iran insider savvy, China can twofold down on its entrance to Iranian oil. Also, the decades-old long for the Iran-Pakistan gas pipeline can now be completely figured it out. For Iran, CPEC will give the nation tremendously required openness toward the east (Hasan, 2015).

Moving on, Iran’s fit in to project would be helpful for Pakistan in majority of aspects. The Iran’s re-entrance in to hustle and bustle of international political after it is being released from restriction would walk in favor of Pakistan. Iran is looking forward to establish its relationship with world powers. Not only this but the economic and trade dignitaries from across the globe are struggling to pursue Iran so that a trade consensus would be developed. World political analyst and policy makers are predicting signs of prosperity for Iranians together with a change in global oil market dynamics (Hasan, 2015).

Iran’s renaissance is only great news for Pakistan; particularly to the extent the long overlooked Iran-Pakistan pipeline venture is concerned. There is presently motivation to trust that some advance will be made in the changed arrangement of conditions (Hasan, 2015).

### *Russia Perspective*

China Pakistan Economic Corridor hence showing signs of becoming a regional cooperation association like SAARC and NAFTA. Not only Iran but numerous other countries are showing interest in being part of it. The parts they will play will vary from nation to nation. Some nations are directly coming under the CPEC agreement, others are looking for investment opportunities and bilateral trade and mutually beneficial relationships. The countries that are showing interest to become part of the CPEC other than Iran are includes France, U.K., and

Russia (Tikhonova, 2016).

Russian government has consented to the fact that they will bolster their trade relations with Pakistan. Russia is already undertaking different projects with Pakistan, which includes the laying of a gas pipeline from Karachi to Lahore (The Tribune, 2016). This assistance will be bilateral in nature. In addition to this, the Russian government is also cooperating with Pakistan in the field of agriculture and energy (Zafar, 2016). The report further said that around 50 Russian companies have shown keen interest in investing in Pakistan. It was also mentioned that a lot of Pakistani companies are also looking forward for investment in Russia. The report further says that Russia has an advantage in the field of energy and they have done a lot of research in the areas of production and energy. That these were the reasons behind Russia's stability and that it would help stabilize Pakistan's economy.

Major goods that have been identified as potential export goods from Pakistan include but are not limited to agro-based products such as fruits particularly Kino and mangoes, food processing and packaging, livestock processing, dairy products, leather and leather goods, textile and textile made-ups, surgical equipment and sports goods etc. On the other hand Pakistan also has huge investment potential for Russia in the field of power generation, infrastructure development, shipbuilding, capital goods, transportation, roads, and highways, steel, railways etc. In addition to this there are also opportunities for collaborative agreements in the field of education, health, information technology, and higher studies (Pakistan news express 1).

The benefit that Pakistan can gain from Russia in a collaborative arrangement in many folds as Russia is rich in natural resources. Oil and gas are ideally located at a point where they can trade with Asia and Europe equally and effectively. Pakistan, on the other hand is well equipped with agricultural products, especially in the wake of the recent decision by Russia on not to buy European organic food. The trade relations between Russia and Pakistan are a win-win for both economies and are reinforced by the presence of an opportunity for all in the form of CPEC (Malik, 2016)

## **ANY OTHER COUNTRY**

### *France and Afghanistan intense on concerning the CPEC*

Funds from the European countries like U.K will possibly provide a great enhancement to the CPEC. In real fact, various other European countries like Italy, Germany and Spain might possibly monitor to get profitable portion from CPEC-pie.

Jean Mare Fenet ( Head of the Embassy of France Regional Economic Development) stated that France by this time wants to become a part of CPEC (China- Pakistan Economic Corridor). He further expressed that Pakistan is a great trade potential market to generate business, as France outlooks.

France is intense to build up more bilateral trade and strengthen the relationship between the two countries. Admiring the CPEC for generating the different trade opportunities and creating several businesses, the country is deep on concerning the CPEC. Philippe Fenet also expressed that Pakistan wants to enhance the economy and France could support him by providing the latest expertise and advanced technology.

Afghanistan has also stated its aspiration to become a part of China Pakistan Economic Corridor (CPEC). In a meeting with Dr. Omar Zakhilwal, (Afghanistan's Ambassador to Pakistan) expressed that Afghanistan wants to become a part of CPEC project to recover the previous reparations. He further stated that the CPEC is a great development and whatsoever is virtuous to Pakistan might also be beneficial for the whole state (The Nation, 2016)

## **WAY FORWARD IN THE TUNNEL OF CHALLENGES**

Although it's a preconceived notion that CPEC would bring a boost in the economic Wealth of Pakistan, increasing its ranks with in the world indexes of prosperity and success. Global analyst and policy makers are having a deep eye on how this project would prosper. Critics of CPEC are again and again highlighting the fact that, a gigantic project likes CPEC requires a continuous, steadfast vision and high intra and inter-political collaboration. Keeping all this in mind Pakistan needs to address these concerns so that a game changer like CPEC could provide expected economic and political gains.

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