



CONNECTIVITY IS THE SHORTCUT TO PROSPERITY: HELPING HAND FOR IRON BROTHER (巴铁) *ECONOMIC IMPACT OF CPEC*

*Conectividade é o atalho para a prosperidade: mão de ajuda para Iron irmão (巴铁)
Impacto Econômico da CPEC*

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ABSTRACT

As a symbol of Pak-China Friendship and the flagship project of One Belt One Road (OBOR), China-Pakistan Economic Corridor (CPEC) is building the future of Pakistan. Thus, the purpose of this study is to evaluate the current and future performance of CPEC. To achieve the said purpose, we used published data from the official website of CPEC. By using Corridor Performance Indicators (CPI) techniques presented by Kunaka, C., & Carruthers, R. (2014), we found that the current performance of CPEC is pretty well. Based on the facts, we are also hoping that the future economic performance of CPEC will also viable and sustainable. Therefore, we can conclude the discussion by saying that CPEC is no doubt the lifeline for the economy of Pakistan.

Keywords: One Belt One Road (OBOR); China-Pakistan Economic Corridor (CPEC); Corridor Performance Indicators (CPI); Current and Future Economic Performance.

ACEITO EM: 06/01/2021

PUBLICADO: 28/02/2021



RISUS - Journal on Innovation and Sustainability
volume 12, número 1 - 2021
ISSN: 2179-3565

Editor Científico: Arnoldo José de Hoyos Guevara
Editor Assistente: Rosa Rizzi
Avaliação: Melhores práticas editoriais da ANPAD

CONECTIVIDADE É O ATALHO PARA A PROSPERIDADE: MÃO DE AJUDA PARA IRON IRMÃO (巴铁) IMPACTO ECONÔMICO DA CPEC

*Connectivity is the shortcut to prosperity: helping hand for Iron brother (巴铁)
Economic Impact of CPEC*

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RESUMO

Como um símbolo da Amizade Paquistão-China e o projeto principal de One Belt One Road (OBOR), o Corredor Econômico China-Paquistão (CPEC) está construindo o futuro do Paquistão. Assim, o objetivo deste estudo é avaliar o desempenho atual e futuro do CPEC. Para tanto, utilizamos dados publicados no site oficial do CPEC. Usando técnicas de Indicadores de Desempenho de Corredor (CPI) apresentadas por Kunaka, C., & Carruthers, R. (2014), descobrimos que o desempenho atual do CPEC é muito bom. Com base nos fatos, esperamos também que o desempenho econômico futuro do CPEC também seja viável e sustentável. Portanto, podemos concluir a discussão dizendo que o CPEC é sem dúvida a tábua de salvação para a economia do Paquistão.

Palavras-chave: One Belt One Road (OBOR); Corredor Econômico China-Paquistão (CPEC); Indicadores de Desempenho do Corredor (CPI); Desempenho Econômico Atual e Futuro.

1 BACKGROUND AND MOTIVATION

Human race has been using geographic locations since olden periods for its greater benefit. Lands, specifically on the bank of rivers converted into centers of civilizations [1]. Later on, invention of new discoveries bridges the continents of the world and open gates of connectivity. The British domination on water ways transformed it into world power, by having colonies stretched from east to west. Chinese strategy to re-design 21st century “Maritime Silk Road” is also spinning around various global geostrategic hubs and tracking the agenda of inter-regional connectivity by sea route and economic belt [2]. It is an understood fact that new approaches are needed to discover for effective use of geographic location for economic wellbeing and competitive growth [3].

An economic geographical system (a system which draws the economic landscape in a vibrant manner and inhabits it with economic forces through employment opportunities, production facilities, economic corridors, and eco-friendly space) permits the dissemination of benefits accumulating across the region in numerous investment settings [3]. Past literature can't reveal the standard picture of the benefits that can be taken through economic geographic location [4] [5] [6] [7]. Economic corridors tie economy forces (agents) beside a well-defined geographical location. They create a sort of association between economic centers, typically adjusted on metropolitan landscapes, where larger economic resources and forces are concerted. They linkage the demand-supply sides of marketplaces. Economic corridors are not only built for transportation purposes, but also an integral part to strengthen economy and its agents. Economic corridors can't perform efficiently in isolation, but they have to be as part of incorporated economic networks between countries and regions [3].

The Chinese President Xi Jinping, during the visit to Southeast and Central Asia in 2013, marked the initiative taken by China to build 21st Century Maritime Silk Road and Economic Belt (Belt and Road) [8]. The core purpose of Belt and Road (B&R) initiative is to attain economic benefits, regional collaboration, strengthen connections, mutual trust and promote peace [9]. It can also be seen as a global project, which pursues to assimilate the developmental policies of the associated countries into a multi-modal network [10]. The project is a fine example of Chinese five principles of “Peaceful Co-existence”: respect for independence and integrity, non-aggression environment, non-interference atmosphere, joint benefit and equivalence, and peaceful existence [11]. As geo-strategic partners, China and Pakistan have 520km extended boundary and have glorified years of mutual co-operation and assistance. China has been compassionated to provide helping hand to Pakistan on numerous incidents and Pakistan also responds as trustworthy partner and friend [10]. That's why, China declare Pakistan as Iron Brother (巴铁).

2 BRIEF INTRODUCTION AND SIGNIFICANCE

Friendship between China and Pakistan has been labelled as “higher than mountains, deeper than the oceans, sweeter than honey, and stronger than steel”. The China-Pakistan Economic Corridor (CPEC) is one the best example of Pak-China friendship. CPEC was officially initiated on the visit of Chinese president Xi Jinping in 2015. President Xi also became the first Chinese president who address the National Assembly of Pakistan and admired the Pakistan 's supportive behavior at the time when China stood isolated [12].

Chinese Foreign Minister Wang Yi, also remarked that “If One Belt, One Road is like a symphony involving and benefiting every country, then construction of the China-Pakistan Economic Corridor is the sweet melody of the symphony 's first movement” [13]. CPEC is a unique opportunistic gateway of global trade corridor in 21st century, which links markets across Europe, west Asia and Africa, through an alternative land route i.e. from Gwadar (Pakistan) to Kashgar (China). CPEC opens up new horizon of socio-political and economic development in aforementioned regions of the world [2].

Gwadar port also renowned as “all-weather, all-season port”, situated nearby the Persian Gulf [14]. Because of its strategic position (at the gateway to Arabian Sea), Gwadar port allows a straight access to the Indian Sea and evades “the Straits of Malacca”. It is also nearest to “the Strait of Hormuz” by which approximately one third

of the world oil is transported. Likewise, Gwadar Port is significant for China due to the growing pressure caused by involvement of US in the South China Sea [12].

CPEC is a multi-dimensional and bilateral project between two sovereign countries: China (rising global power) and Pakistan (big regional power). It is a demonstrative example of inter-country behavior and relations. As Professor Frederick Starr (expert on Central Asian studies) from Johns Hopkins University said “the new corridor has potential to link Europe to China through Central Asia and the Caucasus, and reach onward through Pakistan and India to Southeast Asia, a route that will be in 30 years more important than China’s route to the West” [12].

China plans to invest \$46 billion dollars. This invest is far exceeding than total aid given by U.S.A. to Pakistan since 2002. As per Pakistan Economic Survey 2014-15, total trade volume among Pakistan and China has augmented to \$16 billion dollar. During recent five year (2010-2015) total China’s exports to Pakistan enlarged by ten percent. As a whole, the share of China in Pakistani exports has increased from four percent (2009-2010) to nine percent (2014-2015). Total length of CPEC project is 3,218 km long, and to be constructed over next few years, which consists of railways, highways and pipelines.

Other silent features of CPEC are chalk below:

- About, eighty percent of Chinese economy depend upon oil, which comes from West Asian and Africa. This oceanic path is fleeting via “Strait of Malacca” and have approximately 12,900 km long. Gwadar can play a vital role to ensure security as well as shorter distance 3,000 km.
- CPEC could also be an energy corridor. China is also willing to join \$7.4 billion gas pipeline project (Iran- Pakistan gas pipeline) after swapping India (Iran-Pakistan-China IPC gas pipeline).
- Port of Gwadar will eventually decrease Chin’s dependence upon other sea ports like “Hambantota in Sri Lanka, Sittwe in Myanmar and Chittagong in Bangladesh”.
- CPEC is not only most suitable but also cost-effective economic corridor which stimulate energy and economic co-operation between two sister regions (Central Asian and South Asian).

3 PERFORMANCE EVALUATION TOOLS AND DATA SOURCES:

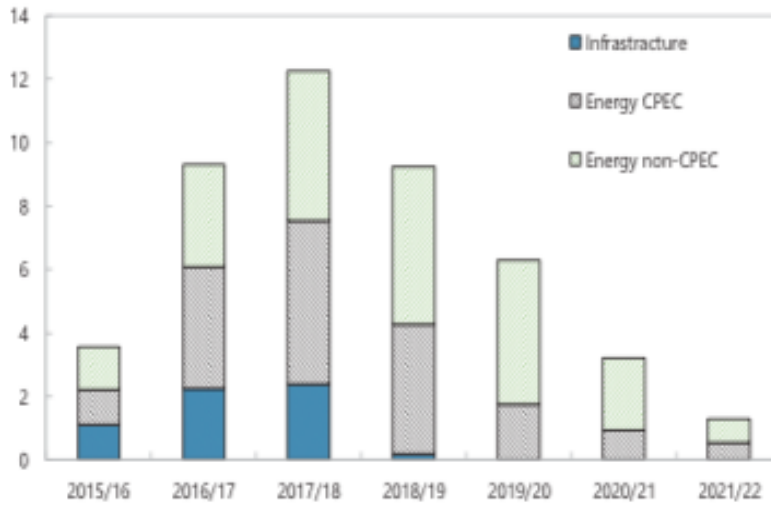
Economic corridors are well-defined through their features. To measure and monitor the performance of economic corridor, characteristics-based techniques are used. These measures utilize commonly employed model factors [3]. Data for the study will collect through CPEC official website (<http://cpec.gov.pk/>), and Global Economic Prospective database.

For this study we use corridor performance indicators (CPI) techniques presented by Kunaka, C., & Carruthers, R. (2014) [15]. According to this technique there are three different measures to identify the performance of economic corridor: (1) Assessing how well a corridor is performing (2) measuring the impact of economic corridor Firstly, we observe the current performance of CPEC by developmental projects which are under process. Secondly, we identify the future growth opportunities by using forecasted GDP growth.

a. Current Performance of CPEC

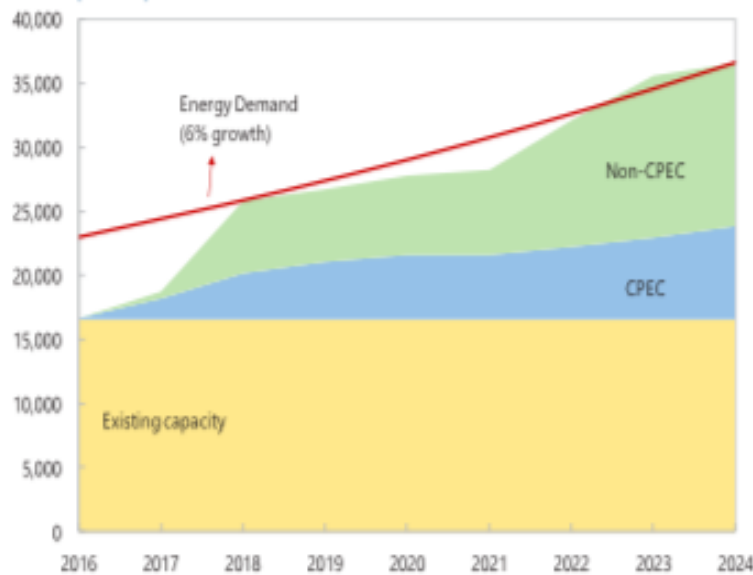
The following figures are representing the current performance of CPEC.

CPEC and Other Power Sector Investment Plans
 (In billions of US dollars)



Source: Pakistan authorities, NEPRA, news reports, and staff estimates. Based on projects in implementation or in advanced planning stages.

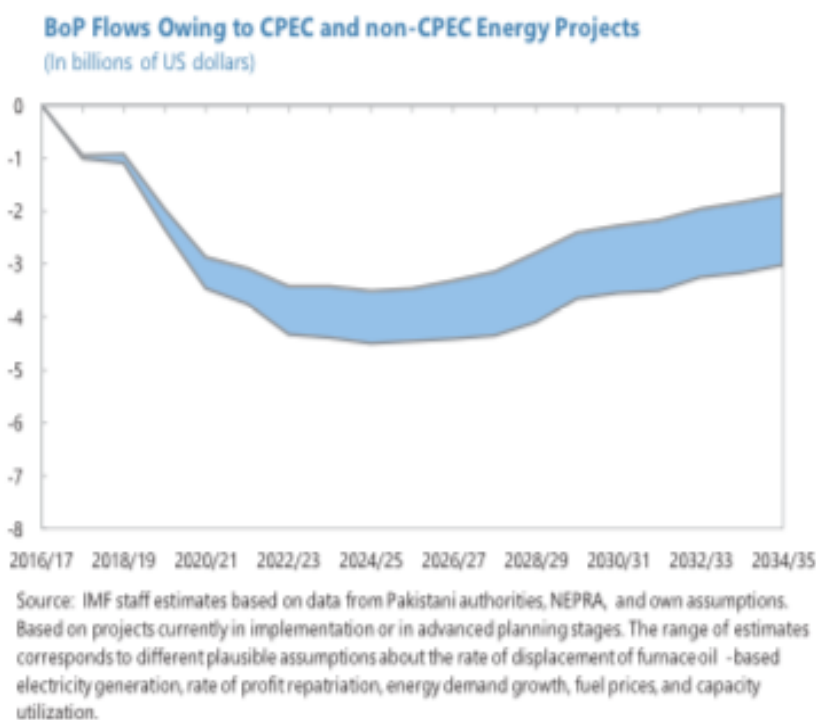
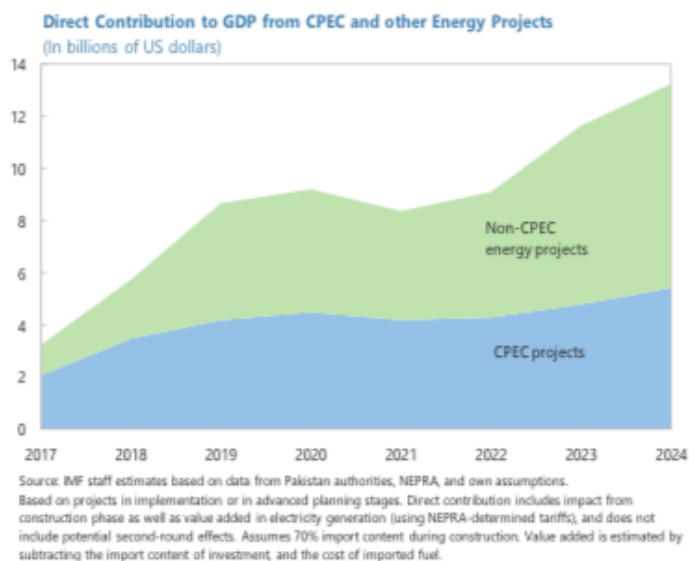
Projected Power Sector Capacity and Demand
 (In MW)



Source: IMF staff estimates based on data from Pakistani authorities, NEPRA, and own assumptions. Based on projects in implementation or in advanced planning stages. Demand and supply during NTDC's system peak hours.

b. Economic Impact of CPEC

The following figures are representing the economic performance of CPEC.



4 LIMITATIONS AND POLICY IMPLICATIONS

This study has certain limitations, such as deficiency of economic data, accuracy of data, time constraints etc. However, results from the study has potentially significant for both policy makers as well as researcher. For policy maker, results may lead to effective and efficient policies, which subsequently enhance the performance of CPEC. For researchers, results will be helpful to further diagnose the theoretical and empirical prospective of CPEC.

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