

# International Relations and Business Diplomacy

## A Case Study Model of China-Pakistan Economic Corridor: Interdependencies

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**Abstract- Purpose** – Purpose of study is to analyze the diplomatic relationship between People’s Republic of China and Islamic Republic of Pakistan through China-Pak Economic corridor of interdependencies. This paper highlight the interdependent model between both the countries and objectives achieved through it.

**Design/methodology/approach** – The paper uses data collected secondary source of investigative case studies over the time series of 2012 to 2018. Some interviews collected by the CPEC & OBOR project team in Pakistan. Main it depends upon the scholarly literature and studies previously held on the subject.

**Findings** – interdependencies model of objectives of both the countries with respect to China-Pakistan Economic Corridor and analysis of business and diplomatic relationship of China and Pakistan in Geo-Economic Scenario.

**Originality/value** – The use of limited number of case study and less statistical data for the paper makes it less complicated but still firsthand data collection through the real project team through interviews makes it more clear and real for the readers’ and scholars who intend to investigate further. Case Study and literature is carefully selected for just cause.

**Index Terms**- (Interdependencies, Business Relation, Diplomatic Relation, Geo-Economic)

**JEL classification:** F02, F15, F53, F59, O19

### I. INTRODUCTION

Economic regionalism in South Asia has entailed the search for collective efforts to engulf frail economies, political downfall, social and religious cleavages and the resultant inherent discords among various states. The Economic Corridor (EC) is employed as a means to enhance regional cooperation, invigorating economic development and deeper integration of Asia’s sub-regions. In South Asia, it is a hottest phenomenon that the development of economic corridors has gained impetus. The recent example is the China-Pakistan Economic Corridor (CPEC) (Wolf, May 11 2016).

Interdependencies bring two countries on mutual grounds of business trade and investment. China and Pakistan are two countries interdependent on trade, defense and power games of the world. Both the countries are enjoying this bonded relationship since long. Both have been supportive to each other almost each

forum. Their bilateral relationship is ever increasing with mutual understanding and frequent high-level visits of government officials. Their defense ties are the strongest bond of the relationship. But now with the fast-moving economy, reaching out for more dynamic and active role in global politics and demand for energy, China has diversified its relationship with Pakistan. They are moving towards increasing bilateral trade, investment, infrastructure development, energy projects and people-to-people contact.

In Year 2013, the China-Pakistan Economic Corridor agreement was signed along with the formal handing over of Gwadar Port for further development and operation to China. Various projects will be completed under the CPEC, with the worth of 46 billion dollars and more. This diplomatic relationship of interdependencies and economic benefits has become the key factors of interest for whole of the world as this is the game changer for the entire region. This paradigm of partnership will result in changing the economic superpower and leaders of the world. My paper tends to investigate the dark side interdependencies of both the countries and objectives achieved on the ground level realities. Four project investments in CPEC may help build Pakistani Infra-Structure and overcome energy crises in Pakistan but nothing comes for free. What is the opportunity cost Pakistan is paying to achieve higher goals and what is lay off policies Pakistan is been following to see this project completion. The CPEC is a holistic, comprehensive package of competitive economic initiatives from China, just the energy projects once initiated will kick-start an industrial boom in Pakistan. Thar Coal is one of the Largest Coal asset, was lying untouched in the desert of Pakistan. This Virgin Coal Industry of Pakistan can support energy requirements of the all the region for very long time.

Because of this Diplomatic relationship and Economic adventures of Pakistan and China Ties around the world have been changing U.S entering in Indian market making bonds with India compete in the market against China and Pakistan. Accessing market has become easier but yet very difficult subject to international and political relationships of countries all over the world. Iran, India and U.S are playing their part to establish their own corridor for joint investment. This leaves Pakistan and China to rest aside their major interest and create edge over competitors. The CPEC project is the result of the long cordial bilateral relations based on state-to-state mutually beneficial terms. If to see

it from geo-political and geo-economic angle, one can say that it is an extension of the China's growing economic network. CPEC project is a tiny addition to the China's rise economically and it's growing needs for regional connectivity. Under China's policy of the renewing Old Silk Road, the One Belt One Road initiated in 2013, it is investing even bigger portion of it in Central Asia. This project will boost the economic relations of the two countries through opening up multiple channels of cooperation in the long run. China is investing in Pakistan and the route will connect China's western parts to Gawadar port and in the long run this route will connect Central Asia and the region altogether. CPEC has brought together China and Pakistan for a win-win situation by playing the politics of interdependence'.

## II. 2.0 BACKGROUND

"freshly world has seen a paradigm shift from tactical grouping to the establishment of economic cooperation stuck between countries around the world, the diplomatic interest and security of the state being the determinants of this collaboration. States redefine their interests and reshape their policies owing to the realization that it does not seem potential for them to preserve their welfares with their existing capacities" (Ashraf, 2015). Apex height talks and diplomatic consultations are traits of a robust partnership between nations in a variety of fields, such as industrial ventures, development programs, defense, infrastructure and other areas of cooperation (Noor, 2008). For decades, China was deemed as a 'sleeping giant' that has awakened and now playing a key role not merely in South Asia but in the entire world. President Xi Jinping's predecessor Xiaoping followed a conservative foreign policy based on "hide your strength, bide your time, never take the lead", however the current premier, President Xi, calls for a more vigorous, activist and assertive foreign policy, and dreams of a "strong and powerful" Chinese state. The Peoples Republic of China (PRC) and Pakistan's relations date back to 1950 very soon after the creation of the PRC. The long history of camaraderie between the two is underlined by mutual trust and assurance. Mao Zedong, the Chairman of the Chinese Communist Party announced that the PRC was ready to establish diplomatic ties "with any foreign government willing to observe the principle of equality, mutual benefit and mutual respect for sovereignty and territorial integrity" (Mahdi, 1986). Pakistan, in 1950, responded to his call by recognizing the PRC. In 1954, Chinese Premier Chou En-Lai made a statement that summed up one consistent aspect of the Chinese foreign policy by stating that "all people should have the right to choose their own state system and way of life without interference from other nation's revolution cannot be exported" (Mahdi, 1986). In spite of believing in an absolutely opposing ideology, Pakistan accepted the Chinese notion at first, thus, rendering it possible for two states with different socio-political systems to establish durable ties. Secondly, Pakistan was convinced that the PRC harbored no designs of territorial aggrandizement against her neighbors. Thirdly, Pakistan concurred with the Chinese that there was no actual 'conflict of interests' between the two.

Therefore, Sino-Pak relations were founded on a very cordial footing. Maintaining a wholesome connection with China has been a vital feature of Pakistan's foreign policy. Pakistan helped China in sustaining the balance of power in the region (Iqbal,

2015). The Chinese President, explained China's "Good Neighbor Policy as part of a strategy of peaceful development which China sought to promote as an interdependent, rather than competitive, relationship with her neighboring countries and the world" (Iqbal, 2015). In 1966, armed assistance between China and Pakistan began, in 1972, strategic partnership was developed and in 1979, economic collaboration commenced. The relationship is said to be 'higher than the mountains' and 'deeper than the oceans'. Following are a few key events in Pakistan and China relationship. In September 1950, Pakistan voted in favour of a resolution challenging the right of the Nationalist Chinese representation in the United Nations, and asked for the seating of the true representative of the Beijing government. Pakistan also supported the 'One China Policy' and in 1951, trade relations between the two were firmly established. In 1954 and 1955, Pakistan joined SEATO and CENTO respectively due to her search of security against India (Syed, 2013). These pacts were initiated as a cordon solitaire to contain the Soviet Union and China. Meanwhile from mid-fifties to early sixties, Sino-Pak ties were somewhat dented. The decade of the sixties eventually saw a consolidation of the Sino-Pak friendship. In 1961, Pakistan viewed her role as an ally of the West, and renewed her links with China as well. Pakistan again voted for China's seating in the United Nations.

Long relational cordials with China lead to another economical venture and new ties of international relations. China-Pak Economic Corridor strengthened the bond between two countries and acceptance of these ties is welcomed by both the nation. CPEC lead both countries to interdependent economic and political benefits. Today CPEC is sought to be the largest change in world's economic scenario initiated from China and rooted in Pakistan. This study further discusses the importance of OBOR and CPEC for the economic leadership of both the countries and regional dominance of both the countries as it connects China and Pakistan to rest of the world for easy trade.

## III. 3.0 LITERATURE REVIEW

### 3.1 Literature on Pak-China Interdependencies

(JAVAID, 2016) (Akhtar\*, 2017) (Chawla, 2017) (Hameed, 2016) All the authors of subcontinent have tried to put the face that CPEC is important for both the countries' Economic and Political ties. One Belt One Road initiatives (OBOR) is a project which showcases China's global outreach in Asia, Africa and Europe. The China-Pakistan Economic Corridor (CPEC) project is an important component of this project. Higher than the Himalayas and deeper than the Indian Ocean" and „sweeter than honey" are some of the clichés often associated with the Pakistan-China diplomatic relations. Six and a half decades of peaceful co-existence with zero number of clashes at states" level presents a unique example of bilateral ties, globally. [Pakistan-China diplomatic relations span over six decades of persistent cordiality, represent a unique example in the current international political system. Until the turn of the century, this relationship was limited mostly to government-to-government, defense, political and diplomatic cooperation. However, since the start of this century, the relationship has expanded in economic and socio-economic spheres. The realization that the two countries need each other more in the changed regional and global setting is visible on both sides. Nevertheless, understanding of each other's society and

culture is still a less-explored domain. An intimate relationship between Pakistan and China is not a novel phenomenon. For decades, they have been ‘all-weather’ friends –both countries enjoy enduring and deep-rooted ties. Initially, China and Pakistan were involved in a geo-strategic context, but since the end of the Cold War, their relations have increasingly become multidimensional. China emerged as an economic regional power, and over the years has been successful in generating her own sphere of influence by developing a huge export capacity along with a robust market. Pakistan had her own way with a long history of rivalry with India and then fighting the war against terror that dragged her into destitute economic conditions. India’s increasing interest and influence in the region and her growing cooperation with the US alarmed both Pakistan and China. Reciprocating, Pakistan and China agreed to build a “One Belt One Road” project; also known as the China Pakistan Economic Corridor.

### 3.2 Literature on CPEC

(Leight, 2011) (Rohimi Shapiee, 2017) Authors tried to explain that CPEC is an obvious way for Pakistan to overcome the economic crises and other related issues but it will not be possible under the current problem of Pakistan legal system and not suitable infrastructure for the project. For this cause a detailed changing environment is required otherwise dream may not come true. (Naranjan, 2015) In 2013, China and Pakistan announced plans to construct an economic corridor to connect Kashgar in China’s Xinjiang Uygur Autonomous Region with the southwestern Pakistani port of Gwadar. Together with the proposed BCIM Economic Corridor (BCIM-EC), the China-Pakistan Economic Corridor (CPEC) extends to South Asia the broader trend of Asian regional economic integration through economic corridors. This became an alarming problem for India as China-Pak diplomatic relations were already hurting the causes of India now this mutual bond based on economic belt leaving Indian dream of winning the race far behind of his reach. (Rasheed, 2017) Author tends to further explain that CPEC lead ties of not only Pak-China but other countries are also competing in the game. U.S and India since the inception of CPEC have joined hand in many trade contracts and economic ventures in order to cover up the market and leave less for China but CPEC has already changed the game for both the countries. (Mirza, 2016) Says the author China has successfully adopted foreign policy of non-confrontation and has laid undiluted emphasis in pursuit of her political and economic interests. Resultantly, China has emerged as second largest economy of the world. One of the most fascinating manifestations of China’s rise is the One Belt One Road (OBOR) initiative, running overland along the Silk Route Economic Belt (SREB) and through the seas along Maritime Silk Road (MSR).

## IV. 4.0 THEORETICAL FRAMEWORK

### 4.1 Conceptualization of interdependencies

Interdependencies of countries are due to economic bonds and trade contract to safe guard their investment and achieve set goal together many countries under go interdependent on each other. (Moravcsik, 2009) Has argued, interdependence is a key structural feature of the international system, along with anarchy. She argues that anarchy and interdependence do not stand in

opposition to one other as is frequently claimed. To the contrary, anarchy and interdependence are different features of the international system. (Baldwin, 1980), and others have repeated that the concept is not new. Interdependence thinking and theorizing have been at play for a long time and have served as fundamental building blocks in international relations. (Baldwin, 1980) Author illustrated this point by recounting Angell’s frequently cited story about two men in a boat in a stormy sea. The boat was leaking and rapidly taking on water. One man rowed frantically as the other desperately bailed. If either stopped, the boat would sink and both would drown. They were equally dependent on one another. Baldwin suggested that the story reveals several elements commonly addressed by most pre-WWII interdependency writers: a division of labor among parties involved; mutual dependency among the parties; mutual benefits from exchange; reciprocal interdependence constrains behavior; dependency as unpleasant fact; and the effects of interdependence on the effectiveness of the use of force.

Clearly, these examples show that interdependence is relational and refers to the situation of parties engaged in a system of action. CPEC is bridge between China-Pak Interdependencies. Both countries are connected through OBOR on mutual interest ground of Economics and Trade. This also led to security and military ties between both the countries to safe guard their investment from external threats. The catalyzing piece of this scholarship was the publication in 1977 of *Power and Interdependence* (Nye, 1977). These authors suggest that “interdependence” is both an analytical tool and rhetorical device. “In common parlance, dependence means a state of being determined or significantly affected by external forces. Interdependence most simply defined means mutual dependence. Interdependence in world politics refers to situations characterized by reciprocal effects among countries or among actors in different countries” (Nye, 1977). They differentiate interdependence from simple interconnectedness by the existence of costly reciprocal effects. They argue that is distinction is crucial for understanding the politics of interdependence. Keohane and Nye distinguish between two dimensions of interdependence for understanding power and interdependence: sensitivity and vulnerability. According to the authors, “sensitivity means liability to costly effects imposed from outside before policies are altered to try to change the situation. Vulnerability can be defined as an actor’s liability to suffer costs imposed by external events even after policies have been altered (Nye, 1977). Clearly, ambiguity exists over the concept and its usage. What is equally clear, however, is that the concept is central for explaining the nature and dynamics of international organization, as well as international relations more broadly conceived. Broadly speaking, this concept has been used in international relations theorizing to provide the context necessary for understanding its use and potential for understanding the dynamics of international organization and global governance. Specifically, the analysis examines the use of the concept in the study of general international systems, world-systems theory, dependency, international integration, and transnational relations.

### 4.2 Interdependence in international Relations theory

As reflected by (Baldwin, 1980), interdependence thinking has a long history in contemporary international relations

scholarship. Marx's critique of the capitalism, for example, was based on fundamental interdependence concepts and systems logic. Marx's theoretical foundation would soon be built upon by Lenin and others who saw mode of production, technological change, exploitative economic relations, and the dynamics of interdependent social relations among collectivities.

In many respects, (Carr, 1939) initiated the interwar-time context. To develop a comprehensive image of international relations, he focused on interdependence related to relative power relationships among major powers in the Westphalia interstate order. He distinguished power into three distinct elements: military, economic, and power over opinion. The struggle to fulfill power-related objectives creates an interactive framework in which states cause conflict while attempting to achieve additional power. In this context, the struggle for power among states may cause change at the systemic level, which can serve as a stressor for conflict among them. Carr did not believe in absolutist assumptions. Historical conditions and relative positions, actual and perceived, among state actors conditioned such systemic change.

Writing several decades later, (Bull, 1977) suggested that endeavoring to coping with interdependence can also be an underlying cause of cooperation. (Bull, 1977) He argued that, while the international system is anarchical, it is subject to principles of interdependence. The members of the system form a society with common rules and institutions, providing order in the international arena. These rules and institutions are based on basic goals of the society of states, including (a) preservation of the system and society of states; (b) maintaining the sovereignty of states; (c) preserving peace; and (d) general goals of social life.

## V. 5.0 METHODOLOGY AND DESIGN

### 5.1 Qualitative design

This research is based on qualitative design. As major part of the study is covered by literature available in different studies though this topic is not old and very fewer studies are available but attempt is made to make things clear. CPEC is initiated in year 2013 since then fewer authors have worked on the topic. Especially the topic of interdependencies between China and Pakistan through OBOR and CPEC has not been studied before by many authors.

Secondly for this research purpose the main study of economic interdependencies is designed through the studies of famous author (Nye, 1977). Author of Power and interdependencies book has tried to overcome the topic that two countries become interdependent through mutual investment on a project and power distribution over the project leads to mutual interests and diplomatic interdependencies. For the purpose of this study we have also taken few interviews of the employees working in CPEC projects for understanding the motivation and needs of both the countries and objectives achieved from it.

## VI. 6.0 INTERPRETATIONS OF CASE STUDIES

### 6.1 Driving Force for China to Invest In CPEC

China recently has changed his policy from inward to outward directions and for the cause Pakistan has become the key

ally to china. On the note Pakistan has handed over Gwadar port to china as the mutual contract signed for the benefits of both the countries. China-Pak friendship has led to many interdependencies to each other on different frontiers.

1. First is to reduce the distance for supply of goods and trade. Currently China is dealing with most of the world through the Pacific as well as Indian Ocean. China is dependent on the Strait of Malacca for supply of oil and other energy and trade commodities and; also to deliver its own products in Middle Eastern, African, European markets; and beyond. From the coasts of Middle East to the Port of Shanghai, total distance is about 12000 km and further to include the north-western Sinkiang region of China, it makes about 16000 km. Logistically this is so long distance to be covered and even costly. By the construction of road, railways and pipeline networks across Pakistan to connect Kashgar with Gwadar, it is only 2500 km. The successful completion of CPEC will not only save time for China but also make its supply more secure and quick. United States is also a factor in the current Chinese maritime route where the former possess a huge influence in the Pacific Ocean by supporting its allies and monitoring the region.
2. Chinese second objective is to develop its neglected and backward Sinkiang and other north-western regions. The Chinese motive here is also to create job opportunities and curb the separatist and terrorist tendencies. Bordering with Afghanistan and Pakistan, Sinkiang has been under the threat of separatist organization the 'East Turkistan Islamic Movement', responsible for unrest in the region. Beijing regime believes in the eradication of terrorism from region through the economic emancipation for bringing it into the mainstream politics.
3. Third objective is the security and expansion of energy and trade linkages. Pakistan provides a shortest route to China's linkage with Middle Eastern and African markets. Due to the rapid industrialization and becoming the world's second largest and fastest growing economy; since 2003, China is the second largest consumer of oil and other energy resources. This global hunt for energy has forced China to look for more supply of energy resources from Middle East and to use new markets of Africa, where it is the world's biggest investor.
4. Fourth is Chinese investment in Pakistan's mining and energy sectors where various projects of coal, copper and other minerals are underway with Chinese assistance in Pakistan.
5. Fifth is the development of infrastructure and Gwadar Port. Regional stability as well as Pakistan's internal security is a pre-requisite for all other objectives. China's most parochial motivation for the CPEC is to provide economic support to a flagging ally struggling with internal instability. A stable and economically prosperous Pakistan is in the interest of China to carry on its trade and economic projects with the world.
6. Last objective is to have access to Indian Ocean for monitoring the strategic developments in the region and to expand its presence in the Middle East. It will also help China for more connectivity with the energy-rich and land locked Afghanistan and Central Asian republics. One of China's major domestic security concerns is to ensure that Islamists do not penetrate the western autonomous region of Xinjiang.

Bordering on Afghanistan, this area has experienced unrest in the past decade or more as a result of political influence from the region probably inspired by the increasing insurgencies in a number of Muslim countries. China, it is believed, has expressed its concern to Pakistan on several occasions, with Beijing’s reaction varying from diplomatic protest to extreme annoyance expressed in the form of temporary closures of the border with Pakistan.

**6.2 Driving Force for Pakistan to Partner China**

1. Pakistan is equally interested to complete the China-Pakistan Economic Corridor. Various factors are responsible for Islamabad’s efforts to make it a success story. First is the overcoming of the power shortfall where the country is lagging behind to facilitate its public and run industries. The country’s short fall has been increased especially since 2007 resulted into the public continuous outrage and less productivity of the industrial sector. Various energy projects of hydropower generation, thermal plants, coal-run installations, wind and nuclear energy are included within the umbrella of CPEC. It is not only useful for creation of more job opportunities but equally significant to produce more commodities and improve the quality by industries. Pakistan’s sinking economy will show a rapid growth by attracting more foreign investment and joint projects with the foreign governments to increase its exports. It will also minimize the current gap in China-Pakistan imbalanced bilateral trade volume, now more favorable to China.
2. Second is the development of infrastructure capability of the country, severely needs improvement particularly since the start of the War on Terror. A country’s development is gauged by various factors where infrastructure is one of the most important elements. Pakistan’s poor transportation and industrial network have created a hindrance in boosting the national economy. The scene is worse to see in the backdrop of the wave of terrorism and militancy in the region where a huge loss has been incurred to infrastructure. Various roads

links, railway tracks, pipelines, industrial parks and economic zones will be established under the CPEC.

3. Third objective Pakistan wants to achieve through CPEC is the development of the deep water seaport at Gwadar. It is situated at a significantly geostrategic location, near the Strait of Hormuz on the Persian Gulf through which about 40 percent of the world oil channelizes on daily basis. The port has already been developed with the Chinese assistance and handed over to her for future operations. The long-remained backward and militancy-ridden area of Baluchistan will be come into mainstream by all the economic initiatives and employment opportunities. Gwadar Port is in competition with the Iran’s Chabahar Port, Oman Port and Dubai Port.
4. Fourth factor is the regional connectivity. The CPEC project is passing through an area which joins together some geopolitically and geo-strategically important regions of South Asia, Middle East, and Central Asia; and further to Africa and Europe. Gwadar provides an easy access to Indian Ocean for Afghanistan and Central Asian republics, to import and export trade. Some Central Asian states and Afghanistan are also part of the China’s One Belt, One Road policy. Pakistan’s trade and energy relations with these countries will be increased with a rapid pace.
5. Fifth motive is to eradicate terrorism and militancy from the country and the region through economic emancipation. Pakistan has suffered huge losses in the War on Terror. Afghanistan, China and Central Asian states also face the challenges of militancy and separatism. The eradication of the menace of terrorism through the economic initiatives is a slow process but with durable impacts. Sixth objective of Pakistan is to explore new minerals and scientifically utilize the already discovered ones. Resource-rich Pakistan is attractive for China and future’s foreign investors to play a win-win game. The jobless youth will be benefited with modern technological skills to raise the living standard high and make economy stronger.

**6.3 Objectives of China and Pakistan in CPEC**

	<b>CHINA’S INTERDEPENDENCIES ON PAK</b>		<b>PAKISTAN INTERDEPENDENCIES ON CHINA</b>
<b>CA</b>	Reduce the risk of violence in the bordering Xinjiang region from Pakistan-based drivers of instability. Pakistan blockade to the aid of Xinjiang Muslims and support.	<b>PA</b>	Attract aid and foreign direct investment to boost economic growth, create jobs, enhance productivity, and increase exports.
<b>CB</b>	Offset slowing domestic economic growth by exporting excess capacity and supply. Making Pakistan and other Asian countries China’s market through accessing Pakistani region.	<b>PB</b>	Obtain financing for electricity generation and transmission projects to eliminate shortfall, meet future residential and industrial demand, and achieve a more affordable and diverse energy fuel mix.
<b>CC</b>	Redirect FOREX reserves from US Treasury bills toward projects abroad with higher rates of return with the investment of CPEC project there china is dependent on Pak land and assets	<b>PC</b>	Upgrade road and rail infrastructure to enhance regional connectivity and ground logistics efficiency.

<b>CD</b>	Demonstrate a new, China-led, win-win model of international development. Diplomatic relationship with Pakistan can lead to an international Business Model for China to become No. 1 Economy of the world	<b>PD</b>	Reduce dependence on the Karachi port and Port Qasim, lowering port congestion and making a potential full Indian naval blockade less likely. For that Chinese help will be required in developing and investing in CPEC
<b>CE</b>	China is dependent on Pakistan in sense of accessing its market and skilled labor on low cost in CPEC and more profitable good can be produced with direct benefits to China	<b>PE</b>	Leverage Chinese investment and expertise in industrial zones to bolster and diversify manufacturing sector through industrial zones producing higher value-added goods.
<b>CF</b>	Reduce dependence on Straits of Malacca as transit route for energy and trade, as well as raw materials extracted from East Africa. It will also reduce the oil arriving days in china from Arab countries. China will be dependent on Karakoram to get to oil needs less than 10 days where as previously it used to take 45 days	<b>PF</b>	Modernize and diversify agricultural industry through Chinese investment and transfer of technology.
<b>CG</b>	Secure refueling, replenishing, and ship repair facilities in the Indian Ocean region.	<b>PG</b>	Expand the Sino-Pak relationship beyond a strategic and military alliance into an economic partnership as well.
<b>CH</b>	Break out of US containment efforts.	<b>PH</b>	Use CPEC as a demonstration effect, indicating to other investors that Pakistan is a safe and attractive destination for foreign direct investment.
<b>CI</b>	Enhance food security by investing in and sourcing agricultural and livestock products from Pakistan.	<b>PI</b>	Establish Pakistani ports as transshipment hubs for Central and South Asia and western China.

#### 6.4 China

##### Pakistan & Power Politic of Interdependencies

International relations and diplomacies has been changing right after WWII and in late 1970s it has become clear that in forth coming future many different interdependent blocks will arise on the world's map. A collaborative environment between the United States and the Soviet Union, normalization of relations between Washington and Beijing; the OPEC states' strategies against the West and the worldwide economic engagements, mostly in Europe, paved the way for avoiding conflicts and power politics. The states 'relations long remained inter-governmental throughout the diplomatic history but now extended to transnational, non-governmental and trans-governmental partnerships. Same is the case of China-Pakistan relationship under the China-Pakistan Economic Corridor by the explanation of the politics of interdependence. This theory was put forward by Robert O. Keohane and Joseph S. Nye in 1977 in their book "*Power and Interdependence: World Politics in Transition*".

Interdependence in world politics refers to situations characterized by reciprocal effects among countries or among actors in different countries (Keohane & Nye, 2012: 7). China and Pakistan, though, not totally dependent on one another but are engaged interdependently. This engagement under interdependence has provided both countries to contribute in various dimensions of their bilateral relationship. China and Pakistan will gain from the projects under CPEC but not necessarily that the advantage will be balanced. Symmetric interdependence is possible but very rare. Asymmetries in

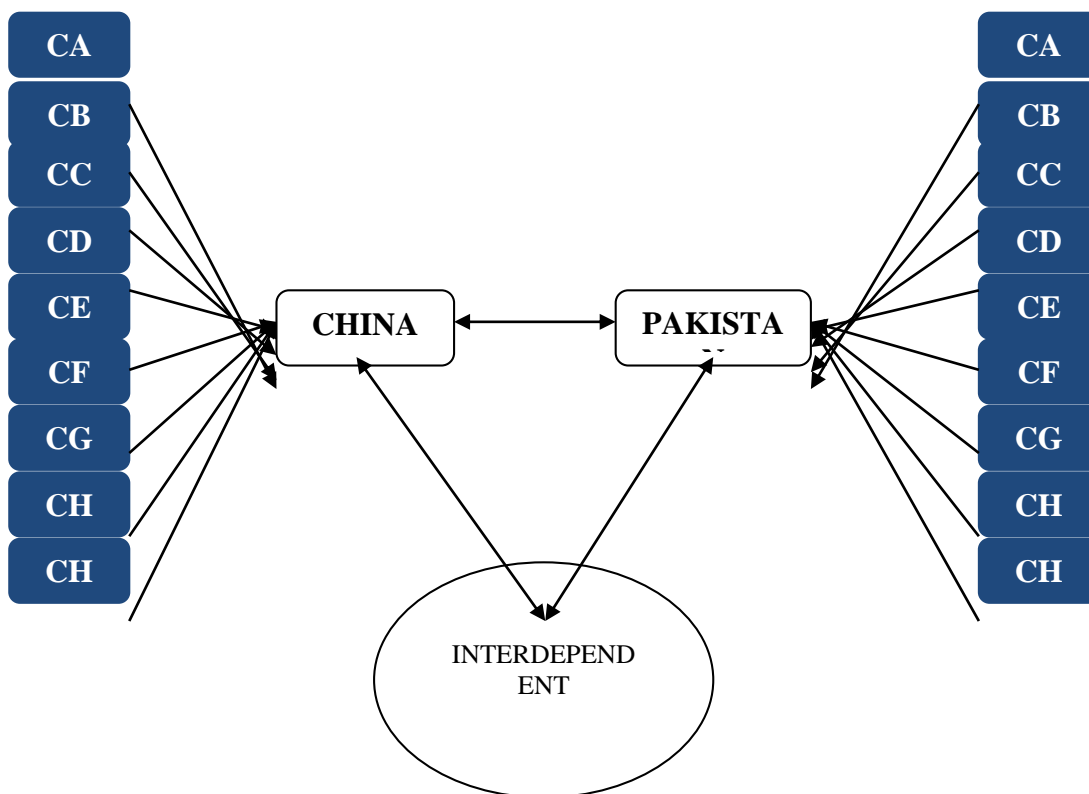
interdependence provide chances of influence to actors in dealings with one another. In such a relationship the less dependent actor can use the asymmetric interdependence for power position in bargaining over an issue or bunch of issues. This asymmetric dimension further provides a political bargaining process to actors (Nye, 1977). Looking into asymmetric interdependence, China has an upper hand in dealing with Pakistan within the CPEC. The 46 billion dollars will be provided by China for various projects in Pakistan. Also, various Chinese companies are involved in extracting different minerals, maximizing energy cooperation and providing technical assistance to develop the Gwadar Port. The China-Pakistan bilateral trade is imbalanced; favoring China. But geographically Pakistan is more advantageous than China. (Nye, 1977) He argues that the vulnerability dimension of interdependence rests on the relative availability and costliness of the alternatives that various actors face. Pakistan provides a shortest route to China to be connected with the Middle East, North Africa and beyond; for its trade and energy supply. Among the three corridors under the *One Belt and One Road* initiative, it is the easiest extension and most economical route for China. Other alternatives of going through Russia or Tajikistan and Afghanistan reaching to Iran; require more time, finance and logistic support.

However the economic infrastructure among states is a challenge when it hinders the transaction. It brings costs to states on two levels. Normal interaction between two states involves an understood accepted cost. For instance, trade routes channelize the

capacity to supply goods and services across the geographical and political boundaries. The economic infrastructure among states is complex, thus states willingly bear costs to achieve the advantages that motivate the trade relations. States make these costs to fully utilize the benefits of trade. However, further costs are possible in case of changing the relationship or the economic infrastructure among those states. The economic infrastructure within Pakistan and China are different from each other. If China has a vibrant economy with a rapid speed to grow, Pakistan's economy is destabilized due to various factors of political instability, corruption and sufferings in War on Terror. Islamabad and Beijing have joined hands together by forming Joint Working Groups (JWGs) to foster the CPEC projects and bear all the political,

economic and security costs to avoid any hindrance. Interdependence in international and regional politics is positive connectivity with immediate neighbors. This will require changes in Pakistan's foreign policy strategy that has, in the past, preferred closer economic ties, trade and security interaction with the far-away states in order to cope with the security threats from within the region of its geographic location. Now, Pakistan will be required to cultivate more active relations with the immediate neighbors for sharing energy and pursuing economic development and trade. This will give a major boost to Pakistan's economy. The areas adjacent to the Corridor will experience a major economic uplift.

**VII. 7.0 MODEL OF INTERDEPENDENCIES**



**VIII. 8.0 DIPLOMATIC RELATIONS**

**8.1 Indian-American Response to CPEC**

CPEC is currently world's largest route under-construction and will be the current economical regimes of the world. India, another neighboring country to China and Pakistan, is directly opposing to this economical interdependent collaboration of both the countries because it will kill the Indian dream of becoming Asian Economic Leader. With the help of America, who is indirectly in opposition to Pak-China Friendship, India has tried to gain with mutual contract on Chabar Port, Iran, in competition. But

this Indian strategy seems failing with naïve Trump's administration requirement from Indian government. India, since 2013, year of CPEC contract, has claimed that Route passing through Kashmir is Indian area but Pakistan has denied it. Both the countries have remained involved in many military and nonmilitary un-conventional wars. Recently India blamed Pakistan for Pulvama attacks in disputed area of Kashmir, in Feb 2019, and Pakistani Prime Minister Imran Khan's speech has completely denied it and invited Indian extremist government for investigative exchange but Narendra Modi's establishment conducted surgical strikes on Pakistan which has worsened the

peace situation of the region. Pakistan continuously offering peace solution as per United Nations resolution on disputed Kashmir but Indian military actions have silently denied to the sit-table arguments. After the Pulvama IAF strike lead to capture of Indian Mix21 Pilot Abhinandan. Imran Khan, being a person of peace gesture released the war criminal to Indian authorities. This blame game from India was to weaken the CPEC project and to diplomatic killing of Pakistan's International Relations but this power politics had no effect on Pak-China relationship and CPEC. U.S.A on the other hand has trade ties with India for covering Asian market and to remain the no. 1 economy of the world had pushed India to access Indian market many contracts of mutual trades were signed. America trying to sustain its economical power has allied Indian regime on many fronts but Indian Government's failure to give American access to Indian market has lead this partnership in perishing moments. [U.S.](#) President [Donald Trump](#) looked set to open a new front in his trade wars on Monday with a plan to end preferential trade treatment for [India](#) that allows duty-free entry for up to \$5.6 billion worth of its exports to the United States. United States policy of partnering India and making power politics of interdependencies with Indian government has not played well and the presumed threat to Pak-China relationship has been decreased by high end nodes and interdependencies

## 8.2 Sino-U.S.A International Politics and Diplomacy

An important pillar of China's national development and global diplomacy, the "Belt and Road Initiative" has received more attention from the US strategic community. Since 2018, the debates and policy debates around the "Belt and Road" in the United States have heated up significantly, and the US administrative and legislative branches have gained greater consensus on balancing the "Belt and Road". The US strategic community generally believes that the impact of China's continued promotion of the "Belt and Road" construction cannot be underestimated. It not only has the potential to change the geo-economic and geopolitical balance of Eurasia, but also in many fields such as technical standards, military security, and international development. It poses a real challenge to the United States and even undermines the foundation of the global hegemony that the United States established after the Second World War. The Trump administration began to enrich and refine the "free and open Indo-Pak strategy" (hereinafter referred to as the India-Pacific strategy), promote the negative arguments such as the "debt trap" of China's manufacturing; reform the international financing mechanism and many other Ways, constantly increase the balance of the "Belt and Road". It can be said that the game around the "Belt and Road" focuses on the rising competitive factors in Sino-US relations and the overall trends and main features of the US implementation of competitive strategies toward China.

Since the Trump administration took office, it has adhered to the "US priority" line, continuously adjusted the US internal and external policies, and adopted a grand strategy characterized by "repressive retrenchment", focusing on improving the economic competitiveness and military strength of the United States. Reduce the cost of taking on international leadership responsibilities. However, the United States is not trying to abandon its global leadership. Instead, it is trying to use unilateralism and bilateral

pressure as a means to deeply reshape the US alliance system and current rules, thus strengthening the suppression and regulation of the US "opponents."

On the one hand, economic globalization is in a low tide, populism is booming in Western countries, the transatlantic alliance is showing signs of rift, the return of geopolitical conflicts, and the deterioration of the contradictions of ethnic groups. It shows that after the Second World War, the United States led the establishment and after the Cold War to the non-Western the "liberal international order", which is gradually expanding in the world, is in deepening crisis. The US national security strategy has seen a major shift in its core goal of responding to the competition of big countries, and regards China as a more threatening force than countries such as Russia. In December 2017, the Trump administration issued documents such as the National Security Strategy report and the National Defense Strategy report, criticizing China's internal and external policies, and clearly positioning China as a "revisionist country" and a US "strategic competition". ", and will increase the competition for China to the height of "geopolitical competition between the free world order and the repressive world order." These reports highlight the reality of the strategic competition between the two countries, which largely reflect the consensus of the US strategic community and marks the United States' attempt to concentrate on responding to the "China Challenge."

## IX. 9.0 CONCLUSION

China and Pakistan are determined to complete the CPEC project at all costs. It will bring economic prosperity and stability to both states as well as to the region. It would only be a quantitative expansion in the domain of economy. CPEC is likely to expand in due course to provide interconnectivity with Afghanistan, Iran, the CARs and others. CPEC is indeed a long project. Geographically, China is more vulnerable as it is dependent on Pakistan's geography having geo-strategic importance. It is for the first time in their bilateral relationship that a huge amount of investment is being provided by China for a number of projects with the help of different government and private companies, banks and business communities.

Private Pakistani companies have already started having some direct interactions with their Chinese counterparts. As far as societal level interactions are concerned, they might also start to have their presence felt, but it would take a long time. The main reason for that is strong language and cultural differences. Viewing the costs, Pakistan is more vulnerable<sup>3</sup>, as country has suffered negatively due to War on Terror and political instability. But it is hoped that CPEC will enhance the annual bilateral trade volume and make it less imbalanced in future. Last but not least is the fact that China and Pakistan have entered into their interdependent relationship which may evolve into complex interdependence in future.

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