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Opportunities and Challenges of the China-Pakistan Economic Corridor (CPEC) and Implications for US Policy and Pakistan

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Lin Wang, Visiting Fellow at the East-West Center in Washington, explains that “With the implementation of CPEC and the emerging commercial attractiveness of Pakistan and the South Asia region, Chinese and US economic and security interests in Pakistan and the region are converging.”

China and Pakistan have long maintained diplomatic and military ties. However, close economic cooperation is a more recent development. The flagship project of China’s ambitious Belt and Road Initiative (BRI) — the China-Pakistan Economic Corridor (CPEC) — is expected to provide \$40 billion in Chinese investments to Pakistan. CPEC is not only a strong economic boon for Pakistan’s economic growth in the next three to five years, but also an opportunity for Pakistan to stabilize its society and reshape its image from a fragile state to an emerging economy in Asia. From a geopolitical perspective, CPEC is also regarded as a game-changing project in South and Central Asia. The prospect is promising, although the detailed opportunities and challenges CPEC faces still need to be carefully evaluated. Although CPEC is a bilateral project between China and Pakistan, it has already drawn interest and worry from other stakeholders in the region, including the United States and India.

Pakistan is important not only for the stability of South Asia, but for US national interests (including Afghanistan policy), China’s regional interests, global counterterrorism, and the stability of the Muslim world as well. CPEC acts as a game-changing opportunity for Pakistan’s development and its future role in the region. With the implementation of CPEC and the emerging commercial attractiveness of Pakistan and the South Asia region, Chinese and US economic and security interests in Pakistan and the region are converging.

Pakistan has about 200 million people and is the second-most-populous Muslim-majority country in the world. It shares borders with India, China, Afghanistan, and Iran, which are all important players to the stability of the region and the world. As a nuclear country, Pakistan’s influence should not be underestimated. The country has a number of extremist groups and global terrorist organizations, and has sacrificed soldiers, civilians, and treasure fighting terrorism. Pakistan is still a fragile and internally divided state with a promising yet troubled economy.

US strategy and policies towards Pakistan need to be reoriented and reshaped. Pakistan and South Asia have long posed a challenge for US leaders, and that challenge has become one of the priorities of the Trump administration, as evidenced in the newly-announced strategy for Afghanistan and South Asia.

Opportunities

CPEC offers a number of opportunities, the first of which is economic development. The large influx of investments will work as a strong economic incentive for Pakistan’s government and social sectors to improve the business environment and enhance commercial attractiveness for more foreign investments, which will not only benefit Chinese investors engaged in CPEC, but will also benefit all foreign investors in Pakistan, including the United States. Industrialization in

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Pakistan will also help to create jobs for the country’s large, under-employed population, turning a social and fiscal burden into an economic and developmental driver.

A second opportunity that CPEC could provide is stabilization and improved security. With planned infrastructure, energy, and manufacturing investments, CPEC will create more private-sector opportunities and offer a realistic pathway out of poverty for Pakistan’s people, especially those extremely poor who otherwise may be tempted to fight as mercenaries for the Taliban or ISIS. Economic development will help to maintain domestic stability and enhance security in Pakistan for the medium to long term. Combined with strengthened governance and improved capacity, Pakistan will have greater political willingness and capability to fulfill its security commitment and responsibilities for global counterterrorism.

Finally, CPEC could contribute to the further integration of South Asia. The core vision of CPEC is to improve infrastructure to facilitate interconnectivity. The project is expected to connect China, Pakistan, Iran, Afghanistan, and Central Asian countries together, integrating a market of two billion people and stabilizing the region. CPEC will empower South Asia to enjoy the full benefits of region-wide trade, stretching from Iran to China.

Challenges

Despite the many opportunities that CPEC potentially affords, clearly there are challenges too. First, CPEC could be an opportunity to enhance governance, but for CPEC to succeed in the first place Pakistan’s political and social governance is vital. By the end of 2016, almost all of Pakistan’s political parties as well as the different provincial governments formed a political consensus in support of CPEC. But, with the large amount of foreign investments expected, there must be the fair and efficient allocation of development benefits. This will be a test of Pakistan’s political and social governance capabilities.

Second, security will remain a challenge. For now, the Pakistani government and military have arranged more than 10,000 security forces to protect the people and projects of CPEC while a long-term and sustainable security mechanism is built.

Finally, there is geopolitics. The complaints that China’s promotion of CPEC blurs the distinction between political strategy and commercial interests demonstrate that the other main players in the region like India may try to contain CPEC and dismiss the potential cooperation opportunities brought by the project. With the concern that an empowered Pakistan will threaten India, India may provoke Pakistan, trapping the two states in traditional hostilities and losing the focus on economic development.

Implications of CPEC

CPEC is intended to strengthen and diversify Pakistan’s role in South Asia, activate Pakistan’s role in the global value chain and to integrate the whole South Asia region. The project also works as a benchmark or complementary project for existing US cooperation programs with Pakistan. China, the United States, and the global community should make full use of their respective resources to stabilize Pakistan and support its economic development as a new emerging economy in Asia. US support for CPEC, or simply no containment of China’s engagement in Pakistan and the region, will also reduce the trust deficit between Pakistan and the United States.

Moreover, the US government can also encourage or facilitate US companies’ entry and business in Pakistan, helping them to create a better business environment. With such facilitation, American high-end manufacturing companies like GE, Caterpillar, and top consulting firms like McKinsey will be able to seize the emerging commercial opportunities with CPEC in infrastructure, energy, manufacturing, and other industries and become beneficiaries of CPEC-driven business opportunities in Pakistan.

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