CPEC: A Game Changer in the Balance of Power in South Asia

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Abstract: Intended as a pilot flagship project under the Chinese-led Belt and Road Initiative (BRI), the China-Pakistan Economic Corridor (CPEC) has received relatively positive responses from actors in and outside the South Asian region. Islamabad, New Delhi, and Washington have offered their support to the project to varying degrees, because the financial

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commitments made by Beijing can help narrow the substantial funding gap for regional infrastructure connectivity. Nevertheless, enduring animosity and mistrust between India and Pakistan and growing strategic competition between Beijing and Washington present the biggest challenges to the project's sustainable progress. Although the unfolding U.S.-China competition has not tangibly affected regional cooperation, as Washington's enthusiasm for and investment in the U.S.-led Indo-Pacific Economic Corridor (IPEC) remain low compared with China's down payment, the potential change in the balance of power in South Asia has triggered increasing concern from and collaboration between the United States and India. By highlighting the positive-sum logic of improved infrastructure interconnection as well as greater economic integration, and contributing to a more stable geopolitical environment in South Asia, Beijing can help alleviate the longstanding enmity between India and Pakistan and assuage Washington's and New Delhi's skepticism about its strategic intentions.

Keywords: China-Pakistan Economic Corridor (CPEC); economic integration; power dynamics; Indo-Pacific Economic Corridor (IPEC); regional perspectives.

The China-Pakistan Economic Corridor (CPEC) is an important part of China's grand regional initiative known as the Belt and Road Initiative (BRI). If completed, it has the potential to change the geopolitical and geo-economic landscape with greater interconnectivity of infrastructure projects including roads, ports, railways, and pipelines across Asia, the Middle East, Africa, and Europe.¹ As China's "all-weather partner," Pakistan has the potential to serve as a nexus for the two routes comprising the BRI (the "Silk Road Economic Belt" and the "21st-Century Maritime Silk Road"); and thus Beijing describes the CPEC as a "flagship project." Bilaterally, this grand project could help Pakistan integrate more deeply into the regional economy and elevate Islamabad's standing in South Asia, while extending China's strategic influence from the South China Sea to the Indian Ocean and the Arabian Sea.

¹Jean-Marc F. Blanchard and Colin Flint, "The Geopolitics of China's Maritime Silk Road Initiative," *Geopolitics*, Vol. 22, No. 2 (2017), pp. 223-245.

Connecting China's oasis city of Kashgar in Xinjiang with the deep-sea port of Gwadar in Balochistan province of Pakistan, the CPEC focuses on four areas, namely, transportation networks, Gwadar Port development, energy infrastructure, and industrial cooperation. However, every development of the CPEC (and the BRI in general) has been accompanied with skepticism, as Washington, New Delhi, and sometimes Tokyo increasingly view the realization of the "China Dream" as their ultimate strategic nightmare.² Revived interests in the Quadrilateral Security Dialogue and increasing bilateral and trilateral interactions³ among the United States and its Asian allies and partners have reinforced China's sense of being encircled by an emerging hostile alliance. As such Beijing has been improving its own military capabilities and moving closer to Pakistan, one of Beijing's most reliable allies.⁴

This article makes three main arguments. First, based on the current strategic trends in South Asia, China seems to be the only country that has the capability and will to address security challenges and maintain peace and stability in the region, given that China's geo-economic plan and win-win approach have begun to exert a positive impact. Second, the CPEC can only fulfill its vision through healthy and future-oriented interactions among regional players, especially between India and Pakistan. Third,

²See, for example, Dan Blumenthal, "A Strategy for China's Imperial Overstretch," *The American Interest*, March 1, 2017, <https://www.the-american-interest.com/2017/03/01/a-strategy-for-chinas-imperial-overstretch/>; Steve Bannon's speech in Tokyo about China's "hegemonic" ambitions: "Bannon Storms Japan, Bashes U.S. 'Elites' for Bungling Rise of China," *The Washington Times*, November 15, 2017, <https://www.washingtontimes.com/news/2017/nov/15/steve-bannon-japan-rails-against-chinas-hegemonic-/>; and "Japan and India's Nuclear Accord can Counter China's Hegemonic Ambitions," *Indian Defense Update*, November 22, 2016, <https://defenceupdate.in/japan-and-indias-nuclear-accord-can-counter-chinas-hegemonic-ambitions/>.

³The most recent instances of such interactions include the U.S.-India-Japan Malabar naval drill off the coast of Guam in the Philippine Sea in 2018, revived talk of the Indo-Pacific Economic Corridor under the aegis of the Free and Open Indo-Pacific Strategy, the India-U.S. Logistic Exchanges Memorandum of Agreement, and the establishment of the Japan-India Coordination Forum (JICF) for Development of North-Eastern Region in August 2017.

⁴For instance, see "Yan Xuetong: China has only One Real Ally," *Pakistan Defence News*, February 10, 2016, <https://defence.pk/pdf/threads/yan-xuetong-china-has-only-one-real-ally.421488/>.

strategic patience and perseverance are most needed on the part of Beijing to foster a habit of good-faith cooperation with India and Pakistan on the one hand, and fend off negative consequences of security competition with Washington on the other. These arguments are predicated on a comparative analysis of regional power dynamics, national policies, and long-term strategic trajectories.

The article begins by analyzing the major obstacles to the progress of the CPEC, especially the long-running antagonism between New Delhi and Islamabad, as well as the emerging Indo-Pacific Economic Corridor (IPEC) as the United States' countermeasure to the CPEC. It then explains why the CPEC can play a crucial role in maintaining regional stability. It concludes by urging greater openness, restraint, and consultation on the part of all regional players with the aim of turning South Asia into a "community of shared prosperity."

The CPEC and Its Multiple Stakeholders

Admittedly, South Asia has been one of the world's most combustible regions. It is home to two nuclear powers which have, for decades, engaged in numerous border skirmishes and armed conflicts. In recent years, China's engagement with this region has increased to an unprecedented level, as Beijing is vigorously promoting its version of worldwide integration and interconnection through the grand BRI, with a regional focus on a pilot project, the CPEC. Given the current regional realities, the success of the CPEC depends on two important factors: regional connectivity and regional cooperation. Therefore, the CPEC should be fully connected with the entire region of South, West, and Central Asia in trade, infrastructure, economic development, transportation, and energy sectors beyond the China-Pakistan nexus. According to Sartaj Aziz, top foreign policy adviser to former Pakistani Prime Minister Nawaz Sharif, Pakistan is at the crossroads of these three regions (South, West, and Central Asia), and through the CPEC, Pakistan will become a key player and make more contribution to economic growth of the region. He predicted that by 2050, Asia would have constituted more than 50 percent of global GDP, and that the Gwadar Port could be transformed into a transshipment hub for the region. For strategic thinkers like Mr. Aziz, the CPEC is a true game-changer to

South Asia as it is expected to boost investment in many sectors of the Pakistani economy.⁵

To succeed, the CPEC needs to enhance both regional connectivity and regional cooperation.

Favorable attitudes toward the CPEC can also be found in other countries. For example, with its economy highly dependent on large-scale foreign-aid and financing, Afghanistan has been supportive to the implementation of the CPEC. It wants to participate in the project so as to conduct trade with the outside world and to act as a transit hub for trade between the Central

Asian republics and countries in the East.⁶ Especially in the face of the U.S. military withdrawal from Afghanistan, which is expected to significantly reduce Western security and financial assistance to the country, the CPEC would greatly help strengthen economic self-sufficiency and promote the economic development of Afghanistan in the long run.

Similarly, India and Iran can both derive enormous benefits from the progress of the CPEC. As Mohammad Hanif, a senior researcher at the Islamabad Policy Research Institute, wrote,

*It will be much easier for Northern India to develop trade and investment-related relations with Afghanistan, Iran, Central Asian states, Russia, China, and even with Europe and vice-versa, if peace prevails between India and Pakistan and in Afghanistan. Hence it can be expected that to exploit CPEC-related economic advantages, Pakistan, India, and Afghanistan will work for peace in the region by resolving the disputes confronting them.*⁷

With the lifting of some of the financial sanctions imposed on Iran, the Islamic Republic has gained more economic and diplomatic flexibility

⁵Sartaj Aziz in discussion with one of the authors on February 27, 2018.

⁶Mohammad Hanif, "CPEC: Its Impact on Peace Making in South Asia," CPEC Portal, May 31, 2017, <http://www.cpecinfo.com/news/cpec-its-impact-on-peace-making-in-south-asia/MzE0NA>.

⁷Ibid.

with the rest of the world. This newly established position of Iran in world affairs will herald new opportunities for cooperation with Pakistan, which in turn would not only help maintain regional coordination, peace and stability, but also present more opportunities for the CPEC.

Ideological sentiments and conventional animosity are the major impediments in the development and upgrading process of South Asian countries.⁸ To ensure the success of the CPEC, Islamabad should adopt a pragmatic policy of opening-up and economic liberalization toward both its western partners (Iran and Afghanistan) and eastern neighbor (India), and, at the same time, acquire more strategic access to Central Asian states. Likewise, India and Pakistan should adopt preventive and economic diplomacy in order to achieve a positive outcome for their bilateral ties and the wider region. Furthermore, Pakistan has shown its willingness to support reconciliation talks in Afghanistan and readiness to resolve the Kashmir issue by holding a results-oriented, good-faith dialogue with India. China has played a key role in the Quadrilateral Coordination Group (QCG) to facilitate a peace process between the Afghan government and the Taliban.⁹ It is clear to all parties that normalization of the Indo-Pakistani relationship and a constructive approach to the trilateral relationship among Pakistan, Iran and Afghanistan are preconditions for the success of the CPEC.¹⁰

Chief among all the major obstacles to the CPEC are power politics and security competition between India and Pakistan. A fellow great power aspirant with China, India and its neighborhood constitute a region whose stability and prosperity holds the key to the effectiveness of China's neighborhood policy in general, and the BRI diplomacy in particular.

⁸Siegfried Wolf, "China Pakistan Economic Corridor and Its Impact on Regionalization in South Asia," in Sumana Bandyopadhyay *et al.*, eds., *Regional Cooperation in South Asia: Socio-economic, Spatial, Ecological and Institutional Aspects*, (Switzerland: Springer International Publishing, 2017), pp. 99–112.

⁹Tom Hussian, "What China has to Fear from US Drones in Trump's Afghan Search," South China Morning Post, July 2, 2017, <https://www.scmp.com/week-asia/geopolitics/article/2100764/what-china-has-fear-us-drones-trumps-afghan-search>.

¹⁰Munir Akram, "Normalising Ties with India," Dawn, May 27, 2018, <https://www.dawn.com/news/1410265>.

For decades, the diplomacy between the two nuclear powers of the region — India and Pakistan — has been dominated by their zero-sum strategic thinking. A change, however trivial, in the regional balance of power in either New Delhi's or Islamabad's favor, would almost surely prompt not only reactions from the other but also region-wide chain effects. In recent years, China's global activism and its westward foray into the subcontinent with a focus on increasing interconnection with Pakistan and smaller countries in the neighborhood has sparked a regional realignment whereby India is moving closer to the United States and Japan. It seems that an all-out competition between Beijing and Washington at the global level is being played out at the subcontinental level, revolving around the quadrilateral dynamics of the China-Pakistan alignment vs. the U.S.-India nexus.

This is only part of the picture, however. As a matter of fact, although Pakistan and India remain interlocked in a decades-long adversarial relationship, Beijing and New Delhi have managed their recent disputes quite efficiently to prevent further escalation of regional tensions. India's perception on China's BRI is subtler and more nuanced than many have thought. Except for a few diplomatic issues between Beijing and New Delhi, China has maintained a relatively good relationship with India in terms of trade and business. Strategic analysts and policymakers in India have acknowledged that China's investments both in manufacturing and infrastructure development could play a major role in prompting the preferred growth of India's manufacturing sector. Trade between China and India has grown rapidly since the beginning of the 21st century, while serious measures have been taken to address India's high trade deficit;¹¹ and New Delhi has shown increasing interest in developing institutionalized economic cooperation with China, particularly in the technology sector. According to Adam Segal, a China specialist at the Council on Foreign Relations, "[t]here's this idea that

¹¹"India-China Trade and Economic Relations," Embassy of India in Beijing, <http://www.eoibeijing.gov.in/economic-and-trade-relation.php>; see also Ajay Srivastava, "Here are Five Most Common Myths about India-China Bilateral Trade," *The Economic Times*, April, 29, 2018, <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-china-bilateral-trade-deflating-the-five-most-common-myths/articleshow/63954787.cms>.

India does software and China does hardware, and the two of them together could make a new Asian market.”¹²

Some Indian analysts think that New Delhi’s reaction to China’s rise is partly due to a “status anxiety” in relation to its northern neighbor, saying that India is “constantly peering over the Himalayas at China, trying to catch up.”¹³ Having launched economic

**India-China mistrust
may not seriously
hinder the CPEC.**

reforms nearly a decade before India did, China’s per capita income has far exceeded that of India. Beijing also enjoys greater world standing — including permanent membership on the United Nations Security Council (UNSC) and a prominent role as a political power broker in situations like the North Korean nuclear issue — which some in India covet. Other keen observers think that “aligned containment of China” is not an accurate phrase to characterize the nature and strategic orientation of U.S.-India ties in relation to China. For example, Anupam Srivastava, Executive Director of the South Asia program at the University of Georgia’s Center for International Trade and Security, said that “[n]either India nor the United States is interested in any kind of containment of China.”¹⁴ On occasions, India and China have been ready to cooperate for their common interest. For example, a number of agreements have been signed by both countries on promoting their cooperation on investment, tourism and films, and the banking sector over the past few years, which has helped elevate their economic exchange to a new level.¹⁵ Thus, the best characterization of the China-India relationship is that Beijing and New Delhi are compartmentalizing their differences so they can move forward on other issues. As Chinese Ambassador to India Luo Zhaohui said, “It’s natural for neighbors to have differences. When

¹²Esther Pan, “India, China, and the United States: A Delicate Balance,” Council on Foreign Relations, February 27, 2006, <https://www.cfr.org/backgrounder/india-china-and-united-states-delicate-balance>.

¹³Ibid.

¹⁴Ibid.

¹⁵“India-China Trade and Economic Relations,” Embassy of India in Beijing.

differences can't be solved for now, we should properly manage them and focus on cooperation."¹⁶

The IPEC: The U.S.' Countermeasure to the CPEC

The very conception of the U.S.-led Indo-Pacific Economic Corridor can be traced back to a speech made by then U.S. Secretary of State Hillary Clinton at the East West Center, in which she said that the IPEC was purely a U.S.-based vision in terms of its own interests within the Indo-Pacific region and acknowledged that there were developments structuring the Asia-Pacific which would significantly impact the strategic shift by the United States. From the U.S. perspective, the reason of extending the "Asia pivot" from the Pacific to the coastal regions of South Asia is that it will integrate the Indian Ocean region, the Bay of Bengal, as well as the Straits of Malacca and Lombok into a sole strategic unit.¹⁷ At the Indo-U.S. Strategic Dialogue of 2013, then U.S. Secretary of State John Kerry highlighted the great potential of the IPEC for fueling economic development and investment, apart from promoting inter-regional trade and transit between South and Southeast Asian countries.¹⁸ It was a vision that supplemented the Obama administration's "Rebalancing to the Asia-Pacific" strategy with the aim of harnessing huge benefits of regional economic growth while intensifying the U.S. role in the future strategic trajectory of the region.¹⁹

Even before his inauguration, President Trump engaged very deeply with leaders of U.S. allies in the Indo-Pacific region. Within months after taking office, President Trump not only hosted a number of Asian leaders at

¹⁶Luo Zhaohui, "India-China Cooperation Outweighs our Differences," *Hindustan Times*, April 26, 2018, <https://www.hindustantimes.com/opinion/india-china-cooperation-outweighs-our-differences/story-CduiK3n6eJNXYveMChOqN.html>.

¹⁷Hillary Clinton, "America's Pacific Century," *Foreign Policy*, October 11, 2011, <http://foreignpolicy.com/2011/10/11/americas-pacific-century>.

¹⁸Shankari Sundararaman, "Indo-Pacific Economic Corridor: A Vision in Progress," *Observer Research Foundation*, January 3, 2017, <http://www.orfonline.org/research/indo-pacific-economic-corridor-a-vision-in-progress/>.

¹⁹Mark E. Manyin *et al.*, *Pivot to the Pacific? The Obama Administration's "Rebalancing" Toward Asia* (Washington, D.C.: Congressional Research Service, March 28, 2012), p. 1.

Mar-a-Lago and for state visits, but he also sent a number of cabinet officials on trips to the region. The year of 2017 also witnessed a historic trip by President Trump to the Indo-Pacific — in his keynote speech in Da Nang, Vietnam, he proposed the strategic concept of the “Free and Open Indo-Pacific Strategy (FOIPS),” which was aimed at reshaping America’s regional approach and consolidating efforts to manage a rising China.

On April 2, 2018, Alex Wong, Deputy Assistant Secretary of State, convened a briefing on the FOIPS, where he sought to carefully break down what exactly the Trump administration meant by “free” and “open,” highlighting a familiar range of priorities, many of which were emphasized by the November 2017 working-level meeting of the so-called Asian “quadrilateral” grouping comprising the United States, India, Japan, and Australia. By “free,” according to Mr. Wong, the United States, at the regional level, wants Indo-Pacific nations to be “free from coercion,” so that they can pursue in a sovereign manner the paths they choose; at the national level, the United States wants the societies of various Indo-Pacific countries to become “more free” in terms of good governance, fundamental rights, transparency and anti-corruption. By “open,” the United States wants open sea lines of communication and open airways (especially through the South China Sea), more open logistics and infrastructure, investment and, in particular, free, fair and reciprocal trade.

Mr. Wong emphasized that the Trump administration plans to assist the Indo-Pacific region in building infrastructure in “the right way,” which truly drives integration and economic growth; also, the Trump administration supports more transparent regulatory structures, so that the region is not only open to more U.S. foreign direct investment, but also that indigenous population, innovators and entrepreneurs can take advantage of the investment environment to enhance economic growth throughout the region.²⁰ Taken in sum, the core of the FOIPS sounds quite familiar. The big “new” additions — a focus on transparent infrastructure financing and regulatory structures — are in vogue today as China’s BRI pushes on, but how the United States will

²⁰Alex N. Wong, “Briefing on the Indo-Pacific Strategy,” April 2, 2018, U.S. Department of State, April 2, 2018, <https://www.state.gov/r/pa/prs/ps/2018/04/280134.htm>.

operationalize this new strategy to ultimately deliver on these goals remains to be seen.

The U.S. is trying to work with South Asian nations through the IPEC to counter China's growing influence.

While U.S. allies and competitors alike were left wondering if the United States had the will and resources to make the IPEC happen, Secretary of State Mike Pompeo outlined the Trump administration's latest vision of the IPEC in his speech at the Indo-Pacific Business Forum on July 30, 2018. As a concrete step, the Trump administration decided to pledge \$113 million for a number of initiatives to

develop key sectors, including digital economy, energy, and infrastructure, in South and Southeast Asia. To distinguish the U.S. approach from China's state-led regional development plans, Mr. Pompeo also emphasized the importance of private-sector investments and initiatives.²¹ Although President Trump's Indo-Pacific strategy is, in essence, a continuation of President Obama's Asia-Pacific Rebalance, he has highlighted the potential role that India is expected to play in the regional landscape.²²

Indeed, India has shown a keen interest in the IPEC even if it is still at the embryonic stage and looks like a U.S. diplomatic stunt. As Nisha Biswal, U.S. Assistant Secretary of State for South and Central Asian Affairs, said at a seminar in 2014,

...there is a historic opportunity to connect South and South East Asia into an integrated economic landscape. This Indo-Pacific Economic Corridor or IPEC is a unique geography; a place where U.S. and Indian security, political, and economic imperatives converge. It supports both the American 'rebalance' toward Asia and India's 'Look East' policy that has been a subject of trilateral discussions between India, Japan,

²¹Mike Pompeo, "Remarks on 'America's Indo-Pacific Economic Vision,'" U.S. Department of State, July 30, 2018, <https://www.state.gov/secretary/remarks/2018/07/284722.htm>; and Alex N. Wong, "Briefing on the Indo-Pacific Strategy."

²²Mike Pompeo, "Remarks on 'America's Indo-Pacific Economic Vision.'"

*and the United States. Today, India's policy is closer to 'Be East' than ever before.*²³

Similarly, Tridivesh Singh Maini of the Jindai Global University views the project as fully in sync with Washington's "Asia Rebalance" strategy, New Delhi's "Look East" policy, and Tokyo's "Partnership for Quality Infrastructure" initiative. As he sees it, India's "Look East" policy is not merely limited to promoting trade with Southeast and East Asia, but also aimed at extending its strategic influence by joining hands with the United States and Japan.²⁴

Despite the beginning of strategic alignment between the United States and its Asian allies and partners, the journey ahead for the IPEC will not be easy. Major challenges have to be addressed before all the parties can claim real achievements. First, South Asia is the world's least economically integrated region due to the long-running animosity between Islamabad and New Delhi; subcontinental trade volume remains paltry due to multiple trade impediments imposed by both governments. Second, Southeast Asian countries are looking to Beijing rather than to New Delhi as a source of increased trade and investment, for Indian domestic politics and numerous trade barriers are holding back prospective foreign businessmen and investors. Third, bilateral, trilateral, and multilateral regional connectivity initiatives of various scales are competing for strategic attention and substantial investment. Up to now, initial investment in nearly all the major connectivity initiatives for the region, except for China's BRI, haven fallen far short of the real needs. Even if assistance from the United States and Japan is factored in, the funding gap remains huge given the large scale of planned initiatives.

Why the CPEC Will Prevail

So far, the United States has planned on \$113 million as a direct government investment for the IPEC vision. After an initial government investment of

²³"US and India: Our Economic Opportunity in Tomorrow's Asia," Indian Defense Review, March 6, 2014, <http://www.indiandefencereview.com/news/us-and-india-our-economic-opportunity-in-tomorrows-asia-biswal/>.

²⁴Tridivesh Singh Maini, "Indo-Pacific Economic Corridor: Opportunities and Challenges," East Asia Research Programme, June 24, 2016, <http://earp.in/en/indo-pacific-economic-corridor-opportunities-and-challenges/>.

\$113 million, Washington is looking to the implementation of *BUILD Act-2018* for further financial support for regional trade and connectivity programs in its geo-economic competition with Beijing. According to Secretary of State Pompeo, the United States is attempting to strengthen development finance by merging the Overseas Private Investment Corporation (OPIC) and the Development Credit Authority of USAID. Yet China has discounted the ingenuity of Washington's Indo-Pacific vision and considered it secondary to its own connectivity plan. As Geng Shuang, a spokesman for China's Ministry of Foreign Affairs, put it when asked about the U.S.-led IPEC, "[i]t is better to take action than shout with a loud voice."²⁵ Commenting on Japan and Australia desiring to be part of the U.S.-led Indo-Pacific order by investing in infrastructure projects, Mr. Geng expressed a welcoming attitude while warning against unrealistic expectations placed on a great power outside the region:

*It would be good if Australia, Japan, and the U.S. increased their investment in regional infrastructure, but this [is] not the first time they ha[ve] made such a gesture.....We hope these countries can offer real funds and real measures to improve regional connectivity and help with the development of countries in the region.*²⁶

According to Teng Jianqun, a senior fellow at the Beijing-based China Institute of International Studies (CIIS), the U.S.' vision of the IPEC is more a "diplomatic gesture" than a direct and tough challenge to China's BRI in that the size of investment in the IPEC program is too minimal to have an impact on the BRI. In a similar vein, Professor Shi Yinhong at Renmin University in Beijing asserts that Washington's Indo-Pacific initiative "is a diplomatic tactic to attack some of the problems with China's practices on foreign aid and investment." He is especially skeptical about the interest and enthusiasm of private sectors in the United States for Indo-Pacific infrastructure connectivity: "Businesswise, infrastructure projects in

²⁵Liu Zhen, "China Dismisses US Investment 'Vision' for Indo-Pacific as Incidental to its Own Connectivity Plan," South China Morning Post, July 31, 2018, <https://www.scmp.com/news/china/diplomacy-defence/article/2157699/china-dismisses-us-investment-vision-indo-pacific>.

²⁶Ibid.

underdeveloped countries are never attractive to investors. Large investment, slow return and high risk. Even some of China's projects are not necessarily profitable." In the meantime, as commented by Bai Ming, a researcher at the Chinese Academy of International Trade and Economic Cooperation (CAITEC), Chinese investment alone is inadequate to accomplish the infrastructure requirements of developing countries, and thus the participation of other partners are direly needed.²⁷

It is widely believed that the BRI is an ambitious venture and ongoing project that has the potential to change the regional and global power dynamics. Although it is entirely an economic-based project, the initiative has drawn skepticism from Washington and New Delhi and increased regional tensions. Nevertheless, Chinese decision-makers have announced and practiced an optimistic and positive-sum approach; and some in the U.S. foreign policy establishment, especially in the Democratic camp, have viewed the Sino-U.S. relationship as a competition-cooperation nexus. As Bill Burns, former Deputy Secretary of State put it, "A healthy Sino-U.S. relationship is central to the future of the Asia-Pacific region and the world economy." Similarly, Daniel Russell, Assistant Secretary of State for East Asian and Pacific Affairs from 2013 to 2017, believes that

The CPEC appears much more viable than the U.S.-led IPEC.

*New models of global governance that promote healthy competition as well as cooperation on big challenges are needed to address the changing dynamics between the U.S. and China, and the latter's new regional initiatives could be a road test of the country's emergence as a world leader.*²⁸

That spirit is echoed by the Chinese government. Former Chinese ambassador to the United States Zhang Yesui argues that Sino-U.S.

²⁷Ibid.

²⁸Daniel Russell, "Not a Zero-Sum Game: Global Governance Must Adapt to the New US-China Equation," South China Morning Post, January 17, 2018, <https://www.scmp.com/comment/insight-opinion/article/2128429/not-zero-sum-game-global-governance-must-adapt-new-us-china>.

relations will be characterized by competition, but not to the extent of a zero-sum game.²⁹

In fact, apart from the CEPC, which is a “flagship project and an iconic model”³⁰ of China’s infrastructure investment and economic development in Pakistan, China is also working with Bangladesh, India, and Myanmar in building an economic corridor, the BCIM, linking the four countries. The “CPEC and BCIM economic corridors are both significant cooperation projects under the framework of BRI,” as Mr. Geng Shuang said.³¹ As far as the CPEC is concerned, the project agenda is targeted at regional cooperation, infrastructure investment, economic development, financing, and win-win outcome, which is expected to bring about concrete economic benefits to South Asian countries.³²

However, as a leading sponsor of regional economic integration, China has to articulate its neutral position regarding the decades-old antagonism between India and Pakistan on the one hand, and encourage good-faith peace talks in every possible way on the other. Because the BRI — and the CPEC in particular — are multi-stakeholder programs, a stable and peaceful neighborhood is in the interest of all major players on the sub-continent. Even Washington, which is reducing its global presence under the Trump administration’s “America First” doctrine, has a high stake in peace and stability of the region. From Beijing’s perspective, there is no need to focus on old problems, but what is required is “new thinking and new methods.”³³ In this sense, the series of Chinese-led initiatives for regional connectivity is not intended to be a comprehensive package of solutions to chronicle subcontinental security risks and economic challenges, but a

²⁹Monika Chansoria, “The Non-Zero-Sum Game Between US and China,” Centre For Land Warfare Studies, November 9, 2012, <http://www.claws.in/925/the-non-zero-sum-game-between-us-and-china-dr-monika-chansoria.html>.

³⁰Ahsan Iqbal, *Long Term Plan for China-Pakistan Economic Corridor 2017–2030* (Islamabad: Ministry of Planning and Reforms, 2017), <https://www.pc.gov.pk/uploads/cpec/LTP.pdf>.

³¹Ians, “Linking CPEC With BCIM will Benefit People: China,” The Indian Express, June 26, 2017, <https://indianexpress.com/article/world/linking-cpec-with-bcim-will-benefit-people-china-4723330/>.

³²Mohammad Hanif, “CPEC: Its Impact on Peace Making in South Asia.”

³³Jabin T. Jacob, “China’s Belt and Road Initiative: Perspective from India,” *China & World Economy*, Vol. 25, No. 5 (2017), p. 82.

policy framework under which economic cooperation, political dialogue, and cultural exchange are facilitated to strengthen mutual understanding and trust building on the subcontinent.

In light of the above discussion, it is no exaggeration to say that Washington's IPEC is still at an embryonic stage with a gesture amount of \$113 million worth of down payment compared with the \$62 billion devoted to the CPEC. Rather than a master plan for regional integration, the IPEC is more like a policy statement targeting apprehensive regional partners by offering a symbolic alternative to China's BRI. As such, with a focus on the geopolitical aspects of the IPEC, the United States might miss the real significant issues for regional economic integration in the region: physical, institutional and people-to-people linkages.

Conclusion

Economic growth is vital to political stability in South Asia and regional attitudes toward China's growing presence here, with the CPEC as a primarily geo-economic rather than geopolitical blueprint. While regional cooperation and interconnectivity are cardinal facets to the CPEC, the initiative has raised much concern, particularly from a strategically anxious India. Therefore, China needs to pay more attention to resolve regional disputes and encourage the participation of regional countries through more dialogue and results-oriented cooperation.

For the success of the CPEC and its own economic development, it is also essential that Pakistan redefine its regional policies in order to normalize diplomatic relationships in its neighborhood, especially with India. To date, peace dialogue between India and Pakistan is quite occasional and largely based on political and ideological sentiments of both countries, instead of their common needs for economic growth and cultural exchange. Because a weak and unstable Pakistan is neither in India's nor China's interest, China can play a mediating role in the world's most geopolitically challenging region, so that Pakistan and India can shelve their disputes and concentrate on regional economic development.

Besides regional power politics, Pakistan's domestic economic conditions (for instance, poor industrial base and low FDI) and severe security challenges, like cross-border terrorism, pose major impediments to any progress of the CPEC. For Pakistan, many external geopolitical and security

challenges stem from India and Afghanistan, while internal risks come from local insurgency and militancy. Thus, the Pakistani government should take more measures — with the help from China, the United States and other stakeholders — to improve its security environment, a necessary precondition for sustainable economic growth and connectivity with other parts of the region.

From the U.S. perspective, the Chinese-led economic and financial initiatives like the BRI and the Asia Infrastructure Investment Bank (AIIB) have manifested Beijing's geopolitical ambition and are long-term challenges for Washington's standing in the Indo-Pacific region. For example, Gwadar port development and its functioning gives leverage to China's naval power in the Indian Ocean, which is perceived as a potential menace to the U.S. naval supremacy in one of the world's most busy waterways. To counter Beijing's growing power, Washington has elevated its strategic partnership with India. However, the United States' down payment in its much-vaunted IPEC among other laudable regional initiatives looks more like a diplomatic stunt than a real strategic shift. An increasingly self-centered United States under a wayward President who has made decisions on personal impulses rather than sound strategic calculus is unlikely to compete effectively with a more strategically minded great power in the latter's backyard.