The China-Pakistan Economic Corridor (CPEC) consists of a package of Chinese infrastructure investments in Pakistan worth 46 billion USD, and is the flagship project of China’s “Belt and Road” development framework. Chinese Premier Li Keqiang had unveiled **the CPEC concept two years earlier** during his May 2013 visit to Pakistan, and its key importance for the “Belt and Road” initiative is that CPEC connects the Silk Road Economic Belt with the 21st Century Maritime Silk Road. Some observers have noted that several previous Chinese mega-investments in Pakistan were unsuccessful because of problems with corruption and political violence. However, CPEC is different given the commitment by China’s leadership to the success of the “Belt and Road” initiative.  
  
CPEC, which consists of a 2,000 mile transportation corridor of roads, railways and pipelines, will connect the Chinese-operated Pakistani port of Gwadar on the Arabian Sea with the Chinese province of Xinjiang. CPEC, which is expected to be ready in 15 years, will eventually extend to other countries, possibly stimulating an economic boom in the region. Experts believe that the planned Gwadar-Kashgar railway will spur further rail development in Central Asia, including, for example, a possible railway from Kashgar through Kyrgyzstan to Andijan in Uzbekistan.6When completed, CPEC will also offer an economic stimulus to China’s underdeveloped western provinces, including Xinjiang, by opening their markets to global competition, thereby reducing their income gap with China’s developed coastal cities and provinces. The broader infrastructural development of the Silk Road Economic Belt will likewise stimulate the economies of Central Asia by opening greater access to regional markets, including those of the Caspian and Caucasus regions.

When complete, CPEC’s pipelines from Gwadar to Xinjiang will offer the shortest route for China to import oil and gas from Africa and the Middle East. The railways and highways to be constructed under the CPEC plan will also offer Chinese traders an important overland shortcut between China and Europe, and could cut travelling time and costs by half, compared to the current shipping routes utilizing the crowded and increasingly risky Straits of Malacca. CPEC also provides for infrastructure for the digital economy, as it will include a 44 million USD fiber optic cable connecting Xinjiang with Rawalpindi.

China also plans over 10 billion USD in infrastructure investments in Pakistan outside of the CPEC framework. These include a six-lane 1,240 km expressway between Karachi and Lahore which is scheduled for completion in 2017, the modernization of the 1,300 km Karakoram Highway between China and Pakistan across the Himalayas, and upgrades to public transportation in Lahore, Karachi, Rawalpindi, and three other Pakistani cities.

**Strengthening Energy Capacity**

With daily electrical shortages impeding its economic development, Pakistan needs foreign assistance to increase its energy-generation capacity. Apart from investments in Pakistan’s transportation infrastructure, CPEC also includes investments in energy projects including the construction of coal-fired power plants. The first group of power plants, which will cost 15.5 billion USD, will contribute 10,400 megawatts of electricity to Pakistan’s grid by 2018. A second group of power plants, costing 18.3 billion USD, will be built after 2018, and will add an additional 6,600 megawatts to the grid. These in total will double Pakistan’s current electricity supply and alleviate the country’s daily electrical shortages. These new power plants will dwarf US aid in the energy sector, whose projects have contributed just an additional 1,500 megawatts to Pakistan’s electrical grid.

Clean energy infrastructure will also be constructed under CPEC, including hydropower, solar, and wind power plants. For example, the Karot hydropower plant on the Jhelum river, which will cost 1.65 billion USD, will contribute 720 megawatts to the grid when it commences operations in 2020. Outside of the CPEC framework, China has helped build 6 nuclear reactors in Pakistan, supplying 3,400 megawatts. This is part of Pakistan’s plan to use nuclear energy to generate 8,800 megawatts by 2030.17 A nuclear power plant in Karachi could involve the installation of China’s new third-generation Hualong-1 nuclear reactor.These expansions to Pakistan’s electrical grid are important not just for development, but also for security, as the country’s chronic electrical shortages are a key cause of social unrest.

**“Iron Brothers”**

China and Pakistan have historically considered their relationship to be that of “iron brothers.” In an op-ed in Pakistan’s Daily Times, Xi Jinping highlighted the long history of friendship between China and Pakistan, and described China’s massive plans for economic engagement as an act of friendship.As Mushahid Hussain Sayed, chairman of the Pakistani parliament’s defense committee, observed:

“**China treats us as a friend, an ally, a partner and above all an equal – not how the Americans and others do.”**

In 1950, Pakistan was one of the first countries to recognize the People’s Republic of China, and both countries established diplomatic relations in 1951. Pakistan remained an ally during the 1960s and early 1970s, when China suffered international isolation. In return, Pakistan has gained economic and military assistance from China, especially in the form of transfers of sensitive technology. Between 1956 and 1979, Pakistan was China’s principal recipient of economic aid, receiving almost a third of China’s total aid to Asia and the Middle East. While this allowed Pakistan to reduce its dependence on American aid, China’s generosity to Pakistan served as a useful showcase to the non-communist Third World of the benefits of Chinese friendship. The “all-weather” friendship between Pakistan and China has also been made manifest in large-scale infrastructural projects, not just in the upcoming CPEC projects, but also in older megaprojects like Karakoram Highway across the Himalayas.

Historically, the Sino-Pakistani relationship has been useful for both countries as a foil against India. Pakistan’s relations with India have been hostile since the Partition of 1947, and hostilities have erupted in wars and lower-level conflict, in particular over the disputed territories of Jammu and Kashmir. Pakistan hence values China not just as a key source for upgrading its economic and military strength, but also as a source of security against the Indian threat. China, which has its own territorial disputes with India—including a 1962 border war—values Pakistan as a deterrent to India. In turn, India has strategic concerns over China’s long-term nurturing of Pakistan’s military strength, and perceives China as engaging in a policy of encirclement of India’s regional influence.

**“Belt and Road”**

Pakistan seeks to be a key part of China’s “Belt and Road” as this would attach Pakistan’s economy to the growth regions of East, Central and South Asia, a combined economic zone consisting of 3 billion people. Even before the conceptualization of the “Belt and Road,” the economies of Central Asia and its peripheries had already begun a process of economic integration following the collapse of the Soviet Union. The infrastructural modernization promised by the Silk Road Economic Belt will accelerate this process of economic integration—or more accurately reintegration—as the polities of Eurasia had previously been economically integrated during the periods of the ancient empires and the original Silk Road.

CPEC and the “Belt and Road” promise to accelerate the growing trade between China and Pakistan. China became Pakistan’s largest trading partner in 2010, overtaking the US, and Sino-Pakistani trade expanded from 4 billion USD in 2007 to 10 billion USD in 2014.Pakistani traders have increased their presence in China since 2002, with the establishment of trading companies in major cities including Beijing, Guangzhou, Shanghai, Shenzhen, and Yiwu. They have also increased their participation in trade fairs in Kashgar and Guangzhou. While they are currently focused on the trade in small commodities like home appliances and textiles, this is expected to change when CPEC takes off.

**Gwadar and the Baloch**

As noted earlier, the deep sea port of Gwadar is the Arabian Sea terminus of CPEC. As such, Gwadar, which is expected to commence full operations at the end of 2015, will receive further development under CPEC. China, which has received the right to operate Gwadar port for 40 years, is expected to invest a further 1.62 billion USD in Gwadar, including an international airport and a new expressway connecting the harbor with the coast.Gwadar’s development began in May 2001, when China’s then-Premier Zhu Rongji announced China’s investment in Gwadar during his state visit to commemorate the 50th anniversary of Sino-Pakistani relations. Not only would the development of Gwadar double Pakistan’s capacity for oceanic trade, it would also be the terminus of pipelines transporting oil and gas from Central Asian producers to the world’s energy markets. Gwadar will also serve as a key node on the long-delayed Iran-Pakistan gas pipeline.The development of Gwadar, coupled with China’s parallel modernization of Pakistan’s rail networks, will transform Pakistan into an overland corridor for trade between the Arabian Sea and western China as well as Central Asia.

However, the security threat posed by the Balochistan separatist movement could derail these plans for Gwadar and CPEC. In early April 2015 an attack by the Balochistan Liberation Front killed twenty Pakistani construction workers. Later that month, on April 21, 2015, the same day Xi Jinping addressed the Pakistani parliament, Baloch rebels attacked a coastal radar station near Gwadar. This highlights the security situation that will be faced by the construction of CPEC. Chinese projects in the region have previously been impacted by insecurity. In 2004, three Chinese engineers were killed by Baloch rebels at the Gwadar construction zone. Two other Chinese engineers were subsequently kidnapped by the Taliban at a dam project in South Waziristan, and one was killed in a failed rescue attempt. To protect the CPEC construction sites, the Pakistani military will create a special security division, consisting of an army battalion with air support.

The roots of Balochistan’s separatist movement lie in the region’s economic deprivation and exploitation by outsiders. While the province is the poorest in Pakistan, it is actually the richest in its natural bounty of key resources like natural gas, uranium, gold, and silver. A typical case of the exploitation and exclusion of Balochistan is the Saindak copper mine, whose profit-sharing arrangement has its Chinese owners receiving 50% of the profits, the Pakistani government 48%, and Balochistan the remaining 2%. The Baloch separatists hence have been demanding provincial autonomy and control over their land’s natural resources.

The Pakistani government’s announcement of the development of Gwadar in 2001 was the primary cause of the current wave of separatist militancy, as the project involved no local participation, and local residents perceived the project as a front for internal colonization by the Pakistani government. Baloch nationalists noted, for example, that the majority of the estimated one million workers who would be hired to work on the construction projects would be outsiders brought in from elsewhere in Pakistan, and that the poorly-educated Baloch locals would be assigned lowly paid menial jobs.

However, the economic opportunities represented by Gwadar could ameliorate these separatist tensions by generating well-paid employment for the local population. Gwadar is intended to be a free trade zone and a major destination for Chinese investment on the scale of Hong Kong or Singapore.China is currently constructing 70 cooperative economic zones, including industrial parks, with the “Belt and Road” nations, and already over 8 billion USD has been invested in them. These zones are expected to generate over 20 billion USD per year, and create jobs for 200,000 people. In Thailand, for example, Chinese investment in the Rayong Industrial Zone has created 3,000 jobs, while over 10,000 textile and garment jobs have been created by Chinese investment in Cambodia. If Chinese investment similarly takes off in Gwadar, the impact on the local economy could be equally significant. This in turn could have a positive impact on the security situation.

Indeed, the US has encouraged China’s increased investment in Pakistan, as it recognizes that this will improve the stability of not just Pakistan but also the region. The US has so far failed to bring economic growth to the region with its development projects. Some believe this is due to the comparatively small scale of the US-funded projects. The US has supplied Pakistan with 31 billion USD in aid since 2002, with 2 billion USD spent on infrastructure projects between 2010 and 2014. This investment has recently slowed with the depletion of Congressional counterterrorism funding for the Afghan surge. China hopes to do better with CPEC, as its infrastructure projects are on a far larger scale. Unlike the US projects which are funded through development aid, the Chinese projects will funded through commercial loans and investments, thereby allowing for the increased scale of these projects.

**The Uighur Question**

China recognizes that economic development will be necessary for the stabilization of Pakistan, and that this will have positive spill-over effects for Xinjiang. China’s economic engagement hence has implications for security. In particular, China is concerned about Uighur militants from Xinjiang who are receiving aid and training in Pakistan’s northwest tribal regions. In his speech to Pakistan’s parliament on April 21, 2015, Xi Jinping praised the Pakistani military for targeting Uighur militants in North Waziristan in 2014. In a separate meeting with Pakistan’s armed forces chiefs, President Xi committed China to aiding Pakistani military efforts against militants on the Afghan border. The Eastern Turkestan Islamic Movement (ETIM), a Xinjiang separatist militant group based in Pakistan’s North Waziristan province, will be a key target for Chinese and Pakistani security forces.

ETIM, which is also known as the Turkistan Islamic Party, is estimated to have 300-500 fighters based in Pakistan, with cells in Turkey and elsewhere in Central Asia. ETIM seeks independence for Xinjiang and its transformation into the Islamic state of East Turkestan. Experts believe ETIM’s campaign of terrorism entered a dangerous new stage on October 28, 2013, when ETIM terrorists staged a suicide car bombing in a crowd at Tiananmen Square. This attack marked the start of a campaign of terror outside of Xinjiang where ETIM’s attacks were previously concentrated. ETIM’s campaign after the 2013 Tiananmen attack focused on China’s key transportation nodes, particularly its railway stations. For example, on March 1, 2014, ETIM terrorists staged a knife attack at Kunming Railway Station, slashing and stabbing 31 people to death and injuring 141 others. This attack underscored ETIM’s understanding of the critical importance of China’s rail network to its economy, as well as the strategic position of Yunnan as one of China’s international gateways. Despite the killing of ETIM leader Abdul Haq al-Turkistani in North Waziristan in a drone strike in February 2010, as well as the killings of other ETIM leaders, ETIM remains a credible threat to China.

ETIM represents the violent radical edge of the broader Uighur separatist movement, which is rooted in the ethnoreligious difference between the Turkic and Muslim Uighurs and the officially atheist Han Chinese majority of the People’s Republic of China. This ethnoreligious difference triggered separatist tensions when the Uighurs perceived socioeconomic discrimination from the Han Chinese. Not only were the Uighurs unhappy that Han Chinese settlers were displacing the Uighur people from their traditional lands, they were also unhappy that these settlers were monopolizing the best jobs and economic opportunities. After all, even though Xinjiang contains China’s largest deposits of key resources like oil and natural gas, it remains one of the most underdeveloped regions of China.

While China feared the Uighurs would be inspired by the examples of the neighbouring Kazakhs, Tajiks, Turkmens, and Uzbeks who formed their own independent nations after the collapse of the Soviet Union, a generation of Uighur jihadis was receiving a militant education in Pakistan and Afghanistan. Uighur jihadis who had been educated in Pakistani madrassas in the 1980s subsequently gained combat experience in Afghanistan’s wars against the Soviets and then the US. After returning to Xinjiang, some of these jihadis persuaded their fellow separatists to adopt terrorist tactics in their fight against the Chinese state. The violent Chinese repression against Uighur “splittism” has provoked further radicalization within the separatist movement.

The Pakistani state has long recognized the problem. Pakistan’s Prime Minister Nawaz Sharif stated during Xi Jinping’s state visit that “Pakistan considers China’s security as its own security.” For many years, Pakistani intelligence agents have helped to prevent jihadi groups from targeting China. Pakistan has also helped to broker talks between China and the Taliban which resulted in Taliban assurances, in exchange for aid and limited diplomatic recognition from Beijing, that their territory would not be used for terrorist strikes on China, and that they would not support the Uighur separatist movement.

**Strategic Defence Cooperation**

Apart from the infrastructural investment agenda, China and Pakistan also formalized their “all-weather” strategic defense partnership during Xi Jinping’s visit. Pakistan has agreed to a 6 billion USD purchase of eight submarines from China.When finalized, this deal will be one of China’s largest arms sales, and will help Pakistan expand and modernize its submarine fleet, making its submarine capability competitive with India’s. Other recent defence deals between China and Pakistan include Pakistan’s purchase of 110 Chinese FC-1 Xiaolong jet fighters. Redesignated as the JF-17 Thunder in Pakistan, 60 of these fighter jets have been received from China since 2007, and the remaining 50 will be sent to Pakistan over the next 3 years.

Historically, China began its military support of Pakistan in the 1960s. Not only did China supply weapons systems, it boosted Pakistan’s defence capability by constructing weapons factories so that Pakistan could produce its own weapons. Apart from China’s contributions to Pakistan’s air force, China has also helped Pakistan develop its missile program, including ballistic missiles, as well as its nuclear weapons program. Experts suspect Pakistan’s development of the nuclear bomb was based on Chinese technology transfers.Such technology transfers remain a key—if secretive—part of Sino-Pakistani strategic relations.

**The Future**

Analysts following Sino-Pakistani relations will be tracking the political, economic and security impacts of the construction of CPEC and the ongoing development of Gwadar. China’s enormous financial commitments to Pakistan have already had an impact on Pakistan’s foreign policy, with Pakistan choosing to remain neutral in Saudi Arabia’s Operation Decisive Storm against Yeman’s Houthi rebellion. The threatened loss of investment from the Arab world due to this decision has been mitigated by China’s planned investments. China would be supportive of Pakistan’s decision given the potential for blowback in Xinjiang. In addition, Operation Decisive Storm is widely recognized as a Saudi proxy war against Iran, and China and Pakistan both have a vested interest in the completion of the Iran-Pakistan gas pipeline.