

Socio-economic developments under 'Belt and Road Initiative' of China: Regional and global dimensions (Pakistan, a case in point)

Bashir Ahmad

Maawra Salam

Anita Laila

S M Ahsan Rizvi

Bahria University, Karachi Campus, Pakistan

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Abstract

The fundamental theme of 'economic growth driven concept' introduced by China through 'Belt and Road Initiative' is to connect the business world in the contemporary environments of today and in times to come. Undoubtedly, we are passing through an age of technology dominance with economic capacities of the states playing the central role of bringing societies together. Business and trade are fundamental to all economic pursuits of communities and societies. The people being more quality consciousness are looking for better, affordable and easily available products. This implies that in times to come, firms producing goods and services would require to be more competitive, innovative and agile to come up-to the standards of consumers. That is possible when they are better connected in people to people as well as state to state dimensions especially on regional basis for sustaining growth of business and trade. We also understand that mutual working of states for business ventures brings diversities together and new alliances take place. The spirit behind Chinese Initiative of creating a network of roads and track appears to be idealized for mutual businesses where all stakeholders have win-win positions. The economic and social growth is the idea behind this initiative and countries especially those involved through corridors have very important roles to play for its ultimate success.

'Belt and Road Initiative, abbreviated as 'BRI' has two main components; one is 'Silk Road Economic Belt' and second 'Maritime Silk Road' covering land and sea voyage respectively (Zhai Kun, 2015). The main connecting nodes on SREB (Silk Road Economic Belt) includes Rotterdam, Moscow, Istanbul, Tehran, Dushanbe, Samarkand, Bishkek, Almaty, Huoerguosi, Urumqi, Lanzhou and Xi'an. On the other hand, MSR (Maritime Silk Road) covers Rotterdam, Duisburg, Venice, Athens, Nairobi, Colombo, Kolkata, Kuala Lumpur, Jakarta and Hanoi. In nutshell, we can say that BRI covers Europe, Africa, Eurasia, Middle east, South East Asia and East Asia. Pakistan becomes one of the connecting points of BRI through China Pakistan Economic Corridor (CPEC). As we know that communication infrastructure plays a vital role in development of a country through business and trade. Most of the developing countries especially in Asia suffer from insufficient communication infrastructure of any mode, may it be rail or road. BRI as planned, contains enough road and rail networks to connect regional economies to the outside world.

1. Introduction

Networks of communications have always been fundamental to human growth in social and economic developments. This network facilitates people to people contacts, interactions for knowledge seeking and sharing of life supporting means. The phenomenon of facilitating human interactions will continue to be a prerequisite to all business activities as it has remained in the past since ages. Business and trade are basically exchange of expertise which is manifested in the shape of buying and selling of goods and services. In the business world, who produces the best with least cost of production, matters the most, to compete and succeed. Attaining high quality and spending minimum is fundamentally based on knowledge and skills matured over times. All the people living across the world in different parts enjoy the uniqueness in one or the other form; communication networks facilitate exchange of uniqueness for competitive prices.

The Chinese concept of BRI is based on providing connecting nodes to communities and societies at large for sustaining their business trade. Interaction amongst societies for boosting business ventures

brings diversities together and a new culture of coexistence should fundamentally emerge. This new culture is based on mutual benefits, business ethics and knowledge sharing. The spirit behind this initiative appears to be idealized for businesses serving the humanity more than ever before. The outline of the connectivity strategy is obviously China centric which is taking the initiative with large numbers of states forming parts of economic corridors. All economic corridors have their unique geo-strategic relevance to the world politics as well. It is difficult to delink politics from economic and social developments; so is the case of BRI where different regional and global powers look at it from their own perspectives.

2. Scope of the Study

The conference paper under the theme is a review study based on the secondary data of numerous recent thoughts on 'Belt and Road Initiative' and its wide range implication in regional and global perspectives. The study basically explores avenues of business and trade for the developing countries of Asia and other countries of the world in general. The paper entails connectivity as the main driving factor in this initiative of Chinese encompassing national, regional and global perspectives of different nations. It also explores BRI's importance related to infrastructural and industrial developments for economic growth and prosperity. Findings of the study are based on authors' own views drawing relevant inferences from past studies on 'Belt and Road Initiative' and 'Economic Corridors'.

3. Objectives of the Paper

To analyze the geo-economics and geostrategic relevance and importance of BRI for across the board business opportunities.

To examine the socio-economic relevance of BRI and its impacts on regional and global trade in times to come.

To explore business opportunities and growth prospects among developing countries within the wide umbrella of BRI.

4. Literature Review

4.1 Physical Dimensions of BRI

The two main dimensions of BRI include 'Silk Road Economic Belt' and 'Maritime Silk Road' abbreviated as SREB and MSR respectively in this paper. These two prongs as shown on the map below (Figure-1), originate from comparatively better developed population nodes from northwest, then spreads out to engulf most parts of the developing societies and finally converge to complete the loop on eastern side of China. The two wings embrace large numbers of countries in regional and ultra-regional dimensions; in its ultimate form, it would impact the whole world and have global imperatives. The combination of two wings makes a connecting loop of business nodes like Rotterdam, Moscow, Istanbul, Tehran, Dushanbe, Samarkand, Bishkek, Almaty, Huoerguosi, Urumqi, Lanzhou, Xi'an, Duisburg, Venice, Athens, Nairobi, Colombo, Kolkata, Kuala Lumpur, Jakarta and Hanoi as shown on the map. Looking at the convergence of geographical and geostrategic relevance of this great initiative, one finds it connecting strategic business centers of Europe, Africa, Eurasia, Middle east, South East Asia, South Asia and East Asia. Rest of the Globe is then connected and covered indirectly. This is how it becomes regional in perspective and global by implication.

4.2 Map of BRI



Figure-1: Outline Map of Connectivity (BRI)

Source: Map of BRI by McKinsey Company available at <https://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/one-belt-and-one-road-connecting-china-and-the-world> and Wall Street Journal at <http://www.silkroutes.net/OBOR/9MapWallStreetJournal.jpg>, referred 25 November 2018

4.3 Economic Corridors

The two strategic prongs of BRI are mutually connected through six horizontal bars like CPEC (China Pakistan Economic Corridor), NELB (New Eurasia Land Bridge), CMREC (China-Mongolia-Russia Economic Corridor), CCWAEC (China-Central Western Asia Economic Corridor), CICPEC (China-Indochina Peninsular Economic Corridor) and BCIMEC (Bangladesh, China, India, Myanmar Economic Corridor) as shown on the map below in Figure-2. Like Pakistan finds geographic harmony and geopolitical relevance with BRI through CPEC and geopolitical coherence with China; all other countries have uniqueness and relevance linked with China. The corridors have diversity of communication network including road and rail links. The network of roads and tracks under CPEC as planned has the potentials of providing multiple connecting points with Afghanistan, Central Asian Republics, Russia and India in times to come. Geographically, CPEC is almost in the middle of the two belts as mentioned above. This is how, it becomes pivotal to the entire strategic venture of the Chinese Government. The nodal point on southwestern land tip of CPEC is Gwadar Port which enjoys a commanding position to all seaborne activities in Indian Ocean, Persian Gulf and Arabian Sea. In most part of Pakistan, roads and tracks as part of CPEC, pass through barren land and predominantly least developed population centers. Similarly, the northeastern tip of CPEC also hosts comparatively less developed and least developed parts of China. Similar is the case of other parts of different states forming part of BRI economic corridors.

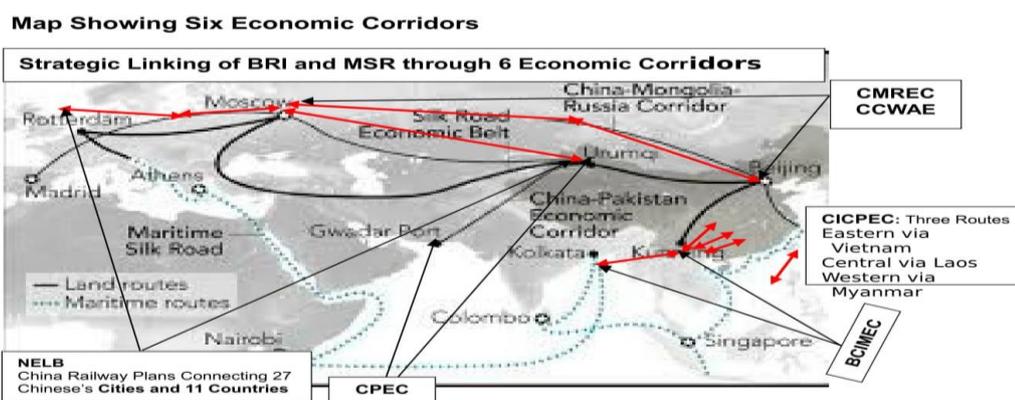


Figure-2: Economic Corridors of BRI

Source: Map of Economic Corridors, McKinsey Company available at <https://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/on-e-belt-and-one-road-connecting-china-and-the-world> and Wall Street Journal available at their website <http://www.silkroutes.net/OBOR/9MapWallStreetJournal.jpg> reference taken on 25 November 2018

4.4 Pakistan China Economic Corridor (CPEC)

Pakistan becomes part of BRI through China Pakistan Economic Corridor (CPEC) and because of its geo-political contiguity with China. We understand that communication infrastructure plays a vital role in business developments of a country. Pakistan, contrarily, suffers from insufficient communication infrastructure of any mode, may it be rail or road. CPEC as planned, contains enough inland road and rail networks to connect local economies across the country and then to the outside world. The project has already simulated the economic development in Pakistan which signifies the brighter business growth prospects in future. CPEC route begins from Kashgar, situated on historical silk route and considered as a gateway to Central Asia and it ends on seashore of Gwadar city, projected to be the future trading hub of the world.

CPEC covers impassable mountains of Pakistan's Balochistan Province, its rugged terrain which is devoid of water and other life supporting commodities. Gwadar to Kashgar link provides communication network which includes road as well as rail, abundant avenues of entrepreneurs, access to educational facilities even in far off areas and mind opening looks of modern lives. Its achievement is possible through a long-term planning and people centric developments. CPEC like other economic corridors is projected as the hope for the economic revival for Pakistan. Economic depravity could be one of the major causes of instability in a country.

Analysis and Conclusions

5.1 Conceptual Domains of BRI

China comprising 20 percent of world population is fast emerging world's largest economy. It does not appear to be far away to materialize i.e. becoming leading economy when we look at the Chinese resilient leadership and their national priorities / pursuits in discovering and developing new technologies. BRI conceptualization is indicative of their realization that fast-paced developments are possible only through the connectivity of economic nodes of the world. The concept of BRI is a strategic shift of China to connect it with Asia, Europe and Africa and in the process, develop infrastructure to boost economic growth of the regional countries through mutual cooperation and creating win-win situation for all the stakeholder (Hali, Shukui and Iqbal, 2013). BRI is being funded by Asian Infrastructure Investment Bank (AIIB) which has over fifty signatories. In this way, it spreads the risk among the partner countries. The initiative contains various mega projects, but its strength lies in Maritime Silk Road (MSR) and Silk Road Economic Belt (SREB). BRI has numerous projects connecting Baltic Sea with Pacific Ocean through a network of roads, rails and sea communication for trade. China being pivotal to the project finds its future in connecting east and west and retaining the central place of steering global businesses.

5.2 Financial Resource Mobilization

The approximate costs of BRI is \$21.1 trillion which is going to make development avenues in developing countries and global connectivity in its entirety. If you look at the number of countries; it is going to have an impact on 65 economies, having more than 80 per cent of the world's population (McBride 2015). MSR will originate from Guangxi Zhuang Autonomous Region of China and connected through various seaports in South China Sea, Andaman Sea, Bay of Bengal, Arabian Sea and Persian Gulf. It will ultimately terminate at Baltic Sea. The second main project of BRI; SREB includes communication infrastructure comprising rails and roads. It connects China-Mongolia-Russia Land Corridor, China-India-Bangladesh-Myanmar Corridor, China- Central Asia-West Asia Corridor, and China-Pakistan Economic Corridor. It follows old Chinese saying which says that 'If you want to be rich, you must first build roads. The financing agencies include Asia Infrastructure and Investment Bank (AIIB), New Development Bank (NDB), Silk Road Fund, China-ASEAN Interbank Association and SCO Interbank Association.

5.3 CPEC

Within BRI, all economic corridors have their own relevance of uniqueness; in this paper we have taken CPEC as a case in point to draw relevant lessons. CPEC occupies central place because it connects landlocked countries with sea in addition to its connectivity with BRI. It provides connectivity to China with deep sea water port at Gwadar. For the manifestation of CPEC, China has resolved the issue through investment of \$46 billion in the development and its early operationalization. CPEC passes through the entire length and width of Pakistan thus accelerating its economic growth enormously. Fearing China's influence in geo-economic dimensions as projected outcome of BRI, it is facing criticism from competitors. Looking at the geographical relevance CPEC to warm waters, one finds that without CPEC, the China's initiative of BRI remains inconclusive. Therefore, materialization of CPEC within the folds of BRI, having drawn sizable criticism, has become debatable inside and outside Pakistan. Similar is the case of other economic corridors within their respective domains. CPEC as conceived, links one of the most underdeveloped areas of Pakistan with much needed infrastructure. Like Chinese Xingjian, it would specifically provide poverty reducing mechanisms for Pakistan's Balochistan and Khyber Pakhtunkhwa provinces.

5.4 Business and Economic Development Avenues

Region of South Asia, Western China and Central Asia are confronting sever challenges related to regional politics, security and socio-economic developments. The fact remains that societies gain, maintain and sustain peace and stability amongst themselves and outside through social harmony, political integration and mutually benefiting distribution of economic resources. People attain and maintain their living standards in comparisons with others. It is the principle of equity which is carried forward knowingly or unknowingly. Pakistan's Gwadar to Kashgar initiative is based on areas which are deprived of necessities of lives in this era of modern developments. Based on number of reasons, it has become one

of the most volatile regions now. There is perceived interference of other competitors and stakeholders. The leading narrative is low development pace due to economical incapacities over the years. Similar is the state of other developing countries of the region namely India, Bangladesh, Sri Lanka, Maldives, Bhutan and others alike which are linked with BRI in one or the other way. They are constrained to international business due to restricted connectivity, domestic and regional politics. BRI is promising in many dimensions, all-encompassing its social, political and economic outlooks with especial advantage to region economies; those who wish to excel in producing quality products and making business, not playing politics.

5.5 Economic Dimensions of CPEC

Like other economic corridors, CPEC has a critical geo-economic and geostrategic significance in the region. It is a pacesetter for regional and ultra-regional economies for transporting their businesses across global dimensions. With specific reference to China, which is one of the largest global economies, CPEC provides a cost-effective energy transportation route. Presently, almost eighty percent of Chinese shipment from Middle East and Africa passes through Strait of Malacca to reach eastern coastline of China. After getting Gwadar – Kashgar connectivity which is actually materialization CPEC project, extra distance of 13000 km will shrink to mere 2500 km (Khan, Ali, & Marwat, 2016). Gwadar as gateway of energy trade becomes the starting points for shipment to China which ends on the ancient trading hub of silk route, Kashgar. Pakistan has pivotal role under CPEC due to its geographical relevance; on its western side it has energy exporting nations whereas on eastern side majority of the countries are energy scarce. Trading activities from Middle East, Central Asian Republics and Africa will have input and output of goods through the international seaports of Pakistan; Karachi Port, Gwadar Port and Port Muhammad Bin Qasim all three are linked to CPEC route. Western side of CPEC conjugates with Afghanistan, Tajikistan, Kyrgyzstan, Kazakhstan and northern side Russia - Mongolia whereas in southwestern side, it links with India. CPEC's geographical location makes it a trading frontier for reaching markets of Central Asia and Europe through land transportation. CPEC, thus must play dominant role as a bridge in exploiting energy and developing markets in Central Asia, South Asia and West Asia.

5.6 CPEC and BRI

The central point of CPEC and its connectivity with BRI happens to be the port city of Gwadar, Pakistan which is situated on the oil transportation choke point; the Strait of Hormuz. The strategic importance of Gwadar from all dimensions like economic and geopolitical has attracted global power players for joining new trading blocks of the developing nations. This new global economic integration with the incorporation of Eurasia, South Asia, China, Russia, Africa and Middle East will strengthen the sustainable peace efforts in the region. Trade facilitating activities of CPEC will increase the demand of consumer goods, tourism, hotels, resorts, health, education, construction, housing, and consultancy and other tertiary industries. In this case, the main beneficiary would be China, however other developing countries of the region are going to benefit through inter-connecting trades and knowledge sharing. Entrepreneurs belonging to developing countries would benefit through early mover advantage by investing in expected growth-oriented opportunities. Export-led economic growth will speed up after the commencement of production from Export Processing Zones (EPZ) and Special Economic Zones (SEZ) in some countries like Pakistan. International bigger businesses will give opportunity to local firms to initiate joint ventures and business cooperation to utilize each other's core competencies in terms of raw material, expertise and technology. Gwadar port is currently handling around 1 million tons of cargo whereas the planned cargo handling capacity for future is 300 to 400 million tons annually. Mega projects in Pakistan have attracted sizeable foreign direct investments especially for electricity generation plants, road transport infrastructure and upgrading the railway line between the port megacity of Karachi and the northwest city of Peshawar. In this way all countries connected through economic corridors of BRI are likely to become future business hubs. It will be able to generate enormous investment opportunities for locals and foreigners in business ventures like hotels, motels, travels, tourism, seafood / fruits processing, construction, telecommunication, port related infrastructure developments, warehouses and rental services etc.

Opportunities and Challenges

6.1 Viability of Economic Corridors

Economic corridors as integral parts of BRI are not limited to energy transportation and economic needs of China only; these link other social development issues which need to be settled for regional stability. According to Chou & Ding (2015), Chinese western region Xinjiang is suffering from violence and ethnic conflicts and has direct links with regional disturbance. Central Asia and South Asian regions have strategic value for China as the roots of violence in Chinese territory belong to the politically and economically weak neighboring countries. Collapse of USSR in late 1980s, left behind impoverished and politically unrepresented Central Asian Republics which subsequently became the nurturing grounds for regional terrorism. Xinjiang at times, face violence due to anxiety emerging out of unequal distribution of resources for collective social developments. Chinese government envisioned development of its western region with its inclusion in CPEC through development of special economic zone in Kashgar, infrastructure development, social welfare and environmental protection projects. In this way, economic corridors are going to play vital role in sustainable peace process for the region through cross borders economic cooperation.

6.2 Economic Benefits of CPEC

Taking example of CPEC for Pakistan, it is a hope for economic revival of the country. GDP growth targeted for year 2025 is 8% by the government statistics (Statistics Division of Pakistan Report 2017). Despite slower economic activities at the present, the growth prospects of Pakistan are very high in times to come. CPEC is predicted to have significant impact on trade of Pakistan as sustainable and high international trade is one of the symptoms of the economically growing country. The target of increase exports from present \$25 billion to 150\$ billion in year 2025 shows the growing trend in trade and economic activities of the country. The trade prospects of Pakistan would improve due to free trade agreements with China signed in year 2006. In Pakistan, development of Special Economic Zones (SEZs) as part of CPEC will play a supporting role in economic uplift of the country through generation of jobs and business opportunities. SEZs offers special fiscal incentives which include tax omission for ten years and importing capital goods will be duty free. Government of Pakistan has identified thirty-four economic zones and twenty-nine industrial zones in different part of the country (Ali, et al., 2017). These zones will meet the future requirements of producing goods and services thereby creating jobs and competitive Small to Medium Enterprises. Creation of export processing zones would enable local industries to grow in collaboration with international companies. However, it needs safe and secure environments to do business for sustainable growth of local business and industries.

6.3 Small and Medium Business Enterprises

BRI and economic corridors provide abundance of opportunities for small and medium capacity investors for all Asian countries and African and European states in general; however, from geo-political perspective, it appears that there are barriers which need amicable resolves. These barriers include security apprehensions, misnomer of power balance and personal ego of leaderships for gaining domestic political mileages. This study concludes that these apprehensions could be resolved through dialogues under regional leaderships. BRI and its grand connectivity designs should serve the small to medium businesses of national statures to succeed. Its entanglement in political and geo-strategic mileages would be devastating for communities and states.

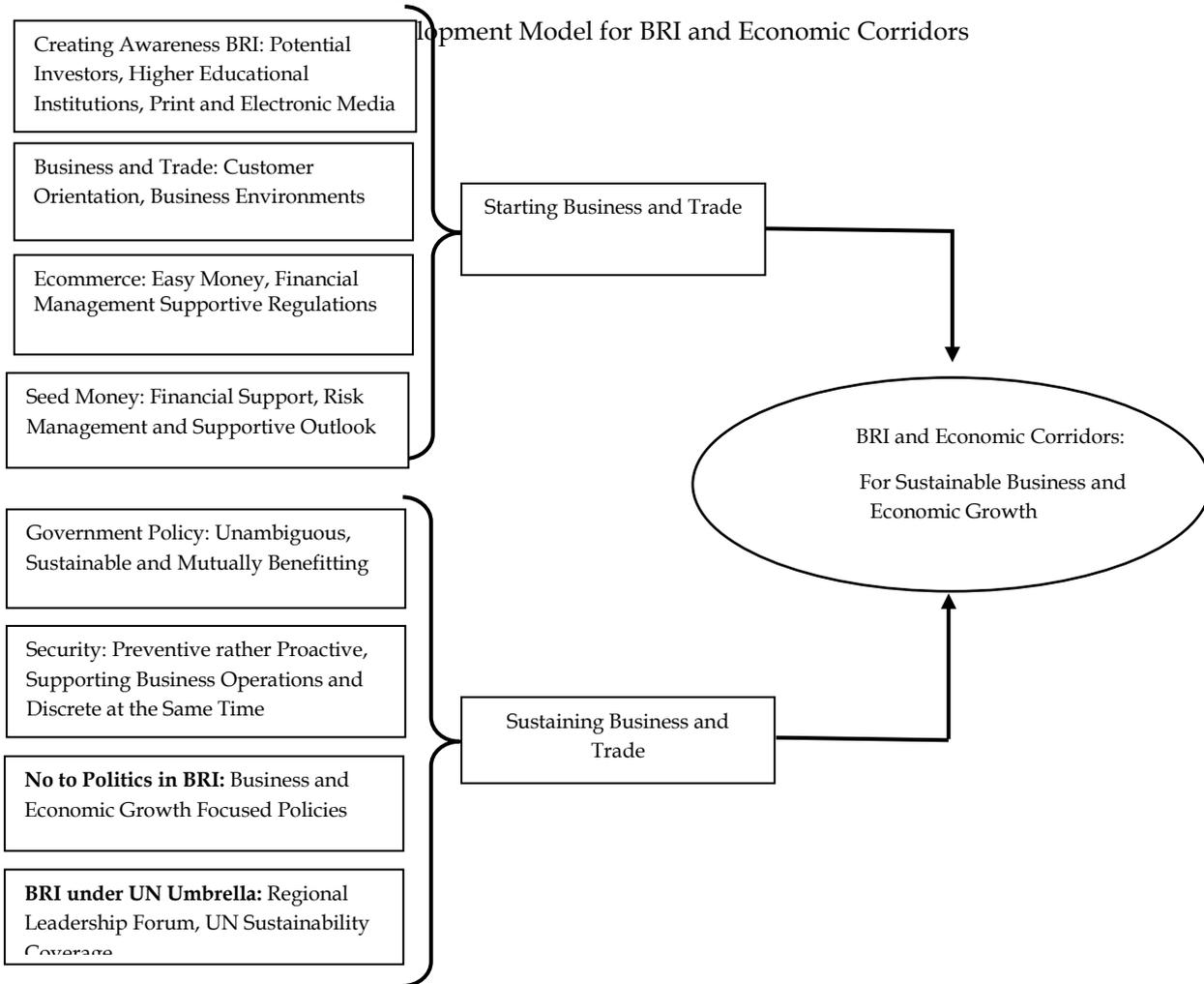
6.4 Chinese Role in Regional Development

China provides that kind of regional leaderships for all related countries to set aside their political motives and see the whole issue from economic points of view. Insufficient awareness regarding corridors for example, is creating skepticism and fear of extinction to smaller domestic businesses due to technologically advanced and cost-efficient Chinese manufacturing companies in coming times. That is going to force the industrialists of developing countries like Pakistan to compete in quality and price. The point to note here is that one cannot demarcate distinct boundaries of political, economic and social design. They all are linked with each other and either supporting or contracting in manifestations. The countries have differences on ideological, political and cultural grounds and for their resolution, there is a

need of regional leadership. Such leadership would require a leading role to focus on business and trade for the well-being of the people.

6.5 Proposed Model for Developments through BRI and Economic Corridors

According to the proposed model as given below, business facilitation and sustainability would lead the geo-political aspiration of the societies. Governments of all the countries need to ensure the support at every level by conducting seminars and media awareness campaigns. The study materials on BRI and economic corridors needs to be introduced at higher education institutions to explore new business opportunities in changing regional trade scenario. Entrepreneurial projects at university level require to be linked with financing facility to turn ideas into earning realities.



Note: The diagram shall be explained during presentation

Conclusion

BRI and economic Corridors are to boost business and trade among countries and create environments of tolerance, peace and harmony among societies of diverse outlooks. Social developments leading to better living conditions and bringing happiness will facilitate in eradicating destabilizing notions. The extension of economic corridors would enhance mutual trade through elaborate transportation network to all countries of Asia, Africa and Europe giving them sense of cohesion. It will bring in new trading blocs where people have more opportunities for joint ventures with international companies and local industries to compete in the global market. Survival of our future generation depends on the success of connectivity projects like BRI and economic corridors.

Geographical spread of BRI and economic corridors reflects China’s vision of economic growth though linking of European and Asian markets. China is good at exploiting the natural resources

including barren lands and countries like Pakistan can benefit from this expertise for economic uplift of its people. Historically, the performance of agriculture sector of Pakistan has not been very promising; for example, it has grown at a meagre average rate of 2.4% since 2011-12 (Pakistan Economic Survey of 2017-18).

At the same time Pakistan needs to be careful of making contracts with China keeping in view its peculiar socio-cultural imperatives. The critical aspects include financial benefits trickling down to the poor people, adherence to international regulations and domestic taxation system playing fair with local firms as well. Chinese investment should not simply be an opportunity to earn quick returns but to cultivate a long-term partnership based on mutual benefits. It has been estimated that the growth in Chinese agriculture contributed to reducing poverty four times compared to other sectors. According to data of World Bank, in China, the share of people living below poverty line of \$1.90 decreased impressively from 67% in 1990 to 0.7% in 2015. In Pakistan there are 7.7 million extremely poor people living on \$1.90 a day. Agriculture development in Pakistan with the assistance of Chinese can resolve the problem at a faster pace.

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