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A Comparison of Contract Law Between Pakistan and China Regarding the China-Pakistan Economic Corridor (CPEC)

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Abstract

In 2015, China and Pakistan signed up for the China-Pakistan Economic Corridor (CPEC) project. The two countries' economies will benefit greatly from this massive initiative, which will also provide them with easier access to global markets. The preliminary cost estimate for the project was \$46 billion, and its expected lifespan was fifteen years. It's a long and expensive project, so there are a lot of things that could go wrong. The present study aimed to review the background of CPEC and FTA, and compare the contract law of both two countries.

Background of the CPEC Agreement

With the goal of strengthening trade and economic connections, the two countries signed a collaboration agreement in November 2003. In 2006, Pakistan and China finalized and signed a free trade agreement (FTA) that followed WTO World Trade Organization (WTO) guidelines. Chinese President Xi Jinping visited Pakistan in April 2015, when the treaties there were just beginning to yield fruit. During this trip, China and Pakistan officially launched the Chinese Pakistan Economic Corridor by signing 51 MOUs and financial agreements (CPEC). According to the terms of these talks, CPEC is a Chinese plan to construct ports, highways, and energy sectors in Pakistan at a cost of \$51 billion. Eighty percent of the projects are power-related, while the other twenty percent entail expanding upon existing facilities. The corridor between Kashgar and Gwadar will provide China with a fast and easy access to the Persian Gulf. With the CPEC, a shipment from one end to the other can cover the equivalent of almost 13,000 kilometers in just 2,000 kilometers and 10 days. Pakistan's textile, agricultural, tourism, and manufacturing industries will all gain from the country's improved energy security, expanded trading routes, and increasing investor requests. Although there are now no issues with the CPEC, this investment has the potential to significantly impact both China and Pakistan. More research is required because of defense concerns, graft concerns, geographical volatility, and social and environmental ramifications. The only way to lessen the impact of these dangers is to plan ahead for social, financial, and environmental sustainability investments (Irshad, 2015).

Free Trade Agreement between two countries

All subsequent Chinese-Pakistani trade, including the CPEC, is governed under the 2006 FTA. The WTO General Tariff and Exchange Arrangement (GATT), which is alluded to in Article 1

of the FTA, is intended to be in accordance with the FTA. The preamble to this Agreement is its most striking component. The parties acknowledge the significance of "supporting sustainable growth in a manner compatible with environmental security and conservation," which is specifically defined in the agreement as "promote reciprocal exchange." Chapter 3 of Article 8, section 1 of the Tariff Elimination Clause, serves as the primary expression of shared commitment to advantageous trade. Every Contracting Party is required to gradually eliminate its import customs taxes on goods coming from another Contracting Party's territory. Cost barriers must be removed in order to facilitate trade.

The FTA combines advantageous trade conditions with proactive economic development policies. In the chapter Sanitary and Phyto-Sanitary Measures, this combination is expressed (SPS). This chapter acknowledges the necessity to protect the lives of animals and plants on the market, calls for compliance with international laws and risk assessments, and maintains a committee for sanitary and phytosanitary implementation. The SPS chapter highlights the dedication of China and Pakistan. However, the FTA only commits to inter-party transparency, which implies that it is limited to agreements signed between China and Pakistan. For a more effective strategy to combat corruption, all nations can impose transparency criteria for publications (in the form of news publications, publicly accessible project studies, custom-built analyses...).

One way to show how different extractive industries and the nations in which they operate are committed to public openness is through the EITI. A governance standard for the financial accounting of transactions between firms and countries is laid forth in the proposal.

The "leaders of the nation will now be kept responsible for their decisions," according to countries who adopt EITI contract transparency rules because they are more likely to channel earnings into the global economy rather than into the pockets of dishonest government officials. It would be simpler for nations to accept responsibility for their actions if they voluntarily complied with EITI guidelines. Even though the FTA between China and Pakistan has already been concluded, both nations will keep working to reduce corruption and promote accountability by including clauses requiring contractual openness in the CPEC agreements. Such provisions could specify how the parties intend to share risk and remuneration for the contract, as well as disclosure of any financial transactions between the parties (Nilofar, Jiang, & Ishtiaque, 2014).

A historical analysis of CPEC

Contact between China and Pakistan has not existed since 1950, shortly after the People's Republic of China's victory for independence in 1949. (PRC). Shared religion, sovereign integrity, brotherhood, and cooperation have served as the foundation for the two countries' strong relationships for a very long time. Both countries' populations and government authorities characterize their connections as "deeper than the sea, more launches, and higher than the Himalayas." A modern, complex partnership has most definitely not emerged overnight. Even though there have been misunderstandings on a number of subjects, especially in the 1950s and 1970s, these disagreements are amicably and productively resolved between the two countries.

The Communist Party of China's leader, Mao Zedong, declared in 1950 that the PRC would open diplomatic ties with any foreign government that could defend the values of independence, mutual benefit, and respect for sovereignty and territorial integrity. President Mao's remarks prompted Pakistan to recognize the PRC. When visiting Pakistan in November 2006, Chinese President Hu Jintao remarked that Pakistan was one of the first countries to recognize China. The

PRC has informed Pakistan that it has no intentions of enslaving its neighbors. Furthermore, neither country asserted that its interests actually conflicted with those of the other. The north is seriously threatened by Chinese rule over Tibet and the development of roadways in Afghanistan. This risk should not be disregarded by wishful thinking.

Although the dispute was peacefully resolved by Zulfikar Ali Bhutto, Pakistan's ability to deal with China was momentarily hampered. Ayub was urged to move toward peace by Bhutto, who forewarned him of potential harm to both sides. The collaboration was strengthened in the 1960s. When the Kennedy administration requested \$500 million in US funds for India's 1962 International Assistance Congress as opposed to \$150 million for Pakistan, it cut off a crucial ally in April 1961. President Ayub claimed that Pakistan, which wanted more assistance in its struggle with India than Nehru's impartial administration, had changed Washington's South Asian strategy. Later, Pakistan reassessed its relationship with China and its function as a Western friend, once more endorsing China's UN stance. Pakistan additionally aided China in its 1962 battle with India. China's response was to declare its intention to settle Pakistan's border disputes. Both sides decided to legally align their borders in the northern regions of Kashmir and Ladakh. The 1963 boundary agreement between China and Pakistan strengthened ties between the two countries even more. China backed Pakistan's plebiscite position in the same year that it reversed its previous neutral posture on the India-Pakistan conflict over Kashmir. The United States has for the first time postponed a loan to Pakistan for the construction of a new airport in Dacca totaling \$4.3 million because of its shifting roles and the advancement of Sino-Pakistani relations. China, on the other hand, provided Pakistan with assistance when it needed it in terms of politics, technology, and the economy.

Pakistan contributed to the development of its military capabilities, particularly the heavy mechanical compound in Taxila in 1968 and the aeronautical compound in East Pakistan in 1970. China provided Pakistan with moral and diplomatic support during the 1965 Indo-Pakistan War. Similar to how China gave Pakistan unflinching military assistance following the conflict, the United States, Pakistan's main arms supplier, put an arms embargo on its partner. Contrarily, Moscow maintained its neutrality during the fight, and it appears that India provided Soviet military hardware. This situation has shown how important Pakistan's connections with China are. The Transkarakorum Highway, also known as the "Friendship Highway" and the "Eighth Wonder of the World," was one of the longest and widest roads in the world when it was completed in 1966. Twenty years and more than 800 Pakistani and 200 Chinese workers later, in 1978, the project was completed. Over the Khunjerab pass, the highway links Gilgit-Baltistan in Pakistan to Xinjiang in western China, following the route of one of the original Silk Roads. Military officials from Pakistan routinely traveled to China to meet with their counterparts there to discuss national security matters. As a result of the trust established via this transaction, in 1968 Pakistan purchased equipment and machinery from China for its heavy mechanical complex to the tune of 15 million rupees. China provided Pakistan with \$50 million in interest-free loans in 1963 to help build up the country's economy and infrastructure. From 1965 to 1971, China is reported to have given Pakistan \$445 million in foreign aid. Between the 1960s and the 1970s, Pakistan's internal and external Cold War events differed dramatically. The friendship between China and Pakistan has been impacted by changes in the geopolitical dynamics in South Asia as a result of shifts in the goals and positions of international and regional actors. During the Indo-Pakistan Conflict of 1971, China declined to assist Pakistan, only gave "verbal

assistance," charged India with meddling in Pakistan's domestic affairs, and finally supported the United Nations decision. the Committee to Preserve Indian Aggression.

In reaction to the growing Sino-Soviet gap, the US amended its Chinese foreign policies in an effort to prevent the threat of Soviet expansion in Asia. As requested by Nixon, Henry Kissinger conducted a clandestine trip to China, which was made feasible by Pakistan since Yahya Khan, the country's ruler, was friendly with the Chinese leadership. Nixon's journey to China, which mended fences between the two nations and put an end to years of antagonism, was greatly influenced by Pakistan. The Soviets' occupation of Afghanistan at the end of 1979 strengthened ties between China and Pakistan. The Soviet Union's potential invasion campaign into the Arabian Sea and eventual domination over all of Asia worried China. In addition, China was concerned about the 100,000 Soviet troops posted along the Sino-Soviet border encircling it. Pakistan was seen as being threatened by Soviet expansion in Islamabad. Out of a common concern, both countries, together with the US and its allies, provided the Afghan Mujahedeen with financial and military support in order to force the Soviet Union out of Afghanistan. However, Pakistan's strategic significance began to decline in the years that followed the Cold War, particularly during the proxy war in Afghanistan. The change in Pakistan's position is a result of evolving international relations and aspirations of other nations. Washington departed Islamabad in order to deal with Afghanistan's own issues, Afghan refugees, Kalashnikov culture, and sectarian strife. The US also put a military and economic blockade on Pakistan as a result of the Presser amendment sanctions and its nuclear development. As China rose to prominence in the unipolar international order in the 1990s, the protection paradigm expanded from traditional to socio-economic connections.

Pakistan was reconsidering its foreign strategy and turning to China. Beijing gave the necessary financial and military support in response. China's support for Pakistan in many areas, especially the military and its nuclear weapons program, has strengthened relations between the two countries. As a result of this relationship, politicians and citizens in both countries gained confidence. China helped Pakistan in 1992 when it built the 300 megawatt Chashma nuclear power project. Collaboration between the Pakistan Nuclear Energy Committee and the China National Nuclear Corporation, which upheld the strongest safety rules in accordance with the agreements reached by the International Atomic Energy Agency, led to the addition of three additional units to the project. The ongoing exchange of high-level visits by both civilian and military leaders has a political impact on the relationship. Leaders of the Chinese Communist Party have traveled to Pakistan from every generation. They both visit Beijing because Pakistan has done the same for every head of state who travels abroad for the first time.

Trade and Economic Relations

Trade and commercial links between China and Pakistan have been gradually growing ever since diplomatic ties were established, despite their close political and terrorist ties. Since Pakistan relied on Indian imports of coal to fuel its rapidly developing sector of exporting cotton and jute to India, the September 1949 depreciation of the Indian rupee had a profound effect on Pakistan's economy. A total of 97.2 million Pakistani rupees were exchanged for a cargo of coal from China as part of a barter arrangement struck in 1952. The first major, long-term trade agreement was signed in January 1963. It gave each party the Most Favored Nation treatment, establishing bilateral trade and economic connections. In October 1982, it helped to establish the Joint Committee on Atmosphere, Trade, and Technology. As globalization continues to grow, social

and economic issues are being given top priority by geostrategic agendas. Both nations were compelled to strengthen their economic links in order to manage the interdependencies of global and regional contacts and investment as a result of the altered regional and global environments.

To the same extent as their political and security relations, it was intended to strengthen their economic links. Exports to China surged from \$89 million in 1991 to \$456 million in 2000, which led to a sharp increase in trade. In the same time frame, imports increased from \$597 million to \$637 million. President Pervez Musharraf visited China in January of 2000 to promote the country's already robust economic ties with Pakistan. In May of 2001, Chinese Prime Minister Zhu Rongji traveled to Pakistan in an effort to forge closer economic connections between the two countries in the new century. During his trip, he signed six agreements worth a total of \$1 billion. The agreements require cooperation in the fields of tourism, economic development, and the expansion of technology ventures in addition to the construction of the Gwadar Port and the Coastal Highway. They also call for renting space for the Saindok Gold and Copper Project and utilizing Pakistan Railways' locomotives and passenger service. In 2005, bilateral trade exceeded \$4.5 billion, up from just over \$1 billion in 2000. In the context of significant economic accords between the two countries in November 2003, negotiations began on a bilateral preferential trade agreement. Later, talks centered on a joint feasibility assessment for a bilateral free trade agreement (FTA). A bilateral Free Trade Agreement (FTA) Early Harvest Agreement (EHP) was signed in 2005 and entered into force on January 1, 2006. EHP China eliminated tariffs on 767 products while increasing the price in Pakistan by the same amount for 464 items. The accords guaranteeing peace, collaboration, and friendly relations between the two nations have already been ratified. The FTA and the Joint Five-Year Economic and Trade Cooperation Development Program were signed by the two nations in November 2006

after lengthy talks, and they went into force in July 2007. The FTA was then equipped with the EHP. The Free Trade Agreement on the Services Exchange was signed by the two nations in February 2009. By 1 January 2012, both countries had to submit proposed tariff modifications or eliminations, and after five years, both nations had to update and revise the tariff reduction process. This is the decision of both countries.

FTA covers all services and spending. Pakistan received China's FTA expenditures first. The Agreement gives Pakistan access to Chinese chemicals, electronics, machinery, fisheries, plastic, rubber, iron and steel, industrial machinery, cotton, bedding, agricultural products, marble, sporting goods, and commerce. Pakistan-China FTA trade climbed 12.57 percent annually from US\$ 5.2 billion in 2006 to US\$ 16 billion in 2014. In 2017, China was Pakistan's third-largest importer. In 2013, China became Pakistan's second-largest commercial partner, accounting for 16.17% of imports. Tables 1 and 2 illustrate China-Pakistan trade before and after the FTA.

China-Pakistan economic relations are underappreciated. China, Pakistan's largest import source and lowest provider of completed goods, prioritizes bilateral trade even though Pakistan's exports to China have expanded dramatically post-FTA. Pakistan's lack of finished goods competition and its export domination of a few essential raw materials like cotton, rice, and leather exacerbate this gap. Pakistan's turmoil and security often explain this discrepancy. Pakistan and China's political and economic circles view mutual economic partnership, exchange, and citizen communication as weaknesses. Since 2012, China has invested about 20 billion dollars in Pakistan, primarily in the public sector, which includes heavy manufacturing, power, and utilities, while joint ventures have also been established in other sectors like steel, telecommunications, and motorcycles. The trust and effectiveness of Pakistan in various industries have increased thanks to these investments, but Pakistan's export potential has not

increased. However, other observers claim that Pakistan's present trade deficit is not particularly unusual. China profits from its trade balance with the majority of countries, including the US and India. This implies that Pakistan may profit from China's policy of opening up and increasing import demands, as even a small share of those requests would significantly boost Pakistan's economy. China takes trade imbalances seriously and takes the necessary efforts to address the issue, just as Pakistan tries to lower its trade deficit by expanding and diversifying its export markets. Sino-Pakistani economic ties are evolving gradually in many areas, including trade and investment. . The People's Bank of China and the State Bank of Pakistan established a currency swap deal in May 2014, eliminating the need for the United States dollar as a middleman in trade. Because of this deal, Pakistan is the only South Asian country that can take advantage of free trade agreements and preferential exchange rates with China. Currently, Pakistan's energy, infrastructure manufacturing, natural resource expansion, telecommunications, and automobile industries employ over 10,000 Chinese workers from over 120 Chinese businesses. By using their strength and other resources, such the copper gold mine Sendak and the coal mining company Thal, these workers support Pakistan's economy.

Nearly 700 million dollars were invested in the networking and oil industries by the China Smartphone and Orient Group. China also assists in building the port in Gwadar. A deep-sea harbour is what the first phase, which got underway in Musharraf in 2002 and was completed in 2006, consists of. The port was given to the government-owned Overseas Port Holdings Limited in 2013. On the second side, China worked with Pakistan to create the port as well as the Makran coastal highway, which connects Gwadar Port to Karachi¹³⁵. Chinese investments and cooperative energy and infrastructure enterprises also assisted Pakistan's frail economy by providing a boost. The most recent CPEC project is the result of China and Pakistan's ongoing

friendship. Chinese Prime Minister Li Keqiang first announced CPEC during his trip to Pakistan in May 2013. Then, in August 2013, the CPEC Secretariat was established in Islamabad to streamline the software's implementation. When he visited China in April 2014, the Pakistani Prime Minister spoke with his Chinese counterpart. China pledged \$46 billion in November 2014 to Chinese companies working in Pakistan on energy and infrastructure projects as part of the CPEC strategy. The deal was sealed on April 20, 2015, during his trip to Pakistan. In the long run, Pakistan and China hope that this initiative would help deepen their economic and diplomatic ties.

An Overview of Pakistani Contract Law

The Contract Act of 1872, which serves as Pakistan's principal source of contract law, contains the country's general code of contracts. In the trials, English judgments are frequently used (when appropriate). It must outline the circumstances under which the contract's signatories render their commitment enforceable. Every day, many of us enter into a number of contracts, whether knowingly or unknowingly. Each agreement bestows some rights and obligations on the negotiating parties. Regarding the performance of particular rights and obligations, the Participants are safeguarded by the Contract Act. According to the Act, a "contract" is an agreement that is legally binding. A (legal) contract must have the following elements:

- (a) Intention to enter into a contract;
- (b) Offer and acceptance; and
- (c) Consideration.
- (d) The ability to sign a contract;

(e) The parties' voluntary consent;

(f) The agreement's legal purpose;

A contract need not be in writing unless a specific statutory need specifies it as a requirement, however. A written arbitration agreement is required.

Definition

Contracts are described as "any arrangement enforceable by law" in Section 2(h) of the Act. This act must have both consent and the potential to be enforced.

Every promise and every combination of promises that serve as consideration for one another are referred to as agreements in Section 2(e).

Once more, Section 2(b) uses these phrases to define promise: "The proposition is said to be accepted when the recipient of it expresses his agreement. A proposal becomes a promise once it is accepted ".

Chinese Contracts Law

The Contract Law of the People's Republic of China became effective on October 1, 1999. The PRC Contract Law primarily derives from this source. In an effort to promote greater legal uniformity, the new edition incorporates some sections of Chinese contract law that were previously included in other comprehensive laws. Formal requirements for the formation, performance, and breach of contracts are outlined by the law, along with general and specific terms. Many different kinds of contracts are permissible under the law. A number of the major provisions of the Contract Law are based on the principles of contract freedom, good faith, and encouraging transactions.

The primary goal of the law is stated in Article 1: "This Law was passed in order to safeguard the lawful rights and interests of contracting parties, uphold the social and economic system, and advance socialist modernization. The definition of a contract is found in Article 2: "Accords on such intimate partnerships as engagement, pregnancy, and custody shall be governed by the provisions of such legislation, according to Article 2's definition of a contract. There are 428 articles and 23 chapters in the Contract Law.

China-Pakistan Economic Corridor

As one of the first nations to sever formal diplomatic ties with the Republic of China (or Taiwan) and recognize the PRC rule on the Chinese mainland, Pakistan opened the door for relations with China in 1950. Since then, both nations have put a lot of effort into keeping their Special Relationship strong and supportive. They have also frequently conducted high-level discussions, which have helped produce a number of accords. The PRC has supported Pakistan economically, militarily, and technologically, and both nations regard the other as a strategic rival.

Chinese neutrality in the early stages of bilateral relations gave way to an alliance with Pakistan, a smaller but militarily powerful territory. 1950 saw the formation of diplomatic ties, 1963 saw the agreement of boundary lines, 1966 saw the beginning of military support, 1972 saw the formation of a strategic partnership, and 1979 saw the beginning of economic cooperation. Pakistan now receives the majority of its armaments from China, which is also its third-largest economic partner. China helped Pakistan after the fall of East Pakistan by lending it US\$60 million, which was later given. Recently, both countries made the decision to collaborate closely in order to create Pakistan's civil nuclear power sector.

One important aspect of Pakistan's external strategy is the maintenance of positive ties with China. In order to develop diplomatic ties, President Muhammad Zia-ul-Haq travelled to China

in 1986. Pakistan was one of the two countries, along with Cuba, that provided significant assistance to the PRC during the 1989 Tiananmen Square demonstrations. China and Pakistan have close strategic ties, and China provides Pakistan's armed forces with a variety of cutting-edge weapons. Pakistan supports China in its stance on the Kashmir conflict, despite China's support for Pakistan in its stances on the Xinjiang, Tibet, and Taiwan crises. With collaborative initiatives developing weapons ranging from fighter planes to guided missile bands, strategic collaboration has intensified.

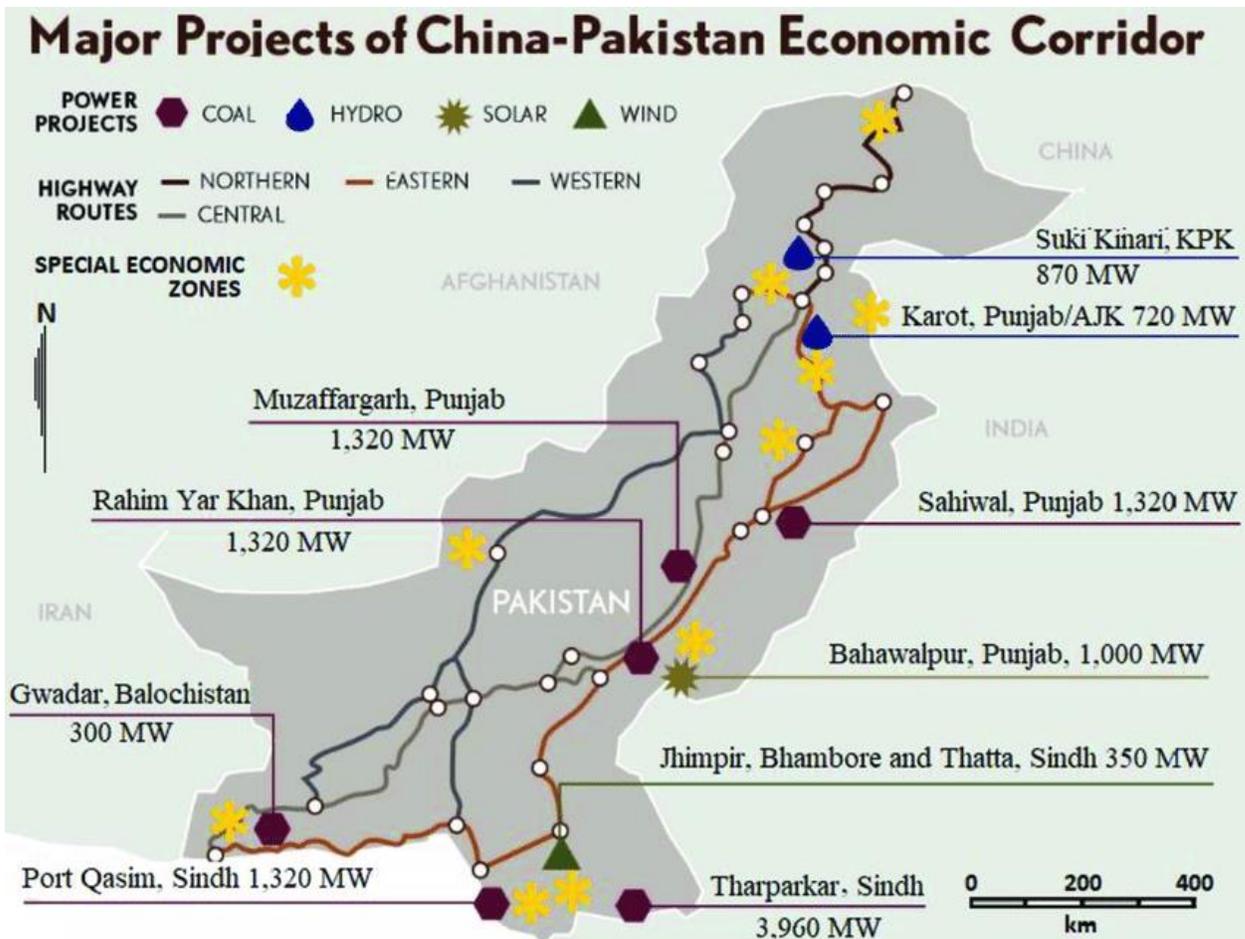
With significant investments in Pakistan's infrastructure expansion, especially the deep-water port at Gwadar, Chinese collaboration with Pakistan has achieved economic zeniths. There is an ongoing free trade agreement among all countries. According to data compiled by the Chinese customs authority, two-way commerce in 2017 topped \$20 billion for the first time ever. While China's exports to Pakistan climbed by 5.9 percent to \$18.25 billion in 2017, Pakistan's exports to China fell by 4.1% to \$1.83 billion.

With Pakistan's help, the People's Republic of China and the West have been able to better communicate, and the United States is now China's primary gateway to the Islamic world. The historic 1972 visit to China by then-President Richard Nixon. According to the Pakistani ambassador to China, relations between the two countries are "bigger than the mountains; thicker than the oceans, heavier than steel, lower-eye eyesight, sweeter than chocolate, etc." The Stockholm International Peace Research Institute estimates that Pakistan imports over half of all Chinese-made weapons.

The IR observers also discovered that, despite having "extremely divergent cultures and strategies with opposing views on central global issues" in the PRC and Pakistan, they have

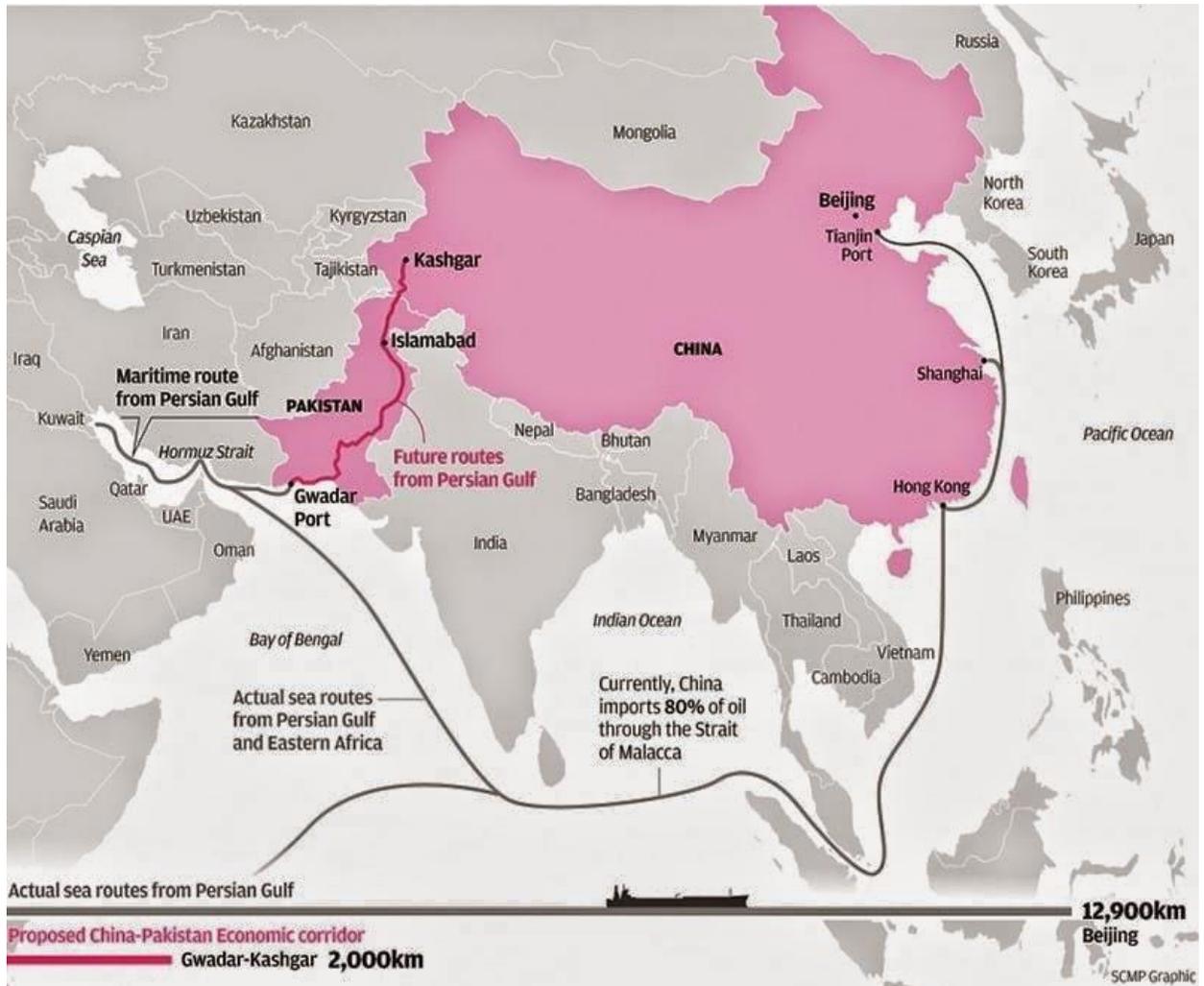
nonetheless developed a dynamic relationship over a number of decades, supporting the idea that realpolitik serves as the basis for international foreign policy.

Defense collaboration has characterised Pakistan's relations with China for a number of years, with economic connections trailing far behind military participation. These connections took on new significance in 2015 because to a number of projects under the Beijing Belt and Road Program, including the China-Pakistan Economic Corridor (CPEC). Political leaders in Pakistan consider CPEC a "game changer" that will spur growth by reviving a shaky economy. Closer connections with China are motivators for her military, which oversees regional, defence, and security affairs, to resist mounting US pressure on Pakistan's backing of insurgent groups in Afghanistan and India. Geopolitical expectations that are supported in China by increased connection and exchange infrastructures are what fuel the growth of relationships in that nation. The following is a map of the CPEC's potential routes:



Infrastructure development includes creating 1,200 kilometers of new roads, 3,100 kilometers of existing highways, and extending and improving existing roads and railways. Three main highways form the projected CPEC corridor: Western route passes through Turbat, Panjgur, Qalat, Quetta, Zhob, Dera Ismail Khan, and Hevellian before entering Baluchistan and Khyber Pakhtunkhwa. Western Chaman and Taftan lead to Afghanistan and Iran. Karachi, Hyderabad, Sukkhar, Rahimyar Khan, and Multan comprise the east route from Gwadar through Sindh and Punjab. The primary road from Gwadar to Hevellian travels through Khuzdar, Sukkhar, D.G. Khan, Mianwali, and Taxila in Baluchistan, Sindh, and Punjab. Taxila extends from Jalalabad in Afghanistan to Peshawar and Torkham. The northern Karakorum Highway links Kashgar to Hevellian. The west route is short and passes

through undeveloped Baluchistan and Khyber Pakhtunkhwa, two countries with security difficulties. The eastern path runs through more developed, peaceful neighborhoods with obsolete facilities. Sukkur-Multan and Raikot-Islamabad road constructions began in 2016. In collaboration with provincial governments and stakeholders, the government has established 40 Special Economic Zones (SEZ) and other economic zones from Khunjarab to Gwadar. These regions can boost international investment, industrialization, and job growth. Expanding and renovating 1,736 kilometers of the ML1 track from Karachi to Peshawar will cost \$3.6 billion to renovate the railway. CPEC includes Rail Related Rapid Transit Network provincial offices. CPEC proposes to develop three 682-kilometer modern railways from Hevellian to the Khunjarab border, Gwadar to Karachi, and Gwadar to Jacobabad. Such ideas lack feasibility evaluations and finance strategies. Appendix C covers the infrastructural project. Once operational, the Gwadar port will supply the project's energy. Gwadar's infrastructure growth includes the port extension and upgrading, a modern international airport, a hospital, and a Free Zone/Economic Processing Area. See Appendix D. 500 Chinese technicians work 24/7 to finish the jobs on time. China and Pakistan formed the joint Cooperation Committee on Ministerial Level to supervise and promote the effective and speedy execution of CPEC projects with five working groups on power, transportation, the Gwadar port, industrial parks, and planning.



During his April 2015 visit to Pakistan, the Chinese president signed a memorandum of understanding and agreements on projects totaling USD 46 billion. China's "One Belt, One Road" initiative includes this route. A unified network of highways, trains, and oil and gas pipelines will soon link China to South and Central Asia. The majority of the programs should be completed within the next three years. The Pakistani economy is significantly impacted both directly and indirectly by this CPEC investment. Impacts from direct investment will push GDP growth beyond 6% in FY16–18. There was an error (BMA Capital). Long-term and far more significant than the direct influence on Pakistan's economy

is the indirect effect. As was already mentioned, Pakistan's ten-year energy deficit accounts for the majority of expenditures in the energy industry. Over 15000 MW of electricity would be produced by the energy projects, which will boost Pakistan's current industries and attract private investors.

Private sector GDP contributions have decreased over the past five years by 9.6% as opposed to 12.7% during the prior five years. The capital price is also impacted by the transaction. Heavy construction in the cement and steel industries would increase revenue and share values. The combination of high energy demand and supply may also result in increased manufacturing efficiency. The high levels of profitability and demand frequently benefit consumer stocks. China likewise generates the increased expense in a similar manner. Energy-related projects receive a lot of funding, but the Pakistan China Economic Corridor, which links China's Kashgar in the Xinjiang Province with Pakistan's Gwadar port, is the project's main focus. The CPEC commercial route between China and Pakistan would reduce shipping time from 45 days to 10 days and be located at a distance of 2500 kilometers from Beijing to the Persian Gulf between China (Kashgar in Xinjiang Province) and China (Persian Gulf). With this new route, China would be able to import its necessities, including crude, in just ten days and with less freight. China's current commerce route between the Middle East, Africa, and Europe is significantly shortened by CPEC. Another eagle's eye view of China's new and old commercial routes On the red line, the most recent CPEC course may be seen.

Asians continue to live now. Regional interconnection and the development of transportation infrastructure are both accelerating. In this era of cross-regional cooperation, it is impossible

to overstate the importance of marine transport and cooperation for global business and wealth.

Particularly, trade is a determinant of growth and development that is fair, sustainable, and inclusive. Seas and oceans would serve as the foundation for connecting economic centers, technology, and citizens as regional economic integration continues to grow.

Pakistan's 1046 kilometers of coastline, which makes it a vital stop on the 21st-century Maritime Silk Road, is a burden (MSR). Pakistan links major actors and growth engines in Asia, the Middle East, and Europe to new ports like the Deep-Sea Port of Gwadar. A well-planned policy approach can enhance the nation's maritime sector to unlimited benefit.

The Gwadar Port Project and Keeti Bandar Port have opened up new opportunities for maritime transportation-related industrial and commercial growth in the China-Pakistan Economic Corridor (CPEC). Pakistan's maritime industry has grown slowly thanks to the maritime silk route. The Maritime Silk Road will connect China with Pakistan's political interests, creating several potential for collaboration.

The Belt and Road Initiative's (BRI) renewal of the centuries-old Maritime Silk Road has boosted the nation's economy, especially in exploiting the oceans to promote international trade, economic growth, and "blue economy" marine transport networks. Agriculture, coastal tourism and pleasure, transportation, and mining and usage of non-living marine materials are other blue economy activities (minerals, energy sources i.e. oil and gas).

The global ocean economy is valued at \$1.5 trillion. This business supports 350 million fishing jobs globally and accounts for 80% of shore-based trade. Aquaculture, which supplies about half of humans' fish, is growing quickest. The blue economy supports sustainable development outside the maritime economy. Pakistan possesses the Arab Sea and a vast coastline to encourage blue economy development and fight hunger, food shortages, and unemployment.

China wants to establish a framework for MSR nations to engage on technology and economic progress, particularly in trade, investment, and tourism. The marine industry encourages communication and R&D between organizations, academic institutions, and think tanks. Over the next decade, China will teach more than 30,000 marine industry specialists to ensure MSR expansion talent.

Pakistan wants MSR recognition and marine capabilities. Pakistan has a long coastline, but a lack of maritime knowledge has prevented it from reaching its potential. In light of the huge opportunity presented by the MSR, Pakistan must take comprehensive and substantial efforts to create a sustainable maritime sector, foster knowledge, and devise regulatory measures to launch the sector and make it a catalyst for regional economic growth.

Pakistan, between China, the CARs, and Southeast Asia, is the next MSR shipping hub. Through coastal security measures, offshore marine energy feasibility studies, and maritime auxiliary sector skill

development, training, and experience, the country will promptly and effectively reinvest in its port infrastructure.

All of these can also support maritime tourism. Water sports and yacht clubs can benefit from public/private collaborations to support ecotourism, and marine leisure education can be implemented.

Pakistan's maritime resources can boost its shipping and shipbuilding industry. However, important players in Pakistan's marine industry must consider the nation's unique position, its potential for a blue economy, and the urgent need to develop a sustainable blue economy through "Operation Blue Economy" to make this dream a reality. Pakistan would rapidly investigate marine cooperation with all MSR participants.

A thriving green economy on Earth requires a healthy blue economy at sea and along the coasts. First, implement fisheries, aquaculture, coastal tourism, and ocean resources. Better preparation unlocks capability. The coastal belt may attract foreign direct investment. Policymakers should then employ a wide framework for public-private collaboration to create an effective strategy for sustainable growth.

Effective public-private cooperation require well-designed arrangements for risk sharing and stability, a consistent regulatory system for controlling and limiting risk, and an administrative framework for process management, including technology and management capacity-building. A maritime special economic zone (SEZ) along the coastal belt based on public-private collaboration may help. The SEZ may require a Pakistan National Shipping Company and Navy-supported maritime vocational training center.

Shipping will remain the main mode of international trade, and the maritime sector will continue to drive economic expansion. Sea and communications ministries and port organizations must consider marine transport accessibility considerations, prospects, and problems to make educated policy and investment decisions in shipping, ports, and ocean-led commercial linkages.

Geopolitical and Economic Balancing after the Agreement

Pakistan's Chinese policy has traditionally been shaped by geopolitics and defense dynamics, with a shared aversion to India. In the 1950s, China and India developed strong ties within the non-aligned movement, whereas Pakistan based its foreign policy firmly in contact with the US. When the 1962 conflict sparked a border crisis and tore the Sino-Indian alliance apart, Islamabad seized the chance to improve ties with Beijing and even settle its own border problem by severing the Gilgit-Baltistan Shaksgam valley from China. China provided Pakistan with modest military assistance but substantial diplomatic support during its conflict with India in 1965. The military ties between Islamabad and Beijing improved after Pakistan's defeat in the 1971 war

with India, which resulted in East Pakistan's independence and the creation of Bangladesh. Soon after, these ties were in full control, including China's potential funding of Pakistan's nuclear weapons program.

In the past, strategic goals such as establishing road connections in the frontier regions of Xinjiang and Gilgit-Baltistan have also influenced the development of economic links. The Gilgit-Baltistan Pass, which connects the north of Pakistan to Khaschgar Prefecture in Xinjiang, which rises to 4,700 m above sea level in rough mountainous terrain, is part of the Karakoram Highway, which was first constructed in the 1970s. But up until now, there hasn't been any economic benefit from Pakistan's connection with China. Chinese trade with nations with economies that are both equal to and even smaller than Pakistan's, such as the Philippines and Vietnam, supports the China-Pakistan relationship well. In contrast, Pakistan's trade deficit with China has increased fivefold in that time, reaching \$12 billion in 2017. The free trade agreement (FTA) between Pakistan and China, which was concluded in 2006 and became effective the following year, is viewed favorably by top economists and business leaders in Pakistan. The FTA concessions favor China in major part, while Chinese machinery and other trade rates are kept low by Pakistan's liberal trading practices, including cheap duty and general sales tax. Chinese goods also made it to Pakistani markets. Meanwhile, high Chinese tariffs put Pakistani exports at risk of entering a former country in the Chinese market.

The Bank Governor noted that although the Chinese did not act as they ought to have, our own policies are a contributing factor. Islamabad Ren negotiates the FTA with the goal of protecting the regional economy and export privileges. According to reports, China has consented to remove 90% of its tariffs, including those aimed at Pakistan's industrial sector.

Islamabad's attempts to renegotiate the FTA have been compared by a respected economist to "closing your door after something has already been robbed." However, the economy of Pakistan benefits from the improved circumstances. The Bank Governor made the point that although our own policies are a part of the problem, the Chinese did not act appropriately. "In seeking local sector security and export incentives as well as Chinese duty-free import facilitation programs for roughly 70 Pakistani items, Islamabad is negotiating the FTA. According to reports, China has consented to remove 90% of the tariff lines, including measures to support the Pakistani sector. An influential economist compared Islamabad's attempts to renegotiate the FTA to "closing your door after something has already been stolen."

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