

One Belt and One Road: Impact on China-Pakistan Economic Corridor

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Abstract

In 2013, China unveiled to the world its dream to revive the ancient Silk Road by undertaking massive infrastructure projects and adding value to ports around the Silk Road.¹ The Chinese termed it One Belt One Road (OBOR) which is known as Yídàiyìlù in Chinese. This venture has two major components: one, overland known as the Silk Road Economic Belt, while the other, the maritime component, is termed as the Maritime Silk Road. Once this venture is realised, it will have a tremendous economic impact on the countries on its roadmap. This paper focuses on the various facets of the OBOR and then highlights different turns and twists the China-Pakistan Economic Corridor might take in the future.

The approach used in this paper is based on a literature study and an analysis of OBOR's strengths, weaknesses, opportunities and challenges for the China-Pakistan Economic Corridor.

OBOR's ambitious venture comes at the dawn of changing global power dynamics, a major Chinese policy shift, and the foretold Asian Century. As progress is underway on OBOR projects, skepticism and suspicion have been expressed by the US and its allies, including India and Japan for whom the realisation of China's dream is a perceived nightmare because of their past rivalries. Their skepticism and apprehensions only triggers China's much needed advancement in bolstering its naval capabilities and the military capabilities of its allies.

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The dotted lines on the world maps highlighting the passages of the OBOR also pass through Pakistan in the form of an exclusive corridor known as the China-Pakistan Corridor, since Pakistan is an important economic, as well as military ally of China. Chinese campaign to pursue its projects worldwide under the policy framework of the OBOR will have a tremendous impact on Pakistan and the China-Pakistan Economic Corridor.

Keywords: China-Pakistan Economic Corridor, SREB, OBOR, Maritime Silk Road, trade, investment

China's Way Forward

China comprises 20 per cent of the world's population.² Despite snatching the 140 years old title from the USA being the world's largest economy in terms of purchasing power;³ it is still considered a developing nation and continues to face issues of poverty, healthcare and education in the country.⁴ Chinese leadership not only duly acknowledges its challenges, but has also decided to shift from its model of growth. Until recently, this model was being pegged as the "factory of the world." This model had worked well for the past two decades and helped them develop their infrastructure, but it was a model which was never going to be sustainable for a very long time. Proactive governments anticipate change, draw out new plans and strategies, and provide course corrections to deal with emerging milieus.

One Belt One Road (OBOR) is a shift in strategy to integrate China with the rest of Asia, Europe and Africa, and in the process, build infrastructure across these regions to boost economic growth of the region and definitely create a win-win situation for China along with the participants in the project. Though some may view the OBOR as a Chinese version of the Marshall Plan, but to deduce such conclusion is not entirely accurate as the Marshall Plan not only aimed at building the infrastructure for new markets, it also aimed at curtailing the influence of the Soviet bloc. The Marshall Plan was a very ambitious strategy which was solely orchestrated and managed by USA. In the case of OBOR, it is being financed by the newly launched Asian Infrastructure Investment Bank (AIIB) which has over fifty signatories, thus dividing the risk of the

OBOR among the partner nations.

One Belt One Road Project (OBOR)

“One Belt, One Road” (OBOR) Initiative, is the name of a plan to revive and better the spirit of the old silk road and a step towards realising the prophecy of the Asian century. The OBOR consists of various mega-projects, but the main two programmes are “the Maritime Silk Road” (MSR) and the “Silk Road Economic Belt” (SREB). These were first revealed to the world in 2013, during the Chinese President Xi Jinping’s visits to Kazakhstan and Indonesia.⁵

OBOR has a string of projects connecting the Baltic Sea with the Pacific Ocean via roads, rails and sea lanes for free trade. The OBOR has struck everyone’s interest as the sheer enormity of the venture suggests that it is going to be a game changer not just for China, but for all the stakeholders. The approximate costs that will incur are an astronomical \$21.1 trillion⁶ and they resonate with the winds of change of prosperity, which are forecasted to propel to new zenith some 65 economies constituting more than 80 per cent of the world’s population.



Source: *McBride 2015*⁷

As we can see on the above map, the route for the MSR will have its formal origin from Guangxi Zhuang Autonomous Region and Yunnan province, and will be connected through various sea ports in the South China Sea, Andaman Sea, Bay of Bengal, the Arabian Sea, the Persian Gulf and it will terminate at the Baltic Sea.

Under the umbrella of the OBOR, we have the second component the SREB. Within the SREB assorted projects including overland communication infrastructure will comprise rails connections and paved roads/highways. Among them are; the China-Mongolia-Russia Land Corridor, the China-India-Bangladesh-Myanmar Corridor, the China-Central Asia-West Asia Corridor, and, as the Chinese President Xi Jinping put it exclusively for China's "all-weather strategic partner" Pakistan: the China-Pakistan Economic Corridor (CPEC). These corridors over land can also be seen on the above map. The CPEC is outlined in red color.

There is an old Chinese saying "If you want to be rich, you must first build roads". Within this proverb lies embedded the unambiguous sagacity that this entire scheme does not merely involve building roads, laying railway tracks, constructing communication lines and either setting up or revamping ports, but it calls for developing the entire infrastructure for regional economic development.

The financing for the endeavour will come from various sources, namely, the Asia Infrastructure and Investment Bank (AIIB), the BRICS New Development Bank, and the Silk Road Fund. Additionally, the China-ASEAN Interbank Association and SCO Interbank Association will render finances.⁸

Anxiety over China's Growing Influence

The OBOR will have a tremendous impact on the world at large and China has been at the forefront of Asia's connectivity drive and putting together trade investment mechanisms and keeping routes viable and upgrading infrastructure. Though these activities are largely appreciated, but there is still anxiety among various countries that are skeptical about

China's intentions in terms of geopolitical gains and desires for global domination. All these activities are for promoting global trade and there is no country in the world which can deny this fact and even these skeptical observers share the same beliefs of trade promotion across the globe.

The groundless opposition and apprehensions of countries became evident at the time when AIIB was being launched and countries like Australia and a few others started to show hesitation when it came to applying for membership.⁹ It is evident that some countries are doubtful whether China will be able to deliver, while others give vent to conspiracy theories and perceive Chinese benevolence as positioning for China's global dominance. Many of the academic work of scholars highlighting the shifting of the world order are also twisted and presented in a way to spread fear. Like in the case of Martin Jacques, a visiting fellow at the London School of Economics, in his book "*When China Rules the World*" observes:

"For over two hundred years we have lived in a western-made world, one where the very notion of being modern was synonymous with being western. The twenty-first century will be different: with the rise of increasingly powerful non-Western countries, the West will no longer be dominant and there will be many ways of being modern. In this new era of 'contested modernity' the central player will be China."¹⁰

Such excerpts from academic works are taken out of context and are used to spread anxiety and fear in the west which results in shaping negative opinion about China in the Western world. Even the politically elected leaders do not shy away from making statements that mar the image of China. President Obama in an interview to Thomas Friedman of *New York Times* observed that Chinese are "free riders" in the global system, "And they have been free riders for the last 30 years and it's worked really well for them."¹¹

The truth of the matter of USA's fear can be summed up in the pretentious view the US policy makers took of China. They underestimated the Chinese economy and they took it for a blade of grass

in the backyard which keeps growing and notice it only when it has grown enough and that it is time to mow the yard. That is exactly what has happened with the West. They tried to curb China's influence with their China containment policy only to notice that China is not a blade of grass, rather it is an economic giant and will not roll over. This unexpected truth coupled with western hubris is the cause for much of the apprehensions towards the OBOR and all its projects and institutions on all platforms whether they be political, international, media and even academic. USA made no secret of its opposition to the new bank, AIIB. In quiet conversations with China's potential partners, American officials lobbied against the development bank with unexpected determination and engaged in a vigorous campaign to persuade important allies to shun the project, according to senior government officials in the USA.¹²

China-Pakistan Economic Corridor (CPEC)

While each and every corridor whether over land or through sea is important, but none so much as the CPEC because of its strategic location militarily as well as economically. It is the only corridor which is connected to another corridor and helps provide landlocked countries with access to the sea.

The CPEC provides China with a deep sea water port. The intentions to build this corridor surfaced more than a decade and a half ago and because of the volatility of the region and international interventions, the CPEC is not being funded either through the Silk Road Fund or through the AIIB.¹³

The importance of the project is enormous for China, as in the wake of any adversity, war or natural disaster within the Indian Ocean or eastwards, China's trade with Africa, the West and most importantly its oil imports from the Middle East would remain unhindered. That is why despite the volatile conditions in Pakistan and Xinjiang Province, the Chinese resolve to build the CPEC has not been dazed. It is through the massive investments in infrastructure in Pakistan that China seeks to tackle the menace of terrorism, which in the eyes of international observers will hinder progress. No country has invested in Pakistan so massively in a single sweep.

Even USA which has been very benevolent towards Pakistan in terms of handouts and its devised aid packages do not match up to the \$46 billion which China is investing. In fact “the size of the ‘investment’ in the CPEC over the next 15 years, if materialised, will equal the cumulative gross foreign direct investment inflows into Pakistan since 1970.”¹⁴ The CPEC passes through the entire length of the country and with this feature, it is going to have a compounding economic impact on the country which otherwise is in dire need of infrastructure projects.

The Impact of the OBOR on the CPEC

Some of the challenges and profits from the OBOR which will impact the CPEC are explained below.

Threats of Exported Terrorism

As mentioned above, the OBOR is facing tremendous scrutiny in the West and as reported by the *New York Times* after interviewing government officials in Washington DC, the Americans are trying their best to curtail China’s influence and this was evident in their bid to mobilise their allies against joining the AIIB, though they failed miserably in that attempt, yet it is clear that they will not go astray from their China containment policy. To pursue this end, they will use all the tools at their disposal to either sabotage China diplomatically or contain it, through covert means.

India being a close ally of USA for a number of years is being strengthened as part of their China containment policy in the power struggle game between China and USA in Asia.¹⁵ India, already having its own regional hegemonic designs and rivalry with China, makes it a perfect choice for USA as an ally in the region. This became very clear during President Obama’s visit to India this year as Prime Minister Modi’s new robust diplomacy, which Modi calls “Act East”, has delighted Washington, which has been nudging India for years to dovetail its moves with USA’s strategic pivot toward the region.¹⁶

With India erecting roadblocks between China and its dream of

developing the OBOR despite being a part of the OBOR, only reinforces Western pressures and Western facilitation. India has so far blocked China's attempt to gain membership in the South Asian Association for Regional Cooperation (SAARC) through which China aimed to further its efforts for the OBOR. In Sri Lanka, they have openly supported a regime change which has blocked Chinese projects. India is establishing stronger ties with Japan and Vietnam which are confronting China over territorial disputes; and now Prime Minister Modi has voiced concerns over the CPEC being "unacceptable"¹⁷ which shows his desperation to halt China's plans.

India in its bid to curtail China's advances will make every effort to disrupt progress on the projects involving the CPEC as it is seen as a rival for India's own aspirations of developing an energy corridor via trans-Afghanistan road and rail links from Uzbekistan's Termez to Iran's Chabahar in the south east, where India is investing heavily to develop the Chabahar port. The Indian intelligence agency, Research and Analysis Wing (RAW), already has presence in Pakistan owing to the nature of relations with its archrival; and for the first time, Indian leadership has openly admitted to this fact recently after Prime Minister Modi's desperate attempts with frail appeals to the Chinese President to not pursue the CPEC.¹⁸ Reports have been received from Beijing as well as from intelligence agencies in Pakistan that RAW and other foreign intelligence agencies are mobilising terrorist groups to sabotage progress on the CPEC.¹⁹

Rooting Out Terrorism and Vision of Prosperity

Terrorism is closely associated with poverty,²⁰ and the vision of the OBOR foresees the world to benefit from trade and grow economically. Similarly, if the CPEC is developed properly, it would link the under-developed areas of Pakistan with the much needed infrastructure rather than acting as a mere transit route simply for Chinese goods. With the advent of CPEC, Pakistan's development craving provinces of Balochistan and Khyber Pakhtunkhwa and even Xingjian province of China will reap immense economic benefits.

If efforts do not get stuck due to externally sponsored sabotage

designs, there is a bright chance that linkages with the Central Asian Corridor, the broader vision of the OBOR, will usher in foreign direct investment in Pakistan which dried up in the wake of war against terrorism in the country. Foreign direct investment in the region will breathe life into the economies of the poverty stricken and under-developed regions of Pakistan. Jobs will be created and business avenues for the local people will open. The pledges of the \$46 billion investment from China, Pakistan's stock market ranked among the top ten performers in the world,²¹ and Moody's upgrading of Pakistan's sovereign credit ratings in June 2015, for the first time since 2008²² – are all indicators of growth. These factors have led to positive evaluations of Pakistan's economy. David M. Darst has stated, "rise of Pakistan is just a matter of time."²³ In principle, if the expected dividends of the project are properly disseminated and comprehended by the local populace, terrorism is bound to exit the region.

Naval Impact

The CPEC is an extension of the OBOR, but has special naval and energy security facets built into it which complement the corridors of the SREB and MSR, giving the CPEC credence in the light of heavy geopolitics which are otherwise aiming to undermine it.

Currently, the People's Liberation Army's Navy is not very well-equipped and is not very well-experienced as compared to other major naval powers in the world. With the projects within the MSR which aim at linking the Baltic Sea with the Pacific Ocean, China needs to have a large functional Navy for safeguarding its assets away from home as outlined in its Military Strategy white paper which outlines a new policy of "active defence," released by the Chinese Ministry of National Defence on May 26, 2015. Within the document, it is stated that, "The [People's Liberation Army] Navy (PLAN) will gradually shift its focus from "offshore waters defence" to the combination of "offshore waters defence" with "open seas protection," and build a combined, multi-functional and efficient marine combat force structure."

PLAN is the largest naval force in Asia when it comes to the numbers game. It has around 77 surface ships, an estimated 60

submarines, give or take 55 amphibious vessels, around 85 fast moving missile boats and one semi-operational aircraft carrier.²⁴ So far, PLAN owns no military bases outside China. That is partly because PLAN is not large enough a force yet to have assets deployed abroad owing to the problems it is facing in its vicinity.²⁵ The issue of uninhabited islands near China, the building of artificial islands and offshore oil reserves instigate a greater naval presence within close proximity of China that is in the Yellow, East China and South China Seas, but China also needs PLAN's presence in the Indian Ocean Region (IOR) given its importance in terms of trade and energy security and, most importantly, due to the threat of piracy. That is one of the reasons for giving greater importance to the CPEC and Gwadar Port in Pakistan, as it will help provide logistical support to PLAN's presence in the IOR and beyond to help safeguard Chinese interests in the OBOR, away from home.

The Indian Ocean Issue

In the IOR, India aspires to be the country policing the waters, and so far any PLAN's presence has sent red flags through the military offices in India. In Sri Lanka, China has invested massively in developing deep sea water ports for facilitating trade as part of the vision of the OBOR. The investments included infrastructure development projects. The accord between Sri Lanka and China prescribed developing a port city in Colombo according to which 108 hectares of land is to be ceded or leased to the Chinese construction firm China Communications Co. Ltd. (CCCC).²⁶ As PLAN's submarines started to dock for supplies at the ports of Sri Lanka, it did not bode well with India. The Indian strategists hurried back to the drawing board to revisit their strategies for the IOR in which inter-ministerial meetings were held, and during the recent presidential elections in Sri Lanka, reportedly, the Indian spy agency played a massive role in facilitating a regime change and their efforts became so obvious that the previous President of Sri Lanka had to expel the Colombo station chief of India's spy agency in the run-up to the presidential elections in January, accusing him of helping the opposition party.²⁷ India was successful in its efforts in the short run as the new President of Sri Lanka halted the \$1.4 billion Colombo port city project on flimsy pretexts of environmental hazards and also pacified India by ensuring that no PLAN's vessels will dock at Sri Lanka. Though this

project will not remain closed for long, it did send a clear message to Beijing that in order to strengthen their position in the IOR, conforming to the Vision of the OBOR, they need to have a military presence in IOR and because of this, ripples of Indian policies aimed at the IOR will be experienced at Gwadar Port of Pakistan, as China aims to use that port for PLAN's purposes as well as trade.

The Piracy Issue and Promoting Soft Power

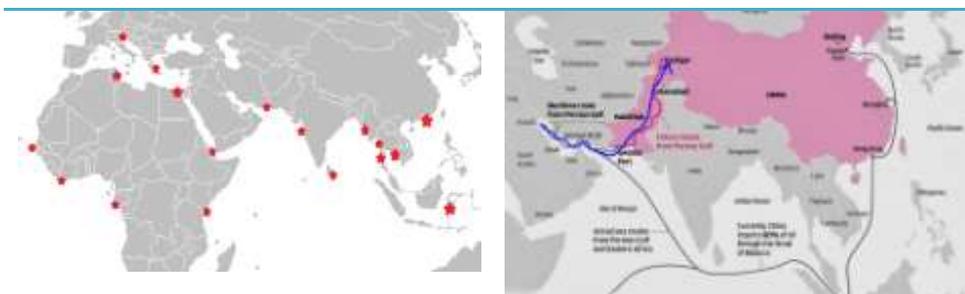
PLAN has been actively busy in combating piracy since 2009 in the Gulf of Aden under the authority of the United Nations (UN). China has persisted with a naval presence with two warships and a supply ship.²⁸ With this limited presence, they have had to abandon their piracy missions and conducted two emergency rescue and evacuation missions from Libya in 2011.²⁹ In 2014 again, they had to drop their anti-piracy duties to perform a special task of escorting a Danish vessel with chemicals weapons on board removed from Syria.³⁰ With such tasks, PLAN gains credibility and with heavy investments underway on various components of the OBOR, it is paramount that PLAN increases its presence since increased presence will ensure more special tasks under the aegis of the UN and China's interests can be better safeguarded. The Gulf of Aden and the Mediterranean Sea being so far away from China, it makes it cumbersome for PLAN vessels to undergo the routine refitting and they have been known to dock at the over crowded port of Karachi for supplies and technical support. This factor highlights the importance of the development of the CPEC since China and Pakistan are strategic partners especially in light of the fact that apart from Pakistani and Chinese vessels, merchant and naval vessels of other countries can also receive technical and logistical support from the strategic location of Gwadar Port.

In view of the opposition and skepticism over the OBOR by some countries, it is imperative for China to enhance its efforts in exhibiting its soft power by flying its flag more often and through making port calls, lending a hand making friendly visits around the world. With these special tasks, Joint Naval exercises and diplomatic port calls, PLAN gains much needed experience and credibility, while it also finds access to forums where it can be at the helm of debating issues and exhibit its

soft power and also counter propaganda and misgivings regarding the OBOR, and highlight that PLAN has a sheer supportive role within the structure of the MSR to promote naval diplomacy, peace and to address unorthodox security threats like Piracy. OBOR is China's means of exhibiting soft power.³¹ Similarly, PLAN's special duties render help in promoting China's soft power; and thus they complement each other.

Maritime Silk Road

The Maritime Silk Road visualised by China is a policy framework which will greatly help link maritime infrastructure projects around the world and within its own borders. Once the coastal links are streamlined, these projects will connect the continents from Europe to East Asia, South Asia to East Africa through the Oceans they touch from the Western Pacific towards the Indian Ocean and the Mediterranean Sea. Along this distance, there are many ports which lack the capacity for greater trade; and therefore with these projects China will ensure economical and faster trade. In the map below on the left hand side, the red stars highlight the ports on which China is investing to realise the OBOR framework. The second map on the right highlights the benefits of the CPEC for Chinese energy security.



Source: *Processed from many sources*

Source: *Azam 2015*³²

With international pressures fuelled by apprehensions regarding China having hegemonic designs built into the OBOR framework, many projects within the Western Pacific in China's own neighbourhood are facing difficulties, especially in the case of China's neighbours seeking defence pacts with Japan or the USA and driving a wedge between them in pursuit of peaceful relations. Vietnam, the Philippines, Taiwan,

Malaysia, Brunei and China are tangled in a mess of maritime disputes and all have been investing in submarines, ships or other capabilities as part of a naval arms race.³³ It is vital for China to secure its international maritime trade routes for export or import purposes, even the smallest disruptions can have very strong and negative repercussions for China's economy. Road, rail and pipeline links between China's northwest and the port of Gwadar in Pakistan will contribute to the faster and more secure mode of transportation of oil from the Middle East to China, by shorter routes and avoiding the Strait of Malacca and South China Sea. That is one of the reasons why China is opening up new channels for the flow of trade, and in the wake of the escalating conflict in the South China Sea, China will look towards re-routing its trade through other channels, and after China's ports within its own borders Gwadar Port is the only port to which China can turn to for safe access. Transportation from the Middle East, via the Strait of Malacca takes about 45 days at present, which could be reduced to less than just 10 days, if it will be done through Gwadar port.³⁴ Apart from reduced transportation time and freight, it will be much safer from a strategic point of view. These are the reasons which make faster development of the CPEC imperative for the realisation of the OBOR vision.

Silk Road Economic Belt (SREB)

SREB comprises an intricately planned system of trade corridors in which sea ports are linked inwards with major cities and countries. The Western media seems to be projecting the entire vision of the OBOR as China-centric and the media seems to be highlighting the benefits for China only and downplaying the benefits which the host countries are going to reap from these projects. The media goes on to imply that China is exploiting the poverty of many of the partner nations,³⁵ whereas this is not the case. As we can see in the case of Greece, China has heavily invested in the port of Piraeus, and because of the investments and capacity building projects, the port is not only becoming an important gateway to the European Union, but also a major trans-shipment hub in the Mediterranean. One instance of many private firms opening their offices near the port for better access and distribution within the EU is Hewlett Packard (HP's) decision to relocate a major part of its distribution activities from Rotterdam to Piraeus. HP started to use

Piraeus as the main ocean-freight gateway to supply the markets of Europe, as well as Central Asia, North Africa and some parts of the Middle East.³⁶ We can also see in the case of the CPEC, which is another corridor of the SREB, that it is not only beneficial for China and Pakistan, but because of the further links of the port city of Gwadar as it is, interestingly, the convergence point of the Land and Maritime Silk Roads. It is quite distinctive as it provides entry to both the roads as well as the Arabian Sea. Once the CPEC will be fully developed and linked to the Corridor connecting the Central Asian countries through the Province of Xinjiang, Gwadar Port will become the nearest and the largest seaport for a number of landlocked countries, namely Afghanistan and Central Asia states. This feature of the CPEC is complementary to the China-Central Asia-West Asia Corridor making it an important instrument in realising the vision of the OBOR.

Conclusion

The OBOR is destined to establish new routes linking Asia, Europe and Africa. The idea of ‘One Belt and One Road’ is based mainly on economy, but has political and strategic components and implications. It aims for the joint development, common prosperity and energy security. Since improving the region’s economy could weaken the root cause of terrorism and help stabilise Central Asia and the Middle East, USA should be more positive about the initiative as a stabilising force for common good in the region. According to Zhuang Jianzhong, Vice Director of Shanghai Jiao Tong University’s Center for National Strategy Studies, so far, this has not been the case with USA.

The China-Pakistan Economic Corridor will greatly inherit the benefits as well as the dividends from the overall Chinese dream. The benefits will go beyond \$46 billion in energy and infrastructure projects once they are completed. The OBOR has been perceived by Chinese planners and their well-wishers as a game changer for the entire region and beyond. While the CPEC will be a harbinger of economic prosperity and well-being for Pakistan, China and the neighbouring states. Both projects will work in tandem with trade cooperation, strengthened military alliance, and economic prosperity. But with increased skepticism over the OBOR by USA and India’s reservations regarding the CPEC,

Pakistan needs to tread carefully and skilfully.

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