

“HOW CPEC AFFECTED THE INDIAN ECONOMY”

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ABSTRACT

This paper basically discuss the effects of CPEC on the Indian Economy. So CPEC refers to the China-Pakistan Economic corridor as a major part of the One-belt One-road policy of China proposed by Xi jimping in 2013 and which is expected to be completed by the year 2030.

So this CPEC is 2700 kilometre long corridor or we can it a highway which connects China to other European and other nations directly without going via sea route which is time and money taking route. This project is a joint project which is been is being taken up by Beijing and Islamabad both.

This paper will elaborate upon that how CPEC affected Indian economy. As corridor passes through the disputed region of Kashmir which proves to be the big consequences for the Indian economy.

This paper highlights the challenges provided by the CPEC to the Indian Economy which it will have on the Socio-economic structures , relations on India with all the countries involved .

LITERATURE REVIEW

The primary objective of this report is identify the effects of CPEC on the Indian economy. So due to the current nature of the report there are no published books available on this matter. So I have widened my range of research and examined the reports of various academic journals, research papers, governments and reports of policy makers of different nations. The review of literature on CPEC mentioned below –

- Many current literature says that CPEC can be defined as diverse, long term and the multifaceted project.
- The some policy makers of USA and India suggest that the CPEC project can be detrimental for neighbouring countries like India, Afghanistan etc. This is the view of US and Indian policymakers but other countries like south korea take it as a good opportunity.
- There were many scholars expressed that there can be the possibility of regional considerations due to the implementation of the CPEC policy. These challenges can be expressed as from the prevailing regional environment in Afghanistan to act as a competition to interest of the neighbours like Iran and India.
- Many Indian scholars also viewed this CPEC project as a concerns to Indian economy as this CPEC highway passes through the region of Gilgit-Baltistan on which disputes is being going over between India and Pakistan from the long term. And also the involvement of Chinese firms in Pakistan is viewed by the Indian scholars as the support of China to Pakistan in the POK case.
- Iran have also concerns about the CPEC project. Actually, Iran have the problem with the construction of CPEC project as it can be rivalry to the Chabahar port of Iran built with the assistance of India.
- Now also USA have the concerns on the CPEC project. They relate CPEC with the long term concerns. According to them, with the opening of the CPEC, the gwadar port in Pakistan will give leverage to the Chinese naval forces. And it can effect the supremacy that the US naval forces are enjoying in the oceans and also that the India-USA relations have been improved a lot due to which they are also concerning about the India's

security and as Chinese naval forces can be the threat to the India as it is the neighbouring country and it can prove to be a threat to India.

RESEARCH METHODOLOGY

This report is based totally on important evaluation and analysis of essentially secondary facts .

Data means the information which has been accumulated without delay from the supply. alternatively, secondary data means the statistics amassed from journals, magazines, newspapers and net, and so forth.

I have made the research on net , study diverse Journals and articles related to the subject which i have selected i.e Effect of CPEC on Indian Economy, which is the supply of my secondary statistics.apart from this, a few newspapers, internet web sites helped me to acquire the secondary information.

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OBJECTIVES

- Effect of CPEC policy on relations of India with china and Pakistan.
- Change in Investment structure in India due to CPEC policy of China.
- Effect on Indian trade due to CPEC policy of china.

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INTRODUCTION

President of china Xi Jinping introduced a policy named OBOR policy i.e ONE BELT ONE ROAD policy in 2013. The main cause of commencement of this policy was to improve the connectivity and cooperation between the Asia economies , African economies , Europe and China. Many economies agreed to this policy instead of India. India rejected this policy due to building of CPEC i.e China-Pakistan economic corridor . This corridor or highway we can say connects the north-western China with the Gwadar sea port in Pakistan and this corridor passes through the Gilgit-baltistan region of Kashmir occupied by Pakistan and this is matter of concern for India as this is a Disputed region which is also termed is POK i.e Pakistan occupied Kashmir



The image shows the route for the CPEC . The red line is the China-Pakistan Economic Corridor.

Basically, CPEC is a joint project which is to be financed by both Beijing as well as Islamabad. China will finance this project Chinese investments utilizing investments loans largely by Chinese financial institutions and also Pakistan is responsible for investing approx. 15 billion dollars on its own in the project .

This project will not only expand and upgrade the existing Pakistani infrastructure, but it will also provide China a alternative trade route which is much more cost effective to connect China to far nations .

The road will be of 2700 kilometers distance from Gwadar to kashgar . In addition to it, motorway is too part of the CPEC which would be 1100 km long from Karachi to Lahore and in addition of the karakorum highway from kashgar via khunjab pass to Islamabad .

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ANALYSIS OF OBJECTIVES

- **Effect of CPEC policy on the relations of India with China and Pakistan**

CPEC will have some or more consequences on India-Pakistan relations. The main drill of the consequence on the relationship is that corridor basically passes through the area of Gilgit-Baltistan in northern Pakistan which belongs to the area of Jammu and Kashmir and as we all know this area have been claimed by both India and Pakistan. And this was the main reason why India rejected the OBOR policy of China. So this is nuisance for India as due to this CPEC a lot of development will made in Pakistan and as India has also claimed over this area so they don't want any construction to be done in that area which is in favour of Pakistan as it is the disputed area.

And most importantly, as Pakistan is allowing China to build CPEC due to which Pakistan would be backed by the Chinese forces and they will more forcefully put the disputed case of Kashmir in the International policy agenda. And also major terror attacks on India by the Pakistani terrorist.

So basically this CPEC is really a big consequence on the relationship of India and Pakistan.

Now, CPEC also have the consequences on the India-China relations. As China is the main force behind the CPEC project and they will be more beneficial from this project as this corridor will save plenty of cost of China as the sea route will be more cost taking and time taking too.

So, as this corridor passes through the Pakistani region which means that Pakistan have the power as if they reject to it, China have to incur a lot of cost; So China will have to go according to the Pakistan and whatever Pakistan will say or do China will have to be in favour of Pakistan. And as we all know Pakistan and India are the biggest enemy of each other so due to it China will also had to make their relations worse with the India.

They have to be in against of India , as we can see China have many times attacked India and they are in against of India.

So due to CPEC due to Pakistan, China will have to be in against of India and will have to make their relations with India worse.

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• Change in Investment structure of India due to CPEC policy of China

As the corridor passes through the disputed region of Kashmir, so as the result of which there may be chances of increasing the disputes of India and Pakistan. And as recently the CPEC is not constructed then also there are so much of riots are happening in the disputed region so anyone can think that what will happen after the construction of CPEC.

And also there may be the chances that China will make navy base in Arabian sea and this is close to Indian territorial waters. So it can be dangerous for India.

As China is supporting Pakistan so in the case of India these both nations i.e China and Pakistan have become the single for force against India. And also China have send some troops in Pakistan ports.

So after seeing all of these above reasons and facts. And also according to the above circumstance and situation, India would have to increase the expenditure in Defence and arms & ammunitions.

If we go according to the facts, then currently India is expending 2.4% of GPD in Defence, so due to the CPEC, India would have to increase their expenditure from 2.4% to 4.1% in defence from the GDP.

• Effect on Indian trade due to CPEC policy of china

As China proposed CPEC, so as result of it India also proposed Afghanistan-India Air corridor and the Chabahar port in Iran to counter balance the China-Pakistan Economic corridor.

Last month only first flight took off from India to Afghanistan via Afghanistan-India Air corridor which was carrying 5 million dollars plants with medicinal uses.

All this is done to counter balance the effects of CPEC which may take place on the Indian trade with other nations.

As CPEC is going to connect China with European and other nations in a more cost effective manner so as result of which cost will be less and eventually price going to be low so due to which there would be more trade with china.

the project will also lead to the expansion of the export product set. For instance, Pakistan's northern areas produce vegetables and fruits, such as apples, apricots and cherries. But due to a lack of good connectivity, most of this produce cannot be exported.

The CPEC will link the northern areas to airports in Peshawar, Rawalpindi, and Lahore. This will give a boost to the export of agricultural

commodities, as most of these products are transported by air owing to their perishable nature

So according to me, there may be the effects on the Indian trade. The effect can be positive as well as negative. There are chances that negative can be more as China can do trade can be done in shorter time and that too in shorter time.

CONCLUSION

CPEC i.e China-Pakistan Economic Corridor has actually have a lot of consequences on Indian Economy .

As this project have lot of challenges like it passes through the disputed region of kashmir. So eventually this agreement is breaking the peace agreement between India and Pakistan.

So the results are according to my findings are that CPEC had affected the Indian Economy in a way or more. Like it has affected the relations of India with China and Pakistan. It can increase the disputes in the disputed region of Pakistan like more riots, terror attacks, Killing of more and more people.

It has also affected the expenditure pattern of Indian economy as due to CPEC it has become more likely that there can be more attacks from the side of China and Pakistan. So as the result of which India had to increase the expenditure on defence.

And in the end, To bypass the effects of CPEC on the trade of India, Indian officials have made the Afghanistan-India Air corridor and the Chabahar Port in Iran to counter balance the CPEC policy.

Well the conclusion that might be drawn is that CPEC is can be good for the China as well as Pakistan but for India it can be the challenging one. As it can have so many Effects on Indian economy.

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