

**THE INSTITUTIONAL OBSTACLES AND SOLUTIONS
DURING CONSTRUCTION OF CHINA PAKISTAN ECONOMIC
CORRIDOR IN PAKISTAN**

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Abstract

This research paper discusses the Institutional Obstacles and Solutions of China Pakistan Economic Corridor in Pakistan and its main part of the One Belt One Road (OBOR) the major Global initiative by the Chinese Government, scheduled to complete by 2030, while the project has been welcomed by Asian Countries. This Research Project elaborates upon the Institutional obstacles and best possible solutions rudiments and overcome the challenges of CPEC and identify the important benefits for both countries that will likely impact the project progress, the data collected from a secondary source, and the data analyzed via Time Series method from 2004-2016. The Pak-China Trade Volume and Foreign Direct Invest are dependent variables and Political Instability, Trust on Economic Environment, Law & Ordered Situation, Market Stability, Government Policy Index, Resource allocation efficiency, Administrative efficiency, Corruption, Perception Index and Price fluctuation Index are Independent variables. For data analysis, we used SPSS 20 and Amos Software to apply major tests as the Correlation model, Model Summary, ANOVA, and Standardized Coefficient Model and all the results are significant with each variable. This research will help to promote trade volume between Pak-China and overcome the challenges, maintain law and order situation, political stability, and improve price index and focus Administrative efficiency which helps to highlights the opportunities and promote mega project will likely have to the existing socioeconomic infrastructure, Job opportunities, poverty level Index, and regional peace and security.

Keywords: Institutional Obstacles, Solutions, Foreign Direct Investment, Pakistan China Trade Volume, Infrastructure, CPEC, Pakistan.

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Introduction

China and Pakistan have developed strong bilateral trade and economic ties and cooperation over the years. China has gradually emerged as Pakistan's major trading partner both in terms of exports and imports. Bilateral trade and commercial links between the two countries were established in January 1963 when both signed the first bilateral long-term trade agreement (Ministry of Finance, 2014:126). Under the Free Trade Agreement (FTA) between the two countries – signed on November 24, 2006, and implemented from July 1, 2007 – Pakistan secured market access for several products of immediate export interest. Later, both countries signed the FTA on Trade in Services on February 21, 2009, that became operational from October 10 that year (Ibid). According to statistics provided in Pakistan Economic Survey 2013-2014, the volume of trade between Pakistan and China has increased from US\$ 4.1 billion in the year 2006-07 to US\$ 9.2 billion in 2012-13, representing an increase of 124 percent. While China's exports to Pakistan increased by one percent during this period, Pakistan's exports increased by 400 percent from around \$600 million in 2006-07 to \$2.6 billion in 2012-13. As a result, China's share in Pakistan's total exports has gradually picked up from four percent in 2008-09 to 10 percent during the fiscal year 2013-14. The China-Pakistan Economic Corridor (CPEC) is expected to further strengthen trade and economic cooperation between the two countries. Chinese Premier Li Keqiang emphasized the construction of the CPEC during his May 2013 visit to Pakistan (Tiezzi, 2014). The incumbent Pakistani government has also shown much enthusiasm for the project since then. The corridor will connect Gwadar Port in Balochistan(Pakistan) to Kashgar in north-western China, which will make Gwadar not only fully operational but also a significant deep-sea port in the region. Opened for operations in 2007, the control of Gwadar Port was transferred to China's state-owned China Overseas Ports Holding in February 2013. Since then, Gwadar is undergoing a major expansion to turn it into a full-fledged, deep-water commercial port (South China Morning Post, 2014).

This report assesses potential threats and risks that could affect the implementation of the CPEC project in terms of insecurity and violence that pervade Pakistan, internal political and economic constraints, and also global and regional geostrategic impediments. The purpose is to understand and evaluate Pakistan's security, political and economic environment, and regional geostrategic dynamics in the medium to long term to explore feasibility prospects for the corridor and also to manage potential threats, if any, that could hamper the implementation. Most importantly, the report discusses the security aspect in detail in which the probability of threats vis-à-vis extremist militancy, nationalist insurgency, and criminal violence are analyzed with the main focus on areas across Pakistan that will be traversed by the China-Pakistan Economic Corridor. As for CPEC the main and important road which is directly connected with the major part of is called China Pakistan Border and now most of the CPEC trade is done via this KKH road from large number transports moving trade goods from china to Pakistan and vice versa and most of the traders rely on transportation because this Silk road is famous as border trade.

Literature Review

Pakistan is a developing country; the CPEC is a great opportunity to enhance Pakistan's economy. China-Pakistan Economic Corridor (CPEC) is the major part of the One Belt One Road

(OBOR) the pet globalization project of President Xi Jinping with roots in the great ancient and medieval Silk Roads [1], however, in the modern-day 21st Century context. Besides the land routes between the Gwadar deep-sea port of Gwadar, Pakistan to Kashgar in Western China (farther through China constructed rail-road infrastructure connecting with Central Asia and Russia) it also includes a major chapter of sea-based Maritime Silk Route that will be easily and cost-effectively connecting China through Gwadar to the broader Indian Ocean, the Gulf states and East Africa, all the way to the Mediterranean via the Red Sea, thus with north Africa and Europe [2]. It was firstly announced by President Xi Jinping when he visited Asia and South Asia in 2013 [3]. The new transit and trade facilities will not only upgrade and expand the existing Pakistani infrastructure, but it will also provide China win an alternate transit and trade route cost-effectively to broader global regions, Rapidly as well as the infrastructure of the People's Republic of China [4]. The ambitious 21st century Silk Road initiative is an extension of the ancient Silk Roads known at least since 100 AD when the Tang China in cooperation with the Kushan rulers of the Sindhu (Indus as Greeks called it) Valley traded through the seaport of Barbarikon (ruins located 40 kilometers near Karachi locally called Bhambhore) to Rome [5]. Around 1983 amid the so-called Afghan Mujahideen movement, the United States during her engagement in Afghanistan wanted to develop the Gwadar deep seaport but dropped the idea once the then Soviet troops left Afghanistan and the idea became dormant. With the dismantling of the USSR and emergence of the newly independent Central Asian states, ideas to revise the old Silk routes came into fashion, and for the first time the Central Asia-Caucasus Institute and Silk Road Studies Program at SAIS, Johns Hopkins University first proposed the new Silk routes under the Greater Central Asia Partnership doctrine connecting Central and South Asia [6]. During the government of President Pervaiz Musharraf in Pakistan, for the first time, the idea of an economic corridor was discussed and the Chinese government expressed great interest. By that time the Department of State in the United States has almost given up on the plans of new Sink roads originating in Starr's ideas. This was the moment, the government of China picked up under the rubric of New Silk Roads [2]. This idea, which speculated for many years, gained power in May 2013 when Chinese Premier Li Keqiang discussed the construction of CPEC with Gwadar its core when he visited Pakistan and signed the milestone CPEC agreement at that time. The same year Pakistan's Prime Minister visited China and signed eight agreements worth \$18 billion that included building around 200 kilometers tunnels for the CPEC. The following year President of Pakistan visited China in February 2014 to clarify the Corridor plan. At that time, the Chinese banks and companies promised over \$45.6 billion for energy and infrastructure projects along the corridor. In April 2015, Chinese President Xi Jinping visited Pakistan. This was the second visit of a Chinese leader in Pakistan since the beginning of the 21st century after Hu Jintao visited Pakistan in 2006. Xi also wanted to visit Pakistan in 2014 during his South Asia trip to Maldives, Sri Lanka, and India; however, the trip was postponed due to some political problems in Pakistan. During his visit, a total of 51 agreements were signed between China and Pakistan having a total worth of \$46 billion which also included the development of China- Pakistan Economic Corridor. By this time the Chinese government under President Xi Jinping extended the previous CPEC project to the broader OBOR initiative globalizing CPEC as a major part of the broader project. The originally intended \$46 billion

investment that China intends to invest in Pakistan under the CPEC has now been expanded to approximately 55 billion dollars. The amount exceeds all foreign direct investment Pakistan has received over the last several years and is considerably more than all the aid Pakistan has received from the US since 9/11 [7]. The peoples of Pakistan were adversely affected in the past due to inadequate opportunities and a lack of the right decision. The CPEC will have a transformational impact on the state and the prosperity of the peoples of Pakistan. The visit of President Xi in April 2015 and Chinese commitment of \$46 billion-plus for various projects of CPEC, sketched the world attention to the new development and growth of the economy, and this will be the real prosperity for countries and will promise future for the region/the world. The Prime Minister of Pakistan held a meeting of the political leadership; all parties of the conference supported the CPEC project as well as they warmly welcome the Chinese investment [9]. The China-Pakistan Economic Corridor (CPEC) will improve Pakistan's current economy as well as the lives of nearly three billion people across the region. It is deemed to be a breakthrough for Pakistan's development and successful completion of the CPEC may generate three to four times more profit than their investment. The corridor will boost up economic development and create new business and job opportunities which will help in the alleviation of poverty. The project will help in Pakistan rebalancing between the geopolitical and geo-economic will improve the infrastructure, the energy requirements, workforce development, and economic progress. CPEC is viewed as a game-changer for both China-Pakistan and the entire region; economic development and regional integration will be enhanced through connectivity and partnership [10]. It will have a positive impact on the living standard of the common people in the region by providing opportunities for cooperation and development. It will address the grievances, sense of deprivation, discrimination, and poor management of resources, of a different segment of the society of Pakistan. It will boost the trade and investment, exploration of mineral resources, and increase the strategic and economic location of Pakistan [11]. On the other hand, the project is important from China's perspective as a "flagship project", it will provide the shortest route to the Middle East, Africa, and Europe will further boost up the economy. The accomplishment of the CPEC will help China to counter the US dominance and will also get the chance to develop its north-western province Xinjiang, which is an underdeveloped area. In Xinjiang separatist movement has started by Uyghur Muslims. Thus, China wants to develop the socioeconomic framework of that region. Only in this way, China can curtail aggressive sentiments against its central government.

However, Esteban [11] tried to find the impacts of China Pakistan's economic corridor on the economy of Pakistan, and the relationship between China and Pakistan. Moreover, it described security issues in Pakistan mostly in the province of Baluchistan, and discussed treating created by India such as Gilgit Baltistan is a disputed territory of AJ&K. The CPEC provides an opportunity to reinvigorate Pakistan's economic structure, particularly, through the development of its energy sector and by fostering connectivity. Furthermore, taking into account that the CPEC is the most advanced part of the One Belt and One Road Initiative, it might be possible to acquire a deeper understanding of the New Silk Road by looking at how the CPEC develops and impacts Pakistan and its neighboring countries.

Likewise, Wolf [13] explained that Gilgit is an unpopular part of south Asia. However, there has

been increasing international interest in this area, because of the increasing level of human rights violation, economic exploitation, and environmental degradation. Gilgit Baltistan is an essential part of CPEC which is very fruitful for this region. The author further examined that CPEC will be working for the social, political, and economic upliftment of the residents of this region. The geostrategic importance of Gilgit Baltistan is known for Pakistan and China in general and for CPEC in particular. Gilgit Baltistan is the only land connection between China and Pakistan, all roads and pipelines pass through a mountainous area. Moreover, CPEC introduces free and fair economic competition in Gilgit Baltistan. Mathias Hartpence [14] explained that over the past decades, China and Pakistan have strengthened the economic dimensions of their bilateral relations, to better match the depth of their political and military ties.

Literature Gap

Gilgit Baltistan known as the “Jewel of Pakistan” is not only famous for its beauty and mouth-watering fruits but also is strategically an important part of Pakistan. It borders Pakistan with China, which is providing a corridor for the economic uplifting of both countries. However, the Socio-Economic Impacts of CPEC are not well explored; Sources of trip satisfaction and determinants of the likelihood of revisit to Gilgit Baltistan (GB) need to be highlighted. Further, possible effects of China-Pakistan-Economic-Corridor (CPEC) Pak-China Trade volume, on the other hand, Tourism, wildlife, Mining, Power Generation, and main key projects are not well-weighted in the literature.

Significance of Research

CPEC has a high value for both countries China and Pakistan, due to CPEC the connectivity will open up west China to the south and contribute to the “One Belt One Road” initiative policy. The establishment communication from Kashgar (China) to Gawadar–Baluchistan (Pakistan) has been agreed to be completed by 2030. Although the CPEC will face a lot of obstacles has significant potentials for a promising future. The peoples of Pakistan were adversely affected in the past due to inadequate opportunities and a lack of the right decision. This research paper gives us appropriate results between Pakistan's china trade volume and Foreign Direct investment between Pakistan and China from last 2004 to 2016. The CPEC will have a transformational impact on the state and the prosperity of the peoples of Pakistan. China Pakistan is idle friend countries around the world and there is a larger scale of key projects are in pipeline under the umbrella of CPEC. This research will give us the road map to know about Institutional obstacles, supporting conditions and find the possible solutions to succeed the research projects between China Pakistan in Gilgit-Baltistan Region.

Research Objectives

- To Identify the Obstacles face during the implementation of CPEC.
- To find the Pak-China trade volume and Investment volume from 2004-2016.
- To find the micro-level supporting conditions of CPEC.
- How to overcome the challenges/problems of CPEC on the policy level.
- To identify the future possible economic development from CPEC.

Research Questions

- What should be the impact of obstacles during implementation and supporting conditions of the China Pakistan economic corridor at the micro-level as well as at the policy level?
- What are the trade volumes between Pak-China from last 2004-2016?
- What is Investment the investment volume between Pak-China from 2004-2016?
- What would be the future possible economic development asa result of Key projects?
- What are the internal infrastructural developments for Pakistan at a macro level?

Theoretical Framework and Methodology

A three-level framework Davis and North (1971) and Williamson (1994) argue that the comparative efficacy of alternative institutional arrangements varies, on one hand, with the institutional environments within which economic activity takes place, and, on the other, with the attributes and behavior of given agents (that is, individuals and organizations). Conditions and changes in institutional environments (policy level) define and shift the comparative costs of institutions, which, in turn, influence and reflect behavior at the micro-level (individual behavior) in the figure below. Understanding institutional arrangements and determining scope for welfare at the household level there would be enhancing institutional innovation, which means understanding the driving forces behind the “macro-level” and “micro-level” phenomena that those institutions condition and express.

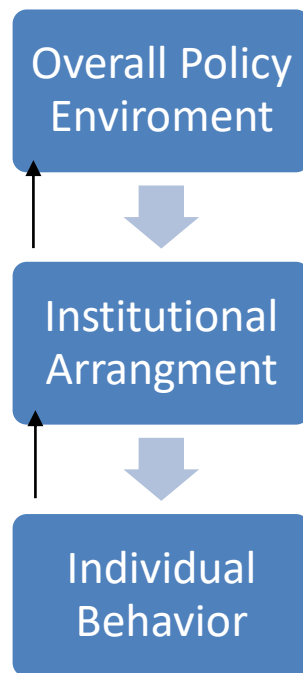


Figure: Policies, institutions, and Individual-behavior – A 3-level schema

In this schema, diversified subsistence-oriented CPEC springs from a fundamental incompatibility among overall institutional environments, institutional arrangements, and

individual behavior in the implementation of projects. Overall Institutional environments and institutional arrangements imply high transformation costs in development sectors, leading to individual behavior that upholds those cost structures.

The figure shows three different levels, first-level (Overall Institutional Environment) refers to the elaboration of rules and requirements to which individual organizations must conform to receive legitimacy and support. The second level, (Institutional Arrangements) sets of agreements on the division of the respective responsibilities of agencies involved in the collection, compilation, and dissemination of data about a given statistical domain. The third and last level is (Individual Level), is defining how these megaprojects affect an individual's welfare level.

The purpose of our research is to analyze the Impact of China Pakistan's economic corridor on the policy level, firm-level, and their role in economic prosperity in Gilgit-Baltistan, Pakistan. There are major sources of research. The study was conducted based on different publications in this field. The secondary source refers to the collection of qualitative data from CPEC projects, concerned government organizations, and different research publications in Gilgit-Baltistan, Pakistan. We used time-series data from 2004 to 2016. This study was conducted in regions along the silk route of Gilgit-Baltistan, Pakistan.

Analysis Techniques

We use SPSS Software and AMOX Software for data analysis. In SPSS, we compute the Correlation model, Adjusted R Square, descriptive analysis, and Model Summary, NOVA, and Coefficient analysis for significant results.

Findings and Discussions

The whole research becomes meaningless if data are not analyzed properly, because for accurate findings and results an accurate and sound analysis is required.

4.1 Correlation Model

Correlations Model

| | | Pak-China Trade volume Billions \$ | Pak-China Investment volume Billions \$ | Political Instability | Trust on Economic Environment | Law & Order situation | Market Stability | Govt policy Index | Resource allocation efficiency | Administrative efficiency | Corruption Perception Index | Price fluctuation Index |
|---|---------------------|------------------------------------|---|-----------------------|-------------------------------|-----------------------|------------------|-------------------|--------------------------------|---------------------------|-----------------------------|-------------------------|
| Pak-China Trade volume Billions \$ | Pearson Correlation | 1 | .979* | -.983** | -.449 | .396 | .876** | -.175 | .957** | -.690** | .589* | -.547 |
| | Sig. (2-tailed) | | .000 | .000 | .1230 | .180 | .000 | .568 | .000 | .009 | .034 | .053 |
| | N | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Pak-China Investment volume Billions \$ | Pearson Correlation | .979** | 1 | -.982** | -.417 | .404 | .916** | -.182 | .966** | -.652* | .544 | -.611* |
| | Sig. (2-tailed) | .000 | | .000 | .1560 | .171 | .000 | .551 | .000 | .016 | .055 | .027 |
| | N | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Political Instability | Pearson Correlation | -.983** | -.982** | 1 | .487 | -.310 | -.859** | .077 | -.975** | .579* | -.564* | .521 |

| | | | | | | | | | | | | |
|--------------------------------|---------------------|--------|-------|-----|-------|-----|----|-----|------|------|--------|--------|
| | Sig. (2-tailed) | .000 | .000 | | .091 | .30 | .0 | .80 | .000 | .038 | .045 | .068 |
| | N | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Trust on Economic Environment | Pearson Correlation | -.449 | -.417 | .48 | 1 | .09 | - | - | - | .213 | -.172 | .174 |
| | Sig. (2-tailed) | .123 | .156 | .09 | | .75 | .3 | .53 | .215 | .485 | .574 | .569 |
| | N | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Law & Ordered situation | Pearson Correlation | .396 | .404 | - | .095 | 1 | .3 | - | .230 | - | .168 | -.451 |
| | Sig. (2-tailed) | .180 | .171 | .30 | .757 | | .1 | .16 | .451 | .088 | .584 | .122 |
| | N | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Market Stability | Pearson Correlation | .876** | .916* | - | -.276 | .39 | 1 | - | .885 | - | .326 | -.560* |
| | Sig. (2-tailed) | .000 | .000 | .00 | .362 | .17 | | .52 | .000 | .025 | .277 | .046 |
| | N | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Govt policy Index | Pearson Correlation | -.175 | -.182 | .07 | -.188 | - | - | 1 | - | .499 | -.232 | .772** |
| | Sig. (2-tailed) | .568 | .551 | .80 | .538 | .16 | .5 | | .855 | .082 | .445 | .002 |
| | N | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Resource allocation efficiency | Pearson Correlation | .957** | .966* | - | -.369 | .23 | .8 | - | 1 | - | .499 | -.476 |
| | Sig. (2-tailed) | .000 | .000 | .00 | .215 | .45 | .0 | .85 | | .041 | .082 | .100 |
| | N | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Administrative efficiency | Pearson Correlation | - | - | .57 | .213 | - | - | .49 | - | 1 | -.611* | .562* |
| | Sig. (2-tailed) | .009 | .016 | .03 | .485 | .08 | .0 | .08 | .041 | | .026 | .046 |
| | N | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Corruption Perception Index | Pearson Correlation | .589* | .544 | - | -.172 | .16 | .3 | - | .499 | - | 1 | -.377 |
| | Sig. (2-tailed) | .034 | .055 | .04 | .574 | .58 | .2 | .44 | .082 | .026 | | .204 |
| | N | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Price fluctuation Index | Pearson Correlation | -.547 | - | .52 | .174 | - | - | .77 | - | .562 | -.377 | 1 |
| | Sig. (2-tailed) | .053 | .027 | .06 | .569 | .12 | .0 | .00 | .100 | .046 | .204 | |
| | N | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |

** . Correlation is significant at the 0.01 level (2-tailed). **Table: 1**

* . Correlation is significant at the 0.05 level (2-tailed).

Population and Sample Size

The target sector of our research is the regions in which the Key projects of the China Pakistan Economic corridor going to be implemented and the population of overall key projects which are directly or indirectly connected with CPEC. We collect data from Secondary Sources and used time-series data techniques. The Targeted sample chose based on reliable information and accessibility of the researchers.

Table results from value .979 show that there is a significant relationship between Pak china trade volume and peak china investment volume. On the other side value -.983 there is a negative relationship between Pak china trade and political instability. Likewise, there is also a negative relationship between Pak china trade and trust economic environment (-.449) but Pak china trade has a positive relationship with market stability (.876), resource allocation efficiency (.957), corruption perception index (.589), and negative relationship with administrative efficiency (-.690) and price inflation index (.547).

However, another variable Pak china investment volume has a positive relationship Pak trade volume (.979), law and order situation (.404), market stability (.916), resource allocation efficiency (.966), corruption perception index (.544), and negative relationship with political instability (-.982), trust on the economic environment (-.417), government policy index (-.182), administrative efficiency (-.652) and price fluctuation (-.652).

Table results also show that political instability has a positive relationship with trust in the economic environment (.487), government policy index (.077), administrative efficiency (.579), and price fluctuation (.521). on the other side political instability has a negative relationship with Pak china's trade volume (-.983), Pak china's investment volume (-.982), law and order situation (-.310), resource allocation efficiency (-.975), and corruption perception index (-.564). similarly, trust in the economic environment has a positive relationship with political instability (.487), law and order situation (.095), administrative efficiency (.213), price fluctuation index (.174) but this variable has a negative relationship with Pak china trade volume (-.449), Pakistan China investment volume (-.417), market stability (-.276), government policy index (-.188), resource allocation efficiency (-.369) and corruption perception index (-.172). Law and ordered situation has a positive relationship with Pak china trade volume (.396), Pak china investment volume (.404), trust economic environment (.095), market stability (.397), resource allocation efficiency (.230), corruption perception index (.168) and this variable has a negative relationship with political instability (-.310), government policy index (-.405), administrative efficiency (-.491) and price fluctuation (-.451). On the other hand, table results represent that market stability has a positive relationship with Pak-China trade volume (.876), Pak china investment volume (.916), law and order situation (.397), resource allocation efficiency (.885), corruption perception index (.326) and likewise, it has a negative link with political instability (-.859), trust on the economic environment (-.276), government policy index (-.193), administrative efficiency (-.615) and price fluctuation index (-.560). the variable government policy index interpretation in the table explains that it has a positive relationship with political instability (.077), administrative efficiency (.499), price fluctuation index (.772) and also it has a negative connection with Pak-china trade volume (-.175), Pak-China investment volume (-.182), trust economic environment (-.188), market stability (-.193), resource allocation efficiency (-.056) and corruption perception index (-.232). The Table:1 results also surge that Resource allocation efficiency has a positive relationship with Pak-china trade volume (.957), Pak-China investment volume (.966), law and order situation (.230), market stability (.885), corruption perception index (.499) and it has a negative relationship with political instability (-.975), trust on the economic environment (-.369), government policy index (-.056), administrative efficiency (-.573) and price fluctuation index

(-.476).

The Administrative efficiency index has a positive relationship with political instability (.579), trust in the economic environment (.213), government policy index (.499), price fluctuation index (.562) and it has also a negative relationship with Pak-china trade volume (-.690), Pak-China investment volume (-.652), law and order situation (-.491), market stability (-.615), resource allocation efficiency (-.573) and corruption perception index (-.611).

Corruption perception index has a positive relationship with Pak-China trade volume (.589), Pak-China investment volume (.544), law ad ordered situation (.168), market stability (.326), resource allocation efficiency (.499) and a negative relationship with political instability (-.564), trust on economic environment (-.172), government policy index (-.232), administrative efficiency (-.611) and price fluctuation index (-.377). lastly, the table result explains that the price fluctuation index has a positive relationship with political instability (.521), trust in the economic environment(.174), government policy index (.772), administrative efficiency (.562) and it has a negative relationship with Pak-China trade volume (-.547), Pak-China investment volume (-.611), law and order situation (-.451), resource allocation efficiency (-.476) and corruption perception index (-.377).

Overall data analysis explains that independent variables have a positive and significant relationship with dependent variables.

4.2 Model Summary

Model Summary

| M odel | R Square | Adjusted R Square | Std. Error of the Estimate |
|-----------|-------------|----------------------|----------------------------|
| 1 | 0.923 | 0.920 | .057598 |

Table:2

a. Predictors: (Constant), Price fluctuation Index, Trust on Economic Environment, Corruption Perception Index, Law & Ordered situation, Market Stability, Administrative efficiency, Govt policy Index, Resource allocation efficiency, Political Instability

Table results expose that the independent variable makes a variance of 92.3% independent variable. It means that 92% variation in the dependent variable is explained by the independent variable.

**4.3 ANOVA
ANOVA^a**

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|------------|----------------|----|-------------|----------|-------------------|
| 1 | | | | | |
| Regression | 168.577 | 9 | 18.731 | 5646.004 | .000 ^b |
| Residual | .010 | 3 | .003 | | |
| Total | 168.587 | 12 | | | |

Table:3

a. Dependent Variable: Pak-China Trade volume Billions \$

b. Predictors: (Constant), Price fluctuation Index, Trust on Economic Environment, Corruption Perception Index, Law & Ordered situation, Market Stability, Administrative efficiency, Govt policy Index, Resource allocation efficiency, Political Instability

In the table ANOVA analysis showed that $F = 5646.004$ is significant at 0.000 level, suggesting that building the regression model is consistent with the data collected and the factors are

statistically significant at the 5% significance. Thus, the factors for the independent variable in the model with factors related to the dependent variable

Coefficients

| Model | Standardized Coefficients | t | Sig. |
|--------------------------------|---------------------------|---------|------|
| | Beta | | |
| (Constant) | | 19.789 | .000 |
| Political Instability | -2.997 | -20.554 | .000 |
| Trust on Economic Environment | .398 | 13.096 | .001 |
| Law & Ordered situation | -.291 | -11.816 | .001 |
| Market Stability | -.009 | -.636 | .570 |
| Govt policy Index | .002 | .139 | .898 |
| Resource allocation efficiency | -1.807 | -14.289 | .001 |
| Administrative efficiency | -.485 | -17.598 | .000 |
| Corruption Perception Index | -.341 | -13.624 | .001 |
| Price fluctuation Index | .092 | 7.109 | .006 |

Table:4
4.4 Coefficients

Dependent Variable: Pak-China Trade volume Billions \$

The statistical analysis of the data in the table explains that political instability, trust on

economic environment, law and ordered situation, resource allocation efficiency, administrative efficiency, corruption perception index and price fluctuation index has a positive and significance impact on Pak-China trade.. Market Stability and Govt policy Index has a insignificant relationship with the Pak-China trade volume.

Table 4.9 also indicates that the greater the trust climate among the employees' the greater will be their performance.

Moreover, the table extracts the following results:

“Research independent variable, Political Instability, was a significant predictor (β), = -2.997, $p < 0.000$.”

“Research independent variable, Trust on economic environment was a significant predictor (β), = .398, $p < 0.000$.”

“Research independent variable, law and order situation, was a significant predictor (β), = -.291, $p > .001$.”

“Research independent variable, Market Stability was a insignificant predictor (β), = -.009, $p > 0.570$.”

Research independent variable, Govt policy Index, was an insignificant predictor (β), = -.002 , $p > .890$.”

Research independent variable, resource allocation efficiency, was an significant predictor (β), = -1.807 , $p > .001$.”

Research independent variable, administrative efficiency, was an significant predictor (β), = ---.485, $p < .000$ ”

Research independent variable, corruption perception index, was an significant predictor (β), = .341, $p < .000$ ”

Research independent variable, price fluctuation index, was an insignificant predictor (β), = .092, $p > .006$ ”

The above analysis explains that overall relationship of the impacts of the independent variable on the dependent variable remained positive and significance.

4.5 Model Summary

Model Summary

| Model | R Square ^b | Adjusted R Square | Std. Error of the Estimate |
|-------|-----------------------|-------------------|----------------------------|
| 1 | .999 | .998 | .219648 |

Table:5

a. Predictors: Price fluctuation Index, Resource allocation efficiency, Trust on Economic Environment , Market Stability, Administrative efficiency, Corruption Perception Index, Law & Ordered situation , Political Instability

b. For regression through the origin (the no-intercept model), R Square measures the proportion of the variability in the dependent variable about the origin explained by regression. This CANNOT be compared to R Square for models which include an intercept.

The analytical results show that models the correlation coefficient $R^2 = 0.999$ and R^2 adjusted is .999. This result explains that 99.9% dependent variable explained by the independent variable.

4.6 ANOVA

ANOVA ^{a,b}

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|------------|----------------------|----|-------------|---------|-------------------|
| Regression | 349.857 | 8 | 43.732 | 906.450 | .000 ^c |
| Residual | .241 | 5 | .048 | | |
| Total | 350.098 ^d | 13 | | | |

Table:6

a. Dependent Variable: Pak-China Investment volume Billions \$

b. Linear Regression through the Origin

c. Predictors: Price fluctuation Index, Resource allocation efficiency, Trust on Economic Environment , Market Stability, Administrative efficiency, Corruption Perception Index, Law & Ordered situation , Political Instability

d. This total sum of squares is not corrected for the constant because the constant is zero for regression through the origin.

In the table ANOVA analysis showed that $F = 906.450$ is significant at 0.000 level, suggesting that building the regression model is consistent with the data collected and the factors are statistically significant at the 5% significance. Thus, the factors for the independent variable in the model with factors related to the dependent variable.

1.7 Standardized Coefficients

Coefficients ^{a,b}

| Model | Standardized Coefficients | t | Sig. |
|--------------------------------|---------------------------|--------|------|
| | Beta | | |
| Political Instability | -1.637 | -3.454 | .018 |
| Trust on Economic Environment | -.283 | -3.496 | .017 |
| Law & Ordered situation | 1.002 | 4.315 | .008 |
| Market Stability | .269 | 2.606 | .048 |
| Resource allocation efficiency | .643 | 7.250 | .001 |
| Administrative efficiency | .154 | 1.243 | .269 |
| Corruption Perception Index | .650 | 2.600 | .048 |
| Price fluctuation Index | -.387 | -2.458 | .057 |

Table: 7

a. Dependent Variable: Pak-China Investment volume Billions \$

b. Linear Regression through the Origin

The statistical analysis of the data in the table explains that political instability, trust on economic environment, law and ordered situation, resource allocation efficiency, administrative efficiency, corruption perception index and price fluctuation index has a positive and significance impact on Pak-China trade.. Market Stability and Govt policy Index has a insignificant relationship with the pak-China investment volume.

Table 4.9 also indicates that the greater the trust climate among the employees' the greater will be their performance. Moreover, the table extracts the following results:

“Research independent variable, Political Instability, was a insignificant predictor (β), = -1.637, $p > .018$.”

“Research independent variable, Trust on economic environment was a insignificant predictor (β), = -2.83, $p > 0.017$.”

“Research independent variable, law and order situation, was an insignificant predictor (β), = 1.002, $p > .008$.”

“Research independent variable, Market Stability was a significant predictor (β), = 0.269, $p < .048$.”

Research independent variable, resource allocation efficiency, was an significant predictor (β), = .643 , $p > .001$.”

Research independent variable, administrative efficiency, was an insignificant predictor (β), = .154 , $p > .269$ ”

Research independent variable, corruption perception index, was an significant predictor (β), = .650 , $p > .048$ ”

Research independent variable, price fluctuation index, was an insignificant predictor (β), = -.387, $p > .057$ ”

Conclusion

China and Pakistan are close and friendly neighbors. Pakistan has treated China as its most important economic partner. Rapid economic development and consequent inter-regional activity caused an increased demand for raw materials, exchange of parts, components, intermediate products, and development of cross-country production works and processes. The CPEC was initiated in 2015 and was essentially a vast network of roads, rail links, power plants, and other infrastructure connecting western China's Xinjiang province to Pakistan's southern port of Gwadar. The CPEC was now considered a flagship project and the single greatest achievement of the OBOR vision. The initial investment was \$46 billion in CPEC which was then the biggest ever foreign direct investment in Pakistan. Later the investment was increased to \$54 billion after the inclusion of more projects in CPEC such as investments in Pakistan Railways and financing of the Karachi Circular Railways project. Infrastructure and power projects are expected to be completed by 2030; Consistent growth in economic relations amplifies the strength of their relationship. China and Pakistan also have witnessed steady growth in mutual investments in recent years. In the last few years, investment of more than US \$1.3 billion was made by China in Pakistan. Chinese have invested in Pakistan in telecommunications, energy, infrastructure, heavy engineering, IT, mining,

and defense-related industries. Presently, a large number of Chinese companies are working in Pakistan in oil and gas, IT and telecom, power generation, engineering, automobiles, infrastructure, and mining sectors. In this scenario, an all-inclusive project like the China-Pakistan Economic Corridor has aroused hope and is a blessing for the development of Pakistan. This project aims to develop the rail infrastructure, address the energy problem and change Gwadar Port for enhanced regional and global trade connectivity. These projects offer development and will lead towards collective positive change in the society near in future. The study provides us the roadmap to develop Institutional policies between both countries to overcome the challenges and both countries need to strengthen the institutional arrangements and focus on individual's behavior so that every individual should take benefit from China-Pakistan economic corridor projects near in future.

Recommendations

- Pakistan should spotlight on finishing the CPEC project on time and protecting it from all evil factors that are present inside and outside the country.
- The Living standard of people increases, education level rises, individuals and groups are benefitted from CPEC Projects.
- Pakistan is facing many difficulties, China should promptly lend a helping hand to learn and exchange the knowledge of youth between two countries, enhance understanding at the cultural level. Economic and trade exchanges between the two sides to the people of both countries to bring real benefits, especially Pakistan Economic corridor opened overall framework of the future and the recent result can foresee optimism. The prospects for cooperation between the two countries in the field of economic and trade very optimistic, Pakistan relation will not change, based on the strong bilateral Cultural exchange will make further cooperation in the economy and other areas of mutual complement each other.
- Pakistan should make strong laws to control smuggling between both countries, Pakistan should uphold law and order and improve its security circumstances to attract Chinese investors, and Visa facilities should be provided to promote people relations which is an essential instrument to enhance trade and business.
- Pakistan needs to control corruption during the initiation of CPEC projects.
- Pakistan should provide a better security system to protect Chinese labor and also eagle eye on evils from other countries.
- China-Pakistan should prepare a tax discount policy for the business community of both countries.
- China-Pakistan also provides relax visa policy for the citizens of both countries to promote tourism and cultural exchange apart from trade.
- Pakistan should maintain political stability to promote trade and investment volume between china-Pakistan.
- Pakistan should maintain price fluctuation and also maintain inflation within the country which affects FDI directly.

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