



COMPLETION OF THE TEN YEARS OF THE CHINA-PAKISTAN ECONOMIC CORRIDOR (CPEC) AND ITS ECONOMICAL GOALS

Jamil Afzal¹, Muhammad Adeel Afzal², Zuhaib Nishtar³

Affiliations:

¹College of Hydraulic & Environmental Engineering, China Three Gorges University, China;
¹sirjamilafzal@gmail.com

²College of Economics and Management, China Three Gorges University, Yichang City, China;
²author.adeel20@gmail.com

³ College of Electrical Engineering and New Energy, China Three Gorges University, Yichang City, China;
³zuhaib.nishtar1991@gmail.com

The Corresponding Author's Email:
¹sirjamilafzal@gmail.com

Abstract

In this article, a discussion has been made about the China-Pakistan Economic Corridor (CPEC) project and its impact on Pakistan's economy. The CPEC project is a collection of infrastructure and development projects that are primarily funded by Chinese investments. The article argues that the CPEC project has the potential to transform Pakistan's economy, but it is not without its challenges. The political instability and security concerns in the region could potentially undermine the success of the project. The author suggests that China should take a more holistic approach to the CPEC project, treating it as part of a broader regional engagement strategy rather than solely a bilateral transaction. The author also highlights the importance of China's impressive capabilities in the transportation, energy, and construction sectors, along with the soft power of intellectual cooperation through think tanks, media involvement, and academic exchange. By adopting this well-rounded strategy, the full implementation of the "One Belt, One Road" program and its potential economic benefits for Pakistan can be guaranteed.

Keywords: China-Pakistan Economic Corridor, CPEC, One Belt-One Road, Potential Economic Benefits for Pakistan

Introduction

China launched the "One Belt, One Road" project, which has attracted a lot of interest in the international diplomatic and commercial spheres, with the goal of fostering a more globally interconnected world (Jinchen, 2016). Spearheaded by President Xi Jinping in 2013, this ambitious plan includes over 60 countries spanning Asia, Europe, and Africa, forging new economic and diplomatic bonds. The CPEC the China-Pakistan Economic Corridor is a deliberate move intended to strengthen China's strategic advantages and boost Pakistan's economic power, and is a prominent expression of One Belt-One Road. China's staggering economic ascent during the 21st century has significantly reconfigured global trade dynamics. Its relationship with Pakistan is a case in point; since their first bilateral long-term trade agreement in 1963, the two nations have fostered strong diplomatic and trade ties (Abid & Ashfaq, 2015). The 2007 Free Commerce Agreement (FTA) between Pakistan and China, which saw commerce rise from US\$ 3.5 billion in 2006 to an astonishing US\$ 14.3 billion by 2013, strengthened this relationship.



Economic routes are now essential tools for fostering regional prosperity and cooperation in the age of globalization. With China's robust economic presence, its contribution to Pakistan's economic landscape has been profound. As of the financial year 2022–2023's first quarter, China stands as Pakistan's largest trading partner and leading investor, accounting for 23.83% of its Foreign Direct Investment (FDI) equivalent to \$102.5 million. These inflows are anticipated to bring in more FDI soon; CPEC has been enhanced by the creation of Special Economic Zones (SEZs) in its framework. The scope of these investments, however, is expected to transcend beyond China, opening doors for other nations to invest in Pakistan.

Chen Chunjiang, an assistant minister of trade for China, did a trade statistics analysis and found that trade volumes between China and BRI-member nations climbed from US\$1.04 trillion in 2013 to US\$2.07 trillion in 2022, registering an average yearly increase of 8%. Over a comparable duration, China made bilateral investments worth more than US \$270 billion in BRI nations, demonstrating the profitable nature of these alliances. The top exports from China to Pakistan in terms of trade in 2021 were broadcasting equipment (\$1.7 billion), refined petroleum (\$1.51 billion), and vaccines, blood, antisera, toxins, and culture (\$1.48 billion). From \$616M in 1995 to \$23.5B in 2021, Chinese exports to Pakistan have grown at an annualized pace of 15% over the past 26 years. Curiously, despite the global epidemic, Pakistan's exports to China have also increased. As of 2022, Pakistan's exports of seafood and rice to China had both climbed by 53%. However, the trade dynamics between the two nations also underscore the need for economic complexity and diversification, particularly in the case of Pakistan (Ali et al., 2020). As per the 2021 Economic Complexity Index (ECI), Pakistan ranked 87th, indicating a relatively low level of product diversity and sophistication in its export portfolio. The Sino-Pakistani economic partnership thus offers considerable growth potential, as well as highlighting areas for Pakistan to develop in order to maximize the benefits of this partnership (Mehtar, 2017).

China's Investment Policy

China's investment policy has seen a significant shift over the years, moving from an inward-oriented approach to promoting outward foreign direct investment (OFDI).

1. Encouraging Outward Investment: Since the implementation of the "Go Global" policy in 2000, China has been promoting Chinese businesses to make foreign investments. The policy aims to facilitate the global expansion of Chinese firms, boost their competitiveness in the international market, and also back the BRI (Bellabona & Spigarelli, 2007).

2. Belt and Road Initiative: BRI, which debuted in 2013, is a comprehensive plan for Chinese investment abroad. In order to improve connectivity and facilitate international trade and investment, this program aspires to create a worldwide network of trade routes and infrastructure projects across Asia, Europe, and Africa (Huang, 2016).

3. Regulation of Outbound Investment: While encouraging OFDI, China has also imposed regulations to manage and guide these investments. In 2017, the Chinese government introduced measures to curb irrational overseas investment in sectors such as real estate, film industries, entertainment, and sports clubs, while encouraging investments in sectors that align with the BRI's goals and the country's economic and technological development (Aurangzeb et al., 2021; Yeophantong & Maurin, 2014).

4. Foreign Investment Law: In 2020, China introduced a new Foreign Investment Law to further open up its economy and improve the business ambiance for international investors. The law aims to



promote and protect foreign investment, ensuring fair competition and prohibiting forced technology transfers (Zheng, 2021).

The China-Pakistan Economic Corridor

A collection of construction endeavors known as the CPEC is a crucial component of China's larger BRI, which seeks to strengthen ties between China and other countries in the area of commerce. With investments in infrastructure, energy, and other industries, the project's value has since climbed to more than \$62 billion

1. Infrastructure and Energy Projects: Infrastructure forms the backbone of the CPEC, with initiatives ranging from transportation networks to power plants. China has committed to building motorways, railways, and airports to strengthen the logistical backbone of Pakistan. In the energy sector, investments aim at mitigating Pakistan's chronic energy shortages, with several power plants being constructed or upgraded under the CPEC. By 2020, 13,000 MW of additional energy had been added to Pakistan's electricity supply through CPEC-related projects, effectively reducing energy shortages (World Bank, 2020) (Shah, 2021).

2. Special Economic Zones (SEZs): SEZs are a crucial component of the CPEC. They aim to stimulate economic growth by attracting foreign investment, boosting industrialization, and creating jobs. As of 2021, there are nine SEZs under development as part of the CPEC, covering sectors like textiles, minerals, agriculture, and manufacturing (CPEC Authority, 2021) (Shah, 2021).

3. Economic Impact: Between 2015 and 2030, the CPEC is anticipated to generate over 2.3 million jobs and boost national growth by 2-2.5 percent. Additionally, the corridor seeks to improve community connectivity and advance economic integration (Haq & Farooq, 2016). This will improve job opportunities for youth, as these improve job opportunities are very less in this current economic turmoil (Asif et al., 2023).

4. Challenges: Despite its potential benefits, the CPEC has faced various challenges, including security concerns, financing issues, and questions about the project's transparency and sustainability (Haq & Farooq, 2016).

An important effort to enhance economic links connecting Pakistan and China is the CPEC between China and Pakistan in the economy, with potentially far-reaching implications for regional trade and economic development.

Importance for China

China needs the CPEC in a variety of ways, in addition to economic gains; geopolitical gains and the strategic escalation of the impact of China in the area are also at stake.

Trade Route and Access to the Arabian Sea: One of the foremost benefits for China is the creation of a much shorter and more secure trade route that directly leads to the Arabian Sea. This route significantly reduces the distance for transportation of goods, thereby lowering costs and reducing the time for Chinese exports to enter the Middle East and African markets (Panneerselvam, 2017).

Strategic Influence: The CPEC allows China to strengthen its geopolitical influence, solidify its presence in the region, and counterbalance India's influence. Pakistan is considered China's "all-weather friend," and the CPEC further strengthens this strategic alliance (Saoud, 2019).



Market for Chinese Goods and Services: The development of infrastructure, energy projects, and SEZs creates a significant market for Chinese goods and services. These projects often use Chinese technology, equipment, and labor, supporting various sectors of the Chinese economy (Rehman et al., 2018).

Energy Security: The CPEC energy projects not only benefit Pakistan but also provide a potential alternate energy route for China, contributing to its energy security. Pakistan's Gwadar port could serve as a potential future energy hub for China, due to the fact that oil from the region's southeast is discharged here and sent to China through CPEC. China's multifaceted strategic outreach is anchored by the CPEC, which aids China in achieving both its economic and geopolitical goals (Javed & Ismail, 2021).

Importance for Pakistan

The China-Pakistan Economic Corridor (CPEC), the cornerstone of the Belt and Road Initiative (BRI), presents several significant advantages for Pakistan, covering different sectors of its economy and socio-political landscape.

Infrastructure Development: The CPEC envisages significant infrastructure development in Pakistan, including roads, railways, ports, and other physical infrastructure. These projects are not only expected to facilitate trade but also to boost overall economic development by providing the necessary infrastructure for industrialization (Mehar, 2017).

Energy Security: Pakistan has long faced energy shortages that have constrained its economic growth. CPEC involves several energy projects that are expected to reduce the energy deficit, contribute to energy security, and support monetary expansion (Dadwal & Purushothaman, 2017).

Economic Growth and Job Creation: The projects under CPEC are likely to stimulate economic growth by attracting foreign investment, boosting various sectors of the economy, and creating jobs. According to estimates, the project may generate more than 2.3 million employees between 2015 and 2030 and boost the country's GDP growth rate by 2 to 2.5 percentage points (Khan et al., 2018).

Strategic Significance: CPEC also carries strategic significance for Pakistan, strengthening its longstanding alliance with China and counterbalancing Indian influence in the region (Shahzad & Javaid, 2020).

Special Economic Zones (SEZs): It is envisaged that Special Economic Zones (SEZs) established, as part of CPEC will encourage industrial growth, promote exports, and create jobs in Pakistan. Despite these potential benefits, Pakistan also faces several challenges and risks in the implementation of CPEC, including debt sustainability, transparency issues, and ensuring that the benefits are widely distributed among its population (Khan et al., 2016).

Critical Analysis of Challenges and Geopolitics

There are obstacles to overcome before the China-Pakistan Economic Corridor (CPEC) can reach its full potential. Several political and economic restraints could influence the project's progress and effectiveness. The political instability in Pakistan is one of the significant challenges that the CPEC project faces. Frequent changes in government and shifts in policy priorities can lead to uncertainties and disrupt project timelines. There is also the issue of inter-provincial coordination in Pakistan, which has faced criticism and resulted in some conflicts over project distribution. The project faces severe security challenges due to unrest in certain parts of Pakistan, particularly Baluchistan. This region is integral to



CPEC as it houses the Gwadar Port, a vital component of the project. Insurgent groups have already targeted infrastructure projects in this area. Concerns about Pakistan's ability to repay loans taken for CPEC projects have been raised; if not properly managed, this could result in a debt trap, limiting Pakistan's economic sovereignty and flexibility. There are also concerns that the benefits of CPEC might not be evenly distributed across Pakistan's provinces, potentially exacerbating existing socio-economic disparities. The project might also be impacted by geopolitical tensions, particularly those between China India, and Pakistan (Ullah et al., 2021).

The China-Pakistan Economic Corridor (CPEC) significantly shapes geostrategic dynamics in South Asia and beyond. Here are some of the aspects where its impact is notable. By making significant investments in Pakistan, China not only strengthens its geopolitical influence with Pakistan but also makes it obvious that it is prepared to take an even greater part in the region. As part of CPEC, China will increase its naval presence in the Arabian Sea, a strategic counterweight to India's hegemony in the Indian Ocean. Additionally, it gives China a safer and more direct sea route for importing energy via the Middle East. However, the project also brings certain security risks (Gill, 2019). The project also has the potential to promote greater regional integration by creating new trade and transit routes that can benefit other countries in the region. However, this is dependent on the resolution of political and security challenges.

Concluding Remarks

The China-Pakistan Economic Corridor (CPEC) project is a collection of infrastructure and development projects that are primarily funded by Chinese investments. The CPEC project aims to facilitate industrial and infrastructure development in Pakistan, develop a modern transportation and telecommunication network that promotes connectivity between western China and coastal seaports of Pakistan, and allow China to develop a deep-water port and special economic zone in the Gwadar region with a 40-year lease

The China-Pakistan Economic Corridor (CPEC), in particular, has shown to be an important catalyst for the country's economic environment through the One Belt-One Road program. It has additionally aided in the influx of desperately needed foreign direct investment, but it has also diversified Pakistan's economic sectors by enhancing infrastructure, energy, and telecommunications projects. However, to reap the full potential of this initiative, Pakistan must consider several key strategies and recommendations. While CPEC has spurred growth in various sectors, there is a need to further diversify the economy, specifically focusing on high-value industries and services. Emphasis on skill development programs can assist in realizing this objective, thereby increasing Pakistan's competitiveness in the global market. While China is a significant trading partner, there is a need to balance trade relations by attracting more investors from different countries. This can mitigate the risk of over-dependence on a single economy and provide Pakistan with more negotiation advantage in international economic matters.

It is essential that the benefits of CPEC projects are inclusive and trickle down to all levels of society. This includes not only job creation but also improvements in local community infrastructure and services. The security of CPEC projects is crucial to their success and to attracting more foreign investors. Strengthening internal security and regional peace efforts can foster a favourable business environment and ensure the smooth execution of projects. The financial corridor between China and Pakistan, which is a crucial part of One Belt, One Road, offers a fantastic chance to foster Pakistani economic progress. By



addressing the challenges and leveraging the opportunities associated with this mega-project, Pakistan can ensure a more prosperous future.

Declarations

Funding Statement:

This research did not receive any specific grant from funding agencies in the public, commercial, or not-for-profit sectors.

IRB Approval:

Not applicable to this study

Ethical Statement:

There are no ethical issues. All data in this paper is publicly available.

Competing Interests:

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

References

- Abid, M., & Ashfaq, A. (2015). CPEC: Challenges and opportunities for Pakistan. *Journal of Pakistan Vision*, 16(2), 142-169.
- Ali, Y., Sabir, M., Bilal, M., Ali, M., & Khan, A. A. (2020). Economic viability of foreign investment in railways: a case study of the China-Pakistan Economic Corridor (CPEC). *The Engineering Economist*, 65(2), 158-175.
- Asif, M., Pasha, M. A., Mumtaz, A., & Sabir, B. (2023). Causes of Youth Unemployment in Pakistan. *Inverge Journal of Social Sciences*, 2(1), 41-50. <https://doi.org/10.1022/ijss.v2i1.21>
- Aurangzeb, Asif, M., & Amin, M. K. (2021). RESOURCES MANAGEMENT AND SME'S PERFORMANCE. *Humanities & Social Sciences Reviews*, 9(3), 679-689. <https://doi.org/10.18510/hssr.2021.9367>,
- Bellabona, P., & Spigarelli, F. (2007). Moving from open door to go global: China goes on the world stage. *International Journal of Chinese Culture and Management*, 1(1), 93-107.
- Dadwal, S. R., & Purushothaman, C. (2017). CPEC in Pakistan's quest for energy security. *Strategic Analysis*, 41(5), 515-524.
- Gill, D. M. (2019). The geopolitics of the China-Pakistan economic corridor (CPEC) and its security implications for India. *The Korean Journal of International Studies*, 17(3), 337-353.
- Haq, R., & Farooq, N. (2016). Impact of CPEC on social welfare in Pakistan: A district level analysis. *The Pakistan Development Review*, 597-618.
- Huang, Y. (2016). Understanding China's Belt & Road initiative: motivation, framework and assessment. *China Economic Review*, 40, 314-321.
- Javed, H. M., & Ismail, M. (2021). CPEC and Pakistan: Its economic benefits, energy security and regional trade and economic integration. *Chinese Political Science Review*, 6(2), 207-227.
- Jinchen, T. (2016). One belt and one road': connecting China and the world. *Global Infrastructure Initiative website*.



- Khan, K., Khan, K., & Anwar, S. (2016). Special economic zones (SEZs) and CPEC: Background, challenges and strategies. *The Pakistan Development Review*, 203-216.
- Khan, N., Ahmad, R., & Xing, K. (2018). China Pakistan Economic Corridor (CPEC): Regional Development, Employment Opportunities and Policy Challenges. *Global Political Review*, 3(1), 12-23.
- Mehar, A. (2017). Infrastructure development, CPEC and FDI in Pakistan: is there any connection? *Transnational corporations review*, 9(3), 232-241.
- Panneerselvam, P. (2017). Maritime Component of China–Pakistan Economic Corridor (CPEC): India–China Competition in the Arabian Sea. *Maritime Affairs: Journal of the National Maritime Foundation of India*, 13(2), 37-49.
- Rehman, A. U., Hakim, A., Khan, K., & Khan, I. U. (2018). Role of CPEC in development of trade, transport and economy of Pakistan. *Romanian Journal of Transport Infrastructure*, 7(1), 77-92.
- Saoud, M. (2019). *The influence of China-Pakistan Economic Corridor (CPEC) on Pakistan's power position: a case study on CPEC* Norwegian University of Life Sciences, Ås].
- Shah, K. M. (2021). CPEC: Building a Path for Pakistan's Financial Ruin. *Mapping the Belt and Road Initiative: Reach, Implications, Consequences*. Observer Research Foundation.
- Shahzad, M. K., & Javaid, U. (2020). Strategic significance of CPEC: a game changer for Pakistan. *Journal of Political Studies*, 27(1).
- Ullah, S., Khan, U., Rahman, K. U., & Ullah, A. (2021). Problems and benefits of the China-Pakistan Economic Corridor (CPEC) for local people in Pakistan: A critical review. *Asian Perspective*, 45(4), 861-876.
- Yeophantong, P., & Maurin, C. (2014). China and the Regulation of Outbound Investment: Toward a 'Responsible Investment' Policy Framework. *Yearbook on International Investment Law and Policy 2014–2015*, 349-374.
- Zheng, Y. (2021). China's new foreign investment law and its contribution towards the country's development goals. *The Journal of World Investment & Trade*, 22(3), 388-428.