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Inauguration of CPEC: A milestone for development or economic challenges for Pakistan

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Abstract

The Islamic Republic Pakistan and its neighbor's country China share a longstanding and amicable Collaborative bond, despite their differences. The China-Pakistan Economic Corridor or CPEC is a substantial bilateral as well as international trade endeavor. The primary aim of this paper is to shed light on the economic collaboration between China and Pakistan while addressing the challenges associated with it. Each Pakistani province features a CPEC-linked special economic zone aimed at attracting Chinese investments. This initiative promotes regional connectivity, benefiting neighboring nations like Afghanistan, Iran, India, and Central Asia as well as both China and Pakistan. As a cornerstone of the Belt and Road Initiative, CPEC symbolises a significant stride that emphasises regional cooperation and development. It explores how China and Pakistan are addressing these challenges, given China's investment in Pakistan's infrastructure. To achieve this objective, the research conducted a comprehensive analysis of the economic collaboration between the two nations, considering China's substantial investments in Pakistan's infrastructure growth. The study examines the contemporary challenges faced by both nations in effectively executing the economic corridor. Furthermore, the paper underscores its primary objective: to elucidate the positive impacts of CPEC, especially for Pakistan. While addressing the challenges associated with the CPEC, the paper emphasises the potential transformative effects it can yield. To conclude, this study reveals several key findings regarding the CPEC's positive impacts on Pakistan, regional connectivity, and its role in the Belt and Road Initiative

Keywords: CPEC, Bilateral trade, Belt & Road Initiative, Regional Connectivity, Infrastructure Development, Economic Cooperation, China-Pakistan, Economic Corridor.

1. Introduction

Pakistan and China share enduring and cordial relations despite their inherent differences. China's role in Pakistan's economic, social, and financial progress has been pivotal. The economic corridor linking China and Pakistan, known as CPEC, stands as a substantial bilateral and international trade initiative (Wolf, 2020). The CPEC project holds the potential to exert both direct and indirect impacts on the nation's GDP through diverse foreign investments (Markey & West, 2016). The establishment of the China-Pakistan Economic Corridor stands as a momentous achievement within this time period, marking a significant milestone, although it's not without its challenges (Zaidi, 2016). Pakistan was among the countries that acknowledged China as a democratic nation in 1950 (Afridi & Bajoria, 2010). However, realising its full potential requires addressing security and political hurdles (Surahio & Mahesar, 2022) within Pakistan to ensure the success of this economic corridor.

In May 2013, China unveiled its initial corridor project proposal (Firdous & Arbab, 2022). During the visit of Chinese President Xi Jinping to Pakistan in April 2015, both nations elevated their Collaborative rapport to an "all-weather strategic partnership" (Lu, 2015). The visit culminated in the signing of 51 agreements, collectively valued at an estimated \$46 billion. (BBC, 2015). China's Xi Jinping agrees \$46 bn superhighway to Pakistan. The cumulative value of CPEC projects surpasses the total aid Pakistan has received since 2002. The scope of the China-Pakistan Economic Corridor encompasses, the linkage of Gwadar Port to China's Northwestern regions via highways, railway tracks, optical fibres, and oil and gas pipelines (Markey & West, 2016).

It underscores an inclusive developmental approach. Notably, a significant component of its physical infrastructure is the construction of a 2,700-kilometre highway extending from Kashgar to Gwadar through Khunjerab (Clemens, 2018). This initiative holds the potential for establishing connectivity between Iran, India, (Ali, 2020) and Afghanistan through freight trains traversing the Gwadar-Khunjerab route. The restoration of the Karakoram Highway, which connects Xinjiang with Pakistan's northern regions of Gilgit-Baltistan and Khyber Pakhtunkhwa, is a commendable move. The establishment of a physical link between Pakistan and China via CPEC paves the way for numerous economic zones along its corridors (Rehman & Hakim, 2018).

An inauguration ceremony took place in Sukkur, Sindh Province, on May 6, 2016, (Inauguration of CPEC: A Milestone for Development or Economic Challenges for Pakistan 2018) marking the commencement of construction on a highway section between Sukkur and Multan. This network of highways will interconnect cities such as Karachi and Peshawar. On November 13, 2016, a significant inaugural shipment of Chinese merchandise passed through the Gwadar port, (PM Performs Groundbreaking of Sukkur-Multan Motorway, 2016) a key project within the China-Pakistan Economic Corridor (CPEC), located in the Balochistan Province (Johnson, 2016). This endeavor is perceived by China as a promising avenue for enhancing the vitality and prosperity of both countries. CPEC stands as a structural enabler of regional connectivity, benefiting not solely limited to China and Pakistan but also encompassing other nations like Iran, India, Afghanistan, and Central Asia. It has the potential to bolster the economy of Pakistan and foster development in its western region. Moreover, its positive impacts are projected to extend to South Asia, creating trade opportunities with neighbouring countries and enhancing Pakistan's economic landscape. Gwadar assumes a pivotal role by providing the shortest trade route from China to Afghanistan (Kalim & Syed, 2020). Its connection to the "One Belt, One Road" (OBOR) initiative further enhances its importance for the landlocked Central Asian region.

A plethora of energy and transportation development projects have given rise to special economic zones within Pakistan. These projects, projected to span 15 years and conclude by 2030, Arif (2018) emphasise Gwadar's pivotal role in the Persian Gulf's oil trading routes (Afridi, & Muhammad, 2016). China's increasing investment in Pakistan is reshaping perceptions, painting the country as an attractive and secure investment destination. Notably, Pakistan holds the status of being a significant trading partner for China (Kalim & Syed, 2020). As of 2020, a report by the Center for Strategic and International Studies indicated the completion of 32 out of 122 projects, although the timeline of these projects has been disrupted by the COVID-19 pandemic. Despite the delays, the undeniable positive impact of these projects on CPEC's trajectory cannot be disregarded (Rana, 2022).

2. The research methods used in this study

In this article, we employed a range of research methods that were carefully selected to provide a meaningful exploration of the economic collaboration between China and Pakistan within the context of the China-Pakistan Economic Corridor (CPEC). These methods were chosen for their specific contributions to our study:

2.1. Literature review

We conducted an extensive literature review, encompassing existing research, reports, and articles related to CPEC. This allowed us to establish the context, understand the significance of economic collaboration, and identify the objectives, challenges, and potential benefits for Pakistan within the CPEC framework.

2.2. Comparative analysis

Through comparative analysis, this research sought to identify both similarities and differences between CPEC and other initiatives. Our aim was to evaluate the economic benefits offered by CPEC and its integration into the larger One Belt, One Road (OBOR) framework.

2.3. Qualitative analysis

Our study involved a qualitative analysis, which enabled us to explore and discuss recommendations and challenges associated with CPEC. We addressed concerns related to security, political stability, and local employment, providing valuable insights into the multifaceted nature of this collaboration.

3. The Fundamental Notion of China's 'One Belt, One Road' Strategy

In the year 2013, President Xi Jinping of China unveiled the vision of the "One Belt, One Road" (OBOR) (Syed & Ying, 2020) initiative. This strategic endeavor aims to revive trade routes bridging Asia, Europe, and Africa regions, embodying the focal point of China's diplomatic pursuits. The initiative is composed of several monumental projects (Hali, Shukui & Iqbal, 2015) with two primary facets: (Wolf, 2020) the Silk Road Economic Belt (SREB) and the 21st Century Maritime Silk Route Economic (CMSR) (Mirza, Fatima & Ullah, 2019). SREB characterised by a network of railways connecting China to Europe, serves as a potential bypass during wartime if maritime ports face blockades. The China-Pakistan Economic Corridor (CPEC) is positioned at the confluence of the SREB, providing China with a route to Arab nations in Central Asia and Eurasia, circumventing challenges tied to Iran's transportation route.

4. CPEC as a game changer for Pakistan

Regarded as transformative, CPEC holds the potential to redefine Pakistan's trajectory. The project's multifaceted benefits could bolster economic stability and overall development in the country. Key reasons for considering CPEC a game changer (Khan & Ahmed, 2018) include its potential to boost the Pakistani economy, create new trade routes, enhance Pakistan's geopolitical significance, generate job opportunities for the youth, establish a third seaport, elevate Pakistan's regional standing, and reinforce international partnerships (Qazi, 2019). The collaboration has seen the signing of 51 Memoranda of Understanding (MoUs) between both nations, underscoring the mutual commitment to these projects (Qazi, 2019).

5. The role of CPEC in Pakistan's economic development

CPEC forms a solid foundation for Pakistan's economic growth and engenders a reconfiguration of its relations with neighbouring nations. While CPEC faces economic and political challenges, it remains a wild card that could reshape Pakistan's trajectory. Notably, it envisions transforming the Gwadar port into a pivotal trade and economic hub. CPEC's potential to alleviate Pakistan's economic woes and enhance the lives of its citizens is profound (Hussain, 2018). The project has led to the establishment of economic zones in Khyber Pakhtunkhwa, Sindh, Punjab, Baluchistan, and Gilgit-Baltistan, attracting international investors and propelling Pakistani growth. Notably, countries such as Iran, Saudi Arabia, and Russia have expressed interest in the project (Kiani, 2015).

5.1. Infrastructure development

Integral to CPEC is infrastructure development, encompassing highways, roads, and ports. This initiative seeks to enhance Pakistan's interconnectedness across the Asian region by breaking down trade barriers and facilitating a thriving business environment for the region and its associated countries (Hussain, 2018). Upon completion, the adjoining areas will naturally become attractive for global trade and economic activities (Kiani, 2015).

5.2. Business and trade development

CPEC forges new pathways for trade and commerce in Pakistan, fostering regional connectivity that strengthens Pakistan's business ties with Afghanistan and Central Asian states. It holds substantial potential to bolster Pakistan's business and trade prospects.

5.3. Core Geo-Political Benefits from CPEC for Pakistan

CPEC's significance extends to geopolitics, elevating Pakistan's standing. The project augments Pakistan's geostrategic importance by offering a gateway for trade and transportation activities within Central Asia, East Asia, and West Asia. Pakistan's unique geographic location, historically influential during the Cold War and beyond, now places it in a position to collaborate with China on CPEC, thereby benefiting neighbouring states economically, socially, and politically.

5.4. A balanced environment in South Asia

CPEC assumes a crown-like significance within Pakistan's economy, providing the nation with an avenue to pursue its interests independent of Western influences. This initiative facilitates the normalisation of ties with India, Iran, and Afghanistan, cultivating prospects for peace and socio-economic advancement. By fostering investments and creating an economically viable trade route, CPEC strengthens Pakistan's economic prospects on an international stage.

6. Economic Challenges for Pakistan

The expansion pertaining to China's economy into Pakistan through The Economic Corridor between China and Pakistan (CPEC) presents both opportunities and security challenges. With an estimated 30,000 Chinese nationals residing in Pakistan, including short-term visitors and tourists potentially totaling up to 70,000, the issue of security for both Chinese personnel and interests looms large. Reports suggest that CPEC is viewed as a risky undertaking by some Chinese survey reports, prompting Pakistan's military to take a pivotal role in safeguarding key project components, considering them matters of national security. Implementation of the CPEC initiative in Pakistan has faced a range of challenges, (Hussain, 2018) both domestic and foreign (Sial, 2014). Dr. Luan Jianzhang, the Vice Director General of the Policy Research Office at the International Department of the Central Committee of the Communist Party of China, highlights political unrest, administrative hurdles, and the prevailing political landscape as the primary obstacles to project completion. The strategic significance of CPEC in reshaping regional dynamics contributes to concerns among both internal and external adversaries of Pakistan.

Balochistan, a critical province due to its role in connecting the Gwadar port with the city of Kashgar, has been the focal point of various rebellions and opposition movements. The region has witnessed challenges stemming from insurgency, with targeted attacks on Chinese engineers and a general reluctance to witness the transformation of Balochistan into an economic and trade hub. Such opposition has generated controversy and contention around CPEC's presence in the region.

The geostrategic implications of CPEC have drawn the attention of nations like Israel, India, and the United States. India, in particular, perceives CPEC as a thorn in its side and has collaborated with other countries to devise strategies aimed at impeding these projects. Intelligence agencies have reportedly allocated significant funds to disrupt CPEC's (Rana, 2022) progress. On a domestic front, certain political parties have voiced reservations about the project, and a noticeable increase in terrorist activities and the influence of select NGOs and think tanks have sparked an atmosphere of fear in the region. While the Pakistani government has assured equitable opportunities for all provinces through CPEC, some challenges persist (Ibid). The communities residing outside the industrial zones in districts face challenges related to education, healthcare, clean drinking water, and vocational training facilities. The influx of people has strained basic services, leading to a decline in living standards.

CPEC's infrastructure development, including the Western and Southern routes, aims to address these disparities by enhancing access to national markets and improving livelihoods. By reducing transportation costs and enabling the sale of various products, from mining to livestock and horticulture, CPEC seeks to uplift communities along its path. Optical fiber networks promise improved connectivity, yet disparities in accessing benefits have created frustration in some districts. Concerns also surround the terms of loans and credits provided by China, raising apprehensions of potential entrapment. The example of Sri Lanka's Hambantota port, How China Got Sri Lanka to cough up a port, 2018 where China took over the port due to loan defaults, serves as a cautionary tale for Pakistan. Gwadar, Pakistan's deep-sea port, has been developed without sufficient provisions for basic necessities like drinking water and electricity, highlighting the need for comprehensive planning.

While CPEC has brought flagship projects such as the dual railway track from Peshawar to Karachi and coal-fired power stations, Pakistan's energy mix appears to be lagging behind global trends toward greener alternatives. Despite a few hydropower projects within CPEC, the national policy seems to favor fossil fuel-based solutions, contrasting the international shift towards cleaner energy sources. The creation of Special Economic Zones (SEZs) was envisioned as a cornerstone for industrial development, attracting Chinese investors to these zones. Although nine SEZs have been proposed, challenges remain in their actualization. Expectations from CPEC have been high, with substantial investments made through loans. However, the anticipated transformative impacts have yet to materialize. The lessons from CPEC necessitate consistent evaluation, negotiation, and alignment of developmental projects with Pakistan's long-term interests, people, and economy (Munir, 2022).

7. Recommendations

The following recommendations are proposed to enhance the efficacy of The Economic Corridor between China and Pakistan (CPEC):

7.1. Equal opportunities regarding both contractors

The Pakistani Government should ensure equal opportunities for both Pakistani and Chinese contractors by providing equitable treatment in terms of privileges and taxes on imported materials. The selection criteria for Pakistani contractors need to be refined to promote local participation, enabling local industries such as cement and steel to contribute more addressing the Lack of Technical Skilled Staff. Acknowledging the shortage of specialized technical staff required for certain areas of CPEC projects, it is recommended that all provinces in Pakistan establish institutions similar to the Technical Education and Vocational Training Authority (TEVTA) in Punjab. These institutions would serve to equip the workforce with the necessary skills to meet the demands of CPEC projects.

7.2. The establishment of large enterprises

Given the increasing demand for materials like cement and steel due to CPEC projects, the government should take proactive measures to support local industries. Initiatives, such as providing loans to steel and cement mills, can help these industries enhance their production capacity and meet the rising demands of the projects.

7.3. Resolution of political issues

All political parties in the country should collaborate to resolve political disputes that may hinder the progress of CPEC. Establishing a central institution within the government responsible for disseminating detailed information about CPEC projects to all provinces and addressing internal government matters can facilitate smoother project implementation.

7.4. Addressing domestic and global challenges by Pak-China

Both China and Pakistan need to address the domestic and global challenges associated with CPEC. China should communicate the genuine intent of CPEC as a regional economic development initiative to the international community, especially to counter negative perceptions held by certain anti-CPEC entities. Furthermore, both countries should work together to overcome challenges that might arise, ensuring the success of the corridor.

7.5. Equal Opportunities for employment for Baluchistan Residents

Efforts should be made to provide equal employment opportunities to residents of Baluchistan, ensuring that individuals along the CPEC route have access to basic necessities such as health, education, and jobs effectively to CPEC.

8. The contribution of the study

In this article, researchers have made significant contributions by providing a comprehensive analysis of the China-Pakistan Economic Corridor (CPEC). This article has examined the historical context, development, and challenges of this economic collaboration between China and Pakistan. Additionally, this article highlighted the potential benefits and transformative effects of CPEC, especially for Pakistan. This article contributes valuable insights into the economic, political, and geopolitical dimensions of CPEC, shedding light on its regional and international implications.

9. Implications of the study and future studies

This study has several important implications. It underscores the need for transparency and efficient utilization of funds in CPEC projects, emphasizing their critical role in achieving success. Furthermore, it highlights the multifaceted nature of CPEC, spanning sectors like infrastructure, energy, and industrial cooperation, which can have profound socio-economic impacts. In terms of future studies, this work opens the door for further research into specific aspects of CPEC, such as the socio-economic effects on local communities, the geopolitical implications of CPEC in South Asia, and the environmental sustainability of the projects. Future studies could also delve into the evolving dynamics of the China-Pakistan partnership and how it impacts regional politics.

10. Conclusion

In summary, this study has delved into the challenges and developments surrounding The Economic Corridor between China and Pakistan (CPEC) and its impact on Pakistan. Beyond the concept of a mere corridor, CPEC represents a multifaceted endeavor that holds mutual benefits for both nations, albeit with China emerging as the primary beneficiary. The success of The Economic Corridor between China and Pakistan (CPEC) relies on the transparent utilization of funds, a factor critical to its achievement. CPEC stands as a significant chance for Pakistan to harness its true economic potential, paving the way for a prosperous and developed future. Major projects under CPEC span various sectors, including Gwadar, energy, infrastructure, and industrial cooperation, each housing flagship initiative. The significance of the Gwadar seaport as the world's deepest port cannot be overlooked.

Undoubtedly, CPEC carries the potential to profoundly alter the situation and be a game changer not only for Pakistan but for the entire region. As the benefits of this project unfold gradually, both Pakistan and China must work diligently to realize their projected goals. The Frontier Works Organization (FWO) has been instrumental in facilitating CPEC's implementation. President Xi Jinping's portrayal of China and Pakistan as iron brothers underscores the strength of their enduring friendship. While the two nations have enjoyed years of peaceful coexistence, CPEC also exposes spaces where the interests of China and the United States might intersect within Pakistan. Though CPEC presents numerous positives, certain risks and challenges cannot be disregarded, including terrorism, security concerns, equitable fund allocation, political consensus, and local business stabilization. Pakistani contractors have received fewer opportunities within CPEC, with the majority of contracts awarded to Chinese firms. Special exemptions granted to Chinese contractors on federal and excise duties for imported construction materials for CPEC have further imbalanced the playing field.

China's investments remain anchored in Pakistan's struggle with instability due to terrorism. Addressing the root causes of Pakistan's instability is in China's best interest for the success of CPEC. It is a shared goal of both China and the U.S. to mitigate threats to international peace and security emanating from Pakistan. While the CPEC projects have generated employment, many local workers are relegated to menial positions, leading to discontent within affected communities. Fishermen in particular have experienced the impacts of the Gwadar port development. In conclusion, this research contends that if negative factors are acknowledged and systematically addressed, CPEC stands to become even more beneficial. By doing so, it can amplify socio-economic advantages for both the host and investor nations while simultaneously mitigating the challenges inherent in such a transformative undertaking.

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Abbreviations

CPEC: China-Pakistan Economic Corridor
BRI: Belt and Road Initiative
GDP: Gross Domestic Product
MoU: Memorandum of Understanding

SEZ: Special Economic Zone

SREB: Silk Road Economic Belt

CMSR: 21st Century Maritime Silk Route Economic

OBOR: One Belt, One Road

FWO: Frontier Works Organization

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