

TALIA SALEEM MIR BATCH#84

Explore the significance of CPEC for economic development of Pakistan. What are its potential challenges and opportunities?

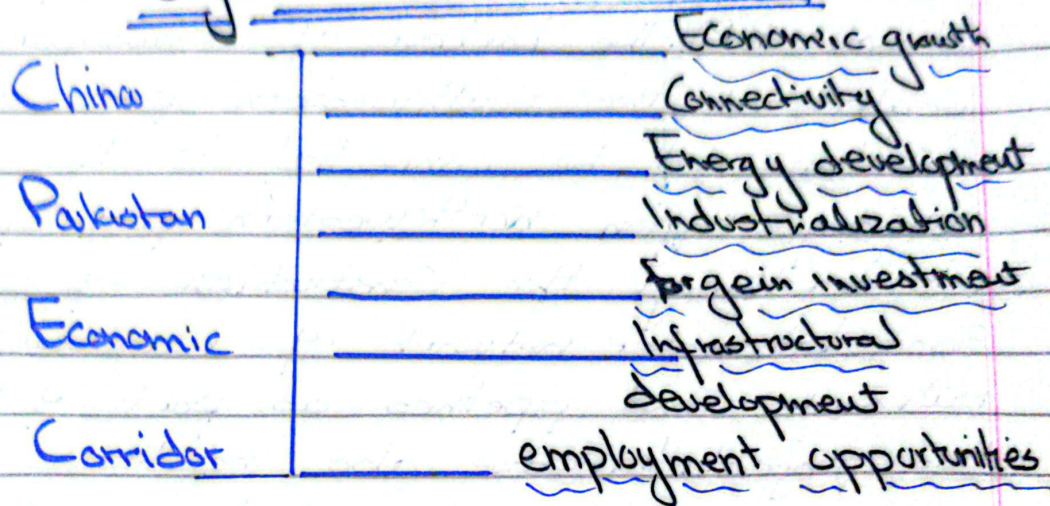
Introduction:

CPEC is a huge infrastructure and energy project that is part of China's BRI. The harbour of Gwadar located at the southwestern part of Pakistan will be connected to the Xinjiang region northwestern part of China, through the construction of 3000 kilometer network of roadway, railroads and pipelines as part of this project. Initiative also includes a number of energy related projects like wind farm power plants that use lignite as fuels. The whole project is expected to cost \$62 billion making it the largest infrastructure project ever done anywhere in the world.

Officially it was signed on 20th of April 2015. It has great significance in Pakistan's economic growth. It mainly focuses on infrastructural development, energy production, connectivity, attracting foreign investments and help economy grow. Another important part of CPEC is setting up of special economic zones. CPEC also faces certain challenges.

Internal and external domain. Internal regarding security or political instability, and externally in the form of Taliban's government in Afghanistan, Indian factor and U.S. presence in the region.

Significance of CPEC



Economic Growth

CPEC has the potential to enhance Pakistan's development and economic growth. It is projected that China investment would be greater than the total amount of assistance that U.S. has provided to Pakistan during of 15 years starting in 2002. Between 2015 - 2017, Pakistan's GDP growth rate rose from 4.7% to 5.4% — a change partly attributed to CPEC-led activity and By the end of 2022, CPEC had brought about 25.4 billion dollars

in direct investment and created approx 236,000 jobs in Pakistan.

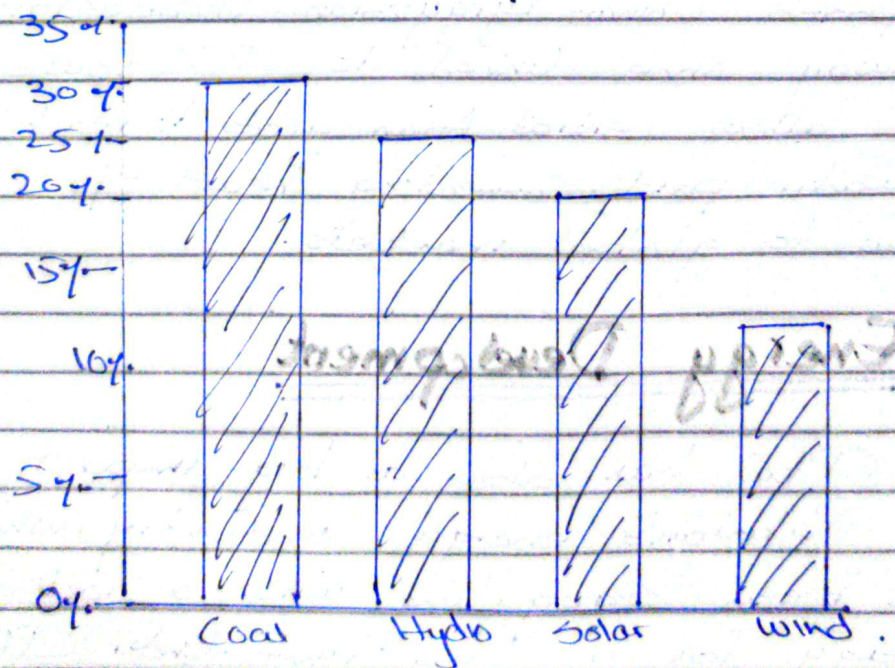
Linking Regions and Economies

CPEC is beneficial not only to Pakistan but to Afghanistan and other Central Asian Countries. Being landlocked they need waterway to do trading and business. CPEC and its links are expected to be beneficial to these nations as well. If they do business and trading via Gwadar they have to pay to Pakistan in the form of taxes and custom duties. This would increase improve Country's commercial ties with several new nations at various levels. And would also open new markets for Pakistan's businesses as well. The proposed China-Kyrgyzstan-Uzbekistan railway once linked to CPEC route will allow Central Asian goods to reach Gwadar port, connecting heart of Asia to global markets.

Energy Development

CPEC has also a big impact on Pakistan's energy industry, which has been struggling with a lack of energy for a long time. Under CPEC number of energy projects have been established. That include Coal-fired

power station and wind farms. CPEC helped in addition of 10,000 MW to the generation capacity in Pakistan in a span of ~~four years~~ ^{five years}. This results in growth of the economy as the electricity outage had cost the economy about 1.5 to 2 percentage points of GDP. Export orders were cancelled because local manufacturers could not fulfill the demand/delivery on time. Along with that new hydro, renewables, coal based projects came on stream result in shrinking of import of France oil and Diesel. For example Dasso hydroelectric power project is estimated to add 4,320 megawatts of additional electrical capacity to Pakistan's national infrastructure.



CPEC's Contribution to energy sector

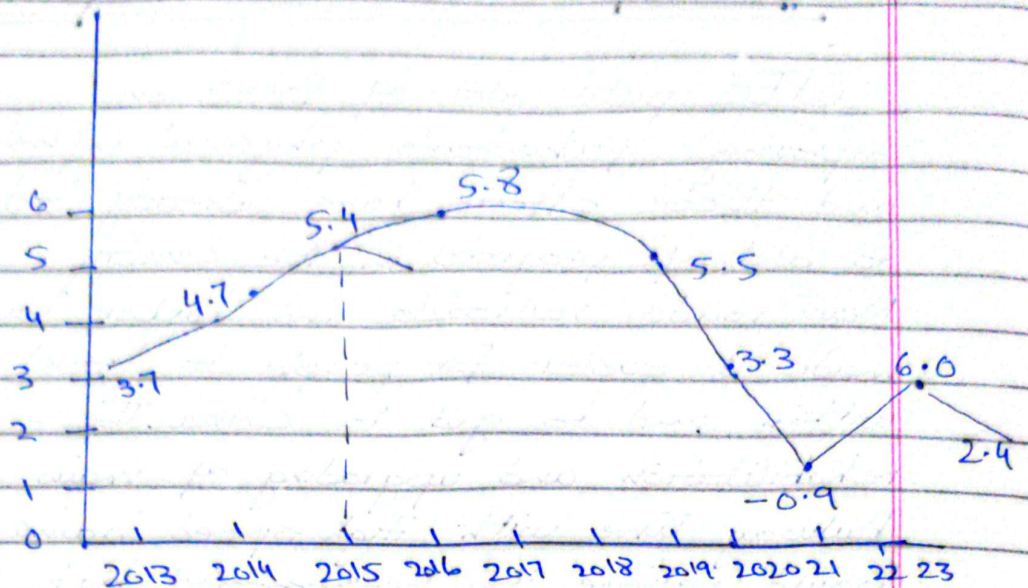
Industrialization Employment and Infrastructural development

CPEC puts a lot of focus on improving Pakistan's physical infrastructure, and these efforts have already led to a lot of progress in the country. New roads, railroads and harbor have made it easier for people to travel within and to get to China. The rehabilitation and upgrading of main Railway line with high speed trains would relieve the businesses of high cost of domestic transportation of goods to and from Karachi as at present bulk of the freight is carried by trucking fleet. This reduced time travel and cost would increase the productivity of local businesses.

Secondly the setting up of special economic zones is an important part. 9 SEZs are approved, an of which four are currently in the process of being put into effect. This initiative would bring foreign investment in the country. Investors will be able to get a variety of benefits from SEZs such as tax breaks, less strict labor laws and easier custom procedures.

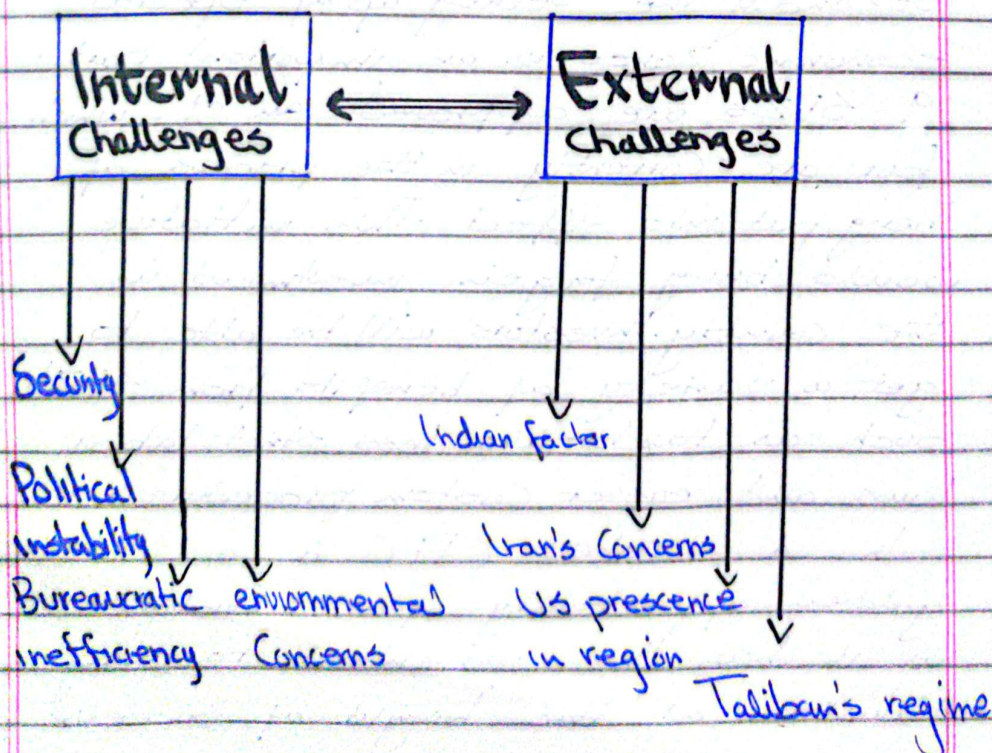
In a nutshell CPEC is a golden opportunity for Pakistan as it has the potential to bring Pakistan at the height of success.

and development. The economic growth of the world has been



GDP growth increased after the launch of CPEC in 2015.

Challenges Of CPEC



Internal Challenges

Security Issue:

CPEC was intended to be a game changer for Pakistan. But it has many threats and complications both internally and externally. Security is the main issue in completion of CPEC. Internal terrorist groups like BLA, BRA and BLF. Baloch insurgents have shown great resentment toward Chinese presence in Balochistan. They carried out many attacks on Pakistani and Chinese workers. Like in Gawadar, Pear Continental hotel was attacked, attack on Chinese consulate and the kidnapping of Chinese couple in Quetta. Apart from Baloch insurgents, TTP, BLSK and Lashkar-e-Jhangvi are also doing terrorist activities in Pakistan. Aim to sabotage the great project. In 2012, TTP claimed responsibility of killing a Chinese tourist in Peshawar, linking to take revenge of Chinese treatment with the Muslims here. So all these factors are big hurdle in this successful project.

Political instability:

The absence of political stability destroys economic progress

John F. Kennedy

Political stability is vital for economic development of a country. However since 2018, Pakistan is facing severe political instability and polarization. In terms of political instability, a major challenge is disagreement on some of CPEC projects among political parties. The progress on CPEC was slowed during Khan's government. Last year Pakistan has asked China for further investment but China refused and said it will wait till political stability is maintained in the country.

Bureaucratic inefficiency:

Delays in signing of important documents and negligence is also a challenge in Pakistan.

Corruption is engrained in the administrative system of Pakistan. This behaviour of institutions is also causing delay and hurdles in success of CPEC.

Climate Concern:

Since CPEC also includes coal power generating projects and this has raised a concern in the mind of people regarding the environmental hazards this would cause. Along with that SEZs are also point of concern as Pakistan is already so vulnerable to climate change. Further this type of projects would do a lot of harm.

External Challenges:

The involvement of international players such as U.S, Afghanistan, Iran and India has made the dynamics of this region even more complex.

Afghanistan has become a safe heaven for terrorist groups. This poses Pakistan a great threat, terrorist activities have increased 20% more after Taliban government and our western porous border is a big trouble for security agencies.

U.S is another key player in the region. US never wanted to have China's hegemony in the region. U.S & India nexus against China and to contain China in the region they are involved in various activities with in the country. Kulbhushan Yadav is the example of Indian insurgencies and proxies in the country. Secondly the use of propaganda against Pakistan showing it terrorism hosting country, soon to default are all the acts to restrain foreign investors investing in the country.

Iran has its own concerns regarding Gwadar as the Chabahar port would lose its importance after establishment of Gwadar port and with the influence of China in the region.

CPEC, as it was predicted to be the game changer of the region has a great future and Pakistan is doing what it is capable of to give full security to the workers and to the whole project. CPEC would bring thousands of employment opportunities, will attract billions of investment and would open global market to Pakistan. But with certain perks come certain responsibilities. CPEC is also facing challenges both within and out of the country. We have to work hard to mitigate the factors responsible for these activities that are causing delay and damage to this project. We should also bring some changes in our administration to fasten this project and bring security to it.
