

Day: _____

Date: _____

①

Question

Explore the significance of CPEC (China-Pakistan Economic Corridor) for the economic development of Pakistan. What are its potential challenges and opportunities?

Outline

1- Introduction

2- Overview of CPEC and its significance

- Significance of CPEC
- Key objectives of CPEC
- Major Projects under CPEC: Infrastructure, Energy, Gwadar Port, Special Economic Zone
- Phases of Development

3- Opportunities created by CPEC for Pakistan's Economic Development

- Attract foreign and local investors by assuring sustainable energy security and technological improvement.
- Strengthening bilateral relations with China and other regional partners by serving as a trade corridor through Infrastructural development
- Uplift socioeconomic conditions by generating revenue and employment opportunities by boosting industrial and manufacturing growth
- Social exchange and cultural exchange would.

Zaid Paper Product

4- Challenges in the way of CPEC's role in the Economic Development of Pakistan

- Rising external debt and sustainability of loan repayments
- Lack of industrial and human resource development
- Security concerns among state actors and non-state actors
- Lack of transparency policies in project execution caused by political disparities

5- Suggestions to overcome the challenges to utilize CPEC for the Economic Development of Pakistan

- Necessity for unified and consistent policy formulation to transcend governance
- Fostering a mutually beneficial partnership between China and Pakistan to reduce socio-economic disparities
- Strengthening the security apparatus for the success of CPEC
- Ensure environmental and social sustainability

6- Conclusion

Introduction

May 28, 2015, is destined to be a date Pakistan welcomed CPEC as its fate-changer. When the Pakistan then-Prime Minister and Chinese President Xi Jinping signed 51 agreements and memorandum worth \$46 Billion, it aimed at enhancing infrastructure, energy, trade, and industrial growth. From Gwadar Port in Baluchistan to Kashgar in China's Xinjiang province, this flagship project not only strengthens bilateral economic ties with regional partnership but also stands out Pakistan as a key player in the trade hubs alongside creating employment, developing industrialization and attracts foreign investments. However, with these benefits come some challenges, such as security risks, governance distress, financial sustainability, and environmental impact, which must be addressed to ensure the CPEC project is a driving tool toward sustainable economic growth.

Overview of CPEC and its Significance

Belt and Road Initiative (BRI) is the Chinese government's infrastructure project launched in 2013 to improve connectivity and cooperation at a global scale. It is spread over 71 countries across Asia, Europe, Eurasia and sea land corridors. The China-Pakistan Corridor has been proclaimed a flagship project of BRI. CPEC is a network of highways

Day: _____

Date: _____

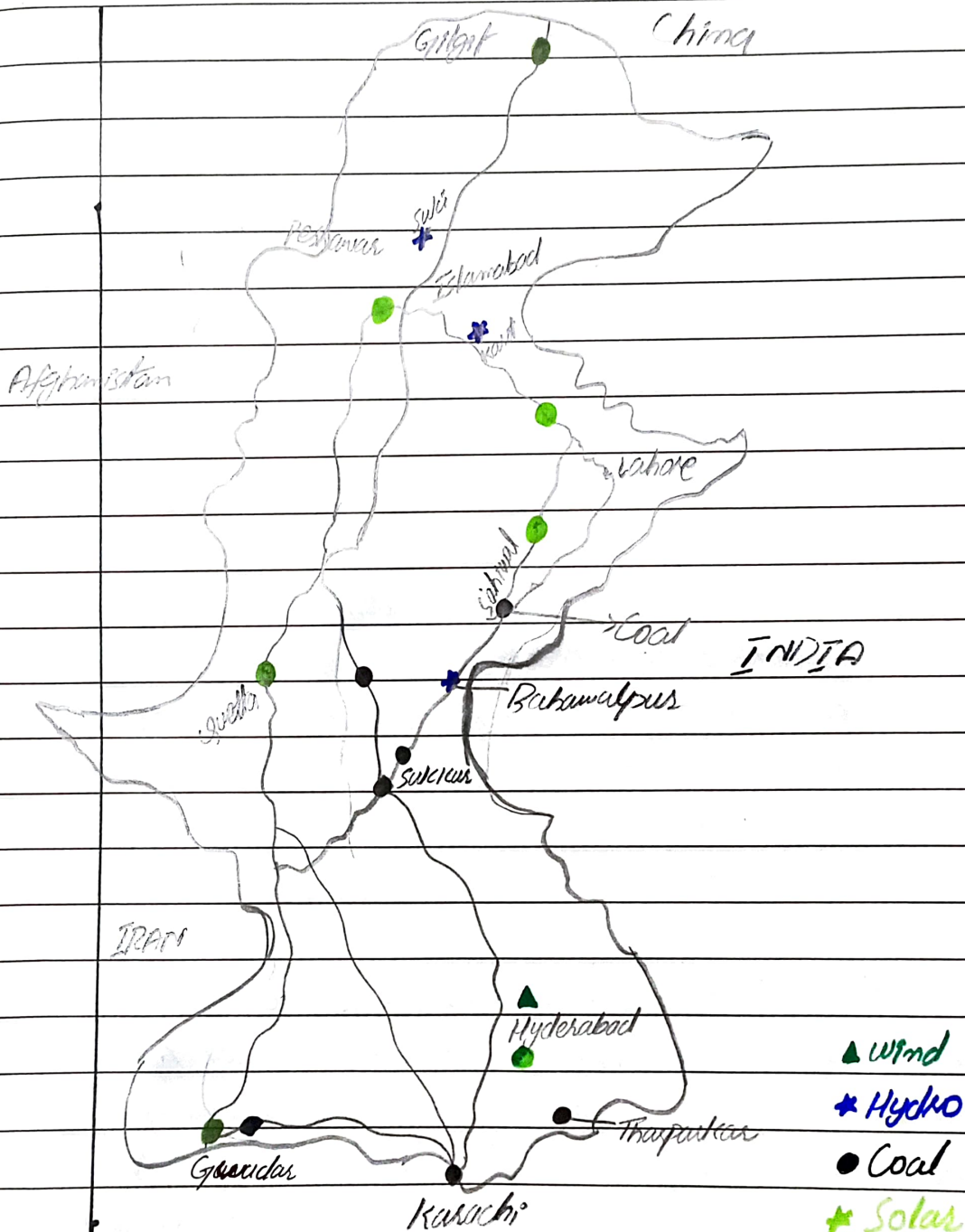
railways, and pipelines to transport South-Western Pakistan to China's north-western autonomous region of Xinjiang, ranging over a distance of approximately 3000km. It is one of the most significant Chinese foreign investment and is expected to be completed by 2030.

CPEC is the largest foreign investment in the history of Pakistan. It boosts the economy of Pakistan. To date, it has attracted \$25 Billion in investment in Pakistan since 2015. The infrastructural development, such as road and rail network, has improved connectivity between rural and urban areas. The development of Gwadar port as a deep-sea port enhances Pakistan's position as a regional trade hub. It has added thousands of megawatts to Pakistan's electricity grid, reducing power shortages. It has created thousands of jobs. Special Economic Zones (SEZs) aim to boost local industries and attract international companies. It has enhanced Pakistan's regional influence by making trade links among China, Central Asia, and the Middle East. It is a transformational project for Pakistan.

Day: _____

Date: _____

(5)



China-Pak Friendship Hospital

Construction of Breakwater

Infrastructure of Free Zone

New Gwadar Into Airport

Fresh water treatment → Pak-China Technical & Vocational Institute

Zaid Paper Product

To improve the living standards of people of Pakistan and China, an economic corridor boosting bilateral connectivity, bilateral investment, construction, and people-to-people contact for regional connectivity. Its main objective comprises:

- Integrated transport and IT systems, including road, rail, airports, and data communication channels
- Energy Cooperation
- Agricultural development
- Socio-economic development (poverty alleviation, medical treatment, education, water supply, vocational training)
- Tourism cooperation and people-to-people collaboration
- Cooperation in the livelihood areas
- Financial Cooperation
- Human Resource Development

The China-Pakistan Economic Corridor (CPEC) is implemented in multiple phases, typically divided in short-term, medium-term, and long-term, focusing on various areas.

The first phase, "Early Harvest Project (2015-2020)", mainly focuses on infrastructure, energy, and transport projects.

The energy projects include 1320 megawatt (mw) capacity coal-fired power plants in Sadiq, Port Qasim and Hub (Baluchistan); 660 mw Engro Thar coal power plant project; 1000 (mw) Quaid-e-Azam Solar Park in Bahawalpur is completed. It has also upgraded Pakistan's national

Day: _____

⑦

Date: _____

and international highways across the Karakoram mountains for more reliable Pakistan-China Connectivity. Most of the projects of Phase 1 are directly linked to phase 2, Expansion and Consolidation (2021-2025). Phase 2 is much broader in its scope with multi-billion-dollar investments. It revitalizes the high-speed rail lines such as Main Line-1 (ML-1) and Karachi Circular Railway (KCR), which connects Karachi, Lahore, and Peshawar. Additional projects in solar and wind energy, including Jhangpik wind power projects. It also galvanized the industrial sector. Pakistan has established SEZs to follow the fruitful experience of China to increase its growth and eradicate poverty. Phase-2 aimed at the re-industrialization of Pakistan. Phase-3, long-term growth and regional connectivity (2026-2030). This phase will accelerate industrial and regional integration with projects like Allama Iqbal Industrial City, Boston SEZ, Rashkari SEZ and Drabaji SEZ.

Opportunities Created by CPEC for Pakistan's Economic Development

Since 2013, China has emerged as Pakistan's biggest economic partner through the China-Pakistan Economic Corridor (CPEC), often referred to as the "Corridor of opportunities" and rightly described as a "game changer".

Day: _____

(8)

Date: _____

Attract foreign and local investors by assuring sustainable energy security and technological improvement.

The investment in hydropower, wind and solar energy has improved Pakistan's energy mix, reducing reliance on fossil fuels. As per the Ministry of Energy 2023, The Karot Hydropower Project (170 MW) and the Thar Coal project has helped lessen Pakistan's energy deficit. Pakistan's Sustainable energy security and advanced IT sector have appealed to significant foreign investors, showing the growing assurance of investors globally. For example, in February 2023, the International Finance Cooperation (IFC) announced the doubling of investment in Pakistan, which aims to unlock \$2 billion. Pakistan according to Pakistan Telecommunication Authority, 2023 China-Pakistan Fiber optics cable has improved digital connectivity and internet. The State Bank of Pakistan (SBP) in their report 2024, the Pakistan Government has implemented several policies to attract foreign investors in the IT sector. Such initiatives have contributed to a 24% increase in IT exports during fiscal year 2023-2024, reaching \$3.2 Billion, up from \$2.59 Billion in the previous year.

Day: _____

Date: _____

(9)

strengthening bilateral relations with China and other regional partners by serving as a trade corridor through infrastructural development

Being the flagship plan of Belt and Road Initiative (BRI), it has enhanced the linkage between China, Pakistan, and other regional players, including Central Asia, the Middle East, and South Asia. It has lightened the geopolitical and economic cooperation through infrastructural developments such as roads, ports, energy pipelines, bridges, waterways, and highways. According to the research paper published by Pakistan Social Science Research (PSSR), named "Geo political Dimensions and CPEC implications for South Asia," CPEC's infrastructure projects have the potential to transform regional trade dynamics, and there is also recognition of the economic benefits that enhanced connectivity to the region.

Uplift socioeconomic conditions by generating revenue and employment opportunities by boosting industrial and manufacturing growth

CPEC led to the production of extensive road networks and motorways, linking major ports like Karachi Port Qasim, and Gwadar to different parts of the country. CPEC has helped transform Pakistan's

Zaid Paper Product

Day: _____

Date: _____

(10)

Socio-economic scenario by bolstering manufacturing and industrial progress, creating employment opportunities, and setting the stage for sustained economic. According to the State Bank of Pakistan annual report (2022-2023), Gwadar port operations generates \$350 million in revenue by 2023, expected to cross \$5 Billion annually by 2030. In another report by the International Labour Organization (ILO) Pakistan 2023, CPEC has reduced unemployment in Baluchistan and Khyber Pakhtunkhwa by providing jobs in the industrial sector.

Social exchange and Cultural exchange would pave the way for Pakistani students to get advanced education in China.

CPEC has opened numerous avenues for the shining students of Pakistan to get a chance to facilitate China's advanced study environment through structured scholarship programs, academic partnerships, and cultural exchanges. The increased interaction has led to a growing interest among Pakistani students in learning the Chinese language and culture. Culture immersion ~~exchange~~ enhances academic prospects and prepares our students for career dealing with CPEC-related projects. According to Pakistan Higher Education (HEC), to augment educational cooperation.

Laid Paper Product

Day: _____

Date: _____

(11)

China and Pakistan, the government of China has launched the "Chinese Government Scholarship Program 2025-2026" to offer Pakistani students to conduct their research in the top universities of China.

Challenges in the way of CPEC's Role in the Economic Development of Pakistan

Rising External Debt and Sustainability of Loan Repayments

CPEC has the power to drive economic development in Pakistan, associated external debt and challenges in loan repayments sustainability pose significant concerns. Pakistan's reliance on Chinese-built power plants has led to high debt and elevated electricity costs, severely impacting households and industries. IMF Country Report No. 23/260 categorizes that Pakistan's external debt servicing rose to \$27 Billion in 2023, straining the country's ability to meet repayment obligations.

Environmental Concerns Due to Deforestation for Energy Projects

The construction of energy infrastructure often necessitates clearing forested areas, resulting in habitat

Day: _____

(12)

Date: _____

destruction of numerous plants and animal species. The loss can lead to decline in biodiversity. Deforestation contributes to increased Carbon dioxide (CO_2) emission as trees that sequester CO_2 are removed. Removing vegetation cover for energy projects can lead to soil erosion, reduced soil fertility, and increased susceptibility. The Centre for Strategic & International Studies, in its article, "Mapping the China-Pakistan Economic Corridor's Environmental Impacts," approximately 70% of the planned energy capacity under CPEC is expected to be generated by coal-fired power plants, significantly increasing greenhouse gas emissions.

Security Concerns among state actors and non-state actors

The success of CPEC comes with rising threats by both state and non-state actors. India has conveyed strong displeasure to CPEC, primarily because the corridor passes through the disputed region of Gilgit-Baltistan. Also, the unstable security situation in Afghanistan poses a spillover risk to neighbouring countries, particularly Pakistan, which is pivotal to CPEC. Groups such as the Baluchistan Liberation Army (BLA) have conducted attacks on CPEC objects and personnel. These attacks have targeted CPEC infrastructure.

Zaid Paper Product

to undermine Pakistan's economic stability and deter foreign investment. For example, on 13 August, unknown militants attacked a group of Chinese engineers in Pakistan's southern Baluchistan province.

Lack of Transparency Policies in Project Execution
caused by Political Disparities

The opaque execution of CPEC projects has exacerbated inter-provincial tensions, with smaller provinces expressing their concern over unequal distribution and potential marginalization. Corruption and opacity in decision-making have further disrupted the continuity of CPEC projects, with each government prioritizing its agenda. These governance challenges have not only slowed the execution of infrastructure and energy initiatives but also diminished investors' confidence, reducing potential economic gains. According to the research report of Observer Research Foundation, "Pakistan Government Report Uncover Corruption in CPEC Projects," an internal report of the Pakistani government committee in August 2019 uncovered substantial corruption and opacity in CPEC-related projects.

Suggestions to Overcome The Challenges to Utilize CPEC for the Economic Development of Pakistan

Necessity of Unified and Consistent policy formulation to Transcend Governance

A bipartisan national policy framework for CPEC should be established to prevent disruptions caused by political transitions. Long-term agreements and legal framework should be safeguard projects from sudden policy reversals. Implementing strict oversight mechanisms, such as independent regulatory bodies and real-time audits, can curb corruption and ensure transparent project execution.

Fostering a mutually beneficial partnership between China and Pakistan to reduce Socio-economic disparities

Pakistan should work closely with China to ensure that investments are not concentrated in a few provinces but are distributed evenly across the country. Special economic zones should be developed in underprivileged areas like Balochistan, Ichhyber Pakhtunkhwa, and Countryside zones to promote industrialization and job creation. Encouraging joint ventures between China and Pakistan businesses can help strengthen local industries.

Zaid Paper Product

Strengthening the Security Apparatus for the Success of CPEC

Given the threat from insurgent groups and external actors, Pakistan must strengthen its security infrastructure including special task forces dedicated to CPEC projects. Cooperation with China on intelligence-sharing and counter-terrorism efforts is crucial for ensuring the safety of workers and infrastructure.

Ensure Environmental and Social Sustainability

Large-scale infrastructure and energy projects under CPEC have raised concerns about deforestation, air pollution, and resource depletion. To minimize ecological damages, Pakistan should collaborate with China to adopt "Green Technologies", such as renewable energy sources, sustainable construction methods, and pollution control measures.

Conclusion

The China-Pakistan Economic Corridor (CPEC) stands out as a transformative initiative with the potential to reshape Pakistan's economic scenery, enhance regional connectivity, and strengthen bilateral ties with China and other regional players. However, its success

Day: _____

Date: _____

hinges on addressing critical challenges such as security threats, political instability, and socio-economic disparities. By ensuring transparent governance, equitable resource distribution, and inclusive development, Pakistan can maximize the benefits of CPEC for all regions and social classes. With a strategic and sustainable approach, CPEC can promote economic prosperity, fostering a resilient Pakistan while strengthening regional cooperation for mutual growth.