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Q4 Explore the significance of CPEC (China-Pakistan Economic Corridor) for the economic development of Pakistan. What are its potential challenges and opportunities?

## 1. Introduction

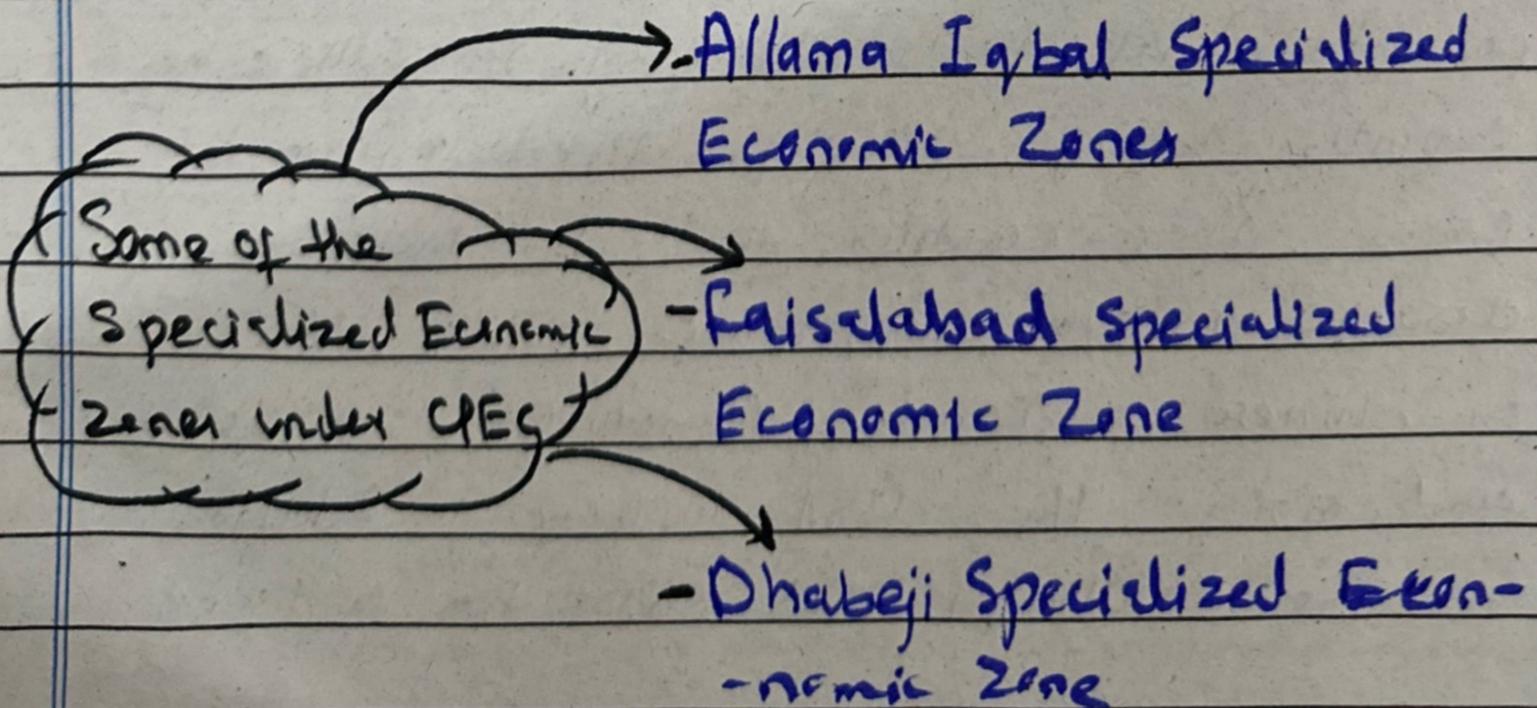
China - Pakistan Economic Corridor (CPEC) is a ~~the~~ game changer for the Pakistan's economy. It will enhance exports, bring foreign direct investment from other countries, and also increase domestic investors' confidence. While, attacks on Chinese nationals, fluctuation in interest and rising the USA influence in Pakistan are the challenges that CPEC has to face.

However, by creating Export specialized zones (ESZs) Pakistan economy would see transition from Agrarian country to the industrialized nation.

## 2. Exploring the significance of China-Pakistan Economic Corridor for the Economic Development of Pakistan

### A. Specialized Economic Zone: A Boost to Exports

China's objective of establishing Specialized Economic Zones (SEZs) would provide more output in the economy. That can be later on exported to the foreign country. Pakistan having Preferential Trade Agreement Plus with European Union would help to further export more goods through which influx of dollars will increase and economy of Pakistan will improve.



## B. Signal to other International Players for Investment

After a successful completion of CPEC Phase 1, many international players have signed memorandums of understanding (MoU) with Pakistan's government for further future investment. Some of them include Saudi Arabia, and the United States of America (USA).

### International Players investment in Pakistan After CPEC Phase 1

- \$500 million investment by the USA in rare minerals
- Saudi Arabia's investment in Cholistan for farming

## C. Enhance Private Investors Confidence

With the rising investment of China in different sectors. The domestic investor's confidence is rising. That shows that at the back hand, there is China who will assist Pakistan in times of crisis.

" \$150 + million domestic private investment between 2022 to

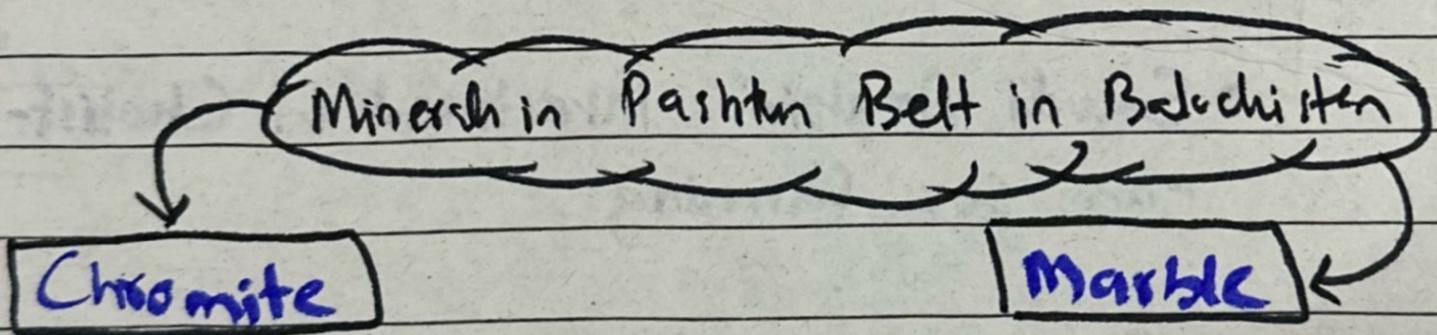
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2025, showing an increasing confidence in investors in Pakistan."

The Tribune Express

#### D. A Transition from Agrarian to Industrial Economy

CPEC would allow Pakistan to utilize its raw material to create finished goods. These products will generate economic profit. Moreover, Pashtun Belt of Balochistan is full of indigenous minerals. Via CPEC these can be explored and traded thus enhancing economic activities in Pakistan.



#### 3. Potential Challenges of CPEC for the economic development of Pakistan.

##### A. Challenge: 1 → Attack on Chinese workers

From 2022 onwards, the attacks on Chinese workers and people have increased due to which these

also a pause between CPEC Phase 1 and phase 2. Chinese workers felt insecure in Pakistan that is <sup>causing the issue by</sup> meeting CPEC in Pakistan. Moreover, China has opened Quardar International Airport and port. The <sup>sizk</sup> ~~situation~~ of attacks there is high.

Example

China

Chinese car Bomb -  
- Blast outside Karachi  
Airport.

"More than 85 Chinese  
workers have been killed  
in Pakistan as of 2025."

Islamabad Intl Policy and  
Research Institution (IPRI)

## B. Emergence of the USA influence in Pakistan

The Trump Administration has revived the friendship by ~~later~~ being soft for Pakistan, after the exit from Afghanistan & in 2021. China is being conscious about US rising influence. US has done so by investing \$500 million investment in ~~port~~ earth.

### C. Unsettled situations in Eastern and Western Borders

In May 2025, Pakistan had war with India on western borders that stopped economic activities in Pakistan for three days. Moreover in July, due to rising terrorist outfits, Pakistan launched ~~war~~ missile against Afghanistan-based terrorist that is of jeopardising the CPEC and its projects.

"\$20 million economic loss Pakistan faced over 10 day to Torkham border closures, from ~~Transit in~~ Transit Trade-in-Transit."

Al-Jazeera.

### D. Unstable interest rate creating barricades for investor's financing.

Fluctuation and unstable interest rate disturb the strategic planning of the investors. Moreover, with that, it shoots cost of borrowing. And investors become reluctant to borrow money from banks.

"Around 23% of interest rate was recorded in 2023."

## State Bank of Pakistan Report 2023.

### 4. Opportunities from CPEC for the economic development of Pakistan.

#### A. Productive Use of Youth bulge reduces Brain drain.

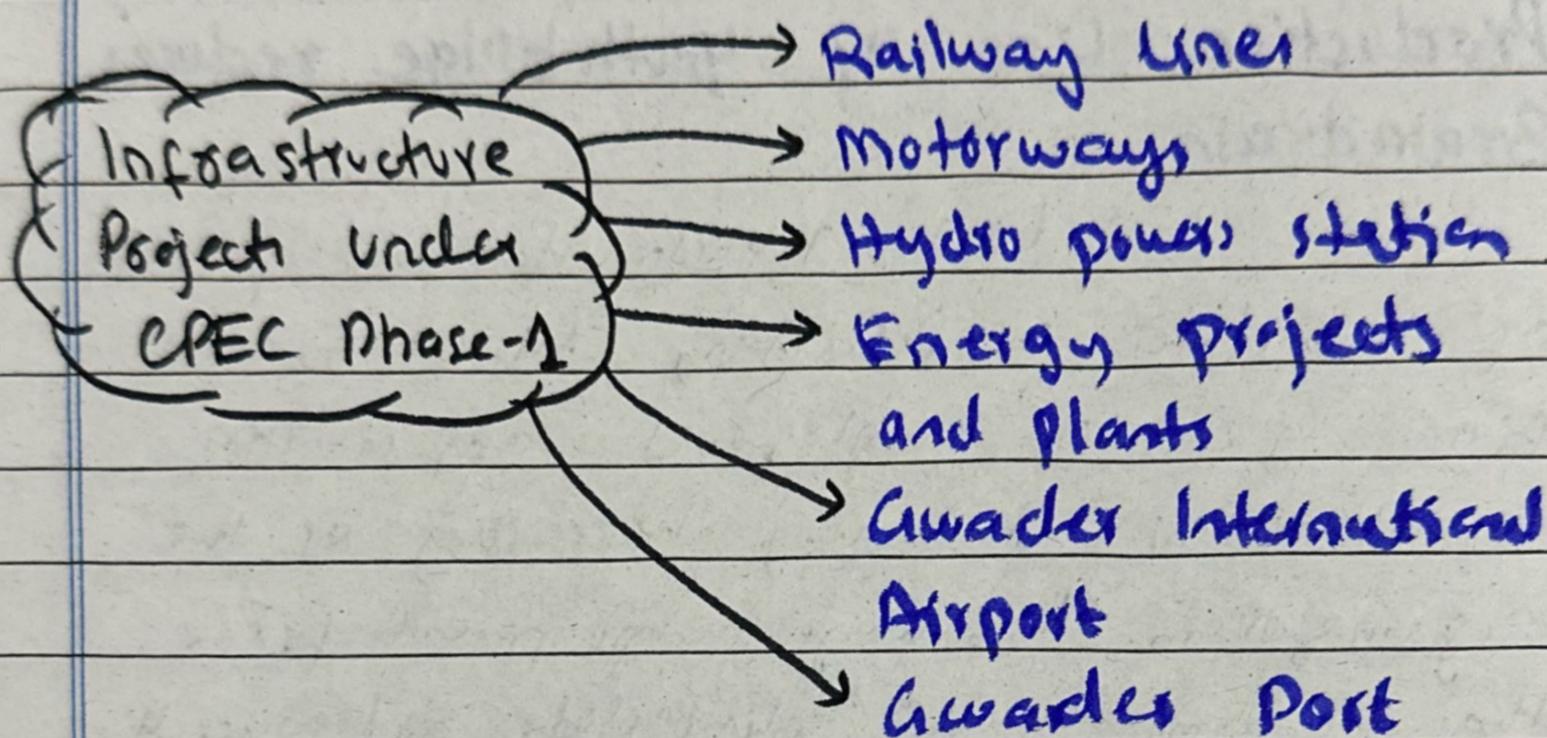
With investment, and opening of industries in Pakistan, Chinese-based firms provide employment opportunities to Pakistanis at every hierarchy of the organization. This way, unemployment from the economy would be eliminated, and overall living standard would improve. When opportunities would be provided in the Pakistan, then fewer individuals would leave Pakistan for better ~~future~~ future.

"857,000+ Job opportunities have been provided to Pakistan. There is expectation in export-oriented growth in new jobs."  
The Tribune Express

#### B. Provides better infrastructure

China CPEC Phase I good

was to provide better infrastructure to the Palestine so that smooth business operations can be done. With under CPEC 1, several railway lines were opened, Motorways were created, hydro power stations were constructed.



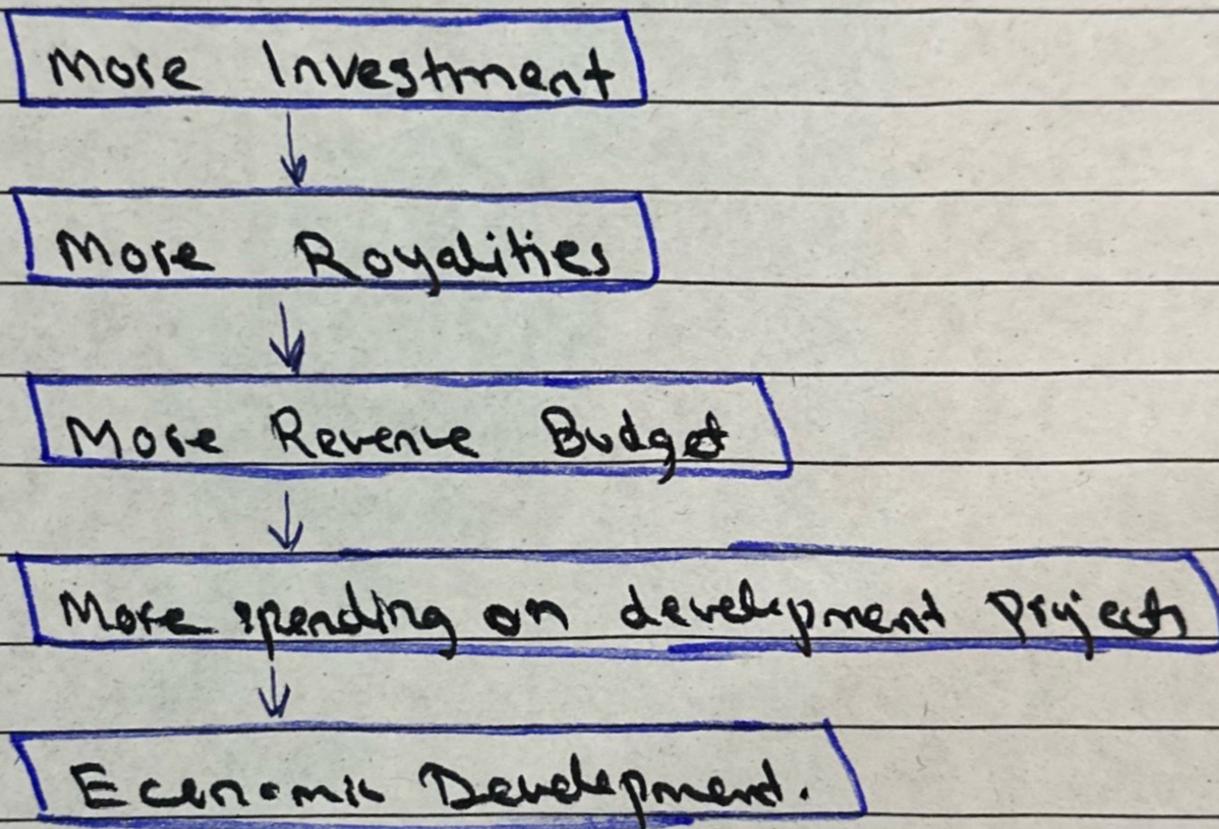
## B. Chance to diversify from economic development to military and educational corporation

CPEC provided a platform of close cooperation between China-Palestine. Palestine has been purchases of military arsenal from China. That that can be further increased. Thus, from economy to military and educational corporation can be further strength for training the army personnel with modern tech equipment.

## D. More Royalties from Investment

Chinese firms establish plants in Pakistan's economy. In return, firms pay royalties to Pakistan that is added to the budget revenue.

When more firms would invest, thus more ~~royalty~~ ~~revenue~~ generate royalties to Pakistan's economy.



## 5. Conclusion

CPEC will change the economic outlook of Pakistan when it is truly operationalized. Pakistan government need to combat its challenges such as terrorist activities. When such issues are controlled CPEC would boost Pakistan's economy by export goods ~~and~~ providing employment.