

12/20

Q#1 Critically evaluate the reasons for the slowing down of CPEC projects. What options would you recommend to Islamabad & Beijing to re-invigorate the project and make Phase II a tangible reality.

### 1. Introduction:

The China-Pakistan Economic Corridor, a flagship project of China's Belt and Road initiative (BRI), was launched in 2015. It aimed at enhancing infrastructure, energy and economic connectivity between Pakistan, and China, and ultimately between the countries of Eurasia.

Despite the initial success, CPEC projects have encountered certain challenges that made the process slow. The phenomena of COVID-19 combined with security concerns and political instability in Pakistan has led to the slow down of CPEC projects in Pakistan. However, through solid measures such as enhancing security measures, ensuring political stability and strengthening institutional frameworks, Pakistan can revitalize CPEC and enhance regional connectivity.



2. How Can CPEC Benefit Pakistan?

CPEC is often termed as 'gamechanger' for Pakistan. It not only serves Pakistan in terms of economic growth and infrastructure development but enhances regional integration and international prestige of Pakistan. CPEC has the potential to attract investments and is estimated to contribute 1-2% to Pakistan's GDP annually.

Similarly Gwadar Port expansion will potentially increase exports by 40% by 2030. The Karakoram Highway upgrade reduced the travel time and other infrastructure development such as highways has significantly improved the internal connectivity of state.

In addition, Gwadar Port expansion will make Pakistan a critical player in maritime trade. It is estimated that 75,000 jobs have already been created through CPEC projects thereby, enhancing state's socio-economic development. Hence, the CPEC promises significant benefits for Pakistan and have the potential to improve dwindling economy.



### 3. Challenges in Harnessing the CPEC Potential:

Despite the initial success of CPEC projects in Pakistan, the process has been slowed down due to intricate factors. Some of them are discussed below:

#### a- Security Concerns:

The CPEC projects have been badly hit by the resurgence of terrorism in Pakistan.

Certain insurgent activities, terrorist attacks on the Chinese workers, attacks on CPEC construction sites and episodes of violence slowed the momentum of CPEC progress. In March 2022 there were 04 consecutive attacks on CPEC projects resulting in fatalities including five Chinese workers. Therefore the security concerns became one of the reasons for delay in carrying out the CPEC projects.

#### b- Political Instability:

The persistent political instability and policy changes has led to the uncertainty



and became a major hindrance in execution of CPEC initiatives. The frequent change in governments and policy inconsistencies combined with bureaucratic hurdles has disrupted the continuity of CPEC projects. The progress of the project has been severely impeded in the previous government tenure. The inconsistent policies not only hamper the growth of projects but reflect a negative image of the state internationally which ultimately drives potential investors away.

### c- The Phenomena of COVID - 19:

The global pandemic also played its part in slowing down the progress of CPEC projects in Pakistan. It led to labor shortages and movement restriction. According to the DAWN report, the COVID-19 pandemic led to supply chain disruptions and slowed down project implementation.



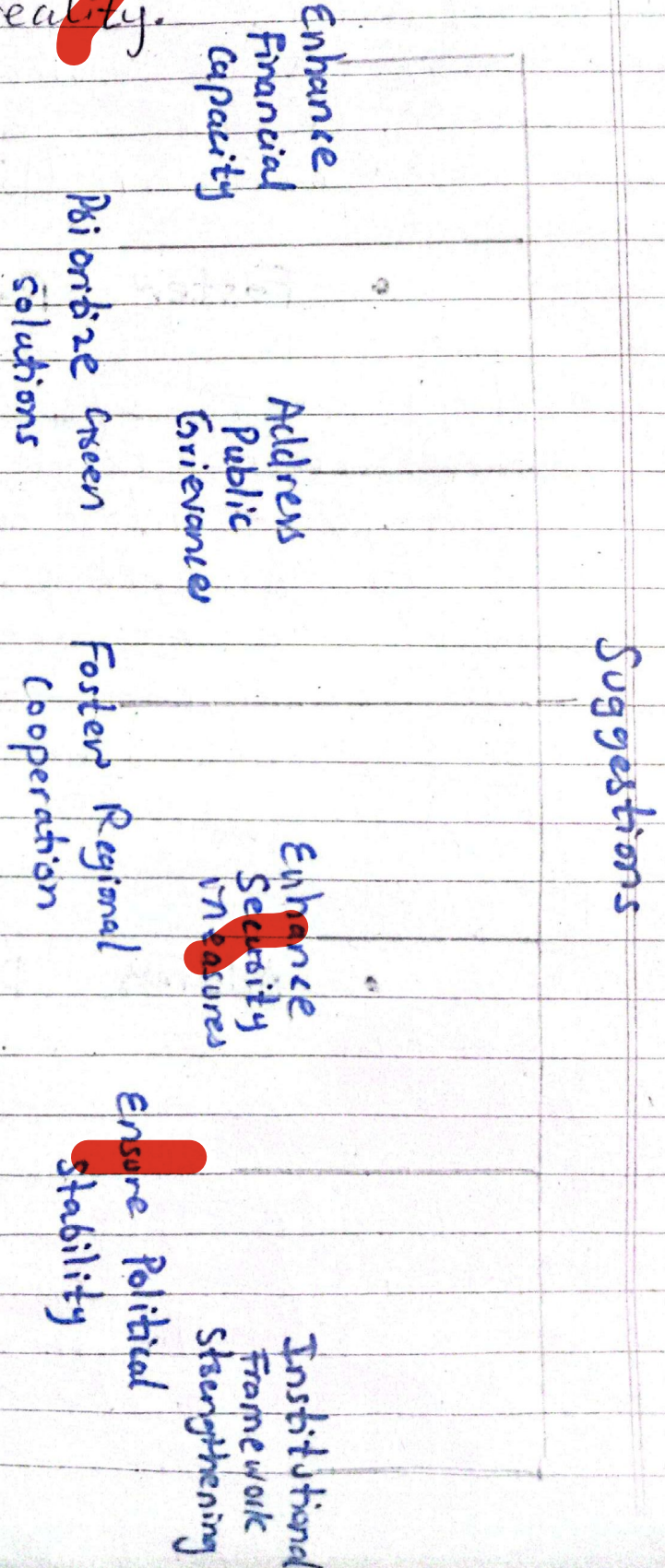
d- **Land Acquisition Issues:**  
Challenges related to land acquisition encompass a range of complexities, from disputes over compensation to resettlement concerns and local opposition. The issues mainly arising from Balochistan and delays in resolution of these issues have impeded the progress of construction and infrastructure development.

e- **Financial Constraints and China's Cautious Policy:**  
Another major hurdle slowing CPEC's progress is the financial limitations of Pakistan. Pakistan grappling with current account deficit and IMF loan conditions, struggles to secure funds for its share. China, too, has shifted towards stricter lending policies. The shift is observed shift is due to the surging cost of the CPEC project, as it was envisioned at \$62 billion and is ballooned to over \$90 billion in 2024. This further impacts project's progress.



#### 4- How can Pakistan Re-invigorate the CPEC Project?

CPEC journey faces hurdles but with strategic policy measures, Pakistan can re-invigorate the project and turn it into a tangible reality.





• **Enhance Financial Capacity:**  
Pakistan need to build and strengthen models like public Private Partnerships and attract private sector investment to bridge funding gaps and lower the reliance on Chinese funds. Pakistan needs to alleviate financial pressures to improve fiscal management.

• **Ensure Political Stability:**  
This is a high time that political parties keeping aside their conflicts, build consensus on CPEC to ensure policy continuity. Political stability will also alleviate financial pressures by attracting foreign investors and investment in CPEC projects.

• **Institutional Framework Strengthening**

There is a need to establish dedicated bodies to oversee the implementation of CPEC projects. This will ensure transparency and efficiency and will fix bottlenecks as they arise. Streamlining of bureaucratic processes will also help in swift operations and project approvals.



- **Positively Green Solutions:**  
Pakistan, in order to capitalize fully the potential of CPEC projects, need to **positively** green solutions. To **mitigate** the adverse effects of infrastructure development and ~~economic~~ environment, Pakistan needs to take green solutions under consideration.

- **Foster Regional Cooperation:**  
The Gawadar Port and certain areas of Balochistan have are sensitive tendency as are near to border areas. Pakistan can expand CPEC projects to ensure the regional integration and enhance ~~the~~ economic interdependence. Such interdependence will help alleviate regional concerns and **foster** cooperation at regional level.

- **Address Public Grievances:**  
Pakistan also needs to address the land acquisition concerns at home to further facilitate the process. Local communities should be involved in project planning to foster ownership and **mitigate** their resistance.



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### Conclusion:

CPEC is called as game-changer for Pakistan. However, due to complex internal and external factors the CPEC project progress is impeded at large level. Pakistan through solid strategic policy measures can mitigate the problem areas and turn the CPEC project into a glazing reality.