

# Current Affairs

## Test - 4

Q No. 1

11/20

Topic:

Slowdown of CPEC Projects and  
Recommendations for Revitalization

### 1. Introduction

The China-Pakistan Economic Corridor (CPEC) launched in 2013 is a key component of China's Belt and Road Initiative (BRI). Envisioned as a \$62 billion investment, CPEC aims to transform Pakistan's economic landscape through infrastructure development, energy generation and enhanced connectivity. For Pakistan, it represents an opportunity to modernize its economy, address energy deficits and foster industrial growth. For China, it serves as a strategic pathway to enhance trade connectivity with the Middle East, Africa and Europe. Despite its significance, the

Progress of CPEC has slowed down significantly in recent years due to various challenges, necessitating immediate corrective measures.

## 2. Reasons for the slowdown of CPEC Projects

### I - Security Challenges

Security threats have emerged as one of the most critical obstacles to CPEC's progress. Militant attacks, particularly in Balochistan and Gwadar, have targeted Chinese workers and infrastructure, creating an environment of fear and distrust among investors. In 2024, militant activities delayed the inauguration of the Gwadar International Airport, a key CPEC Project. Additionally, Pakistan's internal security weaknesses, especially in remote regions, have exacerbated the problem. Limited law enforcement and ongoing insurgencies in these areas have made it difficult to guarantee the safety of both personnel and infrastructure, thereby slowing project execution.

## II. Financial Constraints

Pakistan's precarious economic situation is another major contributor to CPEC's slowdown. With external debt exceeding \$125 billion in 2024 and a balance of payments crisis, the government struggles to finance its share of the projects. Critical initiatives like the \$6.7 billion ML-1 railway project have faced prolonged delays due to funding shortfalls. Compounding this issue is the circular debt crisis in the energy sector, which crossed PKR 2.6 trillion in 2024. Chinese Independent Power Producers (IPPs) have threatened to shut down operations due to unpaid dues, jeopardizing the energy component of CPEC which was pivotal to its initial success.

## III. Administrative Inefficiencies

Bureaucratic inefficiencies in Pakistan have further hindered CPEC's progress. Projects often face significant delays in

approvals due to lack of streamlined processes. For example, the Rashakai Special Economic Zone (SEZ), a flagship initiative under Phase-II has been repeatedly delayed despite agreements being finalized years ago. Additionally, policy inconsistencies caused by frequent changes in government and shifting political priorities have disrupted the continuity of CPEC initiatives. This lack of institutionalized policy frameworks has discouraged long-term commitments from Chinese investors.

#### IV. Geopolitical challenges

The geopolitical landscape has also played a significant role in slowing down CPEC. The strategic rivalry between the United States and China has led to pressure on Pakistan from Western alliances to distance itself from Beijing. This has created a challenging balancing act for Islamabad. Furthermore, India's opposition to CPEC, particularly projects

in Gilgit-Baltistan, has added another layer of complexity. India views these projects as a violation of its sovereignty which has strained regional cooperation and limited international support for the corridor.

### 3. Impacts of the slowdown on Pakistan and China

#### I. Economic consequences for Pakistan

The slowdown of CPEC has had far-reaching economic implications for Pakistan. Stalled industrialization, energy shortages and missed growth opportunities have hindered the country's economic revival. For example, Pakistan's GDP growth dropped to 2.8% in 2024, partly due to the underutilization of CPEC's potential.

#### II. Strained on Pakistan-China relations

Delays and financial disputes

have strained the once-strong partnership between Pakistan and China. Chinese companies have grown increasingly cautious, demanding stricter security guarantees and financial commitments before continuing with pending projects. This has affected trust between the two nations and delayed progress on key initiatives.

### III. Regional Connectivity and Trade integration delayed

The stagnation of CPEC undermines its broader vision of fostering regional connectivity. Delays in infrastructure projects like highways and railways have hampered trade integration between South Asia, Central Asia and the Middle East. This has weakened the momentum of China's Belt and Road Initiative (BRI) affecting its global ambitions.

### 4. Recommendations for revitalization of CPEC projects

## I. Strengthening the security Framework

To address security challenges, Pakistan and China must establish a joint task force dedicated to protecting CPEC infrastructure and personnel. This can build on the existing Special Security Division (SSD) by enhancing funding resources and training. Additionally, local grievances in conflict-prone regions like Balochistan must be addressed through development initiatives. Investments in education, healthcare and employment opportunities can foster community support and reduce insurgencies, ensuring a safer environment for CPEC projects.

## II. Financial restructuring for Sustainable Growth

Pakistan should renegotiate loan terms with China to ease repayment pressures and ensure financial sustainability. Flexible repayment schedules and adjustments to power tariffs can alleviate the burden on Pakistan's economy.

Furthermore, diversifying funding sources by involving global financial institutions such as Asian Development Bank (ADB) and the World Bank can reduce reliance on Chinese loans and attract additional investments.

### III. Streamlining administrative processes

A one-window operation should be introduced to expedite project approvals and minimize bureaucratic delays. Simplifying administrative procedures will enable faster implementation of key initiatives. Additionally, institutionalizing CPEC policies through legislative measures will protect them from political changes ensuring long-term continuity regardless of government transitions.

### IV. Enhancing bilateral coordination between Islamabad and Beijing

Frequent high-level meetings of Joint Coordination Committee (JCC) are



essential to address bottlenecks and resolve disputes. Expanding the scope of CPEC Phase-II to include industrial cooperation digital technology and smart agriculture will attract new investments and ensure the project remains relevant in an evolving economic landscape.

### V. Addressing geopolitical challenges through diplomacy

Pakistan must engage in proactive diplomacy to counter opposition to CPEC, particularly from India. Highlighting the economic and regional benefits of CPEC can help build broader international support. Additionally, including Gulf nations and Central Asian states as stakeholders can diversify partnerships reduce geopolitical risks and enhance the strategic value of the corridor.

### 5- Conclusion

The slowdown of CPEC is rooted in

a combination of security threats, financial instability, bureaucratic inefficiencies and geopolitical tensions. These challenges if left unaddressed, risk derailing one of the most ambitious development initiatives in the region.

However, by strengthening security, restructuring financial agreements, reforming administrative processes and expanding partnerships, Islamabad and Beijing can revitalize CPEC and ensure its success. The corridor has the potential to transform Pakistan into a regional economic hub and solidify China's vision for global connectivity, fostering mutual benefits for decades to come.