SUPERIOR UNIVERSITY

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# China-Pakistan Economic Corridor: A Game Changer or an Illusion?

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HIGHLIGHTS

CPEC connects China's Xinjiang to the Arabian Sea, boosting Pakistan's economic and geopolitical significance.

The initiative includes infrastructure, energy, and industrial zones as cornerstones for Pakistan's economic growth.

The policy brief explores CPEC's economic, geopolitical, and social impacts, offering strategies to address risks and optimize benefits.

## Executive Summary

The China-Pakistan Economic Corridor (CPEC), a multi-billion-dollar initiative under China's Belt and Road Initiative (BRI), aims to connect China's Xinjiang province to the Arabian Sea through Pakistan. This ambitious project includes infrastructure development, energy projects, and industrial zones, making it a crucial element of Pakistan's economic strategy and geopolitical standing. CPEC is often hailed as a "game changer" for Pakistan's economy, but questions remain about whether it can truly deliver on its promises or if it is merely an illusion. This policy brief provides a comprehensive analysis by examining the economic, geopolitical, and social implications of CPEC. It also offers recommendations to mitigate risks and maximize the benefits of this monumental project.

## Introduction

China's Belt and Road Initiative (BRI) represents a grand vision of trade, financial integration, and economic cooperation across Asia and beyond. Within this broader context, the China-Pakistan Economic Corridor (CPEC) has emerged as a critical component, designed to enhance regional connectivity and drive investment-led growth. Launched in 2013, CPEC initially attracted an investment of $42 billion, which has since grown to an estimated $62 billion by 2017.

CPEC's strategic importance is underscored by its potential to transform Gwadar into one of the busiest ports in the region, serving as a crucial link between China and the Arabian Sea. This project promises to connect all parts of Pakistan through a vast network of roads, enhancing economic activities nationwide. By reducing the distance for China's trade routes by half, CPEC positions

Gwadar as a pivotal hub in global trade, particularly for oil-producing nations. Despite these lofty goals, the question remains whether CPEC will be a genuine catalyst for economic transformation or merely a mirage.

**4 STAGES OF CHINA PAKISTAN ECONOMIC CORRIDOR**

- **Initial Harvest Stage (2015-2019)**
  - Energy Sector Development (upto 7000MW)
- **2nd Stage Short-Run Projects upto (2022)**
  - Roads, Gwadar Development, Fiber Optic Network, Coal Mining
- **3rd Stage Medium Projects upto (2025)**
  - Railway, Industrial Zones Development
- **4th Stage Long-Run Projects upto (2030)**
  - Industril Zones Completion, Agricultural Development, Tourism

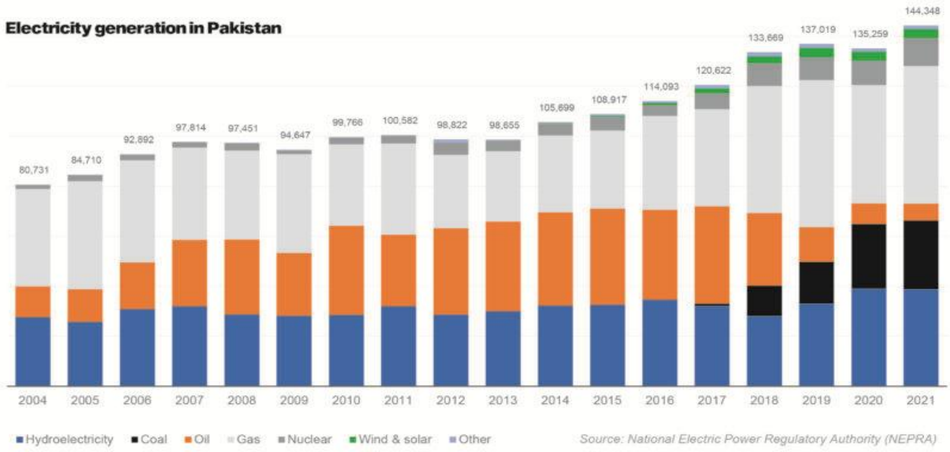
## CPEC PROJECT PORTFOLIO

The CPEC project portfolio is divided into four main sectors: energy, infrastructure, industrialization, and the development of Gwadar Port. The total cost of these projects has been estimated at $59 billion, with research suggesting that the final expenditure could reach up to $100 billion as projects move toward completion.

### 1. Energy Development

Energy projects constitute the largest share of CPEC investments, amounting to $33.59 billion, or approximately 56% of the total portfolio. These projects are expected to generate 17,034.7 MW of electricity for Pakistan, significantly boosting the country's power generation capacity. The energy initiatives are divided into three phases:

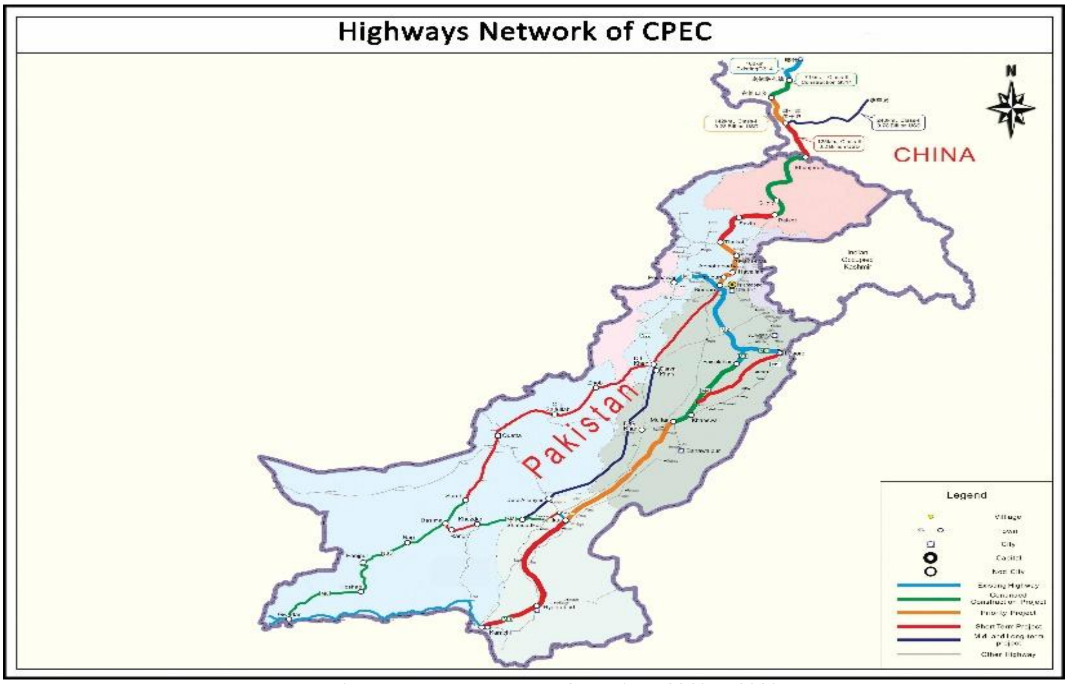
- **Phase I (2013-2018)**: Installed capacity of 8,960 MW.
- **Phase II (2019-2023)**: Installed capacity of 4,830 MW.
- **Phase III (2024-2030)**: Installed capacity of 3,244.7 MW.



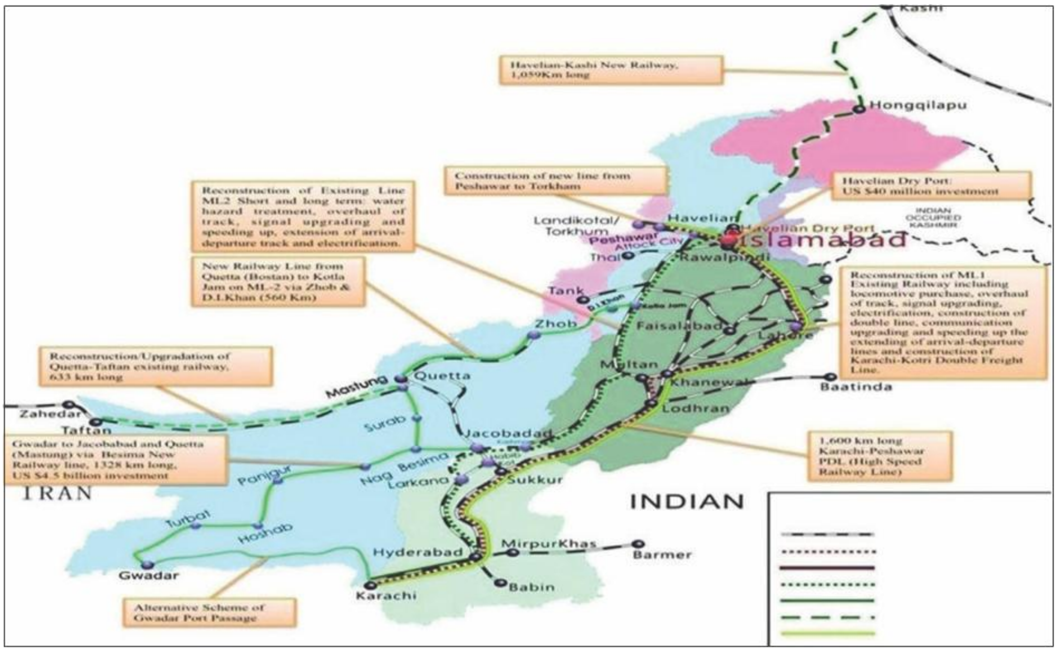

Source: National Electric Power Regulatory Authority (NEPRA)

## 2. Infrastructure Development

Infrastructure projects under CPEC focus on linking Pakistan and China through Gwadar. These include the construction of roads, railways, and pipelines. China has committed $10.63 billion for transportation infrastructure, including $1.6 billion for “Early Harvest” road projects, $3.2 billion for rail infrastructure, and $1.3 billion for pipelines. The development of these networks is expected to enhance regional connectivity and facilitate trade.




**Note**: Transport Infrastructure Monographic Study from 2013 to 2023.
**Source:** Ministry of Planning, Development and Special Initiatives.




**Note**: Railways network of CPEC
**Source**: Chine Pakistan Economic Corridor: (An Alternative Trade Route)

### 3. Agricultural Development

CPEC's impact on Pakistan's agriculture sector is projected to be significant, with investments totaling $10 billion. This influx of capital is expected to create millions of jobs and boost the agricultural GDP by 2.5% annually. Priority areas for agricultural development include the creation of value chains, strengthening research and extension services, introducing new agricultural technologies, and upgrading irrigation infrastructure.

### 4. Manufacturing Sector Development

CPEC aims to modernize Pakistan's manufacturing sector by establishing special economic zones (SEZs) such as the Rashakai SEZ, Dhabeji SEZ, Allama Iqbal Industrial City, and Bostan SEZ. These projects are anticipated to create employment opportunities, attract foreign investment, and contribute to the modernization of Pakistan's industrial base.

### 5. Service Sector

The services sector is also a key focus of CPEC, with projects designed to enhance telecommunications, logistics, and trade infrastructure. Notable initiatives include the installation of an 8,000 km fiber optic cable along the CPEC route, improving connectivity between China and Pakistan, and the Karakoram Highway Improvement Project, expected to generate 200,000 jobs.

## CPEC: Game Changer or Illusion

The core debate surrounding CPEC revolves around its potential to be a transformative force for Pakistan's economy versus the possibility that it may fall short of its grand promises. Proponents of CPEC argue that the project will significantly boost Pakistan's economy by creating jobs, improving infrastructure, and attracting foreign investment. They believe that these developments will not only enhance economic growth but also improve the standard of living for ordinary Pakistanis, thereby reducing poverty.

On the other hand, critics raise concerns about the financial burden that CPEC places on Pakistan. The project's immense cost could lead to unsustainable levels of debt, potentially compromising Pakistan's financial stability. Additionally, there are fears that the heavy reliance on Chinese investment may lead to excessive Chinese influence over Pakistan's strategic assets and economic policies.

The mixed outcomes of CPEC projects to date further fuel this debate. While some initiatives have been successfully completed, others have faced delays or have been abandoned altogether. As a result, it remains uncertain whether CPEC will ultimately deliver the promised economic transformation or if it will become another unrealized vision.

## Policy Recommendation

To ensure that CPEC serves as a genuine game changer for Pakistan's economy, the following policy recommendations should be considered:

**Economic Diversification:** Pakistan should leverage CPEC to diversify its economy beyond infrastructure development by promoting industries that can sustain long-term economic growth.

**Debt Management:** A comprehensive debt management strategy is essential to ensure that the financial burden of CPEC remains manageable and does not jeopardize Pakistan's fiscal stability.

**Accountability and Transparency:** Establishing robust mechanisms for transparency and accountability in the execution of CPEC projects is crucial. This includes regular audits and the public disclosure of project details.

**Workforce Development:** Implement training and skill development programs to ensure that the local workforce can benefit from the job opportunities created by CPEC projects.

**Environmental Sustainability:** CPEC projects must adhere to environmental regulations to minimize negative ecological impacts and promote sustainable development.

**Balanced Regional Development:** Develop strategies to ensure that the benefits of CPEC are distributed equitably across all regions of Pakistan, addressing regional disparities.

**Continuous Assessment:** Regularly monitor the progress and impact of CPEC projects, making necessary adjustments to policies and strategies to maximize benefits and mitigate risks.

## CONCLUSION

The China-Pakistan Economic Corridor (CPEC) is widely regarded as a transformative initiative that holds the potential to significantly reshape Pakistan's economic landscape. With its focus on large-scale infrastructure development, energy projects, and enhanced trade connectivity, CPEC aims to position Pakistan as a regional hub and a critical link in China's Belt and Road Initiative. However, the corridor also presents a host of challenges that require strategic planning and effective management to ensure its success.

For Pakistan to fully realize the benefits of CPEC, a balanced and pragmatic approach is essential. This involves prioritizing transparency in all agreements and operations, ensuring that the terms of investments and projects are openly communicated to avoid allegations of favoritism or corruption. Moreover, responsible debt management is crucial, as Pakistan must avoid over-reliance on external borrowing that could lead to a debt trap, potentially undermining its economic sovereignty.

Equally important is a commitment to long-term sustainability. This entails focusing on projects that not only deliver immediate economic benefits but also foster inclusive growth, protect the environment, and build local capacities. Effective governance mechanisms, equitable resource allocation, and active involvement of local stakeholders can ensure that the economic gains of CPEC are widely distributed across the population.

With sound policies, strong institutions, and a commitment to shared prosperity, CPEC could indeed serve as a game changer for Pakistan's economy, driving industrialization, job creation, and enhanced connectivity. However, failure to address these critical challenges could turn CPEC into an illusion—an ambitious project that falls short of its promises and exacerbates existing economic vulnerabilities. Therefore, careful management and strategic foresight are indispensable to transform the potential of CPEC into a sustainable reality for Pakistan.

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