

## CPEC NEXUS: CHALLENGES AND PROJECTS AND FUTURE IMPLEMENTATION

Noraiz Arshad <sup>1\*</sup> R<sup>6</sup>, Muhammad Imran <sup>2</sup>, Muhammad Binyamin <sup>3</sup>

<sup>1</sup> Department of Political Science, Bahauddin Zakariya University Multan, Pakistan.

<sup>2</sup> Department of Business Administration, NUML Multan Campus, Punjab, Pakistan.

<sup>3</sup> Department of Political Science, Bahauddin Zakariya University Multan, Punjab, Pakistan.

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### ABSTRACT

China views Pakistan as a loyal and longstanding ally. Despite facing various challenges, the two countries have maintained a strong and friendly relationship since establishing diplomatic ties. This partnership provides China with the most direct route to access the Middle East and European countries, playing a crucial role in the transit economy. Additionally, as China depends heavily on Middle Eastern nations for its energy needs, the development of the China-Pakistan Economic Corridor (CPEC) is of great significance. This multi-billion dollar project represents China's largest investment in a foreign country. Once the corridor is completed and the Gwadar port is fully operational, it will reduce shipping costs and significantly shorten the time it takes for China to reach the Middle East and beyond. The establishment of a 2,000 km transportation link consisting of roads, railways, gas pipelines, and oil will boost the economy, enhance regional integration, and expand transportation and communication infrastructure.

**Keywords:** China Pakistan Economic Corridor, CPEC, Impact, Projects

\*Corresponding Author. E-mail: [noraizarshad@bzu.edu.pk](mailto:noraizarshad@bzu.edu.pk)

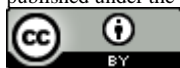
### INTRODUCTION

The China-Pakistan Economic Corridor (CPEC) is a vital project for connectivity and cooperation between China and Pakistan. The Modern Maritime Silk Road (MSR) and CPEC integration have the ability to change the area and advance economic integration, even though CPEC's primary focus is land connection. CPEC is crucial for the economic development of both countries and symbolizes regional prosperity and

connectivity. This research paper aims to address that gap through a comprehensive analysis [1].

This project is a large infrastructure community spanning about 3000 km in Pakistan. The intention is to create an opportunity path for China's electricity supply, bypassing the susceptible Straits of Malacca among Indonesia and Malaysia. This strategic circulate pursuits to shield China's electricity-established financial system in case of conflicts that might

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disrupt its get admission to those waters [2]. In Gwadar, the coronary heart of the CPEC undertaking is the advancement of a deep-water port at Sea site. This formidable initiative has the capacity to streamline alternate among Europe and China via way of means of shortening distances and lowering transit times, supplying an appealing opportunity to present alternate routes. This realignment may want to notably enhance financial ties among those predominant regions [3]. Within Pakistan, the CPEC undertaking has giant socioeconomic implications. It pursuits to cope with key demanding situations consisting of power shortages, insufficient infrastructure. Moreover, CPEC predicts a transition from Pakistan's basically agricultural financial system to an improved business foundation. By selling industrialization and offering important infrastructure, CPEC may want to stimulate financial growth, create jobs, and uplift numerous sectors of the Pakistani financial system [4]. Officials in Pakistan have excessive expectancies for CPEC, projecting giant blessings consisting of the advent of over three million jobs from 2015 to 2030. It is likewise expected to make contributions 2 to 5 percent factors to Pakistan's annual financial growth [5]. The real time physical development has already been executed. CPEC has all started to reshape Pakistan's financial panorama via way of means of boosting trades and enhancing developmental dimensions. Particularly, it has evolved as a primary participant electricity sector, accounting for approximately 1 / 4 of Pakistan's overall power generation. This combination of electricity has giant consequences for Pakistan's financial growth, business development, and universal infrastructure improvement. The formidable scope of CPEC is going past financial blessings. By developing jobs, fostering financial growth, and strengthening the electricity sector, CPEC has the capacity to convert Pakistan's financial system in approaches. The assessment emphasizes the value of CPEC's

capacity in riding Pakistan's socioeconomic development and placement for sustained development. However, like every large-scale initiative, CPEC additionally provides demanding situations. It calls for vigilant control to make certain rightful allocation of blessings, ecological sustainability, and the success of long-time period goals.

### **REVOLUTIONARY EXPANSION**

Established on 20 April 2015. Its budget is \$62 billion. An initial examination conducted in 2014 highlighted the complex geographical challenges and difficult terrain, underscoring the necessity for a China-managed port near the Gulf of Oman [6]. Once operational, this corridor will reduce the 12,000 km to just 2,395 km for oil transportation, saving the country approximately \$2 billion annually.

Notably, China took over Gwadar Port on May 16, 2013, a premeditated action in line with the CPEC's increasing objectives. The CPEC projects, which were originally estimated to be worth \$46 billion, have since increased in value to \$62 billion as of 2020, with China's investment rising to \$65 billion in 2022. CPEC, which China has referred to as the "revival of the Silk Road," is a comprehensive plan that aims to improve Pakistan's infrastructure and economy by establishing specialized commercial zones, modern transportation networks, and different energy projects.

Pakistan has been dependent on the International Monetary Fund (IMF) for numerous bailouts to address its faltering economy for decades. Pakistan has endured severe austerity measures enforced by the IMF for the past 30 years, with roughly 22 of those years experiencing economic instability. This cycle of seeking IMF assistance has become increasingly familiar. As a result of these agreements, the government has turned to excessive borrowing to fund expensive projects, leading to rising debt and inefficiencies. Consequently, the country finds itself in yet another crisis, prompting a new IMF program [7].

The Pakistani leadership is now

contemplating Chinese loans as a feasible alternative to just depending on IMF support in light of this trend. In this regard, the initial \$46 billion in CPEC-related efforts bears noteworthy consequences. A major part of China's larger Belt and Road Initiative (BRI) is this project, which aims to create a network of connected development, infrastructure, and trade initiatives. It encourages cooperation and global connectivity, with CPEC playing a key role [8, 9].

Under CPEC, China and Pakistan have an economic connection that includes both debt and equity. While the equity component is projected to generate an estimated 17% annual return on equity (ROE), the debt portion is expected to have an interest rate of 7% to 8% yearly. These estimations, however, significantly deviate from the claims stated by the Pakistani government. According to Pakistani officials, Chinese loans have an interest rate of only 2% and can be repaid over a 20–25 year period.

### SIGNIFICANCE OF CPEC

The development of the region is significantly impacted by the China-Pakistan Economic Corridor [9–10]. The following are possible areas for collaboration or development:

1. Regional connection, which covers trade and commerce, energy hubs and flows, transportation infrastructure, peace and regional development, and connectivity, harmonization, and civilization integration.
1. Monetary collaboration
2. Collaboration in agriculture
3. Industry collaboration
4. Socio-Economic development
5. Increase in livelihood opportunities
6. Educational linkage
7. Tourism including coastal tourism
8. Enhance security and stability of the region
9. Human resource development
10. People to people contact

**Table 1:** Major completed and in progress projects.

Gwadar Projects	Gwadar Port
	East Bay Expressway
	Pak China Friendship Hospital
	1.2 MGD Sea Water Desalination Plant
	Pak China Technical And Vocational Institute
	New Gwadar International Airport
Road/Railway Projects	Gwadar-Turbat-Hoshab (M-8)
	Surab-Hoshab (N-85)
	Zhob – Quetta (Kuchlak) (N-50)
	Reconstruction of the Karakoram Highway Phase II
	Multan-Sukkur Motorway (M-5)
	Abdul Hakeem-Lahore Motorway (M-3)
	Hakla D.I Khan Motorway
	Khuzdar-Basima Road N-30
	Orange Line (Lahore Metro)
	Upgradation of Karachi–Peshawar Line ML-1

Energy Projects	Dawood wind power project
	Azad Pattan Hydropower Project
	Kohala Hydropower Project
	Port Qasim Power Project
	Quaid-e-Azam Solar Park
	Karot Hydropower Project
	Sahiwal Coal Power Project
	UEP Wind Farm
	Sachal Wind Farm
	Three Gorges Second and Third Wind Power Projects
	Western Energy (Pvt.) Ltd. Wind Power Project
	Hubco Coal Power Project
	Suki Kinari Hydropower Project
	Coal Power Project of Engro Powergen Limited at Thar Block-II
	Coal Power Project of Shanghai Electric at Thar Block-I
	Coal Power Project of Thar Energy Limited at Thar Block-II
	Coal Power Project of Thal Nova Power Limited at Thar Block-II
	Open Pit Mine of SECMC in Block-II of Thar Coal Field
	Open Pit Mine of SSRL in Block-I of Thar Coal Field
Matiari to Lahore HVDC Transmission Line (878 km)	
Special Economic Zones	Rashakai Economic Zone, M-1, Nowshera
	Dhabeji Special Economic Zone
	Allama Iqbal Industrial City, Faisalabad
	Bostan Industrial Zone

## **FUTURE PROSPECTS**

The China-Pakistan Economic Corridor (CPEC) is anticipated to convey large enhancements to connectivity and monetary capability alongside the Modern Maritime Silk Road (MSR) thru organization initiatives comprising power pipelines, roads, railways, and unique monetary zones. These initiatives will create green delivery networks, facilitating the motion of products and those throughout borders, fostering monetary boom and nearby cooperation. Additionally, the improvement of power

infrastructure will deal with power deficits, selling industrialization and alternate alongside the MSR. Pakistani officers are expecting that CPEC will generate over thirty lac jobs from 2015 to 2030 and make a provision 2 to 5 percent factors to the Pakistan's annual monetary expansion. By 2022, it has now boosted Pakistan's trade abilities and supplied 1 / 4 of the country's power supply. The achievement of CPEC in addressing infrastructure and connectivity demanding situations ought to entice different nations to take part withinside the

MSR, increasing its reach. Neighboring nations like Afghanistan, Iran, and the states of Central Asia have the capability to attach their personal infrastructure initiatives to CPEC, growing a greater complete community of monetary corridors [11-12]. Careful interest need to accept to environmental concerns, geopolitical complexities, and debt sustainability to make certain a fine impact. Balancing monetary improvement with ecological maintenance and neighborhood network hobbies is essential for sustainable boom [13, 14].

## CONCLUSION

The China-Pakistan Economic Corridor (CPEC) is a transformative initiative poised to enhance the economic partnership between the two countries. Stretching an impressive 2,000 km from Kashgar, China, to Gwadar, Pakistan, the CPEC is of great significance for both nations. For China, it

provides a secure and alternative trade route for importing energy resources, while also opening new investment opportunities in its export-driven economy. Conversely, Pakistan stands to gain significantly from the CPEC, as it acts as a vital catalyst for economic development. The establishment of this project offers Pakistan a crucial foundation for stimulating economic growth. Despite the various challenges both countries face in implementing the CPEC, the potential benefits are substantial once the project is realized.

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