



## **An overview of the China-Pakistan economic corridor and its significance for Pakistan**

Salma Habib<sup>1</sup>

<sup>1</sup>University of Peshawar, Pakistan

**Corresponding Author:** Salma Habib

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### **Abstract**

The China-Pakistan Economic Corridor (CPEC) encompasses a range of projects in energy, telecommunications, and infrastructure, connecting Gwadar Port to China and offering a more direct trade route. This corridor holds strategic significance as it provides a cost-effective channel for China to export goods globally while lowering transportation expenses for oil imports from the Middle East. For Pakistan, CPEC presents opportunities to address energy shortages, stimulate economic growth, generate employment, and alleviate poverty. However, challenges such as security concerns, political commitment, and foreign influence pose obstacles to its success. To effectively navigate these challenges, it is advisable for the Pakistani government to engage key stakeholders, including local communities, the Chinese government, and neighboring nations, in the decision-making process.

**Keywords:** CPEC, Pakistan, China, Economy, Development, Infrastructure.

### **INTRODUCTION**

China is emerging as a dominant global economic and political power, exerting significant influence on the world and its future. Pakistan, sharing a small border with China, has a strategic geographical position as its neighbor. In 2013, Chinese President Xi Jinping visited Pakistan, further strengthening bilateral relations between the two nations. In May of the same year, both countries signed a memorandum of understanding (MoU) to establish the China-Pakistan Economic Corridor (CPEC). Under this agreement, China committed to investing \$46 billion in Pakistan to enhance its infrastructure through CPEC projects.

CPEC is a key component of China's broader One Belt One Road (OBOR) initiative, aimed at connecting China with Asia, the Middle East, Africa, and Europe to facilitate trade and economic integration. Specifically designed for Pakistan, the CPEC initiative focuses on investments in logistics, infrastructure, energy, and telecommunications to boost the country's

economic capabilities. A major element of the project involves linking Gwadar Port on the Arabian Sea to Kashgar in China, passing through the Himalayas. The investment in Pakistan's energy sector is projected to increase electricity production by over 10,000 megawatts through diverse energy sources, including hydro, solar, wind, and coal. Additionally, key infrastructure projects include the modernization of Gwadar International Airport, the development of the Lahore-Karachi Motorway, the Hazara Motorway, and the construction of the Havelian Dry Port, among others.

The CPEC project in Pakistan face a lot of challenges including corruption, security issues, foreign interference, and political victimization. For example, there are several incidents already occurred related to killing of innocent labor working in remote areas related to the CPEC project. In this paper, we look in to such challenges as well as opportunities and threats related to the CPEC project.

### **Strategic Importance of Gwadar Port**

Gwadar was once a small fishing village and one of the most underdeveloped regions in Pakistan. Originally owned by the State of Oman, it was formally acquired by Pakistan in 1954 for \$3 million. Until 2002, Gwadar had no significant port infrastructure. The development of Gwadar Port began under the leadership of General Pervez Musharraf, with Phase I of construction starting in 2002 and successfully completing in 2006 (Holmes, 2013). Phase II followed in 2007, concluding in 2008, and included the construction of a 200-meter adaptable wharf and a 5-kilometer-long approach channel. Initially, the port's operations were managed by Singapore Authority International before being taken over by the Pakistani-owned Gwadar Port Authority. Since 2013, the Chinese Overseas Port Holding Company has also been responsible for the port's management and operations. The first ship to dock at Gwadar Port was PoS Glory in 2008, delivering 75,000 metric tons of wheat.

Gwadar holds significant strategic importance due to its location along the Arabian Sea, close to key regional maritime routes. Nearly 80% of global trade ships carrying oil and essential goods pass through the Arabian Sea, positioning Gwadar as a crucial trade hub. If effectively managed, it can serve as a vital gateway for trade between China, India, Central Asian Republics (CAR), and Russia. For landlocked CAR nations such as Turkmenistan, Uzbekistan, and Afghanistan, Gwadar offers a shorter and more efficient route for exporting oil and gas to Western markets. The port's importance to China is evident through its substantial investments in Pakistan under the CPEC initiative. Currently, China relies on longer trade routes to export goods to the Middle East and Europe. Utilizing Gwadar could significantly reduce transportation costs and resource expenditures (Din et al., 2009). According to Garver (2012), Gwadar's development has the potential to cut China's transportation costs by half.

China imports approximately 6 million barrels of oil per day, which currently travels a longer and more expensive route. Utilizing Gwadar Port, with direct access to China through Kashgar, would significantly reduce transportation costs, offering a major economic advantage to the Chinese government. Beyond its economic benefits, Gwadar Port also holds strategic military significance. Its location allows China to monitor the activities of other global powers, including India and the United States, reinforcing its geopolitical influence in the region.

For Pakistan, the CPEC project presents substantial economic opportunities. It is expected to generate thousands of jobs for Pakistani workers, increase tax revenues, boost GDP growth, and contribute to overall economic development. A key advantage of the initiative is its focus on improving Pakistan's energy infrastructure, which could help address the country's persistent power shortages. Energy deficits and frequent power outages remain a major challenge across both urban and rural areas, making the development of a reliable energy supply a crucial national priority. The benefit of the CPEC project include the following;

China has committed over \$30 billion to enhancing Pakistan's power sector, with plans to add more than 16,000 megawatts of electricity to the national grid in the coming years. This increase in power generation is expected to significantly reduce Pakistan's electricity shortage, strengthen industrial productivity, and drive overall economic growth.

Infrastructure development is another key component of the CPEC initiative. The project aims to improve Pakistan's road, railway, and air transport systems, enhancing connectivity and boosting trade efficiency.

Additionally, the industrial sector stands to benefit from the initiative, as CPEC is expected to attract substantial foreign direct investment (FDI). Alongside Chinese investments, other countries, including Saudi Arabia, have also shown interest in CPEC projects. This increased FDI is anticipated to enhance labor skills, generate employment opportunities, and contribute to poverty reduction in Pakistan.

### **Role of Major Regional Countries**

As discussed earlier, Pakistan faces significant challenges, including those related to the CPEC project. One of the primary concerns is ensuring the security of CPEC and its associated trade routes. Pakistan's geopolitical landscape, particularly its relations with neighboring countries like India and Afghanistan, poses substantial security risks. Beyond security, political stability and the strengthening of national institutions are also crucial for the project's long-term success. In this regard, China can play a vital role by providing support in safeguarding CPEC operations.

Iran, another key regional player, is simultaneously developing its own strategic project, the Chabahar Port. If integrated with CPEC, Chabahar could present a mutually beneficial opportunity for both Iran and Pakistan. However, India has invested heavily in Chabahar, which increases its influence over the project, making Iran's participation in CPEC less likely. Despite this, Iran can still leverage CPEC to facilitate the transportation of its oil and related exports to key markets, including India and Russia.

### **Recommendations**

To ensure the successful implementation of CPEC, it is essential to address its associated challenges effectively. One key concern is the potential environmental impact of the project, which the Pakistani government must carefully evaluate and mitigate. Additionally, security risks and the need for consistent political support must be managed to maintain stability and progress. Engaging all key stakeholders, including local communities, policymakers, and international partners, will be crucial for the project's long-term sustainability. Hiring local workers along CPEC routes can further enhance economic benefits for communities, fostering greater support and inclusivity in the development process.

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