



## A Project of China-Pakistan Economic Corridor: A Case study of Significant and Drawbacks for Pakistan



Muhammad Ismail \*

**Abstract** *The corridor is significant to Pakistan's economic progress as well as the growth of Gilgit-Baltistan and Azad Kashmir. The corridor is a major transportation connection between Beijing and Islamabad that links them through land and rail routes; this project benefits the Asian and Middle Eastern countries by promoting trade and tourism between Pakistan and China. On April 20, 2015, it started with a \$46 billion budget and had since grown to a total budget of \$62 billion in 2017. Pakistan includes a road and rail network, power plants, and a unique economic sector. This proposal makes it possible to resolve oil and gas shortages, as well as economic and geopolitical scope. This massive project encourages stability, economic development, energy fortification, sustainable progress, and job creation.*

Pages: 95 – 104

Vol. VI, No. I (Winter 2021)

### Key Words:

OBOR, Pakistan, China, CPEC, South Asia, Economy

### JEL Classification:

## Introduction

The Belt and Road initiative growth plan endeavor to boost connectivity and collaboration between China and Ulaanbaatar and Moscow, Eurasian nations, Asia, Pakistan and India and Indochina across six major economic corridors. Its infrastructure projects support the countries involved. The BRI has a mutual benefit component that will help China build markets for its goods in the long run while also reducing industrial surplus capacity in the short run. Hardware (infrastructure) and support are the top priorities for BR (Ghulam, 2017).

Pakistan is a strategically and economically important country in South Asia. Pakistan's geostrategic location has

a major effect on the complexities of the South Asian region. Islamabad serves as a diplomatic backdrop, causing neighboring countries to rely on Pakistan for strategic purposes. The most important result of the Sino-Pakistan relationship has been the development of security and political links, which have the ability to become the base of their overall partnership and have never existed before. The third military treaty between China and Pakistan, worth ten million dollars, was signed in July 1966. Pakistan was taken aback when China began selling weapons to the region. It has established itself as one of the company's most important vendors; the relationship between China and Pakistan was put to the test during the Indo-Pakistan conflict in September 1965,

\* Research Scholar, Department of Political Science, Federal Urdu University, Karachi, Sindh, Pakistan. Email: [ismail.hamza@ymail.com](mailto:ismail.hamza@ymail.com)

which was sparked by the Kashmir conflict, the people's living on both sides of the Himalayas have been engaging with one another since ancient times, and as a result of these deep and trusted ties, both nations have built strong and trusted friendships. Both nations have formed strong and trusted international friendships ([Aqeel, 2016](#)).

An economic development corridor is a major project for both states. However, the corridor is the Chinese government's most critical initiative from a geographical and geopolitical viewpoint. China took a long time to decide on the initiative, with much of the preparation taking place during Nawaz Sharif's presidency. Prime Minister Sharif travelled to China in July 2013 to talk with Chinese officials. Pakistan has needed a well-developed infrastructure and communication lines because of the security and strategic value of the China-Pakistan economic corridor. The Karakoram highways are winding paths flanked on both sides by mountains; there is no adequate defence or communication mechanism, and the Karakoram highway is 600 kilometres long.

The KKH served as a backbone between Pakistan and China ([Chaudhary, 2016](#)). The aforementioned roads will not only help the area expand economically, but they will also provide vital support during times of war or other operations. Pakistan's military is the most powerful in the world, and it has a better grasp of the country's internal and external defense issues. Because a result, the Pakistani army should be involved in the preparation and execution of the strategy. The monetary corridor is a mutual project between Beijing and Islamabad, and both countries have the right to adjust the project's terms. Iran and Afghanistan have now decided to take part in the initiative. There are two big facets of this

massive project: economic and political. China has no objection to engaging in the economic growth of any other country; however, China does not want the United States to participate ([Ayza, Kahlil, and Dr. Abdullah, 2018](#)).

## Background of CPEC

The corridor is a large development plan that was finished connecting two nations in 2030. Both Chinese and Pakistani leaders value the formation of the CPEC. In May 2013, Chinese Premier Li Keqiang suggested a megaproject during an official trip to Pakistan. On March 22, Chinese Prime Minister Li arrived in Pakistan after a two-week general election in Pakistan (Wednesday). President Asif Zardari and caretaker Prime Minister Mir Hazar Khan Khoso were warmly received at the Nur Khan airbase in Rawalpindi. China and Pakistan will agree to begin a new chapter in their relationship on May 23, 2013. ([Dr. kalied manzoor, Anam, 2016](#))

Ex-President Asif Zardari and Chinese Prime Minister Li have agreed to facilitate enhanced interconnection and connectivity over and above the creation of the Economic Corridor, the world's largest initiative, which will be vital for both countries' economic and strategic growth as well as the region of South Asia. President Zardari and Prime Minister Li signed a bilateral cooperation agreement in the fields of economy, trade, infrastructure, and education, with the aim that it would play a positive role in preserving regional stability, peace, and development. At the invitation of the Chinese Prime Minister, Nawaz Sharif, Pakistan's newly elected Prime Minister, visited China in July 2013. LI, July 3rd, 2013: PM Nawaz Sharif arrives at Beijing Capital International Airport, where China's speech foreign minister welcomes him warmly. Pakistani Prime Minister

Nawaz Sharif meets with Chinese President Xi Jinping and signs a number of agreements. Prime Minister Nawaz Sharif and President Xi Jinping revealed the CPEC project in Islamabad during President Xi Jinping's visit to Pakistan in April 2015. Xi Jinping and Nawaz Sharif, both presidents, have decided to foster a 1+ 4 economic cooperation pattern. The CPEC is a core part, as are four major areas: the Gwadar port, the energy sector, and infrastructure. In order to achieve mutually beneficial outcomes and growth, the two heads share the job of scientific planning, as well as the Mage Corridor. Be part of Pakistan's political, economic alliances with China, the corridor is being built. China and Pakistan have decided to build a trade corridor between Kashgar, China, and Karachi, Pakistan ([Hussain D. I., 28](#)).

Electricity, electricity, the Gwadar port, and industry are four main areas of the China-Pakistan Economic Corridor (CPEC) that are advantageous to Pakistan's economy and people's lives. From Pakistan's Gwadar port to China's Kashgar city, the economic corridor will span approximately 3000 kilometres, the total cost of construction is estimated to be in billions of dollars. Trade routes and industrial zones will be constructed in different parts of Pakistan and China as part of this mage programme to aid Pakistan's economic development. ([Ali G., 2018](#))

### **Routes of CPEC**

The road from Gwadar port to Kashgar, China's distance is approximately 3000 kilometres and includes rugged scenery, rolling hills, ups and downs, and flat terrain. Two to six lanes have been suggested for this scheme, with each lane being 3.6 metres deep, the construction speed of the CPEC route ranges from 70 to 120 kilometres per hour ([Mahmood, 2017](#))

### **Internal and External Security**

Pakistan faces internal and external security challenges as a result of the mage initiative, and the US and India want to create political, economic, and scientific turmoil, as well as undermine democracy. No country on the international stage wishes for Pakistan that is strong, stable, and peaceful. The US has always played a double role in Pakistani domestic politics. Since the US, Israel, and India support terrorist organizations like ISIS, Taliban, al-Qaeda, and many other small groups, they pose a potential danger to Pakistan. The residents of Baluchistan were incensed by the unequal allocation and demanded that it be split equally with the rest of Pakistan. Similarly, the government of Pakistan enraged the people of Gilgit-Baltistan over the unfair distribution of resources. The Pakistani Taliban and other militant groups, including the enraged Baloch citizens, pose a threat to Pakistan's economy, politics, and projects ([Safi, 2019](#)).

### **Geography of Pakistan**

Pakistan is strategically and economically important for international trade and military operations since it is located on Asia's continents as part of the South Asian region. It is a vital part of the transport economy and serves as a gateway to Central Asia and the Middle East. Pakistan is located between the latitudes of 24 and 37 degrees north and the longitudes of 62 and 75 degrees east, with a land area of 796,095 square kilometres. Pakistan is the world's 33rd largest nation in terms of land area and the seventh most populated country. The nation shares a 960-kilometre western border with Iran ([Khalid Rahman, 2011](#)).

A small strip of Afghan territory known as the Wakhan corridor runs between Pakistan and Tajikistan. The Khyber and Bolan Passes, as well as

traditional invasion routes between Central Asia and South Asia, run through Pakistan's western borders. The northern highlands, the Indus River Plan, and the Baluchistan plateau are the three main geographic areas of Pakistan. The country of Pakistan has four distinct seasons, each with its unique set of weather conditions, such as a chilly, dry winter from December to February; Allah Almighty has blessed us with a hot and dry spring from March to May, a wet summer from June to July, and a retreating monsoon cycle from October to November. Gilgit-Baltistan is the starting point for the China-Pakistan Economic Corridor, which would establish a sea route for China's western bordering area via the Indian Ocean's Gwadar coast in Baluchistan. It also connects to Kashmir, India's Kargil region, Russia, and Jammu & Kashmir, ([Liqat Ali, jinaning MI, Mussawar shah, sayed Jamal shah, Salim Khan and Kasusar BiBI, january 2017](#)).

### CPEC of Budget

China's government is unable to allocate funds directly to this ambitious undertaking, but it does so through banks. China Development Bank • Asian Infrastructure Investment Bank • China Industrial and Commercial Bank • China Export-Import Bank • China Silk Ban China Development Bank

### Special Economic Zones in Pakistan

The following are some of the unique and cost-effective zongs that have been constructed in Pakistan's various regions.

### Moqpondass Zone in Gilgit-Baltistan

Moqpondass is a special economic zone being built along China's western border. The economic zone covers a total of 250

acres and is located in the heart of Skardu, Gilgit, and Hassan Abdel. The following projects will be constructed in the economic zone:

- water-cleaning unit
- A fruit-processing unit
- A mineral-processing unit
- A steel-and-iron unit
- A marble-processing unit.

### Rashakai Economic Zone

These economic zones are situated in Nowshera, Khyber Pakhtunkhwa, and occupy 1000 acres. This economic zone's initiative lunches are as follows.

- Fruit manufacturing plant
- Textile processing device
- Printing and packaging
- Stitching and knitting •
- Karak oil refinery •
- Nowshera industrial region

### China Special Economic Zone Dhabeji Sindh

This special economic zone is being established in Sindh's province with the aim of developing the province's backward regions. The projects mentioned below are currently in progress.

- Chinese industrial park close Karachi city
- Karachi Marble City
- Karachi Export Manufacturing Zone
- Khairpur Special Economic Zone, (Makhdoom, i January 2016).

### Bostan Economic Zones in Baluchistan

In the backward province of Pakistan, a special economic zone is being established in the hopes of bringing stability and development to the country. These locations of economic zone gave peace and

prosperity to the region. The port of Gwadar benefits the people of Baluchistan. The industries mentioned below will be included in the special economy.

- Pharmaceutical, assembly, and Chromites, Fruit, the agriculture business sector, and Halal food, Gwadar, Lasbela, and Turbat industries, Winder, micro, and Khosder industries.

### **Allam Iqbal Industrial Zone**

These zones, which are developed in the Faisalabad, Punjab province, bring growth, employment, and prosperity to the area. These initiatives in this area that are presently being launched are mentioned below.

- Textile, steel, food, chemical, and
- Agricultural industries
- Engineering and plastics industries
- Rawalpindi, Multan industries
- Mianwali industry
- Rahim Year Khan

### **ICT Model Industrial Zone Islamabad**

These economic zones can be found in Pakistan's capital, Islamabad. It spans 500 acres and is best suited for the following sectors to be developed under a special economic zone.

- IT and associated sectors
- Steel and food production plant
- Light assembly, publishing, and packaging unit
- Water cleaning device

### **Special Economic Zone in Mirpur AJK**

Mirpur, a special economic zone covering 9500 Kanals in the main city of Azad Jammu and Kashmir, is under the Pakistani administration. Mirpur is

connected to Punjab and Indian-controlled Kashmir. The following scheme is still in the works, and the property is still being processed.

Trade, forestry, and mineral and natural resources in the Mirpur region

- Travel and tourism

### **Mohmand Marble City in FATA**

Mohmand is the capital of the Khyber Pakhtunkhwa Mohmand agency. For the special economic region, it occupied 350 acres of land. In the special economic region, the proposal is launching,

- Uranium, dimensional stone, and granite
- Coal, shale, and marble
- Exchange and tourism
- Bannu industrial estate
- Chitral food processing industry, (Malik, 2018)

### **Pakistan Steel Mills Port Qasim**

Port Qasim is a special economic zone in Sindh's Karachi. It was established as part of the China-Pakistan Economic Corridor (CPEC). It spanned 1500 acres on the Arabian Sea's outskirts. The port of Qasim is well-known for its exports and imports of goods from all over the world via seaports, with the major industries mentioned below.

- Foundry and construction
- Steel and automotive-related industries
- Chemicals, warehousing
- The Textile city in the port of Qasim
- Garments and a water clearing unit

These economic zones will help to increase the economy by providing jobs service, trade and business opportunities for Pakistanis. This economic zone helps poverty reduction, economic growth, and better living circumstances for people.

## Significant Of CPEC for Pakistan

The China-Pakistan Economic Corridor, with China investing billions of dollars in both countries' histories, is a major project for Pakistan's economic, political, and energy crises. The benefits of the China-Pakistan Economic Corridor for Pakistan are listed below.

- Pakistan's agricultural industry will improve and modernize its industrial facilities as a result of this initiative.
- There will be improvements made to the optical fibre infrastructure.
- Pakistan's terrorism industry is relatively new and fast increasing, with power generated from Thar coal currently entering into the country's national energy system.
- Gwadar is currently constructing a world-class international airport. The percentage of jobs is increasing as local industries are promoted, and new technology is used.
- Increasing Pakistan's exports and making it easier to link with other countries to improved infrastructure, including improved roads and railway tracks, job opportunities for all Pakistanis, and massive foreign investment ([Ismail, 2019](#)).
- Overcoming energy crises as a result of industrial production, a simple and shorter path, Baluchistan, FATA, Gilgit-Baltistan, and the North-West China regions, including Xinjiang, are examples of rural and backward areas that need economic empowerment.
- According to official data, levies such as tolls on roads and bridges bring in between \$6 and \$8 billion every year. Terrorism is on the increase, Gwadar has the world's deepest port, and it has an international aviation terminal.
- The Corridor would reduce the time and cost of travel between Europe and Western China by half. Through the building of new transportation networks, multiple energy projects, and special economic zones, CPEC hopes to speedily update Pakistan's critical infrastructure and strengthen its economy.
- Pakistani officials estimate that CPEC will create 3 million jobs and contribute 3 to 3.6 percentage economic growths between 2015 and 2030. Among the economic gains are a better trade balance, higher incomes, improved productivity, employment creation, and efficient administration.
- In Pakistan's Khyber Pakhtunkhwa, Punjab, Sindh, and Baluchistan provinces, the corridor is planned to generate approximately 682,000 direct and indirect employments in nine special economic zones (SEZs) ([S.Mall, 2016](#)).
- The first Liquefied Petroleum Gas plant in Gwadar starts operations in January 2020. By offering a variety of business and employment opportunities in the port city of Gwadar, the CPEC will transform the way Baloch people live. It is anticipated that 1 million new workers will be produced in different fields and sectors affiliated with CPEC.
- There are various opportunities for both domestic and international investors in regions such as Iran and the Gulf countries. Increased demand for schooling, defence, and wellness, according to the corridor, will result in a healthier lifestyle.
- Construction of many industrial zones, as well as highway and rail infrastructure, as well as the Iran-Pakistan and China gas pipelines.

- Gwadar's crude oil depot and refinery are located at the Gwadar International Airport and Gwadar Port. The Highway's Structure (3000 km).The political alliance between Pakistan and China. Transportation of petroleum.
- The Railway construction (12 00 km from Kashgar to Islamabad) and the KKH reconstruction in Pakistan's region, as well as power generation ([Sattar, 2010](#)).

### **Drawback of a Corridor**

The Economic Corridor is an important initiative for two countries that will aid in regional development, but it does have certain disadvantages for developing countries like Pakistan. Pakistan has suffered several losses as a result of these setbacks.

- The 62 billion dollars that China provided to Pakistan as a form of repayment will be repaid in 20 years at the cost of 40 billion dollars. . Gwadar Port is owned by the government and run by China Overseas Port Holding Company, a state-owned Chinese company (COPHC).
- Government loans associated with CPEC have a low 2% interest rate and a 20-25-year payback schedule, with debt payback starting in 2021.
- The project will provide 40,000 employments for Pakistanis and 80,000 employments for Chinese in the area. Pakistan would pay China \$40 billion in debt repayments and profits over the next 20 years on a \$26.5 billion project under the flagship China-Pakistan Economic Corridor, which is equal to 6% of Pakistan's GDP ([Pal, January 2018](#)).
- Pakistan owes China \$10 billion in loans for the Gwadar port and other

enterprises, at a 2.5 percent annual interest rate.

- The initiatives 1.8 billion The Sahiwal Coal Power Plant is now operational. Pakistan's foreign debt has risen to roughly US\$105 billion, local economies are crumbling, and locals are being uprooted.
- Environmental issues, melting icebergs, China shipping items without text for 40 years, drug proliferation, and sexually transmitted illnesses affecting 80,000 individuals are just a few of the issues that need to be addressed.
- One million Chinese people reside in Karachi's Chinese city, which is located near the toll plaza, and Gwadar is another Chinese city that will be created at the Gwadar port, where all factories will be purchased by Chinese people. In Pakistan, a total of 3 million Chinese individuals work in various capacities ([sabit Ahmad kahan and Zahid Ali khan Marwat, July - December 2016](#))
- In Pakistani peoples 40,000 jobs were lost, while 80,000 positions were created for Chinese young, posing a significant challenge for Pakistani young.
- Coal power stations will be built in Pakistan, which is extremely hazardous to the health of Pakistani citizens. The air pollution will suffer as a result of the heavy vehicles used to cross the border, as China will be unable to pay for its exports. Without text, Chinese people will be forced to work as their own labor force, including engineers, doctors, and others. ([Wolf, 2016](#)).
- A change in society Unfavorable outcome Populations of a pleasant sound People living on land, the increased import has a local market impact. As a result of a large number

of cars on the road, traffic congestion is a problem. Changing weather patterns internal defence is a rickety proposition.

- The blending of Chinese and Pakistani communities, as well as the emergence of insurgency, has resulted in societal, cultural changes ([Siddiqui, 2019](#)).

## Conclusion

Since 2013, the economic project has been a sequence of transportation projects organism built transversely in Pakistan. The assessment of the CPEC scheme has increased from \$47 billion to \$62 billion by 2020. CPEC seeks to swiftly update Pakistan's vital infrastructure and enhance its economy by constructing a modern transportation network, as well as special economic zones. Although several key power projects were finished by late 2016, the CPEC only became partially operational on November 13, 2016, when Chinese cargo was delivered overland to Gwadar Port for further maritime transit to Africa and West Asia.

The corridor would help Pakistan grow a healthy and stable economy while also providing Pakistan with a huge opportunity to revitalize its industry and promote its economic interests. The vital project is game-changing projects that will help millions of Pakistanis avoid poverty. Construction of textile fabrics, manufacturing ventures, dam construction, nuclear plant installation, and the creation of road and railway networks are all part of the programme, which would create employment and enable people to take control of the projects. Completely fitted hospitals, vocational training institutes, and water supply and distribution in underdeveloped areas will all help to improve. The China-Pakistan Economic Corridor (CPEC) is a win-win situation for both countries and

the region. Pakistan has a once-in-a-generation ability to optimize its political and economic potential. Multi-sectoral projects are currently being introduced in order to fulfil our socioeconomic needs. Of course, even if not large, this is a massive Endeavour that would necessitate the intervention of the private sector and financial institutions. The corridor will be a game-changer for Pakistan. The Pakistani citizens must recognize the importance of promoting this corridor and helping those who reside in areas with little power and resources, such as Baluchistan, the Federally Administered Tribal Areas, and Sindh. Planners should improve the map by more evenly distributing and linking the less fortunate, as well as encouraging the more heavily populated and industrialized industrial areas.

To get the most out of this joint move by the Pakistani and Chinese governments, the administration ought to expand its preparation raise the number of stakeholders involved in CPEC. As a result of the large CPEC initiative, China's backward regions will be developed. China aims to shift its production away from the developed world and into the developing. As a result of this mission, China's exports all goods all over the world, posing a danger to Israel, the United States, and India. It also has an effect on the Arabian Sea, the Middle East region, and Central Asian states. Since it is shorter, cheaper, and easier, the China-Pakistan Economic Corridor (CPEC) is a better way to get oil from the Middle East. China imports 60% of its oil from the Gulf, which takes 45-50 days to travel 16,000 kilometres across the East China Sea. CPEC, on the other hand, makes for more cost-effective, faster, and better energy access. The CPEC reduces the journey time to ten days and reduces the distance travelled.

This remarkable project has the potential to be a game-changer for Pakistan and a big advantage for China because of its relevance and benefits for both countries' socioeconomic development. Nine economic zones, including Gilgit-Baltistan and Kashmir, will be established around Pakistan's four provinces. The industrial zone is an important part of Pakistan's economic growth. The special economic zone will boost the economy and create millions of job and business prospects for Pakistanis, putting an end to poverty and enhancing people's quality of life. Pakistan's

economic development will be boosted as a result of the economic corridors.

To summarize, the China-Pakistan Economic Corridor (CPEC) represents a once-in-a-lifetime opportunity for Pakistan, China, Central Asian countries, and Middle Eastern countries, in our opinion. No city can afford to lose out on this initiative because it has the potential to improve our growth, strategic advancement, and national integration. It must be shared equally, with no vested interests or short-sightedness included.

## References

- Abid, M. & Ayesha, A. (2018). CPEC: challenges and opportunities for Pakistan .
- Ali, Dr. G. (2018). China-pakistan relations: A Historical Analysis . Karachi : *Oxford university Press*.
- Ali, L., MI, j., shah, M., shah, S. J., Khan, S., & BiBI., K. (January 2017). the potential socio-economic impact of CPEC. *Asian development policy Review*5(4), 9.
- Aqeel, M. (2016). impact of china-pakistan Economic Corridor. *ARCADA* ,
- Atif, S. M. Dr. Aisha, B., S. & DR.kiran S. (2017). Pakistan on the Roadway to socioeconomic development: A Comprehensive study of china-pakistan economic corridor. the government : *Research journal of political science vi*,
- Ayza, S. dr. Kahlil, A. & Dr. Abdullah, M. (2019). Does infrastructure development promote regional economic integration and CPEC implication for Pakistan .
- Chaudhary, Dr. Azam . (2016). International Relations . Karachi : Ghazanafar Academy .
- Dr. Kalied, M. B. & Anam, A. B. (16). Impact of CPEC on regional and extra regional actors. *journal of political science XXXIII* (15) ,
- Hussain, D. (5 March 2018). CPEC and Pakistan's economy: A Way Forward. Islamabad: *central of excellence china-pakistan economic corridor*.
- Ismail, M. (2019, July-Dec). The project of CPEC Benefits and Drawback for Gilgit-Baltistan. *Pakistan Journal of International affairs* , 109.
- Junaid, A. (2017). Energy project under CPEC. Islamabad: Institute of Strategic Studies.
- Khalid, R. R. J. (April 10-11 2011). 60 years of pak-china Relations Landmark, Trends and Approaches. insitution of south Asian studies, Kunming (p. 69). Islamabad : *Institute of Policy studies, Islamabad*.
- Mahmood, M. (2017). China-pakistan economic corridor -the Geostrategic Dimension and Challenge. CISS Insight : *Quarterly new and view* ,
- Pal, A. (January 2018). CPEC: Progress or Plunder. Lahor : Lala Islam publication.
- S. Mall, A. (2006). The china-pakistan Axis: Asia's new Geopolities. London: *Hurst and company, London*.
- Sabir, A. K. & Marwat, z. a. k. (July - December 2016). CPEC: Role in Regional integration and peace. *South Asian Studies* 31(2).
- Safi, S. (2018). CPEC: A New political , Economic and Strategic Game. Karachi: *Oxford University press*.
- Safi, S. (2019). CPEC: A New Political , economic and Strategic Game. Lahore: *sagar publishers, urdu bazaar, Lahore* .
- Sattar, A. (2010). Pakistan's foreign policy 1947-2009: A concise history ( Second edition ed.). Karachi: *Oxford University press*.
- Siddiqui, M. M. (2019, July to Dec). Security Threats and Challenges to Pakistan-china economic Corridor One Belt One road. *Pakistan journal Of international Affairs*
- Wolf, S. O. (2016). china-pakistan economic corridor and its impact on Gilgit-Baltistan. *South Asia Democratic Forum* ,