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# China-Pakistan Economic Corridor: Opportunities and Challenges

Muhammad Zahid Ullah Khan\* and Minhas Majeed Khan\*\*

## Abstract

*The paper discusses salient features of the China-Pakistan Economic Corridor (CPEC) and attempts to analyse the opportunities and challenges coming along its way. This research highlights the importance of the CPEC in China's Belt and Road Initiative (BRI) and focuses on the strategic importance of Gwadar port as well as the significance of the CPEC for both China and Pakistan that is providing the shortest connectivity to China with Central Asia, West Asia, South Asia and onward to Europe. Moreover, it emphasises on how distance will be shortened for oil transportation from Gulf to China and will enable Beijing to play an important role as a major import and export corridor in the world. It also addresses the question about the trade deficit between China and Pakistan and highlights that the CPEC will also boost the bilateral trade. Furthermore, the study discusses different segments of the construction and prospects of the CPEC and questions the threat perception for the game changer project – the CPEC and how Pakistan can tackle these threats.*

**Keywords:** China-Pakistan Economic Corridor (CPEC), Belt and Road Initiative (BRI), Gwadar Port, Ancient Silk route, Trade Deficit.

## Introduction

The ancient Silk Road played a significant role in trade promotion between China and the South Asian region, therefore, it would not be unfair if it is assumed that China-Pakistan Economic Corridor (CPEC) is the revival of the old Silk Road. The present study elucidates Pakistan's concerns regarding the trade deficit between Pakistan and China and addresses the obstacles in attaining the preferred win-win situation between the two

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countries. The main glitches include the increasing imports of the automobiles, weapons, home appliances and agriculture products from China and less export from Pakistan to China. It is expected that after completion, the CPEC will provide an opportunity to Pakistan to address these problems — a step toward the mutual benefit and win-win situation.

The CPEC is believed to modernise Pakistan's infrastructure and strengthen its economy with the construction of a wide range of transportation networks, energy projects and Special Economic Zone (SEZs). Further, the CPEC will connect the southern Xinjiang province of China to Gwadar port and will provide the shortest land route for the Chinese commodities to reach the world's market.

### **Belt and Road Initiative**

The Chinese Belt and Road Initiative (BRI) comprises of “Silk Road, Economic Belt” and a “Southeast Asian Silk Road.” Pakistan, because of its geographic location has the potential to serve as a link for both routes. Beijing describes the CPEC as a “flagship project” of BRI. While Beijing rapidly reduces the geostrategic incentives behind the CPEC, many observers have long implied that a land connection through Pakistan to the Arabian Sea could ease Malacca dilemma, as China is vulnerable since 85 per cent of its oil imports cross the only bottleneck in the Malacca Strait. In November 2015, President Xi Jinping presented the proposal of BRI in the Chinese 13th five-year plan. It was decided that BRI would be constructed in three phases, thus, bringing new enthusiasm to the ancient idea of Silk Road by promoting the phenomenon of development for mutual destiny. Additionally, BRI will provide China with an entrance into the Pacific and Indian Ocean, as through Gwadar, Xinjiang will be much closer to the Indian Ocean than to Beijing. Through BRI, the Chinese economy will be connected with East Asia, Central Asia, West Asia and Europe. Furthermore, it will link China to European Economic Zone (EEZ) and Asia Pacific Economic Zone (APEZ) — which are the most dynamic economic zones in the world. Whilst the Chinese “open up strategy” attracted foreign investors and promoted its trade, China has initiated BRI by continuing the same policy.

In sync with BRI, China's “open up strategy” to the East as well as the West, redefines its geopolitical relations with other states. Likewise, this

strategy will accelerate the establishment of the Silk Road Economic Belt amongst 64 countries of Asia, Africa and Europe. China set out certain goals behind building BRI, that is, to build a group of the countries along the new Silk Road; a community of common interests, security and destiny. China's expectation from BRI is that it will lead to "One Belt One Road Era" and "One Belt One Road Economy."<sup>1</sup>

Pakistan and China are on the path to strengthen strategic partnership through economic cooperation, increased trade and investment and the construction of the CPEC represents the dynamic stage of this process.

### **CPEC: The Corridor of Opportunities**

The CPEC is considered as an important component in perceiving the potential of territorial connectivity and trade with the South Asian Association for Regional Cooperation (SAARC), the Association of South East Nations (ASEAN) the Central Asia Regional Economic Cooperation (CAREC) and the Economic Corporation Organisation (ECO). The importance of the CPEC stems from the fact that it will link with the ancient Chinese plan of the Silk Route Economic Belt (SREB) that would join China with Europe through Central Asia. Therefore, it can be maintained that serious efforts and long-term emphasis on the project by both the leadership of China and Pakistan, the CPEC has the potential to boost the close ties between the two countries in the future.<sup>2</sup>

According to the former Minister of Planning and Reform, Ahsan Iqbal, the CPEC is not the name of a particular route or alignment; it is a complete package of cooperative initiatives and projects. He emphasised that the "CPEC holds regional connectivity, information network infrastructure, energy cooperation, industry and industrial parks, agricultural development and poverty alleviation, financial cooperation and livelihood development including municipal infrastructure, education, public health and people-to-people contact that will produce thousands of new projects and millions of

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<sup>1</sup> Li Xiguang, "Building a New Civilisation along the One Belt One Road Initiative," in *China-Pakistan Economic Corridor: A Game Changer*, Minhas Majeed Khan et al, (Islamabad: Institute of Strategic Studies, 2016), 164.

<sup>2</sup> Ahmad Rashid Malik, Senior Research Fellow, Institute of Strategic Studies Islamabad, Pakistan, personal communication, December 1, 2015.

jobs in Pakistan.”<sup>3</sup> According to Ahmad Rashid Malik, the CPEC is a ‘Corridor of Success’ and a mega investment project for Pakistan. China has expressed confidence in building the CPEC since it will boost China trade from the Arabian Sea via Pakistan to Central Asia, the Middle East and Europe.<sup>4</sup>

Regarding the multiple projects under the umbrella of CPEC, the Chinese Government and banks will finance the Chinese companies to build US\$45.6 billion worth of energy and infrastructure projects in Pakistan. During his 2015 visit to Beijing, the former Prime Minister Nawaz Sharif signed a deal, according to which the Chinese companies would be able to run the projects as profit-making units. The deal further guaranteed to strengthens ties between China and Pakistan at a time when Pakistan was anxious about declining the US support due to the drawdown of the US troops from Afghanistan.<sup>5</sup>

China pledged to invest about US\$11.8 billion in infrastructure projects, US\$622 million for Gwadar port, up-gradation of Pakistan’s major transport infrastructure that includes: Karakorum Highway, Karachi-Lahore Motorway, the Gwadar port, East Bay Expressway Project and Gwadar International Airport. This huge investment plan, if effectively executed, is likely to transform Pakistan into a regional trade and industry hub.<sup>6</sup> China provided US\$6.5 billion for the construction of a major nuclear power project in Karachi in December 2013. In May 2014, another agreement was signed for the building of Orange Line metro train in Lahore worth US\$1.27 billion. Also, the two countries signed nineteen agreements apropos the CPEC and its different projects in November 2014. Similarly, the Chinese firms started work on six mega power projects in Gilgit-Baltistan that

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<sup>3</sup> Ahsan Iqbal, “Three Universities on CPEC’s Westron Route to Start Funtionaing this year,” *Dawn*, March 20, 2016.

<sup>4</sup> Ahmad Rashid Malik, “Route Alignment Controversy,” *Nation*, February 20, 2015, <http://nation.com.pk/E-Paper/lahore/2015-2-20/page-6>

<sup>5</sup> Salman Mehsud and Declan Walsh, “Xi Jinping Plans to Fund Pakistan,” *New York Times*, April 21, 2015.

<sup>6</sup> Zafar Mehmood, “Economics of China- Pak Trade Corridor: How to Efficiently Operate the Corridor?,” September 3, 2017, <http://hilal.gov.pk/index.php/2015-02-26-09-34-10/item/1936-economics-of-china-pak-trade-corridor-how-to-efficiently-operate-the-corridor>

includes; Dassu, Phandar, Bashu, Harpo and Yalbo to overcome Pakistan's energy problem.<sup>7</sup>

China and Pakistan signed an agreement on April 20, 2015, to start work on the CPEC costing US\$46 billion, linking Gwadar with the Chinese city Kashgar via Khunjerab pass. Moreover, a number of oil and gas pipelines, a network of roads and rail are also part of the project.<sup>8</sup>

## Major Components of CPEC

The major components of the CPEC involve energy projects on a priority basis as the first phase of the CPEC construction is related to infrastructure and energy production, therefore, they will receive much of the investment to produce the electricity required for other commercial projects. Both the countries have formulated solar, wind, thermal and water generation projects for generation of about 16,520 megawatts of electricity. The projects would nearly cost US\$33 billion. Major projects are expected to be completed in three years to provide approximately 10,400 megawatts of electricity, as Pakistan faces energy shortages and the success of the corridor depends on continuous and uninterrupted power.<sup>9</sup> It is, however, argued that if various different renewable energy sources are compared, solar energy is the paramount source to handle all the energy challenges since it is cheap and does not demand operation or maintenance costs and it exists around the year. Hence, solar energy has the potential to solve Pakistan's energy crises in a short time period.<sup>10</sup>

The second important component of the CPEC is roads and railways networks. Around US\$8,172 million railway projects were estimated for the rehabilitation and up-gradation of Karachi, Lahore and Peshawar (ML-1) railway track, which is approximately 1872 kilometres. Certain projects of the aforementioned network have already been commenced. Similarly, the

<sup>7</sup> Andrew Stevens, "Pakistan Lands US\$46b Investment from China," *CNN*, April 20, 2015, <https://money.cnn.com/2015/4/20/news/economy/pakistan-china-aid-infrastructure/>

<sup>8</sup> Rashid Ahmad Khan, "Impacts of the China Pakistan Economic Corridor on the People-to-People Contacts," in Khan, et al., *China Pakistan Economic Corridor*.

<sup>9</sup> Abdul Mannan, "PM to Sign 27 Energy, Development related MOUs, Agreements during China Visit," *Express Tribune*, November 7, 2014.

<sup>10</sup> Muhammad Irfan, Zhen-Yu Zhao, Munir Ahmad and Marie Claire Mukeshimana, "Solar Energy Development in Pakistan: Barriers and Policy Recommendations," *Sustainability* (2019), [www.mdpi.com/journal/sustainability](http://www.mdpi.com/journal/sustainability)

third key component of the CPEC is the expansion and development of the Gwadar port, which has already been handed over to China on a 40 years lease. China plans to construct a container handling facility, a major freeway and an international airport. The purpose is to build Gwadar as an international business city with all the comforts of modern life.<sup>11</sup>

The fourth important component of the CPEC is establishment SEZs, which will offer a platform to the Chinese enterprises to transfer some industries to Pakistan; that will increase the number of exports to Europe and other countries. Alternative development for the uplifting economy and providing job opportunities is to develop a shopping area nearer to Gwadar.

The likely period of completion of the project is 15 years and it has four phases. The first phase of the project was completed in December 2017, which is about the “Early Harvest” scheme of the project. This phase focuses on the energy and infrastructure related issues. Here, the provinces will be linked through roads, besides aiming at infrastructures required for development and trade and address the energy crisis.<sup>12</sup>

The second phase of the CPEC project is to be finalised by 2020, with a focus on building the cross border optical fibre cable system between the two countries. The optical fibre cable system between China and Pakistan includes federal capital, Gilgit-Baltistan, Khyber Pakhtunkhwa and Punjab. Further, various energy-related projects such as hydel, coal and wind as well as solar and nuclear projects are part of this phase. The construction of the new Islamabad airport, Eastbay expressway, hospital, technical training institutes and export-processing zones are also part of this phase.<sup>13</sup>

The third phase — 2025, is to upgrade the railway system of Pakistan. The main line of Pakistan railway between Karachi and Peshawar is currently handling 70 per cent of Pakistan’s railway traffic. Besides upgrading the main line, the phase emphasise on expanding and making an additional one or two railway lines from Peshawar to Karachi.<sup>14</sup>

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<sup>11</sup> Kausar Takreem, Home Economic College, University of Peshawar, Pakistan, personal communication, March 10, 2015.

<sup>12</sup> S M Hali, “Regional and Global Scenarios of the China Pakistan Economic Corridor,” in Khan, et al, *China-Pakistan Economic Corridor*.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

The fourth phase is planned to complete a rail link to Khunjerab Pass by the year 2030. This is a 682 kilometres long railway line, which will link the Pakistani city Havelian to the Chinese city Kashgar. The total cost of this railway line is estimated at US\$12 billion. This railway line will provide access for the Chinese and East Asian goods to Gwadar and Karachi seaports in Pakistan.<sup>15</sup>

An equally significant aspect of the project is the construction of SEZs along the CPEC route. It is important to note that successful SEZs offer instant access to high-grade infrastructure, continuous and uninterrupted power supply, public facilities and support services. Also, these SEZs areas offer simple rules and regulations for companies, such as giving special concession in fiscal and economic policies.

### **Special Economic Zones**

Establishment of SEZs is one of the focused areas of the CPEC project. It is envisioned that the Chinese companies will establish their industries in Pakistan, which will provide a sound base for industrial development in the country. It is noteworthy to mention that industries like automobiles industry, home appliances industry, solar energy technology and weapons industry etc., must be moved to SEZs.

It was decided, during the eightieth Joint Coordination Committee meeting held in Beijing, that following nine exclusive SEZs to be established across Pakistan:

- i Rashakai Economic Zone located at Nowshera, Khyber Pakhtunkhwa and its covered area will be 1000 acres.
- ii China SEZ, Dhabeji located at Sindh and its covered area will be 1000 acres.
- iii Bostan Industrial Zone in Balochistan, its area will be 1000 acres.
- iv Allama Iqbal Industrial City Faisal Abad in Punjab will be a 3000 acres zone.
- v Islamabad Capital Territory (ICT) Model Zone located and its covered area will be 200 to 500 Acres.

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<sup>15</sup> Ibid.



- vi Development of Industrial Park (On Pakistan Steel Mills land) at Port Qasim, Karachi Sindh, will be a 1500 acres zone.
- vii SEZ at Mirpur in AJ&K with a covered area of 1078 acres.
- viii Mohmand Marble city at erstwhile FATA. Its covered area and location have not been defined.
- ix Moqpanass SEZ at Gilgit-Baltistan.

Among these, each SEZ will focus on particular goods and services, however, that will depend on the availability of raw materials, work and labour locally. The result will be a “scale economy” therefore, improving the standard of production with low costs and consequently an increase in Pakistan’s exports. The strengthening of local industry will reduce imports. Furthermore, SEZs will help to increase GDP, produce jobs and ease foreign trade and foreign investment.<sup>16</sup>

## Challenges for CPEC

The CPEC as a “game changer” will not only strengthen China-Pakistan relations but also open new vistas for development for Pakistan. However, there are certain threat perceptions related to the mega project due to different factors.

### *Security Threats for CPEC in Pakistan*

Being a flagship project of BRI, the security of the CPEC is of great importance for both China and Pakistan. Providing and ensuring the security of the Chinese personnel and projects sites is the crucial challenge for Pakistan. The federal government has raised a Special Security Division (SSD) of Pakistan Army to ensure the security and protect the Chinese nationals working on the project. The division comprises of 12000 troops headed by a Major General.<sup>17</sup> It is argued here that challenges like militancy in tribal areas, the insurgency in Balochistan and law and order situation in Karachi creates instability in Pakistan. In addition, political fissures between the opposition and the government contribute towards unstable polity that would ultimately affect the CPEC. Besides the security concerns, India is

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<sup>16</sup> Muhammad Ijlal Khan, “Positive Impacts of CPEC on Pakistan’s Economy,” *Voice of Balochistan*, February 15, 2017, <http://voiceofbalochistan.pk/opinions-and-articles/positive-impacts-cpec-pakistans-economy/>

<sup>17</sup> Hali, “Regional and Global Scenarios.”

strongly opposing the CPEC by creating doubts and hurdles regarding successful completion of the corridor.

### *Indian Reservation about CPEC*

India is wary of the growing Pakistan-China ties and it views the CPEC as a threat. In September 2015, the Indian Prime Minister, Narendra Modi, visited Beijing and registered a protest against the CPEC. Furthermore, he tried to justify his protest by adding that the CPEC is being routed through Kashmir, which, according to India may cause harm to the Indian interests in the region and in Kashmir. Moreover, the intelligence agency of India, Research and Analysis Wing (RAW) has been working actively to sabotage this mega project.<sup>18</sup>

The CPEC faces a great challenge from its competitors. One of the challenges for the CPEC are the growing ties between India and Iran, who see the CPEC to be a competition for them. In this regard, India has assisted Iran to develop Chabahar port and established a rail-road link through Afghanistan, offering the port services to Central Asia and Afghanistan for the transportation of their goods. India plans to capitalise US\$85 million for the development of Chabahar, which is located at a few miles distance from Gwadar and is part of its efforts for entry to landlocked Afghanistan and Central Asia while bypassing Pakistan.

Further, the Indian involvement in Chabahar is related to Pakistan's continuous denial to permit India access for transit to and from Afghanistan. Consequently, Iran seems to be the best option for India and it is also argued that India will not be interested in the building of Chabahar if Pakistan extends transit permissions to India. Since India has been trying to engage the Central Asian states to cater to its energy need, thus, India can be easily accommodated by the CPEC through the eastern edge in Punjab and Sindh and can be engaged as a stakeholder in the success of both Gwadar and the CPEC.<sup>19</sup>

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<sup>18</sup> Ibid.

<sup>19</sup> Iqbal, "Three Universities on CPEC's Western Route."

*Political Controversies about CPEC in Pakistan*

As far as domestic challenges are concerned, the CPEC was criticised on political grounds, blaming that it is a Punjab-dominated project. The criticism creates certain conflicting and opposing views about the project in Pakistan, particularly on the choice of the route direction from Kashghar to Gwadar. At present, there are three routes, western, central and eastern, which will link the whole Pakistan with western China.<sup>20</sup>

- i. *Western Route:* The Western route starts from Gwadar crosses through Turbat, Panjgur, Nag, Basima, Sohrab, Kalat, Quetta, Qila Saifullah, Zhob and reaches Dera Ismail Khan before leading to Islamabad. Some parts of the road between Gwadar and Quetta are currently at an advanced stage of construction.
- ii. *Central Route:* The Central route originates from Gwadar, Quetta and reaches Dera Ismail Khan via Basima, Khuzdar, Sukhar, Rajanpur, Layyah, Muzaffargarh and Bhakker.
- iii. *Eastern Route:* The Eastern route will start from Gwadar, Basima, Khuzdar, Sukhar, Rahim Yar Khan, Bahawalpur, Multan and Lahore/Faisalabad and then reach Islamabad.<sup>21</sup>

In 2016, Iqbal stated that the CPEC is beneficial for all provinces. He further added that two roads will be built from Gwadar to Quetta and from Gwadar to Khuzdar to Ratodero. Similarly, Gilgit-Baltistan has to be a gateway to the CPEC. This project has the ability to attract South Asia, Central Asia and Europe and open billions of dollars for the Pakistani markets including regional markets. Additionally, Balochistan will be the main beneficiary of the CPEC. Similarly, all the provinces and regions would also gain from the project.<sup>22</sup>

The opposing views about the CPEC led the Government of Pakistan (GoP) to develop national consensus on this important issue. In this regard, the former Prime Minister, Sharif, took all the political parties into confidence. On May 28, 2015, at All Parties Conference (APC), he

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<sup>20</sup> Malik, "Route Alignment Controversy."

<sup>21</sup> Zameer, "Costs and Benefits of CPEC," <http://forpakistan.org/costs-and-benefits-of-cpec/>

<sup>22</sup> Iqbal, "Three Universities on CPEC's Western Route."

announced to build the western route — from Hazara in Khyber Pakhtunkhwa to Quetta in Balochistan first.<sup>23</sup>

It is important to state that the CPEC will open new pathways of development for all provinces as Gwadar port will be upgraded and a 14 kilometre highway will be built in addition to the construction of a modern airport, which would brighten the prospects for the coastal areas of Balochistan. Furthermore, a 20 kilometre-long iron bridge will be built on M-17 linking Balochistan to Punjab along with Indus Highway of Sindh province. The federal government has also pledged to extend its co-operation to attract Foreign Direct Investment (FDI) in Balochistan. More significantly, Azad Jammu and Kashmir will benefit in the same way as Mirpur-Muzaffarabad route is around 260 kilometres having a share of around 10 per cent of the total length.<sup>24</sup>

Many elements are still highlighting the controversy about the route alignment of the CPEC despite the fact that all political parties have developed a consensus on it. It can be argued that it is a mutually beneficial project for both countries. Through this route, China can get the shortest possible access to the Arabian sea, Indian Ocean and Persian Gulf, which will help it in the near future in the acquisition of energy from the Middle East.<sup>25</sup>

## Major Projects under CPEC

The CPEC is a basket of development projects, particularly regarding energy and infrastructure. China and Pakistan have signed 51 MOUs regarding the projects (see the list of some major projects below) of CPEC during President Xi's visit to Pakistan from April 20- 21, 2015.<sup>26</sup>

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<sup>23</sup> Malik, personal communication.

<sup>24</sup> Ibid.

<sup>25</sup> Malik, "Route Alignment Controversy."

<sup>26</sup> Malik Muhammad Ashraf, "China Pakistan Economic Corridor: Analysing the Indian Factor," in *China-Pakistan Economic Corridor*.

**Table No.1**  
**Key Projects of CPEC**

Gwadar Port
Upgrading of Karachi-Peshawar Railway Mainline
Khunjerab Railway
Karachi to Lahore Motorway (KLM)
Havelian-Khunjerab Railway Track
Hazara Motorway
Gwadar-Ratodero Motorway
Economic Corridor Support Force
Havelian Dry Port
Orange Line (Lahore Metro)
Upgrading of Gwadar Airport
Joint cotton biotech laboratory
Gwadar-Nawabshah LNG Terminal and Pipeline Project
Cross Border Fiber Optic Project
Dawood Wind Power Project
Development of Private Hydro Power Projects
Jhimpir Wind Power Project
Zonergy 9x1000 MW Solar Project in Punjab
Thar Block II 3.8 mt Mining Project

*Source: (Hali, 2016).*

## **Pakistan's Perspective**

With the significance of the CPEC that is connecting China and Pakistan, Gwadar port occupies the important location. Various major projects mentioned above, Gwadar port has significant strategic and political importance for both countries. Pakistan having pressing energy shortage needs economic stability; therefore, the CPEC is of paramount importance for Pakistan.

### *Gwadar Port*

The construction of the port is less costly for Pakistan because China invested 80 per cent, while the remaining 20 per cent of the total cost was paid by Pakistan.<sup>27</sup>

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<sup>27</sup> Takreem, personal communication.

After 2002, Gwadar was affiliated with China as it provided US\$248 million for its construction. China completed it in 2007 but on commercial basis, it was handed over to Singapore Port Authority (SPA), which then violated the contract resulting in the cancellation due to unnecessary delay, therefore, the management of the port was transferred to China Overseas Port Holding Company (COPHC) for 40 years from February 2013 to February 2055. Initially, it was expected that once the port becomes fully functional, it would generate US\$60 billion in revenue per year from its transaction for Pakistan. Moreover, from transshipment, it will generate more than US\$120 per year.<sup>28</sup>

It is important to mention here that both China and Pakistan has denied building a naval base at Gwadar but according to Takreem, China is planning it, which is strategically beneficial but politically costly for Pakistan due to its hostile neighbourhood. To support this argument, the analyst further stated that through the expected naval base, the Indian hegemony in the Indian Ocean could be challenged, which can strengthen Pakistan's naval capabilities, as it is strategically very important for Pakistan. Besides all these facts, Gwadar port will increase seaborne trade between the two countries as well as in the region.<sup>29</sup>

### *Maritime Trade and Economic Growth*

The Indian Ocean is a highway for international maritime trade. Marine transportation is an important, effective and energy efficient linkage in the world supply chain. Likewise, seaborne trade has brought sustainable development to the world's struggling economies.<sup>30</sup> It is a known fact that economic globalisation has driven the states to achieve economic growth and seaborne trade plays an important role in achieving it. In this regard, it has helped to reduce poverty and supported the economic development of the countries. At present, maritime trade has become an integral part of the global economy. Seaborne trade needs a network of ships, ports and transportation infrastructure.<sup>31</sup> It is for this purpose, that the importance of

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<sup>28</sup> Ibid.

<sup>29</sup> Ibid

<sup>30</sup> Inayat Kaleem, "Geo Strategic and Economic Prospects of Gwadar Port; As a Trade and Energy Corridor for Pakistan," Doctoral Dissertation, Department of International Relations, University of Peshawar, 2014.

<sup>31</sup> Ibid.

Gwadar port has increased manifold. Gwadar port can give a great boost to seaborne trade for Pakistan. Construction of port and transportation infrastructure at Gwadar can offer Pakistan a base for economic growth through seaborne trade.

### *Opportunities for Shipping Industry*

The above arguments highlight the importance of the shipping industry as the port will increase the opportunities of expanding this industry in Pakistan. The shipping industry has great scope and potential in the field of economic growth, principally for the developing countries. Most of the developing countries capitalise in the shipping industry to attain certain objectives such as reducing freight costs, saving foreign exchange, promoting the country's foreign trade and generating employment.

Keeping in view these points, one can contend that the shipping industry can bring positive momentum in the economic growth of Pakistan, which further shows the standing of Gwadar port in the economic prosperity of the country. Unemployment is one of the challenging indicators these days but the good signal is that the CPEC will instil up to 2,320,000 jobs into the job market.<sup>32</sup>

### *Security through Economic Development*

In Xingjian, the separatist movement can harm the economic interests of both the Chinese and Pakistani communities. In this regard, the CPEC supplement China's effort to provide security through economic development. Investment in Pakistan has been aimed at creating jobs, which will result in lessening anti-state sentiment and create public resources for improving law and order situation.<sup>33</sup> China hopes to secure its western region by addressing the threats of Jihadist organisations in Pakistan. Pakistan's civilian and military leaders also realise the economic, political and security prospects offered by the CPEC. Pakistan needs FDI to stimulate economic growth but due to security threats, investors are hesitant to invest in Pakistan, particularly since 2001. It is worth mentioning that

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<sup>32</sup> Khan, "Positive Impacts of CPEC."

<sup>33</sup> James West and S Daniel Markey, "Behinds China's Gambit in Pakistan," <https://www.cfr.org/expert-brief/behind-chinas-gambit-pakistan>

China's investment plane has added more than all FDI in Pakistan since 2008.<sup>34</sup>

## Conclusion

The CPEC has substantial importance for both the countries as it is providing the shortest possible route to China to connect with Central Asia, West Asia, South Asia and onward to Europe. Moreover, it will reduce the distance for oil transport from the Gulf to China and will enable China to play a major import-export catalyst in the world besides, boosting the trade between China and Pakistan.

It is anticipated that the CPEC will benefit billions of people in the entire region because of its potential for intra-regional connectivity. Therefore, as a flagship project of BRI, the CPEC is very fundamental for its success. The CPEC shows a motivating example of the amiable association between Pakistan and China and offers prospects for Pakistan to broaden and strengthen economic and strategic relations with China. It is important to emphasise that since 2001, the War on Terror and the worst security situation in the region gravely affected the Pakistani economic activities. The project has multi-dimensional benefits for Pakistan; not only will the CPEC increase trade between the two countries it will also generate huge commercial and economic openings that will help in creating jobs. More so, it can be implied that the projects delivering security through economic development.

Under the CPEC several energy and infrastructure projects will create major economic activity in Pakistan, which will help overcome the energy crisis in Pakistan, by increasing its capability to produce energy to accomplish electricity needs. The GoP plans to establish SEZs throughout the country that would be the basic feature of the project. Development of the port and an airport at Gwadar and the construction of eastern, western and central routes will tie all the provinces and regions in the country. Furthermore, China's investment in the CPEC would alter the image of Pakistan as a safe haven for terrorism and will help in inviting the FDI. Pakistan requires to address all the political apprehensions concerning the CPEC, create stability, maintain law and order, situation to avail the

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<sup>34</sup> Ibid.



opportunities from this project. Pakistan must ensure the security of all the employees working on the CPEC and make efforts to quell the political disagreements that put the CPEC at risk. Without these steps, Pakistan would not be able to reap economic and social benefits from the object. In short, the CPEC, is not just an economic project; it has political and strategic dimensions for both, Pakistan and China. The operation of the CPEC will prove to be transformative not only for the two countries but also the adjoining regions of East Asia, Central Asia, South Asia, West Asia, the Gulf and Africa.