

# THE CHINA-PAKISTAN ECONOMIC CORRIDOR AND ITS IMPLICATION TOWARDS BEIJING AND ISLAMABAD RELATIONS

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## ABSTRACT

*This paper uses qualitative methods and idealistic theory to analyse the implications of the China-Pakistan Economic Corridor (CPEC) for Beijing and Islamabad relations. CPEC is a multidimensional development plan under China's Belt and Road Initiative (BRI) that connects the southwestern Gwadar Port of Pakistan to China's region. China's multibillion-dollar investment in Pakistan is Beijing's strategic move to lead the world's economy in return for assisting Islamabad in dealing with its foreign debt crisis through three primary areas: energy, infrastructure, and security. Islamabad sees this project as an opportunity to revive its economy while China seizes more space to strengthen its power globally. CPEC was formed to address regional issues and transform strategic rivalries into strategic alternatives and regional integration. Beijing's massive ambition and investment through CPEC will not only impact the China-Pakistan bilateral relations alone but will also enlarge transport capacity between western China and the Arabian Sea. Furthermore, China's efforts will affect its foreign policy, which aims to dominate the world economy. This paper suggests that China and Pakistan must maintain peace and stability for an extended period for CPEC to be implemented successfully.*

**Keywords:** CPEC, China's BRI, Pakistan's Debt Crisis, Gwadar Port

## INTRODUCTION

The China-Pakistan Economic Corridor (CPEC) is at the crossroads of China's Silk Economic Belt and Maritime Silk Road. CPEC is one of the projects of the Belt and Road Initiative (BRI) held by Beijing to advance its economy and to make China the world's foremost power (Saini, 2021). CPEC's purpose is to connect Kashgar, which is in the Northwest region of China, to Pakistan's southern port city of Gwadar in Balochistan. The plan will connect both territories by building a network of railways, airports, highways, and energy pipelines for trade and tourism. Besides its aim to transform both countries' economic development, China also aims to support the well-being of Pakistanis.

CPEC is Beijing's comprehensive strategy of showing its competitive economics by building its relationship through the Pakistan industry sector. CPEC was signed by both countries and written in the 51 Memorandum of Understanding (MOU), which continued with the plan on how CPEC would be going (Saoud, 2019). This bilateral cooperation was made to deepen their economic relations through trade

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linkages, energy, new oil, gas pipelines and cable projects, communication, infrastructure, construction of rail and road networks and connectivity. Thus, the result of this cooperation will be shared by China and Pakistan. Based on the purpose of CPEC itself, it will bring great potential in ensuring opportunities and doors for new economic activities throughout the region. There will be three phases of the CPEC projects. The first phase will be finished in 2020, continue in 2025 and last in 2030 (Saoud, 2019).

From China and Pakistan's historical experience, they have built several cooperations at the political levels. Furthermore, they planned to expand their bilateral collaboration in the economic sectors. CPEC has become China and Pakistan's new energy source to maintain mutual benefits and achieve shared profits due to the outcomes. In President Xi Jinping's speech when he visited Pakistan at the time of the signing, Xi Jinping stated that this strategy raised by China on the new era of technology was a way of Beijing's initiative to build trading routes access from Asia, Africa, until Europe (Khursheed, 2019). China's reason for choosing Pakistan as its companion in this strategic cooperation was because of Pakistan's geo-strategic position and reach of energy resources, which was known as the world's largest oil producer that would help China boost its economy. It is not only China but this CPEC project will cooperate with more than 60 countries (Khursheed, 2019).

CPEC is considered an investment for infrastructural development, energy generation projects, and an actual corridor. There are three significant areas that CPEC will focus on: the energy sector, infrastructural development, and special economic zones (Akther, 2018). The energy sector investment is the most vital area for Pakistan's economy because the previous energy crisis has turned down Islamabad's economic growth. At the same time, the second central area is infrastructural development, where 25% of the amount used in the CPEC project has been allocated to this area in Pakistan (Akther, 2018). There has also been an expansion in Pakistan's infrastructure and railway to elevate their internal connectivity. Lastly, the Special Economic Zones (SEZs) are important in promoting their economic growth and employment trade. SEZs aim to promote Pakistan's industrialisation and financial activities by attracting foreign direct investment. Furthermore, this area will help facilitate a balanced development all over Pakistan.

President Xi Jinping has prepared several agendas regarding the continuity of this project, one of them being the introduction of the mode of globalisation. Xi Jinping aims to make CPEC China's cornerstone in promoting its economic incorporation, developing its economic sector, and engaging regional connectivity with neighbouring countries (Khursheed, 2019). China's position is that of a potential state in terms of investment and bilateral trade, which could be a promising strategy for Pakistan's economy. However, there were several challenges and issues in carrying out this cooperative relationship. Based on the background, this paper will analyse the implications of the China-Pakistan Economic Corridor for Beijing and Islamabad Relations.

The rest of the chapter proceeds as follows. First, this paper will briefly examine how the idealistic theory is used in the paper to answer the research question. On the first part of the discussion section briefly explains how the relationship between China and Pakistan is now. Then, this paper continues to discuss a historical review of the China-Pakistan Economic Corridor (CPEC), the geopolitical dynamics, and the interest

of Beijing and Islamabad in the CPEC. The following section provides an overview of their challenges throughout the CPEC Project. The next part of the paper explains the economic impact of the CPEC and the strategic implications of the China-Pakistan Economic Corridor to both countries. Lastly, the last part of this paper offers a conclusion.

## **CONCEPTUAL FRAMEWORK**

This paper will use idealistic theory to understand the implication of the China-Pakistan Economic Corridor (CPEC) for Beijing and Islamabad Relations. In international relations, idealism is an approach that seeks to promote specific ideals or moral objectives to create a peaceful world (Smith, 1923). In this case, CPEC, which China initiated, emphasised cooperation, shared goals, and the pursuit of collective good for both countries. Beijing's economic ambition is to expand its influence by investing in several sectors of Pakistan's industrial projects. From an idealistic perspective, the project can be considered a way to strengthen economic ties, achieve mutual prosperity and promote peace. China's way of boosting Pakistan's economic growth by improving its infrastructure and trade development would potentially contribute to enhancing Pakistanis' well-being to live out of poverty. As the idealistic holds the value of the role of soft power, CPEC can be seen as a way to build goodwill and strengthen bilateral ties, which is beyond their economic interests (Khan et al., 2023).

Furthermore, CPEC's goal of establishing Pakistan as a central trade logistics company fits the idealistic vision of integration and global connectivity. China and Pakistan are to prioritise the principle of mutual benefits in their cooperation (Khan et al., 2023). Idealism suggests their shared commitment to foster a positive relationship. Applying idealism to the CPEC projects and analysing its implication for Beijing and Islamabad Relations shared values while acknowledging potential challenges. Though the CPEC project aligns with the idealistic value of economic and infrastructure development, China's national interest throughout the continent remained questioned. China's power could reinforce imbalances between both countries, which might concern Pakistan's economic dependence towards China. Applying the theory of idealism in international politics and relations to this analysis, this paper will showcase how the CPEC Projects could successfully implement shared values and mutual benefits to China and Pakistan future cooperation or potentially lead to adverse outcomes.

Qualitative research was done with an idealistic theory analysis of secondary data, which includes sources from international journals and news, as well as the outcomes of the study of this paper. As a significant power in the Global South, China has prioritised its national interest in expanding its dominance all over the Middle East, Africa, and Europe. CPEC project seeks to reduce China's reliance on traditional maritime routes that are known to be vulnerable. Beijing sees the potential cooperation with Pakistan to address a stable environment for Islamabad's future economic growth. This partnership provides China with a reliable ally throughout South Asia and serves as a counterbalance to other regional influences for China's strategic interest. As Pakistan urges for its country's economic stability, the presence of China brings hope and certainty. Therefore, CPEC aims to position Pakistan as a critical trade with the idealistic perspective of regional integration and global connectivity. This can lead to a

peaceful international community while enhancing another of China's Belt and Road initiatives ambition (Khan et al., 2023).

## **CHINA AND PAKISTAN RELATIONS**

China and Pakistan's bilateral relations have started from the beginning of their independence until the colonial powers, which has shaped both states in a good relationship throughout history. From the perspective of international politics, their relationship benefits their national interest. Although Beijing and Islamabad have different civilisations, histories, and social, political, and economic aspects, they managed to build collaboration projects without letting their differences disturb their bilateral ties. Following the changing international power structure and geo-strategic realities, they underpinned their policy according to the circumstances that happened when they made their regional policies. This is a way for them to develop their differences through exemplary relations. Historically, the Chinese were attracted to Pakistan because of some changes the country has gone through, which are the nuclearisation of South Asia, the War of Kargil between India and Pakistan, the War on terrorism and lastly, the change in the United States' policy towards India that is considered as China-centric (Shabbir et al., 2021).

Looking back to the 1950s, when both countries first signed and engaged in the barter trade of coal and cotton (Akther, 2018). On the other hand, after determining their diplomatic relations in 1951, they were involved in a conflict in Kashmir and Korea because they carried out their respective countries' duties (Khalid, 2021). Reacting to Pakistan's security threat, which is its Eastern neighbour, Pakistan decided to ally with the West, which is led by the United States, against communism. Beijing responded suspiciously, but both countries remained low so they would not make rash decisions that would be considered a move against their common interest. Despite the tension, China respects Pakistan as the first Muslim Country that would recognise the 'New China.' Pakistan has also not been committed to participating militarily in the Korean War, although Washington convinced them to do so (Khalid, 2021).

Even though their relations were underground due to their national interests, in 1962, relations between Beijing and Islamabad weakened during the Indo-China war (Akther, 2018). The war made China consider India as a more trustworthy country rather than Pakistan because Beijing thought that Pakistan was leaning more towards the Western bloc. After the war, a territorial dispute encouraged China to deepen its strategic relations with Pakistan. Although they remained low in their economic trading due to China's interest in the 1990s, they started to expand their ties, which became a step up in their relationship when they signed a Free Trade Agreement in 2006. This agreement has become the foundation for the development of CPEC, knowing that they increased the trade volume from 1 billion USD in 1998 to 15 billion USD in 2015 (Akther, 2018).

## **HISTORICAL REVIEW OF CHINA-PAKISTAN ECONOMIC CORRIDOR**

The CPEC is a vital growth axis and development belt, emphasising complementary strengths, collaborative efforts, mutual benefits, and shared prosperity. It has become the centre of a comprehensive transportation network and industrial partnerships

between China and Pakistan, CPEC is driven by tangible economic and trade cooperation, as well as cultural exchanges and people-to-people interactions. This initiative focuses on significant projects related to infrastructure development, industrial progress, and enhancement of living standards, all to foster socio-economic development, prosperity, and security in the regions it traverses.

Across various historical periods, the Chinese and Pakistani governments and their people have been trying hard to deepen their friendship despite the evolving circumstances. Since they agreed to formalise their diplomatic ties in 1951, China and Pakistan have continually strengthened and advanced their relationship (Shah & Anwar, 2022). The decision made in 1966 to establish the friendship Karakoram Highway, linking China's Xinjiang region with Gilgit-Baltistan in Pakistan, was a significant milestone in the relationship. This highway now serves as the main route for the CPEC project. Following more than a decade of building their trust, Beijing and Islamabad were prepared to embark on a collaboration with far-reaching global and regional impacts (Shah & Anwar, 2022). This collaboration has set a model, showing an amicable relationship between nations with diverse cultures, social systems, and ideologies. Therefore, both countries have recognised the importance of CPEC, which begins in Kashgar, Xinjiang, and extends to Karachi and Gwadar, coastal cities in southern Pakistan, passing through the Khunjerab Pass and other vital locations.

CPEC is a crucial project to enhance their economic relations, foster cooperation, and establish a shared destiny, ultimately benefiting the region's people. President Xi Jinping's visit to Pakistan in early 2015 initiated a strategic cooperative relationship between the two countries, resulting in a new connotation (Panda, 2018). The two countries agreed on a method of collaboration that made the critical areas of CPEC include Gwadar Port, energy, transportation infrastructure, and industrial cooperation. This has opened a new chapter in the CPEC project agreement, which has added further collaboration. In addition, relevant ministries and departments from both countries have agreed to set up a cooperation mechanism to coordinate the full implementation and development of CPEC.

They formulated the Long Term Plan for China-Pakistan Economic Corridor (2017-2030). This initiative is a nationally approved strategy endorsed by the Chinese and Pakistani governments. It is designed to align seamlessly with relevant national and regional plans in China and with Pakistan's Vision 2025 (Sun & Wu, 2022). The Long-term Plan includes additional collaboration in areas such as agricultural development, poverty reduction, tourism cooperation, and initiatives to improve the well-being of its people's livelihood. It also encompasses people-to-people exchanges and financial partnerships. After years of development, the CPEC has significantly enhanced economic and cultural ties between China and Pakistan, serving as a critical example of regional economic and cultural cooperation. The complicated international and regional landscape between both countries shows an urgent need to address potential risks and challenges of the CPEC project, ensuring a high-quality model is implemented within the Belt and Road Initiative (Sun & Wu, 2022).

### **Table 1: Completed Energy Projects Under CPEC**

<b>PROJECT NAME</b>	<b>AMOUNT OF POWER</b>	<b>ESTIMATED COST</b>
Sahiwal Coal-fired Power Plant	1320MW	1912.2 million USD
Coal-fired Power Plant at Port Qasim Karachi	1320MW	1912.2 million USD
China Hub Coal Power Project, Hub Balochistan	1320MW	1912.2 million USD
Engro Thar Coal Power Project	660MW	995.4 million USD
Quaid-e-Azam Solar Park (Bahawalpur)	1000MW	1301 million USD
Hydro China Dawood Wind Farm, Gharo, Thatta	50MW	112.65 million USD
UEP Wind Farm, Jhimpir, Thatta	100MW	250 million USD
Sachal Wind Farm, Jhimpir, Thatta	50MW	134 million USD
Three Gorges Second and Third Wind Power Project	100MW	150 million USD
Matiari to Lahore +/- 660 KV VYDC Transmission Line Project	4,000 MW Evacuation Capacity	1658.34 million USD
Karot Hydropower Project	720MW	1,720 million USD
HUBCO Thar Coal Power Project	330MW	497.70 million USD
SSRL Thar Coal Block-I 7.8 mtpa & Power Plant (Shanghai Electric)	1320MW	1912.2 million USD
HUBCO ThalNova Thar Coal Power Project	330MW	497.70 million USD

*Source: CPEC Secretariat. Ministry of Planning, Development, & Special Initiatives.*  
<https://cpec.gov.pk/energy>

**Table 2: Gwadar Completed Transport Infrastructure Projects Under CPEC**

<b>PROJECT NAME</b>	<b>LENGTH</b>	<b>ESTIMATED COST</b>
KKH Phase II (Havelian – Thakot Section)	120km	1,315 million USD
Peshawar-Karachi Motorway (Multan-Sukkur Section)	392km	2,889 million USD
Orange Line Metro Train – Lahore	27km	1626 million USD
Cross Border Optical Fiber Cable (Khunjrab – Rawalpindi)	820km	44 million USD
Pilot Project of Digital Terrestrial Multimedia Broadcast (DTMB)		4 million USD
Hakla – D.I Khan Motorway	297km	122,181 million USD

*Source: CPEC Secretariat. Ministry of Planning, Development, & Special Initiatives.*  
<https://cpec.gov.pk/infrastructure>

**Table 3: Gwadar Completed Projects Under CPEC in Gwadar District, Balochistan**

<b>PROJECT NAME</b>	<b>ESTIMATED COST</b>
Development of Port and Free Zone	300 million USD
Gwadar Smart Port City Master Plan	4 million USD

Pak-China Technical and Vocational Institute of Gwadar	10 million USD
Gwadar Eastbay Expressway	179 million USD
Pak-China Friendship Hospital	100 million USD
1.2 MGD Desalination Plant	12.7 million USD

*Source: CPEC Secretariat. Ministry of Planning, Development, & Special Initiatives. <https://cpec.gov.pk/gwadar>*

## **GEOPOLITICAL DYNAMICS OF THE CHINA-PAKISTAN ECONOMIC CORRIDOR**

Beijing's interest in the China-Pakistan Economic Corridor (CPEC) was underpinned by its ambition to improve the development of trade activities in every region globally. This was shown when President Xi Jinping promoted the trade networks connecting China to Europe until Central Asia, and these roads were under three different corridors: northern, southern, and central (Khursheed et al., 2019). In addition, it will give access routes from China to Pakistan and Russia until Europe. This route has proven China's purpose in developing the corridor of Bangladesh-China-India-Myanmar (BCIM), which could connect the non-coastal province of China (Khursheed et al., 2019). CPEC was created as a long-term plan for the Chinese government to create trade routes between China's neighbouring countries. CPEC will be crucial in creating peace and building cooperative relations. This was reported when China planned on having effective diplomacy on Afghanistan through CPEC by showing its interest in Kabul regarding economic transport and the departure of the United States military forces (Khursheed et al., 2019).

Geopolitics is a term used as a framework to understand international politics, and it has been used since ancient Greece. Geopolitics will keep on changing and going through a dynamic process every year. At the same time, CPEC geopolitics will be focused on economic aspects. In addition, Don McLain Gill (2019) stated that Pakistan's poor infrastructure and limited financial resources caused the geopolitics of CPEC. As a result, every funding for this project will be covered by China without knowing whether Pakistan will pay back the loans. That is why this project needs to maximise its role as an agent of regional economic integration, hoping that at least this project can provide equal benefits for both parties. From the geopolitics perspective, it has been said that China's and Pakistan's role in engaging the CPEC project in the Indian Ocean has fulfilled both states' national interests.

Since Pakistan sits between the regional geopolitics dynamics of China's rising economy and its ambitious hegemonic India, Islamabad's domestic and foreign policies are affected. Based on historical issues, Pakistan has complicated relations with its neighbouring countries besides China (Hussain et al., 2022), such as its trust issue regarding the deficits with Afghanistan, Pakistan's conflict with India, high tensions with the United States, and disagreements with Iran. Thus, it has created several controversies and fundamental dynamics throughout regional geopolitics. However, with the presence of CPEC, China aims to achieve Pakistan's stability and spread economic trade engagement. Although Pakistan's regional economy is not equivalent to China's, its rich energy resources will provide security lines for China to encounter ambitious hegemonic India. Through this, Beijing will influence every state in South

Asia and the surrounding region to engage in friendly relations with most regional countries.

Critical geopolitics focuses on collaboration, cooperation, strategic alternatives, and regional integration, while classical geopolitics focuses on the geopolitical rivalry between Rimland and Heartland theories (Hussain et al., 2022). The Belt and Road Initiative and CPEC are incorporating the new phenomenon of the theories of Heartland and Rimland, which will go through the first trade routes that connect the North with the South, East, and West regions. CPEC was formed to address regional issues and transform strategic rivalries into strategic alternatives and regional integration. Both theories are connected with the two main points of the Belt and Road Initiative. Heartland theory refers to the Union of the Soviet Socialist Republic (USSR), Afghanistan, Iran and the western part of China. At the same time, Rimland is the wealthiest and most prosperous land in the Euroasia continent, starting from Western Europe to West Asia, Pakistan, India, East Asian regions, China's coast area, and the Far East of Russia (Chih-Chung, 2016).

### **BEIJING AND ISLAMABAD'S INTEREST IN THE CHINA-PAKISTAN ECONOMIC CORRIDOR**

One of the main reasons Beijing keeps maintaining its good relations with the Middle East countries, especially by choosing Pakistan as its partner in the China-Pakistan Economic Corridor (CPEC) project, is because the Middle East has become the world's biggest oil reserves producer and the world's most top listed supplier of crude oil (Khursheed et al., 2019). Every trade route passes by the most critical choke point, the Malacca Straits and every transporter has dragged for over 10,000 nautical miles to the stations of the southeast and China's east shore (Khursheed et al., 2019). CPEC will allow China to access every trading route in the Middle East and other dominant regions with substantial oil-supplying markets. Not just allowing China, but CPEC will also give opportunity to China as a rising state in its industrial and private sectors that will be integrated with the world's fastest emerging economy, Pakistan. Beijing will continue to rely on the Middle East regarding its oil supplies.

CPEC will allow China to optimise technological advancements and improve its cooperation in exploring mineral and biological resources to promote China's significant manufacturing structure. If China could maintain its economic growth and spread its influence, Beijing would engage in the free-trade zone business effectiveness to keep the energy industry moving forward. CPEC is considered to enhance China's economic flourishing and its Belt and Road Initiative project to give access to the Kashgar economic zone and ocean (Khursheed et al., 2019). Furthermore, CPEC will transform every region into an inland port for integration, and China will be known as the world's second-largest country in this development era. Beijing also has a promising future, and understanding Pakistan's relationship with the Middle East Muslim countries is good. This investment project will benefit China more and profitably than Pakistan.

Besides its role as the second largest trade companion for Pakistan, China is also a massive investor in telecommunications, energy sectors, ports and infrastructure, this is proven how China and Pakistan shared the equivalent profit in the CPEC project.



In Pakistan's Foreign Direct Investment (FDI) sector, the Chinese government has invested over 30 billion USD and 20 billion USD in energy (Memoona, 2014). CPEC has made Pakistan the first transfer centre of the world's leading economy among all South Asian countries. Islamabad is having issues with energy shortfalls and limited trading with its abrupt neighbours. The presence of CPEC will simplify the movements for every trade activity and service in the region and help transform Islamabad's rivals into stakeholders in maintaining stability and peace throughout Central and South Asia. At last, CPEC will boost Pakistan's economic development to move ahead of its enemy, India.

In addition, CPEC will enable Pakistan to connect with a country that is the centre of natural resources, Tajikistan. Specifically, it was part of the Soviet Union. Tajikistan shares borders with China, Afghanistan, Uzbekistan and Kyrgyzstan. The development of CPEC will separate the Wakhan Corridor from Pakistan. It will also give access to Pakistan going through Gilgit-Baltistan, connected to Central Asia and China, which will lead Pakistan to the world's leading economic future (Khursheed et al., 2019). CPEC will also increase the revenue from the transport infrastructure, and the plan was to make CPEC a transportation project that will be the centre of import and export from Gwadar to China and China to any other regions. The cable project of the international communication networks from China to Islamabad has reached a total funding of 44 million USD that China paid. Several times ago, it was reported that CPEC generated revenue from 1.5 billion USD to 1.9 billion USD and was estimated to reach 5 billion USD in 2022. This massive revenue would raise Pakistan's economy (Khursheed et al., 2019).

## **CHALLENGES OF THE CHINA-PAKISTAN ECONOMIC CORRIDOR**

This project aims to improve Pakistan's economy and help elevate the challenges posed by political extremists, radicals, and jihadists (Zhiqin & Yang, 2016). Both China and Pakistan have the same belief that economic development will help stabilise Pakistan and increase its domestic security situation. However, Beijing cannot deny the risks and uncertainties of security, politics, and culture in facing the economic corridor. The first risk stated by China is the terrorism issue, which has been Pakistan's long-term security and stability issue (Zhiqin & Yang, 2016). Although Islamabad has been working hard to refuse every extremist action and any terrorism, the problem with terrorism is still not reducing in the country in recent years. Because of the CPEC construction location and technical project, this could be the target for the religious and extremist nationalists. News has reported that there have been several attacks on Chinese engineers working in Pakistan, and some of them even lost their lives (Zhiqin & Yang, 2016).

Second is Pakistan's domestic political situation, which is crucial for the CPEC project's success, but the problem is that Pakistan's political system has never been stable (Zhiqin & Yang, 2016). Their politics and military forces were shaken by the political power oscillating between military and civilian. On the other hand, several parties in Pakistan did not agree with the CPEC transportation routes which should be mapped out (Zhiqin & Yang, 2016). Every competing party strengthened its position and hoped that CPEC would pass through the region it represented. This will enable local communities to enjoy the benefits of CPEC. Still, the fact is that the debate over CPEC has caused some delays, and there is no further discussion on whether Pakistan's

political parties will keep on competing, which will affect CPEC's future implementation. CPEC was not only designed for railways and construction but it was used to finance and trade cooperation. The slowdown market and high unemployment rates in Pakistan have lowered the barriers to foreign investment.

For now, the certainty of CPEC will remain unclear for Pakistan's security and stability problems. In other aspects, cultural considerations and public relations should be concerned with the prospects of CPEC's economic success because of their cultural differences and the fact that citizens were unfamiliar with them. Although their political leaders have been working on building a close relationship with both countries, this strategy has not reached their society's diversity. Over time, China and Pakistan's relations will continue to expand, and many Chinese corporations will invest in Pakistan. Their different cultural and national values could lead to misunderstanding, and then, at last, it could affect CPEC's ongoing projects. CPEC also could trigger conflict tensions within provinces because of Pakistan's military support for the Islamist militants and their political fronts to protect jihadist proxies (Zhiqin & Yang, 2016). If these issues were still going on in the coming years, there would be a possibility that the Chinese patience may be waning because of the jihadist proxies.

Besides that, in terms of finance, Pakistan has lost approximately more than 123 billion USD (Ali, 2020). This has impacted Pakistan's exports and prevented their foreign inflows, leading to the expansion of production. The expansions include additional costs for the tourism industry, security, and reconstruction of damaged infrastructure. The war that Pakistan has to go through has claimed the lives of hundreds of thousands of Pakistanis and led to an economic downturn, and this has become a tough challenge for Pakistan to rise, especially in providing security for Chinese who work in the CPEC. Making additional military security for CPEC safety will increase the cost of the CPEC project, and this discourse could lead to militarisation throughout the corridor (Ali, 2020). The military has a dominant power in Pakistan, and it could become the primary beneficiary of CPEC with other economic trade that Islamabad will hold on to. Pakistan's internal problems that have resulted in bad relations between provinces in their country have also become an obstacle for their government in carrying out this CPEC.

Pakistan needs to address another thing in the financial sector: its foreign debt. Suppose Islamabad wants to maximise the potential of the current Chinese investment. In that case, Pakistan's stakeholders need to do a structural reformation in paying out their debts to finance these colossal projects of CPEC. From the data stated by the World Bank, it was estimated that Pakistan's total exports have reached more than 88 billion USD (Younus, 2021). By this, Islamabad could boost its exports to the United States and China to resolve their debt crisis. Additional earnings that they will earn from these exports could expand their economic ecosystem and open up new sectors. In this case, both the United States and China would be interested in implementing their investment more in Pakistan, knowing that the stakeholders and government are willing to reform their economy inwardly.

## **ECONOMIC IMPACT OF THE CHINA-PAKISTAN ECONOMIC CORRIDOR**

The economy was the main agenda of the CPEC project in enhancing trade transportation routes from every region. Economic corridors are underpinned by the framework of transportation from one country to another by connecting them with economic centres (Khursheed et al., 2019). When the corridors were expanding, there would be an increase in investment and multilateral trade. Economic corridors will provide the network for demands to supply goods, products, or services. There will be several policies in each corridor according to their geographical position. For instance, the CPEC is a multidimensional project estimated to need a 60 billion USD budget with an 18.1 billion USD domestic share (Khursheed et al., 2019). For Pakistan, CPEC aimed to supply 80% of electricity to the country and create 700,000 jobs to reduce unemployment in Pakistan. However, there will be some changes in the interest rates and payment terms depending on how smooth the CPEC projects go ahead (Wheeler, 2017).

CPEC aimed to strengthen the economic ties between China and Pakistan using the safest and shortest route, the 12,500 km transportation shipping route from China's trade to the Persian Gulf and crossing through the world (Khursheed et al., 2019). The Chinese government hopes that CPEC will lift Pakistan's economy and engage its infrastructural and social development through trading and other economic activities. At the end of 2013, CPEC was designed to evacuate the energy crisis in Pakistan by generating power from Port Qasim, Sahiwal, and Quaid E-Azam Solar Park (Khursheed et al., 2019). The framework of CPEC was also designed for long-term sustainability in developing the country's economic, social, environmental and security sectors. Improving the local micro-lending will substitute CPEC payment and benefit the country's economic and social sustainability. Enhancing the continuity of CPEC would benefit communities and investors to invest in this project and ensure obedience from every stakeholder regarding the CPEC projects. If China and Pakistan could manage to secure it, it could lead to higher investment standards.

The CPEC framework signed between China and Pakistan was written for more than 46 billion USD (Mirza et al., 2019). CPEC investment is considered the future Foreign Direct Investment (FDI) industry. The flow of FDI ahead is based on the economic growth scenario today. CPEC was added to the flow of FDI. Through this, the scenario of FDI growing rates started from 39.86%, 20.50%, and 39.84% for industrial and commercial series. Besides that, Pakistan is predicted to have a high Gross Domestic Product (GDP) growth rate because of the CPEC project. Islamabad envisioned a growth of 8% in its GDP from 2018 until 2025 (Mirza et al., 2019). CPEC will at least add 2.5% to the current amount of GDP. This will result in increased energy consumption from the CPEC economic activities (Mirza et al., 2019). Currently, China will rethink its economic policy to maintain its growth over the past decades and become the most integrated South Asian country with its infrastructure that connects China to the ports of the Indian Ocean. This infrastructural investment was designed to maintain both countries high growth economic rates and well-being of the country's economy.

## **STRATEGIC IMPLICATIONS OF THE CHINA-PAKISTAN ECONOMIC CORRIDOR**

The China-Pakistan relationship has advanced the world economy components and maintained China's position as a great power in South Asia. This bilateral cooperation

has brought several strategic implications to their relationship. China's transformation to work with Pakistan and build economic cooperation has examined Beijing as one of the actors in the tension between Islamabad and New Delhi. Beijing's courage to invest in Pakistan in the long term can be explained in three ways (Schewemlein, 2019). First, to promote China's attractiveness as a good partner. Second, to prove that the Chinese economic development model can be exported. Lastly, it uses Pakistan as an object of its strategic competition with its rivals, the United States and India. Furthermore, the increased number of Chinese in Pakistan can lead to a crucial threat that is caused by Islamabad concerning India. This would happen if China kept on expanding its military position in Pakistan or if Islamabad did not limit the use of militant proxies.

The success of the CPEC project will be determined by both the country's policy and geopolitical dynamics. However, currently, China's investment is still threatened by Pakistan's unstable politics and ongoing economic support on terrorism (Schewemlein, 2019). Thus, it will make the United States take action by offering help to Pakistan to show them how to use the Chinese infrastructure to grow its economy, which will improve and stabilise Pakistan's political situation. But if Washington started to take over, this could create severe tension and break down the existing relationship between Beijing and Islamabad. Despite the possibility of challenges coming ahead, this strategic cooperation has now reached a mutual profit for both countries, in becoming interdependent after the declaration of CPEC and the United States' attitude in ignoring Pakistan's contribution to the War on Terror. To advance the development of CPEC, economic activity between the two countries must continue in the current world-era.

Besides the strategic implications for CPEC, there are also geopolitical implications, as CPEC's geo-strategic location is based on the geopolitics of the Indian Ocean. The situation in the Indian Ocean has changed since the 1960s when countries on its coast were dragged into a geopolitical conflict. This is due to the rich natural resources in this area, where more than 50% of the world's oil trade and 32.3 million barrels of crude oil and petroleum pass through the Indian Ocean route (Khan, 2022). Not to mention that China dominates imports in this trade. The Gwadar port will help China to develop its maritime trade to gain access to the Middle East, and CPEC will reduce 85% of its travel to the Middle East (Khan, 2022). This strategy aims to provide energy security for China to avoid the unstable water of the South China Sea and East China Sea due to the sea traffic and pirate attacks in the area.

CPEC is expected to develop opportunities for the West and also develop China's investment. However, since then, some scholars assumed that CPEC is a strategic investment made by China to escalate its power in Asia. Knowing how the development of Gwadar Port by Pakistan under the surveillance of CPEC will provide China with a base for its navy in the Indian Ocean, which is close to the Persian Gulf (Khan, 2022). Gwadar port is known for its strategic location, which connects South Asia, Central Asia, and the Middle East, on the opposite side of the Persian Gulf and the Strait of Hormuz (Khan, 2022). In this case, Beijing knows that the Persian Gulf is under the hands of the United States, which makes it politically unstable. Beijing does not want to intervene in any economic activities in the Arabian Sea to prevent conflict with Washington.

More than that, since the visit of Pakistan's Prime Minister, Nawaz Sharif, to Beijing in 2014, there are four significant assumptions about the strategic significance of the China-Pakistan Economic Corridor (Ahmar, 2014). First, it will help Pakistan to defend its under-developed cities, knowing that CPEC would give Islamabad access to billions dollars of investment from China. Second, this project will connect the two countries as it will become the source of economic routes for China's goods shipped to Europe, Africa, and the Middle East through the Gwadar Port. Third, CPEC will connect the East, South, and Middle East. Moreover, the CPEC project will strengthen the friendship ties between Beijing and Islamabad. It will allow China to overtake and beat the United States as the world's first economic power, as this was also the primary goal of Beijing in the CPEC project. Over the years, China has been planning to gain its influence throughout Asia and the Middle East, while in the CPEC, it is China's game to take advantage of Pakistan's strategic location.

## CONCLUSION

To make the China-Pakistan Economic Corridor (CPEC) project go well, Beijing needs to leave aside its traditional way of communicating with the Islamabad stakeholders and leaders. CPEC is one of the opportunities for Pakistan to refurbish the country's economic growth and help foster its relationship with neighbouring countries through cross-border energy cooperation. Recently, Islamabad has eliminated the number of terrorists to have a more friendly relationship with China. Both countries must recognise that each will receive an equal profit to reach each other's strategic interest in the project. The bilateral relationship between Beijing and Islamabad shows they needed each other to support their domestic issues and interests. Either China who relies on Pakistan for its economic and strategic ambition, or Pakistan also depends on China for its military and economic support.

Overall, the CPEC will enhance China's bilateral trade with Pakistan and every country in the Middle East. This region is rich in resources in the sea routes where most of their industrial activities are located. Chinese involvement in the Middle East infrastructure and ports will enable China to use its ports and facilities for its naval assets. The CPEC project, connected with the nation-building process, attempted to create a homogenous space but created several fractured spaces because of their regional ambitions. For Pakistan, CPEC allows them to expand their military influence. The Chinese government will facilitate the process of Islamabad's military decision-making. It can be seen from both cooperations that CPEC would not have been possible without both countries' common interests. CPEC is considered the most potential agreement in bilateral relations between two states. Furthermore, CPEC can potentially enhance the region's new employment and economic opportunities.

There were no doubts that CPEC would significantly positively impact Pakistan, China and even the South Asian region. Knowing how Pakistan started as a country facing several internal and external challenges with their economic decline, Beijing came across to over a multi-billion dollar investment. CPEC offers balanced profit to China and Pakistan, considering the corridor would unite their trading activity and increase energy supply routes through Pakistan and its neighbouring countries. Islamabad gives shorter access for Beijing to send their goods and a more effective routes. In this case, it needs to be ensured that the implementation of CPEC should be

done appropriately so that it will result in a strategic transformation in the region. These significant impacts have led their old allies, the United States and Middle Eastern countries, to flee Pakistan. Therefore, the CPEC offers Islamabad and Beijing an economic deal that will benefit their relations and maintain their national interests without being concerned about the political tension between India and the Indo-Pacific region.

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